

NEXT GEOSOLUTIONS EUROPE SPA GROUP

Registered office: VIA S.BRIGIDA, 39 NAPLES (NA)
Entered in the Register of Companies of the Chamber of Commerce of NAPLES
Fiscal code and registration number 05414781210
Registered in the E.A.I. with no. 752588 NA
Subscribed share capital € 500,000.00 Fully paid up
VAT number: 05414781210

Report on Operations

Consolidated Financial Statements as at 31/12/2022

Dear Shareholders, the notes to the financial statements provide information regarding the financial statements as at 31 December 2022; in this document, in compliance with the provisions of art. 2428 of the (It.) Civil Code, we provide you with information concerning the situation of Next Geosolutions Europe group (hereinafter also referred to as the "Group") and information on its business outlook. This report, prepared with values expressed in units of Euro, is presented together with the consolidated financial statements in order to provide income, equity, financial and managerial information of the Group accompanied, where possible, with historical elements and prospective assessments.

Macroeconomic Scenario

While in 2020-2021 the pandemic, the climate crisis and inflation were the main topics for governments and businesses around the world, 2022 was strongly characterised by the outbreak of the Russia-Ukraine conflict, which disrupted many governmental plans and strongly influenced the global economy, with the main fallout being felt in Europe and in particular in the energy sector, as well as, of course, in the military sector. In fact, the strategic game of war is also being played out heavily on the energy front, forcing many countries and the EU as a whole to review, often accelerating, their infrastructure plans for energy transition and independence.

In general, international trade in goods and services by volume, which increased by 10.4% in 2021, has more than recovered its pre-pandemic levels. International demand for goods and services grew by about 5.4 % this year while it is expected to slow down to 2.3 % in 2023.

The high level of inflation and the uncertainty over the development of the aforementioned conflict are characteristic elements of the current international scenario and are slowing down world economy, which is therefore expected to decelerate this year and next.

The situation in Europe

In the euro area, the GDP grew by about 0.2 % at the end of the year, slowing down compared to previous months. At the national level, the GDP trend showed a general improvement characterised by different intensities: +0.5% in Italy, +0.4% in Germany and +0.2% in France and Spain.

The recovery of pre-crisis activity levels appears to be generalised across countries, albeit at different levels of intensity. If we compare the value of the GDP in Nov. 2022 with the average of 2019, Italy showed a marked improvement (+1.3%), higher than the main European economies (+1.0% France, +0.4% Germany and -1.6% Spain). In the euro area, inflation slowed down for the first time in November, to 10.0% from 10.6% in October.

According to the European Commission, the recovery in production rates is thought to lead to a significant increase in the euro area's GDP in 2022 (+3.2 %), but it is believed that this will be followed by a marked slowdown in 2023 (+0.3 %).

Last year, the exchange rate stood at USD 1.18 per euro, while 2022 saw a gradual depreciation of the euro to USD 1.06. According to this forecast, the value could fall further to 1.04 in 2023. Brent crude oil prices, which stood at USD 70.7 per barrel last year, show a sharp rise this year and then partially decline in 2023 (USD 103.7 and USD 86.0, respectively).

The economy in Italy

In 2022, the expansion phase of the Italian economy continued, its level far exceeding the pre-crisis level. The increase in GDP was supported almost entirely by domestic demand, which, net of stocks, made a positive contribution (+1.6%), while net foreign demand made a negative contribution (-1.3%), associated with a strong increase in imports (+4.2%) and only a marginal improvement in exports (+0.1%).

In November 2022 inflation stood at 8.1% and inflation, excluding energy goods, at 4.1%. Corporate spending on investments also showed a deceleration, also influenced by the worsening mark-up.

In the coming year, assuming a deceleration of energy commodity prices, it is thought that the favourable investment trend, also supported by public investment related to the implementation of the Italian National Recovery and Resilience Plan (PNRR), will be the main driver of the economy, while it is thought that net foreign demand will still make a negative contribution.

It is believed that, in 2022, the GDP shows a further improvement (+3.9%), mainly driven by domestic demand. The expansionary phase of the Italian economy will decelerate in 2023 when the GDP will increase by 0.4%, sustained almost entirely by the contribution of domestic demand (+0.5%), while net foreign demand will make a slightly negative contribution (-0.1%).

In this scenario, the trade balance is expected to remain in deficit in 2022-2023 (-1.1% in both years).

Reference context

As mentioned above, the year 2022 was mainly characterised by the Russia-Ukraine conflict, which, together with the other factors mentioned earlier, affected the entire global economy and especially that of the European continent, with particular reference to the energy sector, which is where Next Geosolutions operates.

As a result of the restrictive measures in the energy field linked to the aforementioned conflict, which is still ongoing, several European countries and the European Union itself have launched and/or intensified initiatives and investments aimed at fostering energy transition and independence, also in order to strongly reduce Europe's dependence on Russian energy sources, which are based almost exclusively on fossil hydrocarbons (petrol and, above all, gas).

Against this backdrop, Next Geosolutions had the opportunity to consolidate its market position in its three core energy sectors: submarine power cables (known as "interconnectors"), offshore renewable energy ("renewables/wind") and the traditional offshore oil & gas market, all of which are trending upwards, albeit at different growth rates.

In slight but steady recovery is the Offshore Oil & Gas sector, after more than a decade of substantial stagnation. In this context, in 2022 Next Geosolutions completed work begun the previous year on what are the largest subsea gas transport infrastructures currently active in the Mediterranean, namely the TAP (Trans-Adriatic Pipeline) pipeline between Albania and Puglia, which serves to supply Italy with gas from Azerbaijan, and the TMPC (Trans-Mediterranean Pipeline Company) pipeline, which transports Algerian gas between Tunisia and Sicily.

Also in this area, even more significant was the geomorphological and environmental survey project carried out for ENI Cyprus off the island of Cyprus in a joint venture with HPC Italy and other local companies. This assignment, in fact, represented an opportunity to work on a new hydrocarbon production field, which was also widely publicised in the media (ICronos, Zeus and Perseus wells), thus testifying to Next Geosolutions' participation in the resumption of investment in this sector.

However, the Offshore Oil & Gas sector remains the smallest of the three markets, i.e. with respect to the production of renewable energy at sea, with particular reference to offshore wind farms (OWFs), and the transport of electricity by means of submarine power cables, both interconnecting various countries and/or islands and those related to the development of the aforementioned OWFs.

Looking at this latter sector, it has been recorded that the market for submarine power cables (especially high voltage ones) will reach USD 22.00 billion in 2025, thus registering an annual growth rate of over 11%. As illustrated above, this increase is strongly driven by the growing need for interconnections between national electricity grids, for both economic and geopolitical reasons, and the increasing demand for energy generated by offshore plants using renewable energy sources.

In this scenario, the Group was once again heavily involved in contributing to the construction of important submarine electricity interconnection infrastructures, providing strategic support services that saw the heavy involvement of the Group's naval units, such as: geophysical and geotechnical surveys, surveys for the search and identification of unexploded ordnance on the seabed (UXO survey), "front preparation" activities, i.e. preparatory activities for the laying of submarine cables, and other similar services.

More specifically, the projects that featured most prominently in 2022 in this area are the Elba-Piombino link for Prysmian and end customer Terna, and the Tyrrhenian Link East between Campania and Sicily, again for Prysmian and with Terna as the end customer, the latter of which is still under construction, with the simultaneous deployment of three offshore vessels plus other smaller vessels in the coastal landing areas of the cables.

However, the area of greatest commitment in 2022, with a turnover share of more than 50%, was renewable energies, which currently consist almost exclusively of offshore wind farms.

In this regard, it is worth mentioning that, with already considerable growth over the last five years, analysts predict further exponential development of this sector globally until at least 2030, with an expected average annual growth of 15.7%. Excluding countries such as China, the USA and other South-East Asian countries, most of this development will take place in countries such as Germany, the UK, the Netherlands, Denmark, Ireland, Poland, Belgium, France and Norway. In Italy, too, this development is expected to grow significantly, although to a lesser extent than in the countries mentioned above.

In this area, the work that most characterised the company's operational activity in 2022 was as follows: the two voluminous and complex multi-year contracts with TenneT (the Dutch national grid operator) for the implementation of their national offshore wind farm programme, which started in 2020 and will continue for at least another two years, the geophysical and geotechnical survey contract (still ongoing) on the Italian offshore windfarms Hannibal and Scipio on behalf of the client COP (Copenhagen Offshore Partners) and its partners (7SeasMed, Ichnusa, Eni, CDP), the contract for geophysical and environmental surveys on three offshore windfarms in Puglia and Calabria on behalf of the client Falck Renewables (now Renantis) and their Spanish partners BlueFloat, and, lastly, the contract for UXO and environmental surveys in the Polish sector of the Baltic Sea on behalf of the German developer RWE (the second largest global developer after Orsted), in partnership with the University of Gdansk in Poland and other minor local companies. Next Geosolutions is strongly committed to consolidating the already excellent relationships of trust and collaboration with all the above-mentioned international customers, with the intention of increasing the order portfolio with new work, also in other areas of the globe where they operate.

Geographically, Next Geosolutions' main areas of operation remain the North European seas, i.e. the North Sea, the Baltic Sea and the Eastern Atlantic Ocean, and of course the Mediterranean Sea, with a special focus on the Baltic Sea and Eastern Mediterranean areas, the former being particularly promising for offshore wind farms and the latter for the oil & gas and submarine cable markets.

In general, the commercial and business development efforts have further consolidated the company's position in the national and international market, establishing it as the leading Italian company in the sector and as an international contractor of reference for all major industry operators: from national grid operators throughout Europe, i.e. TSOs (Transmission System Operators), to companies developing offshore wind farms, known as "Developers", to companies specialising in the construction of offshore wind farms and/or the installation of submarine cables.

As we have seen, also in the field of offshore oil and gas, Next Geosolutions has maintained a prominent position, actively participating in the construction of the most important European energy infrastructures of the moment and in the resumption of investments on new offshore hydrocarbon fields.

Also worth mentioning is the positive expansion of the customer base, with the entry of new prestigious international companies, such as COP, Renantis/BlueFloat, and RWE.

As far as new investments are concerned, in addition to the acquisition of new and sophisticated surveying instrumentation, all financial, technical, operational and R&D efforts aimed at the realisation of the two largest investments for the two-year period 2022-2023, namely the NG Driller deep drilling geotechnical vessel and the HS-ROV Superior high-speed ROV.

Both of these long and demanding development and deployment programmes were launched in 2022, but will reach their full economic impact and full development and deployment in the years 2023/24. The former will make it possible for the group to expand its economic offer to a complementary and very promising but hitherto uncovered sector, i.e. deep geotechnics, and to strongly increase its competitiveness in the 'traditional' sector of geophysical survey and UXO with the use of high-speed ROV, currently available to only two other competing contractors globally.

In order to cope with this development and the increased complexity and size of the projects, the acquisition campaign for new personnel in various sectors, and particularly in the technical-operational sector, continued in 2022 and is expected to continue in the coming years.



The Group's values

Assumption of responsibility

Constant commitment to achieving concrete results, without delegating the problems that can be solved within one's own area of competence upstream.

Innovation

Developing innovative solutions and promoting new ways to improve existing processes and systems, in order to strengthen the Group's positioning on the market.

Customer

The Group considers the customer and their satisfaction an essential value. Being available to listen to the customer, so as to anticipate and quickly respond to its needs.

Proactivity

Being proactive by anticipating and affecting events. Seizing and developing opportunities that arise within the reference business and formulating proposals and initiatives that are useful to the pursuit of purposes.

Integration

Working in a "team" with team spirit, thus minimising conflicts and maximising the effectiveness of exchanging information in the pursuit of a common result. The "team" represents the greatest and most valuable resource of the Group.

Transparency

Ensuring typically correct business conduct; maintaining correct and loyal, internal and external, relations by promoting the circulation of information.

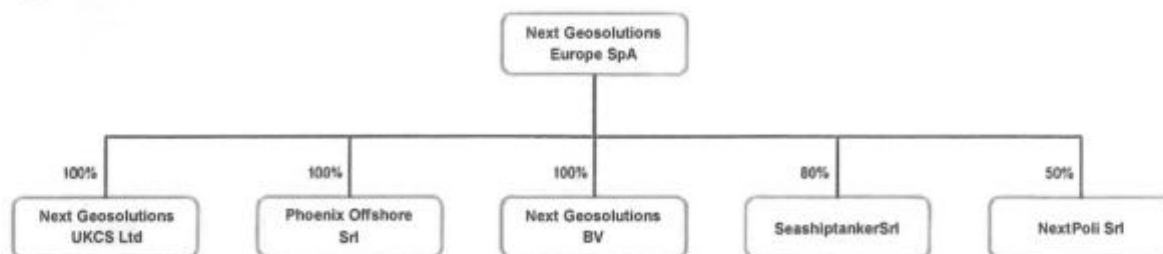
Excellence

Developing skills continuously by taking responsibility for a project of own professional growth in order to contribute to the success. Care for quality and attention to safety are elements that have always distinguished the Group.

Group information

The Group operates in the sector of international marine geoscience and offshore construction support services, combining the knowledge, experience and resources of teams and individuals with over 30 years of success in the offshore industry with advanced technical and operational capabilities.

The structure of Next Geosolutions Europe group is shown below in graphic form:



The following table summarises information as at 31 December 2022 on the name, registered office, share capital and shareholding in the share capital held by Next Geosolutions Europe SpA Group:

Company	Registered office	Consolidation method	Currency	Capital (local currency units)	Shareholding percentage
Subsidiaries					



Next Geosolutions Europe SpA	Naples - Italy	Line-by-line	Euro	500,000	Parent company
Phoenix Offshore Srl	Naples - Italy	Line-by-line	Euro	10,329	100%
Seashiptanker Srl	Naples - Italy	Line-by-line	Euro	10,000	80%
Next Geosolutions UKCS Ltd	London - England	Line-by-line	Pound sterling	1,000	100%
Next Geosolutions BV	Ijmuiden - The	Line-by-line	Euro	20,000	100%
Jointly controlled companies					
NextPoll Srl	Naples - Italy	Proportional	Euro	10,000	50%

The Group also holds minority equity investments in the companies controlled by the parent company Finimm Srl and Marnavi Shipping Management India Pvt Ltd and in the consortia Area Tech, Cluster Blue Italian Growth and Mar.Te. Scavi.

Significant economic and financial data for the year 2022

The financial year ended 31 December 2022 showed a net profit of EUR 7,387,382, of which EUR 7,357,462 pertaining to the group and EUR 29,920 pertaining to minority interests.

In its assets, Next Geosolutions Europe Spa group has a total fixed asset value of EUR Euro 26,084,553.

Revenues from sales and services, amounting to EUR 52,616,554, are divided into the business categories below: 54% offshore renewables/wind, 30% submarine power cables (known as "interconnectors"), 10% offshore oil and gas and the remaining 6% in other activities. The breakdown of revenues by geographical area is as follows: 48% in Italy and 52% abroad.

Value of production, which includes the change in contract work in progress of EUR 12,739,901, amounted to EUR 67,224,698.

Income before financial management shows a positive difference between value and cost of production of EUR 8,377,043.

The Group's shareholders' equity amounts to EUR 20,030,963, net financial debt is EUR 19,385,682 and current assets exceed current liabilities by EUR 11,377,554.

The economic and financial figures above show the positive performance achieved by the Group during the financial year 2022.

Significant events

At a macro-economic level, the year ended 31 December 2022, as reported above, was characterised by the conflict, which is still ongoing, between Russia and Ukraine, which has led to and continues to lead to increases in prices, mainly of raw materials and energy, as well as interruptions and turbulence in the functioning of international trade chains, which at present have not impacted the Group's profitability.

The year 2022 represented for the Group the year of business consolidation and strengthening of the production structure as a result of obtaining orders with a multi-year duration within the identified geographical areas.

Sales revenue and production value are significantly high and the profitability indicators express the positive results of operations. EBITDA is 16% of the value of production while the net result is 11% of the value of production.

The resources generated by operations, in line with the Group's development strategies, were mainly committed to the following investments:

- Creation of a Drilling vessel through the development, realisation and implementation of a high-depth drilling system called Drilling Rig and purchase of a second hand vessel called "Sea Trout" and related structural modifications for the implementation of the above system.
- Realisation of FAST ROV Remotely piloted underwater vehicle capable of reaching higher than standard speeds.
- Construction of an ASV, a small vessel for nearshore marine surveys in autonomous mode.

- Investments in high-tech equipment and instrumentation.

From the point of view of the capital/financial structure, there is a substantial balance between equity and debt and between the maturity of financing sources and the duration of capital investments. In line with the major investment projects launched in the financial year, the group obtained medium- and long-term financing in the amount of EUR 10,600,000 in 2022.

The entrepreneurial project is still focusing on further business developments, for the type of services offered to various Customers and for increasing attention to research and development projects.

Assets/liabilities and financial position

In order to better understand the Group's assets/liabilities and financial situation, a reclassification statement of the Balance Sheet is provided below.

As permitted by the rules governing the preparation of consolidated financial statements (referred to in accounting standard OIC 17), the presentation of comparative data from the previous year is not required when preparing consolidated financial statements for the first time. Therefore, the following table does not show the comparative data for the previous year and the changes in the balances of the items during the year.

Balance Sheet Assets

Item	Financial year 2022	%
NET WORKING CAPITAL	96,498,478	77.74%
Immediate liquidity	10,248,608	8.26%
Cash and cash equivalents	10,248,608	8.26%
Deferred liquidity	25,857,527	20.83%
Receivables from Shareholders	-	0.00%
Short-term current receivables	23,732,597	19.12%
Short-term non-current receivables	-	0.00%
Tangible fixed assets held for sale	-	0.00%
Financial assets	-	0.00%
Accrued income and deferred expenses	2,124,930	1.71%
Inventories	60,392,343	48.65%
FIXED ASSETS	27,630,787	22.26%
Intangible fixed assets	2,449,547	1.97%
tangible fixed assets	23,392,832	18.85%
Financial fixed assets	242,174	0.20%
Medium-/long-term current receivables	1,546,234	1.25%
TOTAL ASSETS	124,129,265	100.00%

Balance Sheet Liabilities

Item	Financial year 2022	%
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Item	Financial year 2022	%
CURRENT LIABILITIES	85,120,924	68.57%
Short-term payables	83,457,655	67.23%
Accrued expenses and deferred income	1,663,269	1.34%
CONSOLIDATED LIABILITIES	18,977,378	15.29%
Medium-/long-term payables	16,858,163	13.58%
Provisions for risks and charges	811,541	0.65%
Employee Severance Indemnities	1,307,674	1.05%
SHAREHOLDERS' EQUITY	20,030,963	16.14%
Group shareholders' equity	19,970,392	16.09%
Group capital and reserves	12,612,930	10.16%
Profit (loss) for the year	7,357,462	5.93%
Minority shareholders' equity	50,571	0.05%
Capital and minority interest	30,651	0.02%
Result attributable to minority interests	29,920	0.02%
TOTAL SOURCES	124,129,265	100.00%

Main indicators of the assets/liabilities and financial position

On the basis of the previous reclassification, the financial statement indicators below are calculated:

INDICATOR	Financial year 2022
Financial dependence ratio	84%
financial independence ratio	16%
Current assets - current liabilities	11,377,554
Cash ratio	1.13
Fixed asset to equity capital margin	(7,599,824)
Long-term solvency ratio	0.72
Fixed asset to equity capital and medium/long-term debt margin	11,377,554
(Equity + long term liabilities) - fixed assets	1.41
Net financial debt (NFD)	19,385,682
NFD/Shareholders' equity	0.97
Net working capital	13,332,092

Economic situation

In order to better understand the Group's management result, a reclassification statement of the Income Statement is provided below.

Income Statement

Item	Financial year 2022	%
VALUE OF PRODUCTION	67,224,698	100%
- Consumption of raw materials	5,895,032	9%
- General expenses	41,808,038	62%
ADDED VALUE	19,521,628	29%
- Other revenues	1,868,243	3%
- Personnel costs	8,620,561	13%
- Provisions	-	0%
EBITDA	9,032,824	13%
- Amortisation, depreciation and write-downs	2,261,260	3%
CORE OPERATING RESULT (Net Operating Margin)	6,771,564	10%
+ Other revenues	1,868,243	3%
- Different operating charges	262,764	0%
INCOME BEFORE INTEREST AND SIMILAR	8,377,043	12%
+ Financial income	1,570	0%
+ Exchange gains and losses	(298,717)	0%
OPERATING RESULT (Earnings before interest and taxes)	8,079,896	12%
- Financial charges	643,058	1%
INCOME BEFORE ADJUSTMENTS OF FINANCIAL ASSETS AND LIABILITIES	7,436,838	11%
+ Value adjustments to financial assets and liabilities	-	0%
PROFIT BEFORE TAXES	7,436,838	11%
- Income taxes for the year	49,456	0%
NET PROFIT	7,387,382	11%



Main indicators of the economic situation

On the basis of the previous reclassification, the financial statement indicators below are calculated:

INDEX	Financial year 2022
ROE	37%
ROS	12%
ROA	7%
EBITDA	10,638,303

INDEX	Financial year 2022
NFD / EBITDA	1.77
EBIT	7,436,838
Net financial expenses / NFD	3%

Disclosure pursuant to art. 2428 of the (It.) Civil Code

The information specifically required by the provisions of art. 2428 of the (It.) Civil Code is detailed below.

Main risks and uncertainties to which the Group is exposed

Pursuant to the first paragraph of art. 2428 of the (It.) Civil Code, a description of the main risks and uncertainties to which the Group is exposed is provided below.

Market risk

Market risk consists of the possibility that changes in exchange rates, interest rates, or prices may have a negative effect on the value of assets, liabilities or expected cash flows. The Group's activities are mainly focused on the "Renewables", "Interconnector cables" and "Oil & Gas" markets, related to the environmental, telecommunications and energy sectors.

Exchange-rate risk

Exposure to the risk of changes in exchange rates derives from the company's operations in currencies other than Euro (mainly pound sterling - GBP - but also US dollar - USD) and affects the economic result due to the different value of costs and revenues in currency, in comparison to the time when the price conditions were defined (economic risk), and due to the conversion of trade or financial receivables/payables denominated in foreign currencies (transaction risk). The purpose of the Group's management is to minimise the economic and transactional exchange rate risk through a balance of the Group's internal currency balance, which is obtained through the redefinition of asset and liability contracts with customers and suppliers defined in foreign currencies (mainly pound sterling and US dollar).

Interest rate risk

Fluctuations in interest rates affect corporate profitability and the purpose of the Group's management is that of minimising the risk of interest rate fluctuations in the pursuit of profit targets. The Group analyses its exposure to interest rate risk on a dynamic basis, simulating its financing requirements and estimated cash flows in different scenarios, on the basis of economic expectations, existing positions and potential renewals, alternative financing, hedging policies and potential refinancing.

Credit risk

The credit risk represents the risk that one party, which assumed a monetary obligation, will not fulfil this obligation. This risk is evident, above all, in relation to trade receivables, cash and cash equivalents and in relations with banks and other financial institutions. Through careful monitoring of the credit situation, this risk, also taking into account the standing of customers, can be considered low.

Liquidity risk

Liquidity risk is the risk that the company is not able to meet payment commitments because of the difficulty of raising funds (funding liquidity risk) or liquidating assets on the market (asset liquidity risk). The consequence is a negative impact on the economic result in the event that the undertaking is forced to incur additional costs in order to meet its commitments or, as an extreme consequence, a situation of insolvency that jeopardises the undertaking's ability to continue as a going concern. The objective of the management bodies of the Group companies is to set up, within the framework of the "Company budget", a financial structure that, consistently with business objectives and the limits defined by the Budget (in terms of maximum percentage level of leverage and minimum percentage levels of the ratio of medium-long term debt to total debt and of fixed-rate debt to total medium-long term debt), guarantees an adequate level of liquidity for the Group, minimising the related opportunity cost and maintaining a balance in terms of duration and composition of debt. Through the credit system, the Group has maintained access to sources of financing at competitive costs despite the significant deterioration of the external reference framework, which led to a tightening of the credit market during the year and strong tensions on the spreads applied. Actions to implement the "Budget" made it possible to cope with the phases of most significant market turbulence, thus pursuing the purpose of a balance in terms of duration.

At present, through the diversification of sources and the availability of credit lines, the Group believes that it has access to financing sources that are sufficient to satisfy even unpredictable financial needs. In this regard, reference should be made to what is described and illustrated in the paragraph focused on financial statements analysis.

Operational risk

International operations

The activities carried out by Group companies in Italy and abroad are subject to compliance with the rules and regulations valid within the territory in which they operate, including laws implementing international protocols or conventions. The issuance of new regulations or changes to existing regulations could require the Group to adopt stricter standards, and this circumstance could entail costs to adapt the production structures or the characteristics of the services offered or even limit the Group's operations with a consequent negative effect on its growth prospects. In particular, in relation to activities carried out in countries other than Italy, in favour of foreign customers or with foreign suppliers, the Group's services could be subject to the application of sanctions and other protectionist regulations by States or the international community.

Environment, health and safety

In particular, the Group's activities are subject to compliance with current environmental, health and safety regulations. Failure to comply with the regulations in force entails penal and/or civil sanctions against those responsible and, in some cases of violation of safety regulations, against the companies, in accordance with a European model of objective corporate liability that has also been transposed in Italy (Legislative Decree no. 231/2001). Environmental, health and safety regulations have a significant impact on the Group's operations, and the charges and costs associated with the necessary actions to be taken to comply with these obligations will continue to be a significant cost item in future years. Particularly in Italy, recent legislation on occupational health and safety has introduced new obligations that impact on the management of the Group's activities and, in particular, on relations with stakeholders. In addition, the repercussions on liability allocation models are considerable. In particular, the legislation has emphasised the value of certified organisational and management models, attributing thereto an exemption of the company's administrative liability, in the event of violations of legislative provisions concerning occupational health and safety.

Litigation

The Group may be a party in civil and administrative proceedings and legal actions related to the normal course of its business. Based on the information currently available, the group considers this risk to be low.

Risk of business interruption related to the spread of infectious diseases

The spread on a global scale of epidemiological or pandemic emergencies affecting the population (i.e. COVID-19) may lead, in addition to a deterioration in the macroeconomic environment, to slowdowns in the Group's business activities, resulting from measures issued by domestic and foreign authorities, unavailability of personnel, difficulties encountered by customers and discontinuities in the supply chain. The management closely monitors the development of these phenomena and takes appropriate action to preserve the health of personnel and ensure the Group's operations. However, although the Group has put in place measures to ensure the protection of its employees and business continuity, it cannot be assured that these safeguards are fully effective.

The Group has processes in place to support the identification, management and monitoring of events with potential significant impacts on resources and the business, with the aim of maximising the timeliness and effectiveness of actions taken. This risk is low.

Risk of climate change

Climate change, environmental protection and the consequent evolution of the reference context may lead to the identification of risks for the Group and require preventive actions on certain types of processes and services to reduce their effects. The Group's activities, in order to ensure the transition to a low-emission economy, may be subject to transition and physical risks, with a possible impact on business processes, as well as on the services offered. Company sites and assets may also be affected by catastrophic natural events generated by the effects of climate change. The Group pursues an industrial strategy geared towards the continuous improvement of its systems and services to reduce energy consumption and atmospheric emissions, and adopts technical and organisational measures aimed at reducing its environmental impact. The management puts in place detailed and frequent monitoring and control of the infrastructures and facilities used, and has defined operational procedures for handling certain environmental emergencies (e.g., fire emergencies, flooding, etc.). This risk is low.

Cybersecurity

Companies are being called upon to face the cybersecurity risks arising from the continuous evolution of the cyber threat and the increase in its scope, also in the face of increasing digitalisation and the greater spread of remote working in companies. Information technology incidents, including in the supply chain, business interruption, personal data leakage and loss of information, even of strategic importance, can compromise the business and even the image of the Group, especially in the case of theft of confidential data. The Group manages cybersecurity through specialised processes, procedures and technologies for predicting, preventing, detecting and managing potential threats and for responding to them. This risk is low.

Main non-financial indicators

Pursuant to the second paragraph of art. 2428 of the (It.) Civil Code, we certify that, for the specific activity carried out and for better understanding of the Group's position, performance and operating results, the illustration of non-financial indicators is not deemed to be significant.

Disclosure on the environment

The year 2022 saw the mitigation but not the disappearance of the health emergency related to the spread of the Covid-19 virus. In order to continue to further streamline the management of this situation and the continued, albeit minimal, adoption of Remote working (or Agile working) for part of the workforce, Next Geosolutions Europe Group has continued to implement a series of safeguards, measures and activities aimed at ensuring the health of its employees, maintaining as much direct contact as possible with its associates.

As the emergency continued, the Group continued to take every measure to minimise the risk of the disease spreading and ensure a safe working environment. The security protocol was updated, and the committee dedicated to managing the current situation was confirmed, with various protocols, briefings and initiatives, including in subsequent revisions, to cover the situation on time;

- the evolution of the pandemic situation in the areas of interest of the Group's activities;
- the growing knowledge of the scientific community in relation to the problem and the related preventive and protective measures ordered by the Health Authority, including the vaccination campaign;
- the latest restrictions imposed by international, national and regional authorities, in response to which the Company continued to guarantee business continuity and maximum protection solutions for offshore personnel;
- compliance with the latest Italian and international protocols and industry guidelines and verification of the application of the rules.

To reduce use of public transport to a minimum, the employees of the Naples office were given access to a private carpark at the expense of the Parent Company, Next Geosolutions Europe S.p.A., to make movements safer and healthier but also easier for the employees themselves.

Please note that there were no deaths or significant accidents at work, nor charges relating to occupational diseases for employees or former employees during 2022.

During the closing year, the Group did not cause damage to the environment nor was it sanctioned for environmental crimes. The Management manages its own activities in the pursuit of excellence in the field of Quality, Environment and Safety, with the aim of continuously improving its performances in terms of customer satisfaction, environmental protection, worker health and safety.

Next Geosolutions Europe Group is committed:

- to operating in compliance with the laws in force that are applicable to its activity, with the company specifications and standards and to taking any legislative developments into consideration;
- to managing its own processes by using the best available techniques;
- to minimising the impact of its activities on the environment;
- to recognising that the customer's needs and the evaluation of his/her satisfaction are priority reference criteria to be adopted in the implementation of services.

This commitment is fulfilled through:

- the design, implementation and maintenance of an integrated management system;
- the planning and implementation of periodic checks and reviews of said management system;
- systematic monitoring of customer satisfaction;
- the possibility for "potential" customers to access "customer satisfaction" data;
- the delineation of objectives and targets for quality, health and safety of people and environmental protection, which are to be achieved through specific, periodically revised, programs.

The Group has always hugely committed to issues related to the safety of workers and of its production assets, basing its strategy on:

- the dissemination of a culture of safety within the organisation;
- policies, specific dedicated operating procedures and proper management systems, aligned with the best international standards;
- control, prevention and protection from exposure to risk;
- minimisation of exposure to risks in every productive activity.

During the financial year, the Parent Company Next Geosolutions Europe SpA maintained certification according to the international standards ISO 9001:2015, 14001:2015 and 45001:2018.

Information on personnel management

No significant information is reported on personnel management. In 2022 there were no deaths or significant accidents at work, nor charges relating to occupational diseases for employees or former employees.

The Organisation, Management and Control Model (It. Legislative Decree no 231 of 8 June 2001)

On 29 May 2020, the Parent Company approved the Organisation, Management and Control Model consistent with (It.) Legislative Decree 231/01, composed of a General Part and four Special Parts, as well as a Disciplinary System suited to sanctioning any non-compliance with measures in the Model (pursuant to arts. 6, paragraph 2 and 7, paragraph 4 of (It.) Legislative Decree 231/2001). The Organisation Model for the prevention and management of risks linked to committing offences in the interest of the company was completed by the appointment of a Supervisory Body which, as set forth by art. 6 of (It.) Legislative Decree 231/2001, has been attributed autonomous powers of action and control, in order to supervise the Model's functioning and compliance, also handling its continual updating. In the course of 2022, the Supervisory Board of the Parent Company Next Geosolutions Europe SpA carried out several training and awareness-raising sessions for personnel on 231 topics, and held regular meetings to monitor the application of documents, tools and controls aimed at limiting the risks of offences.

Code of Ethics

The company has confirmed the adoption of a Code of Ethics, i.e a document establishing the general ethical principles, reference values or the rules of conduct with the main stakeholders. The document was processed to ensure that the fundamental ethical values of Next Geosolutions Europe Group be clearly defined and constitute a basic element of company culture, and the conduct standard for all its Associates when conducting their business and activities.



The document is updated periodically based on organisational or regulatory changes.

GDPR Model

The Group, with specific reference to the European Regulation 2016/679 “on the protection of natural persons with regard to the processing of personal data” (hereinafter also “GDPR”), has implemented an organisational model for the protection of personal data. More specifically, the Parent Company has approved the document GDPR Assessment – Focus on the main IT security measures, the Register of processing activities pursuant to art. 30 of the GDPR and the Privacy Policy. The personal data protection organisational model has been completed by the appointment of a “DATA PROTECTION OFFICER” (DPO) or “PERSON RESPONSIBLE FOR DATA PROTECTION” (RPD), who, as indicated in article 39 of Reg. (EU) 2016/679 is responsible for informing and providing advice to the data controller or processor and to employees, supervising compliance with the organisational model for the protection of personnel data, providing, when required, an opinion on its impact on data protection and supervising its performance, cooperating with control authorities and acting as a contact point for control authorities for privacy matters. The main task of the DPO/RPD is to increase the level of Privacy awareness in the Controller and its structure. To date, the Model is still in the implementation phase in order to conclude the process that will lead the Parent Company to finalise corporate privacy compliance.

CSR and Sustainability Report

For the second consecutive year, the Parent Company prepared the Sustainability Report, a document on corporate social responsibility.

The Report represents the Parent Company’s commitment to the pursuit of social and environmental objectives and to the management strategies and policies and control methods that the company has implemented and intends to implement on an ongoing basis.

The application areas on which the Parent Company is constantly focused and operational are:

- Environment - risks related to climate change, CO2 emissions and pollution;
- Social policies - protection of human rights and labour standards;
- Governance policies - remuneration policies for managers and compliance with ethics.

Research and development activities

It is a constant practice and a well-established company policy to daily engage in research and development activities aimed at improving the business phases. Research costs are charged while development costs are capitalised within the limits of the recoverable amount.

In 2020, the Parent Company obtained concession decree no. R000352 of 12/03/2020 with obligation deed signed on 05.02.2021 for the Project ARSO 100682 titled “Autonomous robotics for the extended ship - ARES” for a total of EUR 4,761,046 and EUR 2,329,375 as company taking part in the project as a contribution to expenses, applied on the PON “Research and Innovation” Funds 2014-2020 and FSC pursuant to and for the purposes of art. 13 of the Notice.

For those activities in 2022 it is due a contribution to expenses for EUR 176,743.71 and tax credit for Research and Development for EUR 45,157.47 as per art. 3 of (It.) Decree Law of 23 December 2013, no. 145 converted, with amendments into (It.) Law of 21 February 2014, no. 9 and the related Ministerial Decree of 27 May 2015, as amended by Law 160/2019 (Budget Law 2020), the Mise Transition 4.0 DM of 26 May 2020 and subsequently by art. 1 para. 1064 of (It.) Law 178/2020 (Budget Law 2021). For companies operating in the south of Italy, (It.) Decree-Law of 19/05/2020 no. 34, confirmed by the Finance Act 2021 (It. Law 178/2020), art.1, paragraph 185 provided for an increase in the Research and Development Tax Credit. The Budget Law 2022 (It. Law no. 234/2021) in art. 1 para. 45 extended and re-established the credit.

In 2021, for the Sustainable growth fund - Application sector “Smart Factory” Project proposal no. 1874, known as “NSS2023-Next Smart System in the marine filed” presented by the company Next Geosolutions Europe SpA., pursuant to (It.) Ministerial Decree of 2 August 2019 and of the subsequent (It.) Management Decree of 2 October 2019, the Parent Company received the preliminary report of the Ministry and obtained a contribution to expenses of EUR 2,000,354.01 and a subsidised loan of EUR 1,286,278.85.

For those activities in 2022 it obtained a contribution to expenses for EUR 447,272.20 and tax credit for Research and Development for EUR 96,407.62 as per art. 3 of (It.) Decree-Law No. 145 of 23 December 2013 converted, with amendments, into (It.) Law of 21 February 2014 no. 9 and the related Ministerial Decree of 27 May 2015, as amended by (It.) Law 160/2019 (Budget Law 2020), the MISE Transition 4.0 DM of 26 May 2020 and subsequently by art. 1 para. 1064 of (It.) Law 178/2020 (Budget Law 2021). For companies operating in the south of Italy, (It.) Decree-Law of 19/05/2020 no. 34, confirmed by the Finance Act 2021 (It. Law 178/2020), Art. 1, paragraph 185 provided for an increase in the Research and Development Tax Credit. Art. 1 para. 45 of the Budget Law 2022 (It. Law no. 234/2021) extended and rescheduled the credit.

The related contributions and credits calculated in accordance with the criterion of cumulation pursuant to art. 1 paragraph 203 of (It.) Law 160/2019, as amended by (It.) Law 178/2020 are a total of EUR 765,581.00, reported under "Tax Credits" in Balance Sheet Assets and "Other revenue and proceeds" in the Income Statement, in compliance with the accounting principle OIC 24 and (It.) Law no. 232 of 11 December 2016.

On 22/12/2022, the Parent Company submitted the request, received with registration number 22122238211041225- 000001, for the tax credit for investments in the south of Italy in the amount of EUR 276,772, related to investments in equipment of EUR 1,107,089.00.

The related credit calculated pursuant to (It.) Law 208/2015 amounts to a total of EUR 276,772, reported under "Tax Credits" in Balance Sheet Assets and "Other revenue and proceeds" in the Income Statement, in compliance with the accounting principle OIC 24 and (It.) Law no. 232 of 11 December 2016.

In 2022, the Parent Company took advantage of the 4.0 credit for the purchase of assets functional to the technological and digital transformation of companies in accordance with the "Industry 4.0" model annexed to (It.) Law of 11 December 2016, no. 232 as amended as per affidavits issued by the Appointed Surveyor. The related credit calculated in accordance with the law amounts to EUR 332,562.52 for an investment of EUR 831.406.30, reported under "Tax Credits" in Balance Sheet Assets and "Other revenue and proceeds" in the Income Statement, in compliance with the accounting principle OIC 24 and (It.) Law no. 232 of 11 December 2016.

Relations with subsidiaries, related companies, parent companies and undertakings controlled by the parent companies

Please note that relations have been entered into with the companies referred to in point 2 third paragraph of Art. 2428 of the (It.) Civil Code. Transactions between the Group, the parent company and undertakings subject to the control of the parent company are set out below.

Transactions between the Group, the parent company and companies subject to the control of the parent company are set out below:

Counterparty company	Financial receivables	Trade receivables	Financial payables	Commercial payables	Revenue	Costs	Income	Charges
Marnavi SpA	-	986,091	529,000	3,897,541	2,138,010	8,363,045	-	-
Navalcantieri Srl	-	-	-	-	-	5,490	-	-
Marnavi Shipping Management India Pvt Ltd	-	-	-	2	-	-	-	-
Next Geosolutions Ltd	-	1,055,466	-	-	-	-	-	-
Total	-	2,041,557	529,000	3,897,543	2,138,010	8,368,535	-	-

Treasury shares

The table below summarises the situation regarding the Parent Company's treasury shares with reference to 31 December 2022. The purchase of treasury shares entailed, pursuant to art. 2357-ter of the (It.) Civil Code, the entry of a "Negative reserve for treasury shares in portfolio" in the liabilities of the balance sheet.

	Number	Nominal Value	%	Cost
Ending balance as at 31/12/2022	100,000	1.00	20%	738,000

On 22 November 2022, with deed volume no. 42,392, file no. 25,920, notary Giancarlo Laccarino, Next Geosolutions Europe SpA completed the purchase of 100,000 treasury shares with a nominal value of EUR 100,000 (EUR 1.00 for each share).

Shares of the parent company

It is certified that the Group does not own any shares of the parent company.

Approval of the financial statements

The Group did not make use of the option to approve the financial statements within the longer period of 180 days after the end of the financial year.

Significant events that occurred after the end of the year

There were no significant macroeconomic events after the end of the financial year, apart from the continuation of the Russia-Ukraine conflict, which currently offers no significant signs of resolution in the short term and thus prolongs the uncertain geopolitical - and thus economic - balance of power at global level.

At Group level, it is worth mentioning the arrival of the first fruits of the commercial action with regard to the prestigious French-Norwegian customer Nexans, with the acquisition of the contract for marine surveys to support the construction of the HVDC electrical interconnection between France and the Republic of Ireland known as the Celtic Interconnector.

Business outlook

Pursuant to and for the purposes of point 6) of the third paragraph of art. 2428 of the (It.) Civil Code, we would like to point out, first of all, the acquisition of prestigious multi-million dollar orders in the North Sea, which will be developed over a period of several years and which will therefore see Next Geosolutions Europe Group strongly committed to these projects still in 2023 and 2024. These are important, multi-stage and multi-disciplinary projects foreseeing the use of numerous naval vessels both nearshore and offshore, and onshore activities.

In addition, a number of orders acquired and started earlier continue, such as the marine surveys to support the design and construction of the Tyrrhenian Link East submarine electrodes for Prysmian in the Mediterranean area.

With regard to sales prospects point of view, the Sales Department continues incessantly to acquire new Customers and to keep those acquired loyal, and expects to acquire at least another 3-4 multimillion orders in 2023, mainly in the Mediterranean and in North Europe.

Use of important financial instruments to value the assets/liabilities and financial situation and the economic result for the year

The Group's objectives and policies in terms of financial risk management, including the hedging policy for each main category of envisaged transactions, are illustrated in detail in the paragraph "Main risks and uncertainties to which the Group is exposed". The Group did not issue any financial instruments during the financial year 2022, did not have and does not have any transactions for derivative financial instruments.

Secondary offices

In compliance with the provisions of art. 2428 of the (It.) Civil Code, please note that the Parent Company Next Geosolutions Europe SpA has a branch office used as a logistics depot at Via D. De Roberto, 44 - 80143 Naples and a branch office at Via Medina, 13 - 80133 Naples used as an office.

Naples, 28 April 2023

[signature] *Giorgio Filippi*
Chairman of the

[signature] *Giuseppe Maffia*
Managing Director

[signature] *Giovanni Ranieri*
Managing Director

General information on the undertaking

Company data

Company Name: NEXT GEOSOLUTIONS EUROPE SPA
Registered office: VIA SANTA BRIGIDA 39 - 80133 NAPOLI (NA)
Share Capital: COMPANY LIMITED BY SHARES
Fully paid-up share capital: yes
Chamber of Commerce, Industry, Small Business and Agriculture (CCIAA) code: NA
VAT number: 05414781210
Tax code: 05414781210
E.A.I. registration number: 752588
Legal Form: COMPANY LIMITED BY SHARES
Main business sector (ATECO): 721909
Company in liquidation: no
Company with a Sole Shareholder: no
Company subject to management and coordination by others: no
Name of the company or body that exercises management and coordination activities:
Member of a group: yes
Name of the parent company: MARNAVI SPA
Country of the parent company: ITALY
Cooperative registration number:



Financial Statements as at 31/12/2022

Consolidated Balance Sheet

	31/12/2022
Assets	
B) Fixed assets	
I - Intangible fixed assets	-
1) start-up and expansion costs	469
2) development costs	234.891
3) industrial patent rights and rights to use intellectual property	-
4) concessions, licences, trademarks and similar rights	45.058
5) Goodwill	1.708.394

	31/12/2022
6) fixed assets under construction and advances	165.000
7) other	295.735
<i>Total intangible fixed assets</i>	<i>2.449.547</i>
II - Tangible fixed assets	-
1) land and buildings	2.117.762
2) plants and machinery	4.955
3) industrial and commercial equipment	3.123.179
4) other assets	12.548.479
5) fixed assets under construction and advances	5.598.457
<i>Total tangible fixed assets</i>	<i>23.392.832</i>
III - Financial fixed assets	-
1) equity investments in	-
d) undertakings controlled by parent companies	2.118
d-bis) other undertakings	22.740
<i>Total equity investments</i>	<i>24.858</i>
2) receivables	-
d-bis) from others	217.316
due within one year	-
due beyond one year	217.316
<i>Total receivables</i>	<i>217.316</i>
<i>Total financial fixed assets</i>	<i>242.174</i>
<i>Total fixed assets (B)</i>	<i>26.084.553</i>
C) Current assets	
I - Inventories	-
1) raw, ancillary materials and consumables	1.418.828
3) contract work in progress	58.973.515
<i>Total inventories</i>	<i>60.392.343</i>
Tangible fixed assets held for sale	-
II - Receivables	-
1) from customers	18.875.734
due within one year	18.875.734
4) from parent companies	986.091
due within one year	986.091
5) from undertakings controlled by the parent companies	1.055.466

	31/12/2022
due beyond one year	1.055.466
5-bis) tax receivables	3.477.297
due within one year	3.477.297
5-ter) prepaid taxes	490.768
5-quater) from others	393.475
due within one year	393.475
<i>Total receivables</i>	<i>25.278.831</i>
IV - Cash and cash equivalents	-
1) bank and postal deposits	10.241.743
3) cash on hand and liquid assets	6.865
<i>Total cash and cash equivalents</i>	<i>10.248.608</i>
<i>Total current assets (C)</i>	<i>95.919.782</i>
D) Accruals and deferrals	2.124.930
<i>Total assets</i>	<i>124.129.265</i>
Liabilities	
A) Group shareholders' equity	
I - Capital	500.000
IV - Legal reserve	163.055
VI - Other reserves, separately indicated	
Extraordinary reserve	5.990
Reserve from differences in conversion	17.150
Euro rounding reserve	2
<i>Total other reserves</i>	<i>23.142</i>
VIII - Profits (losses) brought forward	12.664.733
IX - Profit (loss) for the year	7.357.462
X - Negative reserve for treasury shares in portfolio	(738.000)
<i>Total group shareholders' equity</i>	<i>19.970.392</i>
Minority shareholders' equity	
Capital and minority interest	30.651
Minority profit (loss)	29.920
<i>Total minority interest in shareholders' equity</i>	<i>60.571</i>
<i>Total consolidated shareholders' equity</i>	<i>20.030.963</i>
B) Provisions for risks and charges	
2) for taxes, even deferred	811.541

	31/12/2022
<i>Total provisions for risks and charges</i>	811.541
C) Employee Severance Indemnities	1.307.674
D) Payables	
3) payables to shareholders for loans	529.000
due beyond one year	529.000
4) payables to banks	28.099.119
due within one year	12.446.606
due beyond one year	15.652.513
5) payables to other lenders	1.006.171
due within one year	329.521
due beyond one year	676.650
6) advances	51.413.963
due within one year	51.413.963
7) payables to suppliers	13.768.890
due within one year	13.768.890
11) payables to parent companies	3.897.541
due within one year	3.897.541
11 -bis) payables to undertakings controlled by the parent companies	2
due within one year	2
12) tax payables	829.162
due within one year	829.162
13) payables to pension funds and social security institutions	172.414
due within one year	172.414
14) other payables	599.556
due within one year	599.556
<i>Total payables</i>	<i>100.315.818</i>
E) Accruals and deferrals	1.663.269
<i>Total liabilities</i>	<i>124.129.265</i>

Consolidated Profit and Loss Account

	31/12/2022
A) Value of production	

	31/12/2022
1) revenues from sales and services	52.616.554
3) changes in contract work in progress	12.739.901
5) other revenues and income	-
operating grants	1.086.489
other	781.754
<i>Total other revenues and income</i>	<i>1.868.243</i>
<i>Total value of production</i>	<i>67.224.698</i>
B) Production costs	
6) for raw, ancillary materials and consumables	6.817.229
7) for services	29.963.261
8) for leased assets	11.844.777
9) for personnel	-
a) wages and salaries	7.266.491
b) social security charges	988.011
c) severance indemnity	366.059
<i>Total personnel costs</i>	<i>8.620.561</i>
10) amortisation, depreciation and write-downs	-
a) amortisation of intangible fixed assets	745.043
b) depreciation of tangible fixed assets	1.516.217
<i>Total amortisation, depreciation and write-downs</i>	<i>2.261.260</i>
11) changes in raw, ancillary materials, consumables and goods	(922.197)
14) various operating charges	262.764
<i>Total production costs</i>	<i>58.847.655</i>
Difference between value of production and production costs (A - B)	8.377.043
C) Financial income and charges	
16) other financial income	-
d) income other than above	-
other	1.570
<i>Total income other than above</i>	<i>1.570</i>
<i>Total other financial income</i>	<i>1.570</i>
17) interest and other financial charges	-
other	643.058
<i>Total interest and other financial charges</i>	<i>643.058</i>
17-bis) exchange gains and losses	(298.717)



	31/12/2022
<i>Total financial income and charges (15+16-17+-17-bis)</i>	(940.205)
Result before taxes (A-B + -C + -D)	7.436.838
20) Current, deferred and prepaid income taxes	
current taxes	122.327
taxes for the previous years	636
deferred and prepaid taxes	(73.507)
<i>Total current, deferred and prepaid income taxes</i>	<i>49.456</i>
21) Profit (loss) for the year	7.387.382
Group result	7.357.462
Result attributable to minority interests	29.920



Consolidated cash flow statement, indirect method

	31/12/2022
A) Financial flows arising from operating activities (indirect method)	
Profit (loss) for the year	7.387.382
Income taxes	49.456
Interest payable/(receivable)	653.633
<i>1) Profit (loss) for the year before income taxes, interests, dividends and capital gains/losses deriving from disposals</i>	<i>8.090.471</i>
Adjustments to non-monetary items that were not offset by the net working capital	
Allocations to provisions	366.059
Amortisation/depreciation of fixed assets	2.261.260
Other adjustments up/(down) for non-monetary items	888
<i>Total adjustments to non-monetary items that were not offset by the net working capital</i>	<i>2.628.207</i>
<i>2) Financial flow before changes in net working capital</i>	<i>10.718.678</i>
Changes in net working capital	
Decrease/(Increase) in inventories	(13.618.471)
Decrease/(Increase) in receivables from customers	(2.604.489)
Increase/(Decrease) in payables to suppliers	(912.505)
Decrease/(Increase) in accrued income and prepaid expenses	(1.413.726)
Increase/(Decrease) in accrued expenses and deferred income	225.000
Other decreases/(Other increases) in net working capital	21.759.964
<i>Total changes in net working capital</i>	<i>3.435.773</i>
<i>3) Financial flow after changes in net working capital</i>	<i>14.154.451</i>
Other adjustments	
Interest collected/(paid)	(643.430)
(Paid income taxes)	(288.923)
(Use of provisions)	(58.189)
Total other adjustments	(990.542)
Financial flow arising from operating activity (A)	13.163.909
B) Financial flows arising from investing activities	
Tangible fixed assets	
(Investments)	(13.462.699)
Intangible fixed assets	
(Investments)	(396.853)

	31/12/2022
Financial fixed assets	
(Investments)	(25.198)
Divestitures	2.288
Financial flow arising from investing activity (B)	(13.882.462)
C) Financial flows arising from financing activities	
Loan capital	
Increase/(Decrease) in short-term payables to banks	(4.940.518)
Loans taken out	10.600.000
(Repayment of loans)	(1.977.274)
Financial flow arising from financing activity (C)	3.682.208
Increase/(decrease) in cash and cash equivalents (A ± B ± C)	2.963.655
Exchange rate effect on cash and cash equivalents	(20.519)
Cash and cash equivalents at the beginning of the year	
Bank and postal deposits	7.300.134
Cash on hand and liquid assets	5.338
Total cash and cash equivalents at the beginning of the year	7.305.472
Cash and cash equivalents at the end of the year	
Bank and postal deposits	10.241.743
Cash on hand and liquid assets	6.865
Total cash and cash equivalents at the end of the year	10.248.608

Information at the foot of the cash flow statement

The cash flow statement, prepared in accordance with the provisions of Article 2425-ter of the (It.) Civil Code, has been prepared with the indirect method, using the format provided by the accounting standard OIC 17 for the consolidated cash flow statement and following the instructions of accounting standard OIC 10. It shows the changes in cash and cash equivalents during the year, highlighting the cash flows generated by operating, investment and financing activities.

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NEXT GEOSOLUTIONS EUROPE GROUP

Registered office: VIA S.BRIGIDA, 39 NAPLES (NA)

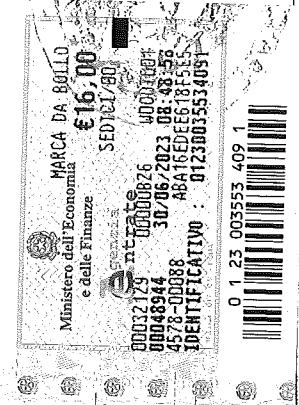
Entered in the Register of Companies of the Chamber of Commerce of NAPLES

Fiscal code and registration number 05414781210

Registered in the E.A.I. with no. 752588 NA

Subscribed share capital € 500,000.00 Fully paid up

VAT number: 05414781210



Notes to the Financial Statements

Consolidated Financial Statements as at 31/12/2022

Introduction to the Notes to the Financial Statements

The consolidated financial statements present the assets/liabilities, financial position, financial performance and cash flows of Next Geosolutions Europe Group (hereinafter referred to as the “Group”). The consolidated financial statements consist of the balance sheet, the income statement, the cash flow statement and the notes to the financial statements, which have been prepared in accordance with current legislation and in conformity with national accounting standards. This document reflects the results of the accounting records regularly kept by the parent company and its subsidiaries, adjusted by the eliminations inherent in the consolidation process, as well as the entries outlined later in these notes. The financial statements of foreign subsidiaries have been appropriately reclassified and adjusted in order to make them consistent with the principles of Next Geosolutions Europe group (hereinafter referred to as the “Group”).

The assets/liabilities, financial position and financial performance of the Group are presented in a clear, true and fair manner in accordance with the provisions of (It.) Legislative Decree 127/91 and, where necessary, the additional information required by para. 3 of Art. 29 of the aforementioned decree is also provided.

In particular, the cash flow statement, drawn up in accordance with Article 2425-ter of the (It.) Civil Code using the format provided by accounting standard OIC 17 for the consolidated cash flow statement and prepared in accordance with the rules of accounting standard OIC 10, shows the Group’s cash flows appropriately stripped of those to be referred to intragroup positions.

In addition to the consolidation criteria, the notes also illustrate the valuation principles followed for the preparation of the consolidated financial statements, in compliance with the relevant civil law regulations. The notes also include: the lists of undertakings included and excluded from the consolidation, the reconciliation statement between the shareholders’ equity and the result of Next Geosolutions Europe SpA (hereinafter also referred to as “Next Geosolutions Europe” or the “Parent Company” or the “Company”) as resulting from the financial statements and the shareholders’ equity and result as resulting from the consolidated financial statements.

The consolidated financial statements are also accompanied by a report by the Parent Company’s Board of Directors on the Group’s situation and performance.

As permitted by the rules governing the preparation of consolidated financial statements (referred to in accounting standard OIC 17), the presentation of comparative data from the previous year is not required when preparing consolidated financial statements for the first time. Therefore, these consolidated financial statements do not show the comparative figures for the previous year and the changes in the balances of the items during the year.

Structure of the consolidated Balance Sheet, Income Statement and Cash Flow Statement

The structure and content of the consolidated balance sheet, income statement and cash flow statement are as prescribed by the (It.) Civil Code. Specifically:

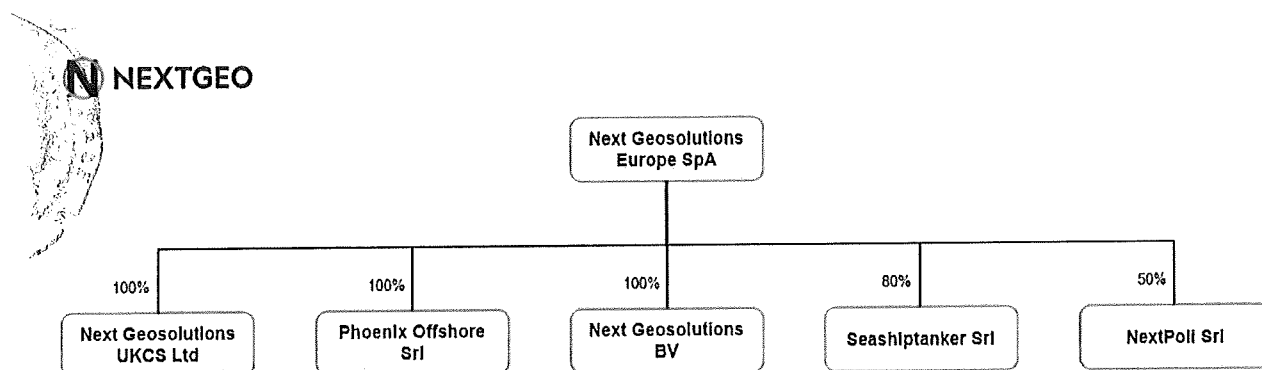
- individual items in the balance sheet and income statement have not been further subdivided;
- items whose amount for the current year is zero have not been reported;
- there are no assets and liabilities falling under more than one headings in the balance sheet. Provisions for asset adjustments are not explicitly shown in the balance sheet, but in the notes to the financial statements, where the gross values, value adjustments and net values are shown in detail for the individual items.

The amount of capital and reserves of subsidiary companies corresponding to minority equity investments is entered under an item entitled "Capital and minority interest reserves". The portion of the consolidated economic result corresponding to minority equity investments is recorded in an item called "Minority profit (loss)".

Information on the composition of the group of companies

The Group operates in the field of international marine geoscience and offshore construction support services, also through its subsidiaries Next Geosolutions UKCS Ltd, Next Geosolutions BV, Seashiptanker Srl, Phoenix Offshore Srl and NextPoli Srl.

The structure of Next Geosolutions Europe group is shown below in graphic form:



The following table summarises information as at 31 December 2022 on the name, registered office, share capital and shareholding in the share capital held by Next Geosolutions Europe SpA Group:

Company	Registered office	Consolidation method	Currency	Capital (local currency units)	Shareholding percentage
Subsidiaries					
Next Geosolutions Europe SpA	Naples - Italy	Line-by-line	Euro	500,000	Parent company
Phoenix Offshore Srl	Naples - Italy	Line-by-line	Euro	10,329	100%
Seashiptanker Srl	Naples - Italy	Line-by-line	Euro	10,000	80%
Next Geosolutions UKCS Ltd	London - England	Line-by-line	Pound sterling	1,000	100%
Next Geosolutions BV	Ijmuiden - The Netherlands	Line-by-line	Euro	20,000	100%
Jointly controlled companies					
NextPoli Srl	Naples - Italy	Proportional	Euro	10,000	50%

The Group also holds minority equity investments in the companies controlled by the parent company Finimm Srl and Mar-navi Shipping Management India Pvt Ltd and in the consortia Area Tech, Cluster Blue Italian Growth and Mar.Te. Scavi.

Significant events during the year ended 31 December 2022

For a description of the significant events that occurred during the year ended 31 December 2022, please refer to the Report on Operations.

General criteria for the preparation of the consolidated financial statements

There were no exceptional cases that made it necessary to resort to derogations under Articles 29 and 34 of (It.) Legislative Decree no. 127/91.

For the preparation of the consolidated financial statements, the financial statements as at 31 December 2022 of the companies belonging to the Group as formulated by their respective governing bodies and approved by their respective shareholders' meetings were used.

The financial statements used to prepare the consolidated financial statements were all prepared by applying uniform valuation criteria to those used by the Parent Companies in their own financial statements.

The structure and content of the balance sheet, income statement and cash flow statement are those laid down for the annual financial statements of consolidated companies, since the conditions set forth in the second sentence of para. 1 of Art. 32 of (It.) Legislative Decree no. 127/91 are not met.

As mentioned above, since this is the first time the consolidated financial statements have been prepared, comparative financial statements for the previous year have not been presented. Therefore, these consolidated financial statements do not show the comparative figures for the previous year and the changes in the balances of the items during the year.

The consolidated financial statements are drawn up in Euro units.

The balance sheet items were valued in accordance with the principle of prudence and on a going concern basis. Pursuant to art. 2423-bis c.l point 1-bis of the (It.) Civil Code, the recognition and presentation of items is made taking into account the substance of the transaction or contract. The application of the principle of prudence entailed the individual valuation of the components of individual items of assets or liabilities, in order to avoid offsets between losses that had to be recognised and profits that were not to be recognised because they were unrealised.

In the preparation of the consolidated financial statements, income and expenses have been recognised on an accrual basis regardless of when they occur. In addition, risks and losses pertaining to the year were taken into consideration even if they became known after the end of the year.

Receivables and payables are presented in the balance sheet items in consideration of their collectability (within/beyond the next financial year).

With regard to the business outlook, please refer to the report on operations.

In light of the results achieved, the Group considers it appropriate to use the going concern assumption for the preparation of the financial statements as at 31 December 2022.

Conversion of financial statements expressed in currencies other than the Euro

The consolidated financial statements are presented in Euro. In order to include companies that prepare their financial statements in currencies other than the Euro in the scope of consolidation using the full or proportional method, they are first converted into Euros. A similar conversion is made in relation to equity investments valued using the equity method whose financial statements are drawn up in currencies other than the Euro.

Any adjustments necessary to adapt the financial statements of the above-mentioned companies to the group's uniform accounting principles are made before they are converted into Euros.

The conversion of financial statements expressed in a foreign currency, for the purposes of preparing consolidated financial statements, is done using:

- a) the spot exchange rate at the date of the financial statements for the conversion of assets and liabilities;
- b) the exchange rate prevailing at the date of each transaction for income statement items and for cash flows in the cash flow statement; alternatively, the use of the average exchange rate for the year or sub-periods of the year applied to transactions and cash flows occurring in those sub-periods is permissible for practical reasons;

- c) the historical exchange rate at the time of their formation for equity reserves (other than the reserve for differences in conversion).

The net effect of converting the financial statements of the investee company into the reporting currency is recognised in a special "Reserve from differences in conversion" within the consolidated shareholders' equity.

The inclusion of the financial statements of a foreign investee company in the scope of consolidation results in the elimination of intragroup balances. To this end, they are converted, prior to their elimination, using the exchange rates at the end of the financial year in order to align the reciprocal balances between consolidated companies and recording the difference in accordance with group accounting principles.

Principles of consolidation

The following companies are consolidated on a line-by-line basis as subsidiaries:

- Next Geosolutions UKCS Ltd;
- Next Geosolutions BV;
- Seashiptanker Srl;
- Phoenix Offshore Srl.

With this method, accounting entries are consolidated line by line and the following are eliminated:

- a) equity investments in companies included in the consolidation and the corresponding fractions of shareholders' equity. The elimination of the value of equity investments against the corresponding net asset value was based on the book values at the date of acquisition or incorporation of the shareholding. Any surpluses, which cannot be attributed to specific entries of the financial statements, are allocated, if positive, to the item "Goodwill" included under intangible fixed assets and subject to amortisation over the five-year period provided for in subsection no. 6 of Article 2626 of the (It.) Civil Code. When surpluses are negative, they are recorded in a shareholders' equity item called "consolidation reserve", or, when they are due to forecasts of unfavourable economic results, in an item called "consolidation reserve for future risks and charges". Portions of shareholders' equity attributable to minority shareholders are recorded in the appropriate item of the balance sheet. In the income statement, the share of the result attributable to minority interests is shown separately.
- b) receivables and payables between the companies included in the consolidation.
- c) revenues and costs, income and expenses relating to transactions between the companies themselves.
- d) profits and losses from intra-group transactions included in the assets and liabilities of the consolidated companies.
- e) dividends received from consolidated companies.

The financial statements of the subsidiary Next Geosolutions BV, based in The Netherlands, are expressed in Euros, therefore it was not necessary to convert the balances in foreign currency; the financial statements of Next Geosolutions UKCS Ltd, based in England, are expressed in Pounds Sterling; therefore, it was necessary to convert the balances in the presentation currency of the consolidated financial statements (Euro).

NextPoli Srl is consolidated using the proportional method, as it is a jointly controlled company.

With this method, accounting entries are consolidated line by line in proportion to the shareholding. Only the portion of shareholders' equity attributable to the group is eliminated from the value of the equity investments, so that the consolidated financial statements do not show the value of the equity and earnings corresponding to minority interests. Intra-group profits and losses are eliminated proportionally; all other consolidation adjustments are made on a proportional basis. The receivables and payables, income and expenses of the jointly controlled company are eliminated in proportion to the shareholding. Any differences resulting from the consolidation are treated as in the case of line-by-line consolidation.

On the other hand, investments in the following companies are valued at cost, adjusted for impairment losses, as they are equity investments in companies controlled by the parent company and in other companies not subject to control, joint control or significant influence:

Finimm Srl;



- Marnavi Shipping Management India Pvt Ltd;
- Consortium Area Tech;
- Consortium Cluster Blue Italian Growth;
- Consortium Mar.Te. Scavi.

Valuation criteria applied

For topics not specifically covered by the (It.) Civil Code, we have referred to the accounting standards, applicable to a going concern, suggested by the Italian Accounting Body (Organismo Italiano di Contabilità - OIC), in force as at 31 December 2022.

The criteria applied in the valuation of balance sheet items and value adjustments comply with the provisions of the (It.) Civil Code and are set out below.

FIXED ASSETS

The Group verifies at each financial statements date whether there is an indicator, based on internal and/or external information sources, that individual fixed assets may be impaired. Should this indicator exist, the Group estimates the recoverable amount of the fixed asset and makes a write-down only if the latter is lower than the corresponding, net book value. In the absence of indicators of potential impairment, the recoverable amount is not determined.

INTANGIBLE FIXED ASSETS

They are entered at purchase or production cost, inclusive of accessory charges and of directly attributable costs and systematically amortised each year on a straight-line basis. Intangible fixed assets are entered with the consent of the Board of Statutory Auditors in the cases envisaged by law.

Multi-year costs were capitalised only on condition that they could be "recovered" thanks to and within the limits of the future profitability of the company. Should this condition fail to be applied in the years following the year of capitalisation, the fixed asset will be written down.

The amortisation of intangible fixed assets starts from the moment the fixed asset is available and ready for use and has been performed systematically and in each financial year, in relation to the residual possibility of future economic use of each individual fixed asset. In fact, the cost of the fixed assets in question was amortised on the basis of a "plan" that is deemed to ensure a correct distribution of the such cost over the period of useful economic life of the asset to which it refers, which does not exceed five years in any case. The amortisation plan can be readjusted only if the ascertained remaining useful economic life is different from the one originally estimated. The amortisation plan applied, "on a straight-line basis", does not differ from the one used for previous years.

In accordance with OIC 9, in the presence of specific potential *impairment indicators*, the Group determines the recoverable amount of the fixed asset, which is the higher of value in use and *fair value* less costs to sell. Value in Use is the discounted value of the expected cash flows from an asset or cash-generating unit. Whereas *fair value* means the amount obtainable from the sale of an asset in an ordinary transaction between market participants at the valuation date.

If, irrespective of amortisation already accounted for, the fixed asset has a value that is permanently lower than the corresponding net book value, it is recorded at this lower value. The difference is charged to the income statement as an impairment loss. If, in subsequent years, the reasons for the write-down no longer apply, the original value, adjusted only for amortisation, is reinstated. In the absence of potential impairment indicators, it is not necessary to determine the recoverable amount.

In accordance with OIC 9, as no potential impairment indicators were recognised in the financial statements as at 31 December 2022, it was not necessary to determine the recoverable amount and no impairment loss was recognised.



TANGIBLE FIXED ASSETS

They are recorded at the purchase or production cost, net of depreciation effected during the year and in previous years. The cost includes accessory charges and direct and indirect costs, for the portion reasonably attributable to the asset, relating to the manufacturing period and up to the moment from which the asset can be used. Tangible fixed assets can be revalued only if required or allowed by special laws. Fixed assets recognised at cost in foreign currency are recorded at the exchange rate at the time of their acquisition (historical exchange rate). Fixed assets are systematically depreciated, each year and on a straight-line basis, according to the rates envisaged by tax regulations that are deemed to represent the residual possibility of use of the assets. The depreciation of tangible fixed assets begins from the moment the fixed asset is available and ready for use. For fixed assets that were available and ready for use during the financial year, the depreciation rates are considered to be 100%.

The depreciation criterion applied for the year ended 31 December 2022 does not differ from the one used for depreciation of the previous years. The depreciation plan will be readjusted only if the ascertained remaining useful economic life is different from the one originally estimated. In particular, in addition to considerations of the physical life of the assets, all other factors affecting the economic life of the assets, such as technical obsolescence, intensity of use, maintenance policy, etc., have been and will be taken into account. Maintenance and repair costs of an ordinary nature are charged in full to the income statement. Maintenance costs of an incremental nature are allocated to the assets to which they relate and depreciated over their residual useful life. The costs incurred with the aim of expanding, modernising or improving the structural elements of a tangible fixed asset can be capitalised if they produce a significant and measurable increase in the production capacity, safety or useful life. Should these costs fail to produce such effects, they are treated as ordinary maintenance costs and charged to the income statement.

Tangible fixed assets held for sale are reclassified in a specific item under current assets and, therefore, are valued at the lower of the net book value and the realisable value calculated on the basis of market trends. Assets held for sale are no longer subject to depreciation.

Spare parts are distinguished between: parts with low unit cost, low total value and recurring use, which are recognised as costs at the time of purchase; spare parts of significant unit cost and non-recurring use, which are recognised among tangible fixed assets and depreciated over the period that appears to be shorter by comparing the residual useful life of the asset to which they refer and their useful life calculated on the basis of an estimate of times of use.

In accordance with OIC 9, in the presence of specific potential *impairment indicators*, the Group determines the recoverable amount of the fixed asset, which is the higher of value in use and *fair value* less costs to sell. Value in Use is the discounted value of the expected cash flows from an asset or cash-generating unit. Whereas *fair value* means the amount obtainable from the sale of an asset in an ordinary transaction between market participants at the valuation date.

If, irrespective of amortisation already accounted for, the fixed asset has a value that is permanently lower than the corresponding net book value, it is recorded at this lower value. The difference is charged to the income statement as an impairment loss. If, in subsequent years, the reasons for the write-down no longer apply, the original value, adjusted only for amortisation, is reinstated. In the absence of potential impairment indicators, it is not necessary to determine the recoverable amount.

In accordance with the provisions of OIC 9, as no indicators of potential impairment were recognised in the financial statements as at 31 December 2022, it was not necessary to determine the recoverable amount and no impairment loss was recognised.

FINANCIAL FIXED ASSETS

Equity investments

Equity investments were valued at purchase or incorporation cost, including ancillary costs, adjusted for impairment losses. Equity investments intended to be held on a long-term basis are classified as "Financial Fixed Assets".

In the presence of *impairment indicators*, the Group compares the carrying value of the equity investment with its recoverable value, determined on the basis of the future benefits that are expected to flow to the treasury of the investor. Having ascertained the impairment of the equity investment at the time the financial statements were drawn up and determined its recoverable value, the carrying value is reduced to this lower value. In the event that the reasons that had induced the administrative body to abandon the cost criterion in order to assume a lower value in the valuation of fixed assets are no longer valid, the value of the security is increased up to a maximum of the original cost.

As there were no potential impairment indicators in the financial statements as at 31 December 2022, it was not necessary to determine the recoverable amount and no impairment loss was recognised.

Receivables

Receivables of financial origin are classified as financial fixed assets. Such receivables are recognised in the financial statements according to their presumed realisable value. For this purpose and where necessary, the nominal value of receivables is adjusted by means of a specific provision for doubtful receivables, exposed to direct reduction of the nominal value of receivables and aimed at adjusting them to their presumed realisable value.

As allowed by paragraph 33 of the accounting standard OIC 15, the amortised cost criterion has not been applied if the effects of applying this criterion are insignificant compared to the value determined according to the criterion of estimated realisable value. Effects can be assumed not to be significant if;

- receivables are short-term (that is to say with a maturity of less than 12 months);
- transaction costs, commission and any other differences between initial value and value at maturity are of little significance.

INVENTORIES

Raw, ancillary materials, and consumables

Inventories of goods were recorded at the lower of purchase and/or production cost and realisable value based on market trends. The purchase cost includes any directly attributable ancillary charges.

The production cost includes direct costs and indirect costs incurred in the course of production and necessary to bring inventories to their present condition and location, for the portion reasonably attributable to the product relative to the period of manufacture and up to the time from which the asset can be used. In view of the significance of the production period, charges relating to the financing of manufacturing, whether in-house or outsourced, were added to the production costs; they were in any case capitalised within the limit of the realisable value of the asset inferable from market trends.

The cost of inventories of raw, ancillary and consumable materials of a fungible nature was calculated using the FIFO method as an alternative to specific cost, given the technical or administrative impossibility of keeping each physical unit in inventory separate. This method involves the assumption that the quantities purchased or produced first are the first to be sold or used in production.

The value thus determined was appropriately compared, as explicitly required by Art. 2426 no. 9 of the (It.) Civil Code, with the realisable value inferable from market trends.

Contract work in progress

Contract work in progress includes interim and medium-/long-term orders and is valued on the basis of the amounts accrued with reasonable certainty in accordance with the percentage of completion method. The percentage of completion is determined using the physical measurement method.



Any losses on orders, estimated with reasonable approximation, are fully deducted from the value of the contract work in progress for the year in which they become known. If this loss is greater than the value of the work in progress, the Group recognises a specific provision for risks and charges equal to said excess. Additional fees are included in contract revenue only when the client formally accepted such additional fees within the balance sheet date; otherwise, even in the absence of formal acceptance, it is highly likely that the request for additional fees is accepted, on the basis of the most recent information and historical experience, at the balance sheet date. Amounts received from the client by way of advances and payments on account are recognised as liabilities under the item "D.6 Advances", while those paid to subcontractors by way of advances and payments on account are recognised as assets under the item "C.I.5 Advances".

RECEIVABLES

Receivables are recognised according to their presumed realisable value. For this purpose, the nominal value of receivables is adjusted, where necessary, by means of a specific provision for doubtful receivables, exposed to direct reduction of the nominal value of receivables and aimed at adjusting them to their presumed realisable value.

As allowed by paragraph 33 of the accounting standard OIC 15, the amortised cost criterion has not been applied if the effects of applying this criterion are insignificant compared to the value determined on the basis of the presumed realisable value criterion. Effects can be assumed not to be significant if:

- the receivables are short-term (that is to say with a maturity of less than 12 months);
- the transaction costs, commission and any other differences between initial value and value at maturity are of little significance.

CASH AND CASH EQUIVALENTS

Bank and postal deposits and cheques (current account, bank drafts and similar) are valued according to the general principle of the presumed realisable value. This value normally coincides with the nominal value, while in situations of doubtful collectability the estimated net realisable value is shown. Cash and tax stamps on hand are valued at nominal value.

Liquid assets denominated in foreign currencies are valued at the spot exchange rate on the financial year closing date.

ACCRUED INCOME AND DEFERRED EXPENSES

Any income pertaining to the year but falling due during subsequent financial years and any costs incurred before the end of the year but pertaining to subsequent financial years is entered under the item "accrued income and deferred expenses".

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are set aside in order to cover liabilities of a determined nature, of certain or probable existence, whose amount or date of occurrence, however, could not be determined at the end of the year. The appropriations reflect the best possible estimate on the basis of the information available. Risks for which the occurrence of a liability is only possible are disclosed in the note on provisions, without making an appropriation to a provision for risks and charges.

The provisions were established in accordance with the principles of prudence and accrual, observing the requirements of accounting standard OIC 31. The related provisions are recognised in the income statement for the year in which they are incurred, based on the criterion of classification by nature of expense.

PAYABLES

Payables are entered at their nominal value, which is deemed to represent their presumed extinction value. As allowed by paragraph 42 of the accounting standard OIC 19, the amortised cost criterion has not been applied if the effects of applying this criterion are insignificant compared to the value determined according to the nominal value criterion. Effects can be assumed not to be significant if:

- the payables are short-term (that is to say with a maturity of less than 12 months);

- the transaction costs, commission and any other differences between initial value and value at maturity are of little significance.

EMPLOYEE SEVERANCE INDEMNITIES

The amount that employees would be entitled to receive in the event of termination of the employment relationship, at the balance sheet date, was entered under the item "employee severance indemnity". The indemnities composing the item above, that is to say the portion pertaining to the year and the annual revaluation of the pre-existing fund, are determined in compliance with the regulations in force, with the employment agreement in force, pursuant to art. 2120 of the (It.) Civil Code.

The amount of the fund as at 31 December 2022 is net of advances paid, portions utilised for terminations of employment during the year and portions paid to the aforementioned funds.

ACCRUED EXPENSES AND DEFERRED INCOME

Any costs pertaining to the year but falling due during subsequent financial years and any income collected before the end of the year but pertaining to subsequent financial years is entered under the item "accrued expenses and deferred income".

INCOME

Revenues for services are recognised on an accrual basis when the service is rendered, i.e. when the service is performed. Revenues from the sale of goods are recognised on an accrual basis when the substantive and not formal transfer of title has occurred, taking the transfer of risks and rewards as the benchmark for the substantive transfer. They are stated in the balance sheet net of returns, discounts, rebates and premiums, as well as taxes directly related to the sale of products and the provision of services.

Transactions with related parties were carried out at normal market conditions.

COSTS

Costs are accounted for on an accrual basis, regardless of the date of collection and payment. Costs for services are recognised on an accrual basis when the service is rendered, i.e. when the presentation is made. The costs for the purchase of assets are recognised on an accrual basis when the substantial and non-formal transfer of title has occurred, taking the transfer of risks and rewards as the benchmark for the substantial transfer. They are entered in the balance sheet net of returns, discounts, allowances and premiums.

Transactions with related parties were carried out at normal market conditions.

FINANCIAL INCOME AND CHARGES

Financial income and charges are recorded on an accrual basis. Costs relating to the disposal of receivables for any reason (with and without recourse) and of any nature (commercial, financial, other) are recognised in the year to which they pertain.

TAXES

Current taxes are recorded on the basis of the estimated taxable income in compliance with the regulations in force, taking into account the tax rates applicable on the date of the financial statements, applicable exemptions and tax credits due. Specifically, current taxes are determined on the basis of an analytical forecast of the taxable income for the year, taking into consideration the facilitated regime envisaged by (It.) Law no. 30/1998 and the Tonnage Tax.

Deferred tax liabilities and assets are calculated on the temporary differences between the values of assets and liabilities that are determined according to the statutory criteria and the corresponding values recognised for tax purposes. They are assessed by taking into account the estimated tax rate that the Group is expected to incur during the year in which these differences will contribute to the formation of the tax result, by considering the rates in force or already issued at the balance sheet date and are respectively entered under the "provision for deferred taxes" recognised under liabilities among the provisions for risks and charges and under the item 4 ter) and under the item "receivables for prepaid taxes" of the current assets.



Deferred tax assets are recognised for all the deductible temporary differences, in compliance with the principle of prudence and only if there is the reasonable certainty that, in the years when those differences will reverse, there is taxable income no lower than the amount of the differences that are to be written off. On the other hand, deferred taxes are recognised for all taxable temporary differences.

FINANCE LEASE TRANSACTIONS

Finance leases are accounted for in the consolidated financial statements using the financial method. The Group enters goods received under finance leases in the fixed assets items of the consolidated balance sheet against the obtaining of a loan from the leasing company, records depreciation on the assets and interest expense on the loan obtained in the income statement.

CRITERIA FOR CONVERTING FOREIGN CURRENCY ITEMS

Non-monetary assets and liabilities originally expressed in foreign currency are recognised in the balance sheet at the exchange rate in force at the time of their purchase, that is to say at the initial recognition cost (historical exchange rate). In order to establish whether this cost (possibly reduced by depreciation and amortisation in case of tangible and intangible fixed assets, respectively) can be maintained in the financial statements, it must be compared with the recoverable value (for fixed assets) or with the realisable value calculated on the basis of market trends (for non-monetary items in foreign currency recognised under current assets). Assets and liabilities of a monetary nature, originally expressed in foreign currency, are converted at the spot exchange rate on the closing date of the financial year in the financial statements. At the end of the year, foreign currency monetary assets and liabilities are recognised at the spot exchange rates in force at the balance sheet date; the related exchange gains and losses are recognised in the income statement and any net profit is allocated to a special non-distributable reserve until realisation.

Exemptions under para. IV and V of Art. 2423

No exemptions were made under para. iv and v of Art. 2423.

Off-balance sheet transactions

There were no off-balance sheet transactions as at 31 December 2022.

Below please find a description of the balances in the consolidated balance sheet and income statement.

Balance Sheet Assets

The individual budget items are analysed in detail below, in accordance with the provisions of the applicable legislation.

Fixed assets

Intangible fixed assets

The table below provides a breakdown of Intangible Fixed Assets:

	Start-up and expansion costs	Development costs	Concessions, licences, trademarks, and similar rights	Goodwill	fixed assets under construction	Other intangible fixed assets	Total
Historical Cost	6,868	775,359	477,320	2,181,488	165,000	752,768	4,358,803

Amortisations (Amortisation fund)	6,399	540,468	432,262	473,094	-	457,033	1,909,256
Value at the end of the year	469	234,891	45,058	1,708,394	165,000	295,735	2,449,547

The item "Start-up and expansion costs", amounting to EUR 469, refers to the residual value of the incorporation costs of NextPoli Srl.

The item "Development costs", amounting to EUR 234,891, refers to a research project for the "Design and implementation of a system for measuring the thermal resistivity of marine sediments in situ" and the execution of functional tests of this measurement system.

The item "Concessions, licences, trademarks, and similar rights" amounting to EUR 45,058 includes charges incurred for the acquisition of licences for software programs.

The item "Goodwill" amounting to EUR 1,708,394 represents the value of the goodwill allocated to Next Geosolutions UKCS Ltd.

The item "Fixed assets under construction and advances" amounting to EUR 165,000 refers to investments in progress for the development of a patent for measuring the thermal conductivity and temperature of marine sediments.

The item "Other Intangible Fixed Assets", amounting to EUR 295,735, refers mainly to costs related to works and improvements on third-party assets and to the value of furniture and furnishings.

Please note that no revaluation of assets owned by the Group was carried out in the year under review or in previous years.

In accordance with OIC 9, as no indicators of potential impairment were recognised in the financial statements as at 31 December 2022, it was not necessary to determine the recoverable amount and no impairment loss was recognised.

Tangible fixed assets

The table below provides a breakdown of Tangible Fixed Assets:

	Land and buildings	Plants and machinery	Industrial and commercial equipment	Other assets	Fixed assets under construction and advances	Total
Historical cost	2,190,554	189,429	6,173,621	14,243,487	5,598,457	28,395,548
Depreciations (Depreciation fund)	72,792	184,474	3,050,442	1,695,008	-	5,002,716
Value at the beginning of the year	2,117,762	4,955	3,123,179	12,548,479	5,598,457	23,392,832

The item "Land and Buildings", amounting to EUR 2,117,762, refers to the value of buildings owned by the Parent Company in England.

The item "Plants and Machinery", amounting to EUR 4,995, refers to the value of plants and machinery used in the conduct of business.

The item "Industrial and Commercial Equipment", amounting to EUR 3,123,179, refers mainly to the value of mechanical and electronic equipment used on board ships to perform geophysical and geotechnical analysis at sea. This item includes EUR 1,257,571 for the net book value of equipment under a finance lease.

The item "Other assets", amounting to EUR 12,548,479, mainly refers to the value of the vessel NG Worker inclusive of the improvements made, the value of the NG Driller and the vessel NG Coastal purchased during the year, inclusive of the costs incurred for their adaptation.

The item "Fixed assets under construction and advances", amounting to EUR 5,598,458, refers to investments being completed for the construction of specialised and innovative equipment that will be used in geophysical and geotechnical analysis activities.

Please note that no revaluation of assets owned by the Group was carried out in the year under review or in previous years.

In accordance with the provisions of OIC 9, as no indicators of potential impairment were recognised in the financial statements as at 31 December 2022, it was not necessary to determine the recoverable amount and no impairment loss was recognised.

Financial fixed assets

Financial fixed assets as at 31 December 2022 amount to EUR 242,174.

Description	31 December 2022
III - Financial fixed assets	
1) equity investments in	
d) undertakings subject to the control of the parent companies	2,118
d-bis) other undertakings	22,740
Total equity investments	24,858
2) receivables	
d-bis) from others	217,316
due within one year	-
due beyond one year	217,316
Total receivables	217,316
Total financial fixed assets	242,174

Equity investments

The table below gives details of the equity investments:

Equity investments in undertakings subject to the control of the parent companies

Company	Historical cost	Previous revaluations/ (write-downs)	Value at the end of the year
Mamavi Shipping Management India Pvt Ltd	18	-	18
Finimm Srl	2,100	-	2,100
Value at the end of the year	2,118		2,118

Equity investments in other undertakings

Company	Historical cost	Previous revaluations/ (write-downs)	Value at the end of the year
Mar.Te. Scavi	4,000	-	4,000
Consortium Cluster Blue Italian Growth	17,240	-	17,240
Consortium Area Tech Bagnoli	500	-	500
BCC	1,000	-	1,000
Value at the end of the year	22,740		22,740

Receivables

Receivables from others

Receivables from others, amounting to EUR 217,316, refer entirely to receivables from Italian counterparties.

Breakdown of long-term receivables by residual maturity and geographical area

The following table shows the breakdown by residual maturity and by geographical area of receivables recognised as financial fixed assets.

Description	Italy	Abroad
from others	217,316	-
Amount due within the next financial year	-	-
Amount due beyond the next financial year within 5 years	217,316	-
Amount due after 5 years	-	-

Current assets

Inventories

The table below shows the breakdown of inventories as at 31 December 2022.

Description	31 December 2022
Raw, ancillary materials, consumables and goods	1,418,828
Contract work in progress	58,973,515
Total	60,392,343

Raw, ancillary materials, and consumables

Inventories of raw, ancillary and consumable materials amounting to EUR 1,418,828 mainly refer to inventories of fuel and lubricants on ships.

Contract work in progress

The item "Contract work in progress", amounting to EUR 58,973,515, refers to orders for geophysical and geotechnical analysis activities at sea.

With reference to the valorisation of contract work in progress, in the presence of binding contracts with customers and in relation to the possibility of estimating the result of the contract with reasonable certainty, the percentage of completion method was used.

The state of progress (or percentage of completion) was determined on the basis of the physical/quantitative identification method of the works and/or service in progress at the date of the financial statements for the orders completed subsequently.

The use of this method made it possible to allocate the results of orders on an accrual basis.



Receivables

The table below shows the breakdown of receivables recognised as current assets as at 31 December 2022.

Description	31 December 2022
From customers	18,875,734
From parent companies	986,091
From undertakings subject to the control of the parent companies	1,055,466
Tax receivables	3,477,297
Prepaid taxes	490,768
From others	393,475
Total	25,278,831

Breakdown of receivables included in current assets by residual maturity and geographical area

The following table shows the breakdown by residual maturity and geographical area of receivables recorded in current assets.

Description	Italy	Abroad
From customers	16,386,665	2,489,069
Amount due within one year	16,386,665	2,489,069
Amount due beyond one year within 5 years	-	-
Amount due after 5 years	-	-
From parent companies	986,091	-
Amount due within one year	986,091	-
Amount due beyond the following year within 5 years	-	-
Amount due after 5 years	-	-
From undertakings subject to the control of the parent companies	-	616,800
Amount due within one year	-	-
Amount due beyond one year within 5 years	-	616,800
Amount due after 5 years	-	-
Tax receivables	3,442,697	34,600
Amount due within one year	3,442,697	34,600
amount due beyond one year within 5 years	-	-
Amount due after 5 years	-	-
Prepaid taxes	10,455	480,313
From others	330,055	63,420
Amount due within the next financial year	330,055	63,420

Description	Italy	Abroad
Amount due beyond the following year within 5 years	-	-
Amount due after 5 years	-	-
Total	21,155,963	3,684,202

Receivables from customers

This item, amounting to EUR 18,875,734, refers to receivables arising from normal sales transactions with domestic and international customers.

As at 31 December 2022, the receivables recorded in the financial statements were fully recoverable and, therefore, no provision for bad debts was set aside to adjust their nominal value.

Receivables from parent companies

This item, amounting to EUR 986,091, refers to trade receivables from the parent company Marnavi SpA.

Receivables from undertakings controlled by the parent companies

The item, amounting to EUR 616,800, refers to trade receivables from the English company Next Geosolutions Ltd.

Tax receivables

The item, amounting to EUR 3,477,297, mainly refers to direct taxes of EUR 413,584, Withholding Tax credits of EUR 218,419, VAT credits of EUR 228,355 and various tax credits (It. Law 208/2015, research and development credits and Industry 4.0) of EUR 2,630,738.

Prepaid taxes

The item, amounting to EUR 490,768, refers to EUR 480,313 in past tax losses of Next Geosolutions UKCS Ltd and EUR 10,455 in temporary differences deductible in subsequent years.

Deferred tax assets have been recognised in the consolidated financial statements because there is a reasonable certainty that there will be taxable income in the years in which they will reverse.

Receivables from others

Receivables of a different nature from those shown above are classified under this heading.

The item, amounting to EUR 393,475, mainly includes an insurance reimbursement for damage to equipment on board a ship.

Cash and cash equivalents

The table below provides a breakdown of cash and cash equivalents.

Description	31 December 2022 ¹
Bank and postal deposits	10,241,743

Description	31 December 2022
Cash on hand and liquid assets	6,865
Total	10,248,608

Bank and postal deposits

The item "Bank and postal deposits", amounting to EUR 10,241,743, includes the positive balances of current accounts opened in Euro and in foreign currency with banking institutions.

Cash on hand and liquid assets

The balance of the item "Cash on hand and liquid assets", amounting to EUR 6,865, consists of the cash in the individual cash boxes on the ships.

Accrued income and deferred expenses

The table below shows the balance of accrued income and prepaid expenses as at 31 December 2022.

	31 December 2022
Accrued income and deferred expenses	2,124,930
Total accrued income and deferred expenses	2,124,930

Prepaid expenses mainly include costs related to insurance policies covering risks associated with the ships managed by the Group, costs related to interim orders and the cost related to the ship's time charter.

There are no prepaid expenses with a duration of more than five years.

Capitalised financial charges

All interest and other financial charges were fully expensed in the year. For the purposes of art. 38, c. 1(g) of (It.) Legislative Decree no. 127/1991, it is therefore certified that there is no capitalisation of financial expenses.

Balance Sheet Liabilities

The balances of the individual balance sheet items are analysed in detail below, in accordance with the provisions of the applicable legislation.

Shareholders' Equity

The table below provides a breakdown of shareholders' equity as at 31 December 2022.

Description	Year-end balance
Capital	500,000

Description	Year-end balance
Legal reserve	163,055
Extraordinary reserve	5,990
Reserve from differences in conversion	17,150
Rounding reserve	2
Other reserves	23,142
Profits (losses) brought forward	12,664,733
Profit (loss) for the year	7,357,462
Negative reserve for treasury shares in portfolio	(738,000)
Total Group Shareholders' Equity	19,970,392
Capital and minority interest	30,651
Minority profit (loss)	29,920
Total minority interest in Shareholders' Equity	60,571
Total Shareholders' Equity	20,030,963

The following table provides a reconciliation of the Parent Company's shareholders' equity and result for the year with the equity and result for the year in the consolidated financial statements.

Description	Shareholders' equity current year	Result of the current financial year
Shareholders' equity and result for the year as reported in the Parent Company's financial statements	19,629,342	7,225,668
Elimination of the carrying value of consolidated equity investments:		
- difference between book value and equity value of shareholders' equity	385,235	134,139
Total	385,235	134,139
Elimination of the effects of transactions between consolidated companies:		
- intra-group (gains) losses	33,624	33,624
Total	33,624	33,624
Other consolidation adjustments		
- Accounting for finance leases using the financial method	(17,238)	(6,049)
Total	(17,238)	(6,049)
Shareholders' equity and result for the year as reported in the consolidated Financial Statements.	20,030,963	7,387,382



Share Capital

The item reflects the share capital of the Parent Company. During the 2022 financial year, in execution of the resolution of the Extraordinary Shareholders' Meeting of the Parent Company held on 28 December 2021 (volume no. 41.354, file 25.201, Notary Giancarlo Iaccarino) and after the 90-day period set forth in Article 2445 of the (It.) Civil Code had elapsed without any creditor objecting, the Company cancelled the treasury shares in its portfolio for EUR 500,000, with a corresponding reduction in share capital by the same amount.

Legal reserve

The reserve includes the value of the legal reserve of Next Geosolutions Europe SpA, established pursuant to Article 2430 of the (It.) Civil Code.

Other Reserves

Other reserves, amounting to EUR 23,142, are composed as follows:

Description	Amount
Extraordinary reserve	5,990
Reserve from differences in conversion	17,150
Rounding reserve	2
Total	23,142

The other reserves refer to the "Extraordinary reserve" included in the shareholders' equity of the Parent Company, the "Reserve for differences in conversion" arising from the conversion of the financial statements of consolidated companies expressed in currencies other than the Euro, and the "Rounding reserve" arising from the rounding of balances to Euro units.

Profits (losses) brought forward

This item refers to the profits made by the Group in previous years that were not distributed.

Profit (loss) for the year

This item shows the consolidated result for the year 2022 pertaining to the Group.

Negative reserve for treasury shares in portfolio

The reserve refers to the value of the Parent Company's treasury shares. On 22 November 2022, with deed volume no. 42.392, file no. 25.920, notary Giancarlo Iaccarino, Next Geosolutions Europe SpA acquired 100,000 treasury shares with a nominal value of EUR 100,000 (EUR 1.00 per share). As required by OIC 28, the purchase cost of treasury shares was charged to the special "Negative reserve for treasury shares in portfolio".

Capital and minority interest

This item refers to the value of capital and reserves pertaining to minority shareholders.

Minority profit (loss)

This item refers to the value of the result for the year pertaining to minority shareholders.

Provisions for risks and charges

Provisions for risks and charges have been allocated to cover liabilities whose existence is considered certain or probable, but whose amount or date of occurrence could not be determined at year-end.

The provisions were established in accordance with the principles of prudence and accrual, observing the requirements of accounting standard OIC 31. The related provisions are recognised in the income statement for the year in which they accrue, according to the "by nature" classification of costs.

The table below provides a breakdown of provisions for risks and charges as at 31 December 2022.

Description	31 December 2022
For taxes, even deferred	811,541
Total	811,541

Provision for deferred taxes

The "Provision for deferred taxes", amounting to EUR 811,541, refers to temporary differences taxable in future years. The main temporary difference, which determined the recognition of the aforementioned provision, is represented by the profits on orders, valued with the percentage of completion method.

Employee Severance Indemnities

The employee severance indemnity fund as at 31 December 2022 amounted to EUR 1,307,674.

The amount of the provision is recognised net of advances paid and portions utilised for terminations of employment during the year and represents the certain liability to employees at the date of closure of the financial statements.

	31 December 2022
Employee severance indemnities	1,307,674
Total	1,307,674

Payables

The table below gives a breakdown of payables as at 31 December 2022.

Description	31 December 2022
Payables to shareholders for loans	529,000
Payables to banks	28,099,119
Payables to other lenders	1,006,171
Advances	51,413,963
Payables to suppliers	13,768,890
Payables to parent companies	3,897,541
Payables to undertakings controlled by the parent companies	2
Tax payables	829,162
Payables to pension funds and social security institutions	172,414

Other payables	599,556
Total	100,315,818

Description	Italy	Abroad
Payables to shareholders for loans	529,000	-
Amount due within one year	-	-
Amount due beyond one year within 5 years	529,000	-
Amount due after 5 years	-	-
Payables to banks	27,092,757	1,006,362
Amount due within one year	11,440,244	1,006,362
Amount due beyond one year within 5 years	13,290,941	-
Amount due after 5 years	2,361,572	-
Payables to other lenders	1,006,171	-
Amount due within one year	329,521	-
Amount due beyond one year within 5 years	676,650	-
Amount due after 5 years	-	-
Advances	33,124,079	18,289,884
amount due within one year	33,124,079	18,289,884
Amount due beyond one year within 5 years	-	-
Amount due after 5 years	-	-
Payables to suppliers	6,577,752	7,191,138
Amount due within one year	6,577,752	7,191,138
Amount due beyond one year within 5 years	-	-
Amount due after 5 years	-	-
Payables to parent companies		
Amount due within one year	3,897,541	-
Amount due beyond one year within 5 years	-	-
Amount due after 5 years	-	-
Payables to undertakings controlled by the parent companies		2
Amount due within one year	-	2
Amount due beyond one year within 5 years	-	-
Amount due after 5 years	-	-

Description	Italy	Abroad
Tax payables	829,162	-
Amount due within one year	829,162	-
Amount due beyond one year within 5 years	-	-
Amount due after 5 years	-	-
Payables to pension funds and social security institutions	165,044	7,370
Amount due within one year	165,044	7,370
Amount due beyond one year within 5 years	-	-
amount due beyond 5 years	-	-
Other payables	579,764	19,792
Amount due within one year	579,764	19,792
amount due beyond one year within 5 years	-	-
Amount due after 5 years	-	-
Total	73,801,270	26,514,548

Payables to shareholders for loans

This item, amounting to EUR 529,000, refers to payables for loans granted by Mamavi SpA.

Payables to banks

Below is a breakdown of payables to banks as at 31 December 2022:

Description	Within 1 year	Within 5 years	Over 5 years	Total
Payables to banks overdrafts and short-term advances	8,421,792	-	-	8,421,792
Bank loans payable	4,024,814	13,290,941	2,361,572	19,677,327
Total payables to banks	12,446,606	13,290,941	2,361,572	28,099,119

Please note that payables to banks are backed by the following guarantees:

Description	Backed by mortgages	Backed by other guarantees	Not backed by guarantees	Total
Payables to banks	4,006,168	-	24,092,951	28,099,119

The amount shown in the financial statements for payables to banks expresses the actual amount of principal, interest and ancillary charges accrued as at 31 December 2022. During the year, the Group obtained new medium- and long-term loans in the amount of EUR 10,600,000.

As at 31 December 2022, the financial covenants on the existing loan agreements were met.

Payables to other lenders

This item, amounting to EUR1,006,171, refers to payables for finance leases outstanding as at 31 December 2022, which are accounted for using the financial method in accordance with the provisions of accounting standard OIC 17 paragraphs 103-106. Such

payables, amounting to EUR 329,521, are due within the year and EUR 676,650 are due after the following year.

Advances

This item, amounting to EUR 51,413,963, refers to advances and payments on account received from customers for the execution of job orders.

Payables to suppliers

This item, amounting to EUR 13,768,890, refers to trade payables for the purchase of goods and services.

Payables to parent companies

This item, amounting to EUR 3,897,541, refers to trade payables to the parent company Marnavi SpA.

Payables to undertakings controlled by the parent companies

The item, amounting to EUR 2, refers to payables to Marnavi Shipping Management India Pvt Ltd.

Tax payables

The item, amounting to EUR 829,162, mainly refers to VAT payables for EUR 564,530 and EUR 218,983 in payables to the tax authorities for withholding taxes on employee and self-employed income. These debts are regularly paid when due.

Payables to pension funds and social security institutions

The item, amounting to EUR 172,414, mainly refers to payables for INPS contributions in the amount of EUR 161,136. These debts are regularly paid when due.

Other payables

Payables of a different nature from those previously disclosed are reclassified under this heading.

The item, amounting to EUR 599,556, refers mainly to payables to employees, including deferred charges, in the amount of EUR 575,555.

Accrued expenses and deferred income

Accruals have been calculated on an accrual basis by allocating costs and/or revenues common to two financial years.

In the entry as well as in the review of deferred income, the existence or permanence of the time condition was verified. Where this condition has changed, appropriate changes have been made.

	31 December 2022
Accrued expenses and deferred income	1,663,269
Total accrued expenses and deferred income	1,663,269



The item, amounting to EUR 1,663,269, mainly refers to (i) the deferral of operating grants for investments in capital goods pursuant to Article 1, Section 98, of (It.) Law No. 208 of 28 December 2015 and (ii) the deferral of grants for 4.0 investments provided for by Article 1, paragraphs 8 to 13, of (It.) Law 232 of 11 December 2016, which participate in the result for the year in relation to the depreciation of the assets to which they refer Income Statement

Income Statement

The income statement shows the result for the year.

It provides a representation of management operations by summarising the positive and negative income components that contributed to the economic result. The positive and negative components of income, recorded in the financial statements in accordance with Article 2425-bis of the (It.) Civil Code, are distinguished according to whether they belong to the various kinds of management: core, accessory and financial.

Core business identifies the components of income generated by transactions that occur on an ongoing basis and in the sector relevant to the performance of operations, which identify and qualify the special and distinctive part of the Group's economic activity.

Financial activities consist of transactions that generate income and expenses of a financial nature.

On a residual basis, ancillary activities consist of transactions that generate income components that are part of ordinary activities but are not part of ordinary business and financial activities.

For further details on the Group's performance and results, please refer to the Report on Operations.

Value of production

The value of production as at 31 December 2022 is detailed below.

3) Changes in contract work in progress	12,739,901
5) Other revenues and income	
Operating grants	1,086,489
Other	781,754
Total other revenues and income	1,868,243
Total value of production	67,224,698

Revenues from sales and services

This item, amounting to EUR 52,616,554, shows the value of direct revenues from core business activities. The item "Revenues from sales and services" includes only the revenues for which there is certainty of respective accrual, as they are definitively recognised by the customer in terms of consideration for works and services performed in compliance with the agreed contractual conditions.

As for revenues deriving from orders relating to works and services accounted for using the lump sum method, the invoices determined in the contract constitute financial advances and are entered under the liabilities of the balance sheet in the item "D.6 Advances".

Revenues and income were recognised net of returns, discounts, allowances, and premiums, and net of taxes directly connected to the provision of services.

For further comments on revenue trends, please refer to the report on operations.

Breakdown of revenues from sales and services by Business segment

The breakdown of revenues from sales and services by business segment is given below:

- Offshore renewable 54%
- Subsea cables 30%
- Offshore oil and gas 10%
- Other activities 6%

Breakdown of revenues from sales and services by geographical area

Below please find the breakdown of revenues from sales and services by geographical area:

- Italy 48%
- Abroad 52%

Changes in contract work in progress

This item, amounting to EUR 12,739,901, relates to the change in contract work in progress, valued using the percentage of completion criterion determined by the physical measurement method.

Other revenues and income

This item, amounting to EUR 1,868,243, mainly refers to: operating grants in the amount of EUR 1,868,243 related to:

- revenues for IRPEF relief pursuant to (It.) Law 30/98 in the amount of EUR 316,587;
- revenues for other grants in the amount of EUR 769,902 related to (i) a research and development project carried out in 2022; (ii) grants for operating expenses calculated in accordance with the law according to the cumulation criterion for grants and tax credits; (iii) other revenues from the recognition of the tax credit for investments in capital goods as provided for by Article 1, Section 98, (It.) Law No. 208 of 28 December 2015 and (iv) to grants for the relief provided for by Art.1, paragraphs 8 to 13, of (It.) Law 232 of 11 December 2016.
- other revenues and income of EUR 781,754, relating to insurance indemnities and revenues of a different nature than those classified in the other items of production value.

Production costs

Costs and charges are allocated on an accrual basis and according to their nature, net of returns, allowances, discounts and premiums, in accordance with the principle of correlation with revenues, and recorded in the respective items in accordance with the provisions of accounting standard OIC 12. With regard to the purchase of goods, the related costs are recognised when the substantial and not formal transfer of title has taken place, taking the transfer of risks and benefits as the benchmark for the substantial transfer. In the case of the purchase of services, the related costs are recognised when the service is received or rendered by the counterparty, while in the case of continuous services, the related costs are recognised for the accrued portion.

Below is a breakdown of production costs as at 31 December 2022.

B) Production costs	31 December 2022
6) for raw, ancillary materials, consumable and goods	6,817,229
7) for services	29,963,261
8) for leased assets	11,844,777

9) for personnel	
a) wages and salaries	7,266,491
b) social security charges	988,011
c) severance indemnity	366,059
e) other costs	-
Total personnel costs	8,620,561
10) amortisation, depreciation and write-downs	
a) amortisation of intangible fixed assets	745,043
b) depreciation of tangible fixed assets	1,516,217
Total amortisation, depreciation and write-downs	2,261,260
11) changes in raw, ancillary materials, consumables and goods	(922,197)
14) various operating charges	262,764
Total production costs	58,847,655

For raw, ancillary materials, consumables and goods

This item, amounting to EUR 6,817,229, refers mainly to purchases of fuel and lubricants for ships and vessels used by the Group.

For services

The item, amounting to EUR 29,963,261, mainly refers to costs for services rendered by *subcontractors* in the context of job order management, costs of non-employee offshore personnel including expenses and other charges for their management, costs for ordinary maintenance and consulting services.

For leased assets

This item, amounting to EUR 11,844,777, mainly refers to freight on ships used in the Group's core business.

For personnel

This item, amounting to EUR 8,620,561, mainly refers to costs for wages and salaries, social security charges and severance indemnity for seafarers, technical and administrative staff, determined on the basis of existing contracts and reference regulations.

Amortisation, depreciation and write-downs

This item, amounting to EUR 2,261,260, includes EUR 745,043 in amortisation of intangible assets and EUR 1,516,217 in depreciation of tangible assets.

The table below details the amortisation of intangible assets.

	Start-up and expansion costs	Development costs	Concessions, licences, trademarks, and similar rights	Goodwill	Fixed assets under construction	Other intangible fixed assets	Total
Amortisation	1,374	155,072	30,373	436,059	-	122,165	745,043

Details of depreciation of tangible assets are shown in the table below.

La tabella di seguito riporta il dettaglio degli ammortamenti delle immobilizzazioni materiali.

	Land and buildings	Plants and machinery	Industrial and commercial equipment	Other assets	Fixed assets under construction and advances	Total
Amortisation	49,973	5,071	724,947	736,226	-	1,516,217

Changes in raw, ancillary materials, consumables and goods

This item, amounting to EUR 922,197, refers to the increase in inventories of raw, ancillary and consumable materials and goods for the year. As at 31 December 2022, these inventories consisted mainly of fuels and lubricants for the ships and vessels used by the Group. For further details on the composition of inventories, please refer to the section "Inventories" in the Notes to the Financial Statements.

Various operating charges

This item, amounting to EUR 262,764, includes operating costs of a residual nature with respect to those previously disclosed. In particular, the item refers to losses on receivables of the Parent Company for EUR 142,828 and contributions, gifts, other taxes and miscellaneous charges for the remainder.

Financial income and charges

Financial income and charges are recognised on an accrual basis in relation to the portion accrued during the year. Financial income and charges as at 31 December 2022 are detailed below.

C) Financial income and charges	31 December 2022
16) other financial income	
d) income other than above	
other	1,570
Total income other than above	1,570
Total other financial income	14,900
17) interest and other financial charges	
other	643,058
Total interest and other financial charges	643,058
17-bis) exchange gains and losses	(298,717)
Total financial income and charges (15+16-17+-17-bis)	(940,205)

Other financial income

This item, amounting to EUR 1,570, mainly includes bank interest collected.

Interest and other financial charges

This item, amounting to EUR 643,058, includes interest payable accrued on bank current accounts and mortgage and loan payables.

Exchange gains and losses

This item, which shows an exchange loss of EUR 298,717, includes exchange gains and losses arising from the conversion of items expressed in currencies other than the Euro.



Income taxes for the year

Income taxes for the year result from the calculation of taxes by linearly consolidated Group companies. They were calculated on the basis of the current tax legislation and represent the amount of taxes pertaining to the financial year to which the financial statements refer.

Deferred tax liabilities and assets derived from temporary differences between the values of assets and liabilities that are determined according to the statutory criteria and the corresponding values recognised for tax purposes, as well as the carry-forward of tax losses. Their valuation is made taking into account the presumed tax rate that the Group is expected to incur in the year in which these differences will contribute to the formation of the tax result, considering the rates in force or already enacted at the balance sheet date.

Deferred tax assets are recognised for all the deductible temporary differences and for the carry-forward of tax losses, in compliance with the principle of prudence and only if there is the reasonable certainty that, in the years when those differences will reverse, there is taxable income no lower than the amount of the differences that are to be written off.

Details of the item are given below.

20) Current, deferred and prepaid income taxes	31 December 2022
Current taxes	122,327
Taxes for the previous years	636
Deferred and prepaid taxes	(73,507)
Total current, deferred and prepaid income taxes	49,456

Additional information

Employment data

The table below provides details of the Group's workforce as at 31 December 2022, broken down by category.

Category	31 December 2022
Executives and middle managers	8
Office employees	79
Other employees	28
Total	115

Research and development activities

It is a constant practice and a well-established Group policy that of daily engaging in research and development activities aimed at improving corporate processes and activities.

Compensation, advances, and credits granted to directors and statutory auditors and commitments undertaken on their behalf

The following table shows the remuneration of the Parent Company's directors and statutory auditors (who are entrusted with the statutory audit):

	Directors	Statutory Auditors
Parent company	346,076	24,440

There are no advances or receivables and no commitments have been made on behalf of the directors and auditors of the Parent Company and other Group companies.

Categories of shares issued by the Group

The Parent Company's share capital consists of 500,000 ordinary shares with a nominal value of EUR 1.00. No shares have been issued by the Parent Company and other Group companies that confer administrative and property rights other than those of ordinary shares.

Securities issued by Group companies

The Group companies did not issue securities.

Financial instruments issued by the Group

The Group companies did not issue any financial instruments.

Commitments, guarantees, and potential liabilities not resulting from the Balance Sheet

It is noted that, as at 31 December 2022, there were no commitments, guarantees and contingent liabilities not disclosed in the Balance Sheet. The guarantees given by the Group on the debts recorded are shown in the section "Payables to banks" of the Notes to the Financial Statements.

Information on assets and financing allocated to a specific business

There are no assets or financing earmarked for a specific business.

Information on transactions with related parties

Transactions with related parties took place during the year; these transactions were concluded at normal market conditions.

The transactions with related parties, adequately described in the report on operations, were carried out under normal market conditions and in the interest of the Group; therefore, no atypical or unusual transactions were carried out, that is to say outside the scope of the company's ordinary business or capable of significantly affecting the economic and financial position of the Group.

For details of transactions with related parties, of a financial and commercial nature, please refer to the report on operations.

Information on agreements not shown in the Balance Sheet

There are no agreements not shown in the Balance Sheet.

Information on significant events that occurred after the end of the year

For a description of significant events after the end of the financial year, please refer to the Report on Operations.

Undertakings drawing up the financial statements of the largest group of which the Parent Company is a subsidiary

In accordance with the law, please find the information pursuant to Article 2427, paragraph 1, no. 22 quinquies and sexies) of the (It.) Civil Code.

	Larger ensemble
Company name	Marnavi SpA
City (if in Italy) or foreign country	Naples
Tax code (for Italian companies)	01619820630
Place of filing of consolidated financial statements	Naples

Information on derivative financial instruments pursuant to Article 2427-bis of the (It.) Civil Code

The Group does not hold derivative financial instruments.

Summary statement of the financial statements of the company exercising management and coordination activities

Please note that the Parent Company is not subject to management and coordination activities.

Information pursuant to art. 1, paragraph 125, of (It.) Law of 4 August 2017, no. 124

Pursuant to art. 1, paragraph 125, of (It.) Law of 4 August 2017, no. 124 and to art. 3-quater, paragraph 2, of (It.) Decree Law of 14 December 2018 no. 135, it should be noted that Group companies have benefited from aid subject to mandatory publication in the National Register of State Aid, to which reference should be made for details.

Information on concessions received by the Parent Company

In 2020, the Parent Company obtained concession decree no. R000352 of 12/03/2020 with obligation deed signed on 05.02.2021 for the Project ARS01_00682 titled "Autonomous robotics for the extended ship - ARES" for a total of € 4,761,046.46 and € 2,329,375 as company taking part in the project as a contribution to expenses, applied on the PON "Research and Innovation" Funds 2014-2020 and FSC pursuant to and for the purposes of art. 13 of the Notice.

For those activities in 2022 it is due a contribution to expenses for EUR 176,743.71 and tax credit for Research and Development for EUR 45,157.47 as per art. 3 of (It.) Decree Law of 23 December 2013, no. 145 converted, with amendments into (It.) Law of 21 February 2014, no. 9 and in the connected (It.) Ministerial Decree of 27 May 2015, amended by (It.) Law 160/2019 (Budget Law 2020), by the MISE Transition 4.0 Ministerial Decree of 26 May 2020 and subsequently by art. 1 para. 1064 of (It.) Law 178/2020 (Budget Law 2021). For companies operating in the south of Italy, (It.) Decree-Law of 19/05/2020 no. 34, confirmed by the Finance Act 2021 (It. Law 178/2020), Art. 1 paragraph 185, provided for an increase of the Research and Development Tax Credit. Art. 1 para. 45 of the Budget Law 2022 (It. Law no. 234/2021) extended and rescheduled the credit.

In 2021, for the Sustainable growth fund - Application sector "Smart Factory" Project proposal no. 1874, known as "NSS2023-Next Smart System in the marine filed" presented by the company Next Geosolutions Europe SpA., pursuant to (It.) Ministerial Decree of 2 August 2019 and of the subsequent (It.) Management Decree of 2 October 2019, the Company received the preliminary report of the Ministry and obtained a contribution to expenses of EUR 2,000,354.01 and a subsidised loan of EUR 1,286,278.85.

For those activities in 2022 it obtained a contribution to expenses for EUR 447,272.20 and tax credit for Research and Development for EUR 96,407.62 as per art. 3 of (It.) Decree Law of 23 December 2013, no. 145 converted, with amendments into (It.) Law of 21 February 2014, no. 9 and the related Ministerial Decree of 27 May 2015, as amended by (It.) Law 160/2019 (Budget Law 2020), the MISE Transition 4.0 DM of 26 May 2020 and subsequently by Art. 1 para. 1064 of (It.) Law 178/2020 (Budget Law 2021). For companies operating in the south of Italy, (It.) Decree-Law of 19/05/2020 no. 34, confirmed by the Finance Act 2021 (It. Law 178/2020), Art. 1 paragraph 185, provided for an increase in the Research and Development Tax Credit. Art. 1 para. 45 of the Budget Law 2022 (It. Law no. 234/2021) extended and rescheduled the credit.

The relative contributions and credits calculated in accordance with the cumulation criterion pursuant to art. 1 paragraph 203 of (It.) Law 160/2019, as amended by (It.) Law 178/2020 are a total of EUR 765,581.00, reported under "Tax Credits" in Balance Sheet Assets and "Other revenue and proceeds" in the Income Statement, in compliance with the accounting principle OIC 24 and (It.) Law no. 232 of 11 December 2016.

On 22/12/2022, the Company submitted the request, received with registration number 22122238211041225-000001, for the tax credit for investments in the south of Italy in the amount of EUR 276,772, related to investments in equipment of EUR 1,107,089.00.

The related credit calculated pursuant to (It.) Law 208/2015 amounts to a total of EUR 276,772, reported under "Tax Credits" in Balance Sheet Assets and "Other revenue and proceeds" in the Income Statement, in compliance with the accounting principle OIC 24 and (It.) Law no. 232 of 11 December 2016.

In 2022, the Company took advantage of the 4.0 credit for the purchase of assets functional to the technological and digital transformation of companies in accordance with the 'Industry 4.0' model annexed to (It.) Law of 11 December 2016, no. 232 as amended as per affidavits issued by the Appointed Surveyor. The related credit calculated according to the law is EUR 332,562.52 for an

investment of EUR 831,406.30 under "Tax Credits" in Balance Sheet Assets and "Other revenue and proceeds" in the Income Statement, in compliance with the accounting principle OIC 24 and (It.) Law no. 232 of 11 December 2016.

Application of the tax regime for ships registered in the International Registry and Tonnage Tax

With reference to the Parent Company, it should be noted that (It.) Law no. 30/98, supplemented by (It.) Law no. 488/1999, envisages, for income deriving from the use of vessels registered in the Italian international naval register, chartered by the Company during 2022, the exclusion from taxation of 80% of taxable income for IRES purposes and the total exemption from IRAP. Furthermore, for just one ship the Parent Company applies the so-called Tonnage Tax regime by which the income from that ship is taxed on a lump sum basis. The Parent Company's current income taxes are determined on the basis of an analytical forecast of the taxable income for the year, taking into consideration the facilitated regime envisaged by (It.) Law no. 30/1998 and the Tonnage Tax.

Disclosure pursuant to European Law of 23 December 2021 no. 238

In 2022, the Parent Company used the amount of EUR 26,248.00 relating to grants received as a tax credit connected to research and development projects carried out during 2020 for the purposes envisaged by article 3 of (It.) Decree Law 145/2013 converted with amendments by (It.) Law no. 9/2014, as amended by paragraph 35 of article 1 of (It.) Law no. 190/2014 and subsequent amendments and integrations. Those tax receivables were calculated on the basis of criteria illustrated in Circular 5E of 16 March 2016 by the Revenue Agency and subsequent amendments. During 2021, the Parent Company used the quota of EUR 271,250.00 of the contributions received as tax credit for the South as per (It.) Law 208/2015 realised during 2021, it used the quota of EUR 99,872.52 as 4.0 loan for the purchase of the goods required for the technological and digital transformation of enterprises in accordance with the "Industry 4.0" model included in (It.) Law of 11 December 2016, no. 232 and subsequent amendments and additions, and EUR 14,923.48 of the contributions received as tax credit for the South as per (It.) Law 208/2015 realised during 2021, and used the quota of EUR 27,776.77 of the contributions received as PPE tax credit for the year 2020, and EUR 5,420.00 as PPE tax credit for the year 2021

Explanatory Notes, final part

These financial statements composed of the balance sheet, income statement, cash flow statement, accompanied by the notes to the financial statements represent, in a truthful and correct way, the assets/liabilities and financial position, as well as the economic result for the year, and correspond to the results of the Group's accounting records.

Naples, 31 March 2023

Giorgio Filippi, President

Giuseppe Maffia, Managing Director

Giovanni Ranieri, Managing Director

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