

ROSETTI MARINO S.p.A.

HALF-YEAR  
CONSOLIDATED FINANCIAL STATEMENTS  
as at 30 June 2014

Approved by  
the Board of Directors  
on  
30 September 2014

Registered offices in Via Trieste 230, Ravenna, Italy  
Share capital Euro 4,000,000.00 fully paid-in  
Tax Code, VAT No. and Ravenna Companies' Register No. 00082100397  
Economic and Administrative Index No. 1530

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**1. BOARD OF DIRECTORS' REPORT ON OPERATIONS ACCOMPANYING THE  
CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2014**

Dear Shareholders,

the half-year consolidated financial statements as at 30 June 2014 which we hereby submit for your approval closed with a net profit of Euro 354 thousand, after recognising Euro 2,692 thousand in depreciation and amortisation, Euro 98 thousand for write-downs of current receivables and income taxes of Euro 1,710 thousand.

Considering the crisis that has stricken the global economy and the various conflicts which are affecting several areas that are extremely interesting for us, it is our opinion that the result achieved – despite being decidedly lower with respect to those achieved recently – can in any event be considered in a positive light and derives from the dedication shown by all the Group companies' staff, who we believe deserve your and our gratitude.

The following is a presentation of the Group's situation and the foreseeable course of its future development.

## **OPERATING PERFORMANCE**

The six months under review were characterized by a decrease in business volumes (Euro 166 million in the first six months of 2014 compared to Euro 203 million in the first six months of 2013).

In detail, with respect to the same period in 2013 there was a decrease in the turnover in the Oil & Gas segment (-28 million) and the Shipbuilding segment (-17 million) and an increase in the Process Plants segment (+8 million).

The decrease in activities during the half-year period under review is due to the economic crisis which has been affecting the global economy for some years now and which also manifested in the business sectors in which the Company operates, especially as from mid 2013.

The Shipbuilding segment was particularly hit by this crisis, seeing a sharp drop in charters regarding transportation of all the commodities with consequent and heavy repercussions on the investment plans of the ship owners.

Also the Oil & Gas segment, which is the most important for the Company, was affected by the crisis further to the drop in investments by oil companies, due in particular to the rise in production costs and

the considerable investments in Shale-Gas and Shale-Oil extraction activities, and partly due to the political instability which affected various Arab nations of particular interest for the Company.

Following the considerable reduction in production volumes, we reported a significant drop in margins which however we believe must be considered in a positive light since they were generated in a particularly difficult context.

The following is a selection of the economic ratios deemed most significant:

	<u>30/06/14</u>	<u>30/06/13</u>
GDP (in thousands of Euro)	166,255	202,856
(A1+A2+A3 of the income statement)		
Ebitda (in thousands of Euro)	4,601	7,476
(A+B-10-12-13 of the income statement)		
Ebitda / GDP	2.77%	3.69%
Ebit (in thousands of Euro)	1,811	3,698
(A+B of the income statement)		
Ebit / GDP	1.09%	1.82%
Gross profit (in thousands of Euro)	2,059	7,274
Gross profit / GDP	1.24%	3.59%
Net profit (in thousands of Euro)	354	4,869
Net profit / GDP	0.21%	2.40%
R.O.E.	0.18%	2.59%

(Net profit / opening shareholders' equity attributable to the Group)

The following is a discussion of the various business segments in which the Group operates. For further numerical data, the reader is referred to the Notes.

### **Oil & Gas segment**

This segment, which yielded a gross domestic product of approximately Euro 123 million during the six months (Euro 151 million in the first half of 2013), remained the Group's primary segment.

You are hereby informed that, as has by now occurred for several accounting periods, the majority of the activities carried out during the period were contracted out by companies not belonging to the Eni

Group, bearing witness to the fact that the Group is increasingly less dependent on customers belonging to the national oil company.

During the first half, we were involved in completing certain work underway as of 31 December 2013, including revamping works on a Tunisian platform and construction works for Living Quarters for Shell, as well as the continuation of other jobs still in progress comprising the construction of a particularly large platform to be used off the Ivory Coast, four platforms to be installed in the Adriatic, two of which in Croatian waters. Our staff were also involved in the Hook Up activities in the North Sea on the Elgin B platform we constructed and delivered in the previous year.

New orders acquired during the period whose activities are still underway, include the construction of two platforms destined to be installed off the coast of Gabon, the construction of the foundation piles and the conductor pipes for an Eni platform and, in conclusion, the efforts of our technical staff (around 100 individuals) for the co-ordination of the Commissioning and Start Up activities on the Eni Goliat platform being completed at a Korean shipyard.

In conclusion, it should be mentioned that the period was affected by a decisive drop on the activities carried out by the Kazakh investee companies, activities which in the last few years had contributed significantly to the achievement of the positive results disclosed.

### **Naval Business Segment**

Naval business, conducted primarily by the Parent Company (ship building) and Rosetti General Contracting Lda (ship chartering) contributed approximately Euro 19 million (Euro 36 million in the first half of 2013) to the value of production.

Works were completed during the first half of 2014, having been started in previous years, for the construction of a supply vessel, which was delivered respecting the timescales and the technical features contractually envisaged. Works also continued for the construction of an important AHTS (Anchor Handling Tug Supply vessel) for a value of more than Euro 50 million, which will be terminated by the end of October 2014.

It should be mentioned that once again in this accounting period, despite efforts made, it has not been possible to acquire new orders

given the difficulties confirmed by ship-owning companies who are our customers, in finding the funding necessary for going ahead with new investments.

### **Process Plants Segment**

This business segment, in which the subsidiary Fores Engineering Srl and its investee companies operate, reported a decisive increase contributing approximately Euro 24 million to the value of production (Euro 16 million in the first half of 2013).

### **INVESTMENTS**

During the first six months of 2014, investments in intangible assets came to Euro 238 thousand and investments in technical assets to Euro 4,059 thousand, for a grand total of Euro 4,297 thousand.

The two main investments concern the San Vitale yard with the activities for expanding the pre-fab area by the Parent Company and the yard in Kazakhstan with the construction of three industrial sheds, the purchase of lifting equipment and the construction of new offices by the associated company Kcoi Llp. Both the investments are at present still being completed and, once finished, will lead to a total investment of around Euro 2.5 million and around Euro 11.9 million, respectively.

The investment situation confirms the Group's attention to constantly increase its level of competitiveness, safety and respect for the environment.

### **FINANCIAL SITUATION**

For a more in-depth analysis of cash flows during the period, the reader is referred to the cash flow statement attached to the Group's consolidated financial statements.

Mention should be made here of the fixed asset coverage ratio (amply financed through shareholder's equity) and the positive net financial position.

The following is a selection of the financial and equity ratios deemed most significant:

	<u>30/06/14</u>	<u>30/06/13</u>
Short-term net fin. pos. (in thousands of Euro)	+33,734	+89,053
(C.IV on assets side – D.4 short-term on liabilities side)		
Asset coverage margin (in thousands of Euro)	+99,095	+98,923
(M/L-term liabilities + total equity - fixed assets)		
Asset coverage ratio	1.92	1.92
(M/L-term liabilities + total equity / fixed assets)		
Financial independence ratio	49.93%	44.16%
(Total equity / total assets)		
Ratio of income (expenses) on GDP	0.17%	1.76%
(Financial income and expenses / GDP)		

With regard to the financial risks on trade receivables, we inform you that the Group mainly works with return customers, especially primary oil companies or companies they invest in directly and leading Italian shipowners. Given the longstanding relationships with clients and their financial solidity, no particular guarantees are required on the related receivables. It should nonetheless be noted that receivables are highly concentrated with a few entities, since the Company's orders are few in number and large in amount. Given this fact, it is common practice before acquiring an order to conduct a thorough assessment of the financial impact of that order and a prior evaluation of the client's financial resources and to continue to monitor outstanding receivables thoroughly during the execution of the work.

Since there is no financial debt with the banking system and having obtained a strong rating from the banks with which we deal, there are no difficulties in procuring financial resources nor risks associated with the fluctuation of interest rates to be reported.

The Group is exposed to exchange rate risk due to its operations on international markets. To protect itself against that risk, as in previous years, the Group undertook exchange rate risk hedging transactions when it acquired significant orders from clients in foreign currencies and issued significant orders to suppliers in foreign currencies. In further detail, as at 30 June 2014 the Parent Company had outstanding forward purchase contracts with various financial institutions for Nok Nok 17,580 thousand and US\$ 1,068 hedging supply contracts and forward sale transactions for GBP 3,280 thousand and US\$ 69,618



thousand hedging the contract outstanding with the customers Elf Exploration UK Limited and Foxtrot International LDC.

## **PERSONNEL**

The staff headcount came to 798 as at 30 June 2014, disclosing an increase of 6 compared to the same period of the previous year.

In further detail, it should be noted that the number of white-collar workers increased by 26, whereas executives and blue-collar workers decreased by 2 and 18, respectively.

Due to the type of business conducted, the risk of accidents, including potentially fatal accidents, is high. For this reason, the Group has always devoted particular attention to safety issues by adopting a series of internal procedures and educational measures aimed at preventing the occurrence of such events.

All production sites owned by the Parent company and the subsidiary Fores Engineering S.r.l. have been certified as compliant with the standard BS-OHSAS 18100.

It should be noted that we are continuing to promote initiatives aimed at spreading a culture of safety even further among all internal and external workers who operate within our Italian and international production sites.

## **OTHER INFORMATION ON OPERATIONS**

With regard to the disclosure expressly required by Article 2428 of the Italian Civil Code, we report the following, while referring the reader to the Notes for the specifically numerical part:

### **Information on business risks**

The physiological risks deriving from the businesses conducted by Group companies are those typical of enterprises that operate in the plant engineering and shipbuilding segments.

The responsibilities deriving from designing and constructing our products and the risks associated with normal operating activities are reviewed in advance by devoting adequate attention to such aspects when developing processes and implementing adequate organizational

procedures, as well as by acquiring adequate insurance coverage on a precautionary basis.

The potential risks pertaining to financial, environmental and workplace safety issues and an analysis of the uncertainties relating to the particular economic situation have been reviewed in advance and the appropriate measures implemented accordingly, as described in the respective paragraphs "Financial situation," "Information on the environment," "Personnel" and "Business outlook."

### **Information on the environment**

The Group creates large metal constructions and the related production activities present a low impact on the environment mainly limited to the painting phases and sand-blasting phases. Such risks, though reduced, are thoroughly assessed by the responsible unit.

The focus on environmental issues is borne out by the fact that the Parent Company has been certified compliant with the international standard ISO14001 for many years.

### **Research and development activities**

Research and development involved the study of new products and new technologies, relating in particular to hydrogen production. This research activity could offer significant benefits for the Group, which may enjoy the opportunity to enter new areas of the market by studying innovative processes and developing new operating methods.

### **Treasury share transactions**

There were no treasury share transactions during the half-year period under review. Accordingly, the number of treasury shares held by the Company remained unchanged at 200,000 shares, representing 5.0% of the share capital.

### **Significant events after the end of the year**

In the period between the date of closure of the accounting period and the current date, no significant events that could have a significant impact on operations occurred.

## **BUSINESS OUTLOOK**

In our opinion, the current order backlog, equal to Euro 243 million, to which an important order must be added being formalised for around US\$ 230 million relating to our Kazakh investee company Kcoi, should be considered satisfactory because it was acquired despite the period of crisis which the global economy has suffered.

The following is a more detailed review of the prospects of the individual business segments.

### **Oil & Gas Business Unit**

The order backlog to-date amounts to around Euro 179 million and guarantees a good workload until mid 2015.

As mentioned previously, the Kazakh associated company is formalising an important order for an estimated amount of around US\$ 230 million which will guarantee it an adequate workload for the next three years, permitting the same to overcome the delays in the start up of phase two of the Kashaghan project.

The performance of the market indices of the Oil & Gas sector disclose a good general trend and confirmation of the investment plans of the oil companies. Despite the fact that a good portion of these investments will be concentrated in geographic areas and plant types where we are not traditionally present, satisfactory growth prospects for our business are possible.

We must however highlight a general lengthening in the decision-making timescales of the oil companies when carrying out scheduled investments. This delay is due to both the economic crisis and the geopolitical situation of certain important areas of production of hydrocarbons.

In consideration of the above, your Company has shown a great commitment in seeking new opportunities for work in production areas differing from those where we are traditionally present (Nigeria, Ghana, Saudi Arabia), and in new products (subsea, onshore market).

In particular, it should be noted that in Nigeria we recently signed a collaboration agreement with an important local operator with whom we are participating in a large tender for the revamping of a series of

platforms in the country. We expect satisfactory results in a short time from this initiative.

It should be mentioned that, also, in Algeria, as Parent Company, we were awarded a public tender for the construction of an on-shore plant which represents the first order acquired by our Company in ground works.

The above, together with the negotiations underway for works in countries in which we have traditionally been present, permits us to look to the future with moderate optimism.

### **Shipbuilding Segment**

This sector is that which at the moment has been affected the most by the international crisis. In detail, Italian shipowners, our traditional customers, are under significant financial stress in this period, due to a general downsizing of bank credit facilities and excessive investments carried out in previous years in sectors other than offshore which have turned out to be insufficiently remunerative.

This crisis has not permitted us to increase the orders portfolio we had acquired in past years (equal to Euro 6 million).

The best prospects at present are represented by the construction of AHTS tugs with a performance of up to 20,000 HP intended for Deep Water activities. The Group is currently undertaking the development of this type of technologically-advanced construction, so as to meet demand for this type of vessel as best as possible, a type which we are convinced may represent the future for activities in this sector.

In consideration of the difficulties met by our traditional Italian customers, we are carrying out intense promotional activities for the Group with foreign customers with particular reference to the Brazilian market from which we have had positive responses which have clearly suggested the possibility of obtaining new orders shortly.

### **Process plants, Packages and Equipment segment**

The orders which we have acquired to-date, via our subsidiary company Fores Engineering Srl, have allowed us to obtain a satisfactory order backlog amounting to Euro 58 million. The recent acquisitions and the numerous offer requests received confirm a certain pick-up in demand in this sector, which makes us confident as to the future.

Dear Shareholders,

The activities carried out by the Group in the first half of 2014 generated a net profit of Euro 354 thousand.

In conclusion, we invite you to approve the financial statements which have been submitted to you, along with the criteria followed for the drafting of the same and the accompanying report.

Ravenna, Italy, 30 September 2014

On behalf of the Board of Directors

The Chairman

Mr. Medardo Ranieri

**2. CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2014:**

- *Balance sheet*
- *Income statement*
- *Notes*

**BALANCE SHEET (amounts in thousands of Euro)**

<b>ASSETS</b>	<b>30/06/14</b>	<b>31/12/13</b>	<b>30/06/13</b>
<b>A) SUBSCRIBED CAPITAL,</b>			
<b>UNPAID</b>		<b>0</b>	<b>0</b>
<b>B) FIXED ASSETS:</b>			
I Intangible assets:			
4) Concessions, licenses, trademarks and similar rights	490	506	495
6) Assets in progress and payments on account	105	14	31
7) Other intangible assets	<u>1,439</u>	<u>1,614</u>	<u>1,527</u>
<b>TOTAL INTANGIBLE ASSETS</b>	<b>2,034</b>	<b>2,134</b>	<b>2,053</b>
II Tangible assets:			
1) Land and buildings	69,264	72,295	75,650
2) Plant and machinery	7,171	7,320	7,419
3) Industrial and commercial equipment	1,367	1,315	1,339
4) Other tangible assets	2,583	2,922	2,904
5) Assets under constr. and payments on account	<u>4,741</u>	<u>2,032</u>	<u>158</u>
<b>TOTAL TANGIBLE ASSETS</b>	<b>85,126</b>	<b>85,884</b>	<b>87,470</b>
III Long-term financial assets:			
1) Equity investments:			
a) in subsidiary companies	1	1	302
b) in associated companies	654	802	836
d) in other companies	<u>175</u>	<u>175</u>	<u>175</u>
<b>TOTAL EQUITY INVESTMENTS</b>	<b>830</b>	<b>978</b>	<b>1,313</b>
2) Receivables:			
b) due from associated companies	14,150	13,150	10,900
c) due from others	<u>586</u>	<u>580</u>	<u>612</u>
<b>TOTAL RECEIVABLES</b>	<b>14,736</b>	<b>13,730</b>	<b>11,512</b>
4) Treasury shares	<u>5,100</u>	<u>5,100</u>	<u>5,100</u>
<b>TOTAL LONG-TERM FINANCIAL ASSETS</b>	<b>20,666</b>	<b>19,808</b>	<b>17,925</b>
<b>TOTAL FIXED ASSETS</b>	<b>107,826</b>	<b>107,826</b>	<b>107,448</b>
<b>C) CURRENT ASSETS:</b>			
I Inventories:			
1) Raw materials and consumables	818	857	1,238
3) Contract work in progress	104,922	96,638	124,696
5) Payments on account	<u>5,785</u>	<u>8,754</u>	<u>11,921</u>
<b>TOTAL INVENTORIES</b>	<b>111,525</b>	<b>106,249</b>	<b>137,855</b>
II Receivables:			
1) due from customers	106,673	105,430	66,981
3) due from associated companies	2,179	1,469	9,468
4bis) tax receivables	9,772	13,515	12,655
4ter) prepaid taxes	5,157	5,579	5,473
5) due from third parties			
- within 12 months	167	137	165
- beyond 12 months	<u>400</u>	<u>458</u>	<u>478</u>
<b>TOTAL RECEIVABLES</b>	<b>124,348</b>	<b>126,588</b>	<b>95,220</b>
III Short-term financial assets:			
6) Other securities	<u>21</u>	<u>21</u>	<u>21</u>
<b>TOTAL SHORT-TERM FINANCIAL ASSETS</b>	<b>21</b>	<b>21</b>	<b>21</b>
IV Cash and cash equivalents:			
1) Bank and postal deposits	33,668	64,188	88,987
3) Cash and cash equivalents on hand	<u>67</u>	<u>49</u>	<u>66</u>
<b>TOTAL CASH AND EQUIVALENTS</b>	<b>33,735</b>	<b>64,237</b>	<b>89,053</b>
<b>TOTAL CURRENT ASSETS</b>	<b>269,629</b>	<b>297,095</b>	<b>322,149</b>
<b>D) ACCRUED INCOME AND PREPAYMENTS</b>	<b>742</b>	<b>750</b>	<b>1,261</b>
<b>TOTAL ASSETS</b>	<b>378,197</b>	<b>450,671</b>	<b>430,858</b>

<b>LIABILITIES</b>	<b>30/06/14</b>	<b>31/12/13</b>	<b>30/06/13</b>
<b>A) SHAREHOLDERS' EQUITY:</b>			
I Share capital	4,000	4,000	4,000
III Revaluation reserve	36,969	36,969	37,923
IV Legal reserve	1,110	1,110	1,110
VI Treasury share reserve	5,100	5,100	5,100
VII Other reserves	140,693	137,231	132,788
VIII Profits (losses) carried forward	4,208	127	4,567
IX Profit for the period	354	8,960	4,869
X Translation reserve	(3,620)	(1,352)	(121)
XI Consolidation reserve	23	23	23
<b>TOTAL GROUP SHAREHOLDERS' EQUITY</b>	<b>188,837</b>	<b>192,168</b>	<b>190,259</b>
Minority interests in capital and reserves	0	2	5
<b>TOTAL GROUP SHAREHOLDERS' EQUITY AND MINORITY INTERESTS</b>	<b>188,837</b>	<b>192,170</b>	<b>190,264</b>
<b>B) PROVISIONS FOR LIABILITIES AND CHARGES</b>			
1) Retirement funds and other similar provisions	66	48	12
2) Provisions for taxes	2,498	2,719	2,265
3) Other	11,750	12,031	10,147
<b>TOTAL PROVISIONS FOR LIABILITIES AND CHARGES</b>	<b>14,314</b>	<b>14,798</b>	<b>12,424</b>
<b>C) EMPLOYEES' SEVERANCE INDEMNITY PROVISION</b>	<b>3,770</b>	<b>3,678</b>	<b>3,591</b>
<b>D) PAYABLES:</b>			
4) Amounts due to banks			
- within 12 months	1	0	0
5) Amounts due to other lenders			
- within 12 months	92	555	860
- beyond 12 months	0	92	92
6) Payments on account	90,631	113,905	124,231
7) Amounts due to suppliers	67,294	67,687	86,104
9) Amounts due to subsidiary companies	1	1	1
10) Amounts due to associated companies	468	818	697
11) Amounts due to parent companies	0	8	0
12) Tax payables	3,059	3,420	2,647
13) Amounts due to social security and welfare institutions	2,444	2,643	2,395
14) Other payables	7,011	5,499	7,106
<b>TOTAL PAYABLES</b>	<b>171,001</b>	<b>194,628</b>	<b>224,133</b>
<b>E) ACCRUED LIABILITIES AND DEFERRED INCOME</b>	<b>275</b>	<b>397</b>	<b>446</b>
<b>TOTAL LIABILITIES</b>	<b>378,197</b>	<b>405,671</b>	<b>430,858</b>
<b>MEMORANDUM ACCOUNTS</b>	<b>30/06/14</b>	<b>31/12/13</b>	<b>30/06/14</b>
1. Guarantees given:			
a) Sureties given in favour of:			
- associated companies	3,071	3,119	6,580
- third parties	129,143	137,196	149,263
<b>TOTAL GUARANTEES GIVEN</b>	<b>132,214</b>	<b>140,315</b>	<b>155,843</b>
3. Other commitments and risks:			
a) Forward currency purchases	3,025	7,833	9,488
b) Forward currency sales	55,224	98,103	170,616
d) Credit facilities	1,092	0	0
<b>TOTAL OTHER COMMITMENTS AND RISKS</b>	<b>59,341</b>	<b>105,936</b>	<b>180,104</b>



INCOME STATEMENT		Ist HALF 2014	2013	Ist HALF 2013
<b>A) VALUE OF PRODUCTION:</b>				
1)	Revenues from sales and services	136,265	168,102	103,704
3)	Change in contract work in progress	29,990	224,093	99,152
4)	Increases in company-produced fixed assets	58	30	11
5)	Other income and revenues			
	a) operating grants	150	205	55
	b) other	630	4,014	831
<b>TOTAL VALUE OF PRODUCTION</b>		<b>167,093</b>	<b>396,444</b>	<b>203,753</b>
<b>B) PRODUCTION COSTS:</b>				
6)	Raw materials, consumables and goods for resale	(49,805)	(108,510)	(59,175)
7)	Services	(81,351)	(206,485)	(104,889)
8)	Leases and rentals	(3,667)	(5,838)	(2,728)
9)	Personnel costs:			
	a) wages and salaries	(20,159)	(39,927)	(21,404)
	b) social security contributions	(5,313)	(10,574)	(5,402)
	c) employees' severance indemnity provision	(1,115)	(2,121)	(1,015)
	e) other personnel costs	(670)	(853)	(518)
	Total personnel costs	(27,257)	(53,475)	(28,339)
10)	Amortisation, depreciation and write-downs:			
	a) amortisation of intangible assets	(310)	(672)	(282)
	b) depreciation of tangible assets	(2,382)	(5,701)	(2,908)
	d) write-down of current receivables and cash and cash equivalents	(98)	(188)	(9)
	Total amortisation, depreciation and write-downs	(2,790)	(6,561)	(3,199)
11)	Change in inventory of raw materials, ancillary materials and consumables	(39)	(1,037)	(656)
12)	Provisions for risks	0	(2,114)	(579)
14)	Sundry operating expenses	(373)	(846)	(490)
<b>TOTAL PRODUCTION COSTS</b>		<b>(165,282)</b>	<b>(384,866)</b>	<b>(200,055)</b>
<b>DIFFERENCE BETWEEN VALUE AND PRODUCTION COSTS (A+B)</b>		<b>1,811</b>	<b>11,578</b>	<b>3,698</b>
<b>C) FINANCIAL INCOME AND EXPENSES:</b>				
15)	Income from equity investments:			
	a) dividends and other income from associated companies	0	38	0
	d) dividends and other income from other companies	4	5	4
16)	Other financial income:			
	d) Income other than the above			
	-interest and fees from associated companies	183	332	176
	-interest and fees from third parties and sundry income	311	1,195	580
17)	Interest and other financial expenses:			
	d) Other	(196)	(1,017)	(655)
17bis)	Foreign-exchange gains and losses	(19)	2,835	(3,460)
<b>TOTAL FINANCIAL INCOME AND EXPENSES</b>		<b>283</b>	<b>3,388</b>	<b>3,565</b>
<b>D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS</b>				
18)	Revaluations:			
	a) of equity investments	0	14	31
19)	Write-downs:			
	a) of equity investments	(28)	(22)	0
<b>TOTAL ADJUSTMENTS TO FINANCIAL ASSETS</b>		<b>(28)</b>	<b>(8)</b>	<b>31</b>
<b>E) EXTRAORDINARY INCOME</b>				
20)	Income:			
	a) capital gains	0	35	36
	b) other	11	126	53
21)	Expenses:			
	a) capital losses	(4)	(40)	(39)
	b) previous years' taxes	(14)	(20)	(70)
	c) other	0	(8)	0
<b>TOTAL EXTRAORDINARY ITEMS</b>		<b>(7)</b>	<b>93</b>	<b>(20)</b>
<b>PROFIT BEFORE TAXATION (A+B+C+D+E)</b>		<b>2,059</b>	<b>15,051</b>	<b>7,274</b>
22)	Income taxes for the year	(1,710)	(6,106)	(2,416)
<b>NET PROFIT FOR THE PERIOD INCLUDING MINORITY INTERESTS</b>		<b>349</b>	<b>8,945</b>	<b>4,858</b>
	Minority-interest (profit) loss	5	15	(11)
<b>PROFIT ATTRIBUTABLE TO THE GROUP</b>		<b>354</b>	<b>8,960</b>	<b>4,869</b>

## **NOTES**

### **FORM AND CONTENT OF THE FINANCIAL STATEMENTS**

The half-year consolidated financial statements as at and for the period from 1 January 2014 to 30 June 2014 have been prepared in accordance with Italian Legislative Decree No. 127/91 and consist of the balance sheet, income statement (prepared according to the templates set out in articles 2424 and 2425 of the Italian Civil Code, modified as appropriate pursuant to article 32 of Italian Legislative Decree No. 127/91) and these notes, and are accompanied by the report on operations. Where necessary, the statutory rules have been supplemented with the recommended accounting standards of the Standard-Setting Committee of the Italian Association of Chartered and Certified Accountants, as revised by the Italian Accounting Authority following the corporate law reform enacted by lawmakers through Italian Legislative Decree No. 6 of 17 January 2003, as amended.

The notes contain an illustration, analysis and, in some cases, supplementation of financial statement figures and present the information required by article 38 of Italian Legislative Decree No. 127/91 and other legal provisions. In addition, while not specifically required by law, full complementary information about all matters deemed necessary to give a true and fair view is also provided.

The consolidated financial statements as at 30 June 2014 have been prepared by using the half-year financial statements of the individual companies included within the scope of consolidation as of the above date, drawn from the consolidated reporting packages specifically prepared by company bodies. Those financial statements have been appropriately modified, where necessary, to bring them into compliance with the following principles.

### **CONSOLIDATION PRINCIPLES**

#### **A) Consolidation method**

Subsidiaries are consolidated according to the line-by-line method. The following are the criteria mainly adopted for that method:

- the carrying amount of equity investments has been eliminated

against the associated shareholders' equity; the difference between the acquisition cost and shareholders' equity of investees is allocated, where possible, to the asset and liability items of the companies within the scope of consolidation. Any residual amount, where negative, is recognized under a shareholders' equity item entitled "Consolidation reserve"; where positive, it is recognized under an asset item entitled "Consolidation difference" and amortised over five years, if that amount represents future income-generating capacity;

- significant transactions between consolidated companies and payables, receivables and unrealized profits deriving from transactions between Group companies, net of any tax effect, have been eliminated;
- the minority interests in shareholders' equity and net profit for the period have been disclosed in specific items of the consolidated Balance Sheet and Income Statement;
- companies acquired during the year have been consolidated as from the date on which a majority interest was obtained. If acquisition occurs during the final days of the year, the acquired company is consolidated solely with regard to the balance sheet.

#### **B) Translation into Euro of the financial statements of foreign companies**

The separate financial statements for each Group company are drafted in the currency of the main economic environment in which each company operates (the operating currency). For consolidated financial reporting purposes, the financial statements of each foreign entity are prepared in Euro, which is the group's operating currency and the currency used in presenting its consolidated financial statements.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of foreign subsidiaries with operating currencies other than the Euro are translated at the exchange rates in force at the reporting date. Income and expenses are translated at the average exchange rates for the period. Foreign exchange differences deriving from the translation of opening shareholders' equity at the end-

of-period exchange rates and the translation of the income statement at the average rates for the period are recognized in the shareholders' equity item "Translation reserve". Said reserve is recognised in the income statement as income or expense in the period when the relative subsidiary is sold.

### **SCOPE OF CONSOLIDATION**

The consolidated financial statements as at 30 June 2014 include the half-year financial statements of all companies directly and indirectly controlled by Rosetti Marino S.p.A. (the Parent Company) pursuant to article 2359 of the Italian Civil Code, with the exception of Rosetti Marino Mocambique Limitada and Roships LTD, which have not been included in the scope of consolidation since the former was not operating and the latter in liquidation as at 30 June 2014.

Equity investments in associated companies have been presented according to the equity method, with the exception of Kazakhstan Caspian Offshore Industries LLP, which has been consolidated according to the proportional method and Unaros Fzc and Lenac-Rosetti Adria Doo, not included in the scope of consolidation, since the former is not operating and the latter is in liquidation.

The following is a list of equity investments in subsidiaries and associated companies within the scope of consolidation (in thousands of Euro):

<b>Name</b>	<b>Registered office</b>	<b>Share capital</b>	<b>Percent interest</b>
<i><u>Subsidiaries</u></i>			
FORES ENGINEERING S.r.l.	Forlì, Italy	1,000	100.0%
BASIS ENGINEERING S.r.l.	Milan, Italy	500	100.0%
ROSETTI GENERAL CON. Lda (1)	Portugal	50	100.0%
ROSETTI KAZAKHSTAN Llp (2)	Kazakhstan	198	100.0%
ROSETTI Doo	Croatia	48	100.0%
ROSETTI MARINO UK Ltd	Scotland	0	100.0%
FORES ENG. ALGERIE EURL (3)	Algeria	156	100.0%
FORES DO BRASIL LTDA (4)(*)	Brazil	300	100.0%
ROSETTI EGYPT Sae (5)(**)	Egypt	32	90.0%

ROSETTI LYBIA Jsc (*)	Tripoli	622	65.0%
<u>Associated companies</u>			
K.C.O.I. Llp (6)	Kazakhstan	1,160	50.0%
TECON S.r.l.	Milan, Italy	47	20.0%

- (1) Of which 2% held indirectly through Basis Engineering S.r.l.  
 (2) Of which 10% held indirectly through Fores Engineering Srl.  
 (3) Held indirectly through Fores Engineering Srl.  
 (4) Of which 75% held indirectly through Fores Engineering Srl.  
 (5) Of which 30% held indirectly through Fores Engineering S.r.l. (15%) and Rosetti General Contracting Lda (15%).  
 (6) Of which 40% held indirectly through Rosetti Kazakhstan Llp.  
 (\*) Presently not operating.  
 (\*\*) In liquidation.

The following changes compared to the previous year occurred in the first half of 2014:

- Winding-up of the associated company Rosetti Instalcon Llp with headquarters in Kuryk (Kazakhstan).

The subsidiary and associated companies currently active operate in the following segments:

- Fores Engineering Srl, Fores Engineering Algérie Eurl and Fores do Brasil LTDA: design and construction of automation and control systems and related maintenance;
- Basis Engineering Srl, Tecon Srl: multi-disciplinary design of oil and petrochemical facilities;
- Rosetti Doo, Rosetti Egypt Sae, Kazakhstan Caspian Offshore Industries Llp, Rosetti Lybia JSC, Rosetti Kazakhstan Llp. Lenac-Rosetti Adria Doo and Unaros Fzc: construction of offshore and onshore oil installations;
- Rosetti General Contracting Construcoes Serviços Lda and Roships Ltd: charter of vessels.

The statement required by Article 2427.5 of the Italian Civil Code is presented in an annex to these notes.

**RECONCILIATION OF THE SHAREHOLDERS' EQUITY AND NET PROFIT FOR THE PERIOD OF THE PARENT COMPANY AND THE CORRESPONDING CONSOLIDATED FIGURES**

The following is the statement of reconciliation between the shareholders' equity and net profit for the period presented in the Parent Company's separate half-year financial statements and the corresponding consolidated figures as at 30 June 2014:

	<u>Shareholder s' equity</u>	<u>Net profit for the period</u>
FIGURES PRESENTED IN THE FINANCIAL STATEMENTS OF ROSETTI MARINO S.p.A. AS AT 30 JUNE 2014	162,167	7,787
Consolidation adjustments:		
a. Difference between the carrying amounts of consolidated equity investments and the valuation of those equity investments according to the equity method	24,501	2,024
b. Effect of the accounting recognition of finance lease contracts for tangible fixed assets according to the financial method	2,624	129
c. Reversal of unrealised gains deriving from transactions between Group companies	369	264
d. Reversal of unrealised gains deriving from the distribution of dividends between Group companies	0	(9,809)
e. Allocation of deferred and prepaid taxes pertaining to the tax effect (where applicable) of consolidation adjustments	(824)	(41)
AMOUNTS PRESENTED IN THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2014	<u>188,837</u>	<u>354</u>

## **EVALUATION CRITERIA**

The most significant evaluation criteria adopted for the preparation of the consolidated financial statements as at 30 June 2014 in accordance with Article 2426 of the Italian Civil Code are set out below:

### **Intangible fixed assets**

Intangible assets are recognised at the cost incurred to purchase or produce them, including accessory charges, but net of any contributions to capital accounts, and are systematically amortised over their expected useful lives.

Intangible assets are written down if they become impaired, independently of the amount of previously recognized amortisation charges. If the grounds for an impairment loss cease to apply in later years, the original amount is recovered, with the exception of the items goodwill and consolidation difference.

Advertising and research and development costs are expensed in full during the period in which they are incurred.

### **Tangible fixed assets**

Tangible fixed assets are recognised at the cost incurred to purchase or produce them, but net of any contributions to capital accounts, and as adjusted for certain assets in accordance with specific revaluation laws. The cost includes accessory charges and direct and indirect costs to the extent reasonably attributable to the asset.

Tangible fixed assets are systematically depreciated each year on a straight-line basis according to economic/technical rates determined in relation to the residual useful lives of the assets. The rates applied are presented in the section setting out comments on assets. Tangible fixed assets are written down when impaired, independently of previously recognised depreciation charges. If the grounds for an impairment loss cease to apply in later years, the original amount is recovered.

Ordinary maintenance costs are expensed in full to the income statement, whereas those that involve improvements are allocated to the assets to which they refer and are depreciated according to the residual useful life of the asset in question.

### **Leased assets**

The operating assets whose availability is attained by way of financial lease agreements are shown on the financial statements according to the international accounting standards (IAS 17), the so-called "financial method" that requires:

- recognition under assets of the original value of the assets purchased with financial lease agreements at the time these contracts are stipulated;
- recognition under liabilities of the corresponding residual principal amount owed to the leasing company;
- booking to the income statement of the relevant economic-technical depreciation and pertinent financial expense implicit in the financial lease payments, replacing the pertinent fees.

### **Equity investments and securities (recorded under fixed assets)**

Equity investments in associated companies are measured according to the equity method or the proportional method if 50% owned. Equity investments in other companies are carried at cost. The book value is determined according to the purchase or subscription price. The cost is then written down for impairment when the investee companies incur losses and it is not expected that the income earned in the immediate future will be sufficient to offset those losses. The original amount is recovered in later years if the grounds for the impairment loss cease to apply.

### **Inventories**

#### Raw materials:

Raw materials are measured at the lesser of the purchase or production cost, calculated according to the weighted average cost, and realisable value determined by the market trend.

#### Contract work in progress and revenue recognition:

Contract work in progress spanning more than one year is measured at year-end according to the consideration accrued with reasonable certainty (percentage of completion method). Consideration accrued is calculated by applying the percentage of completion determined



according to the cost-to-cost method to the estimated total revenue. The percent advancement is figured as the ratio of the costs incurred as at 30 June 2014 to estimated total costs.

Contract work in progress of a duration of less than one year is measured at specific production cost (completed contract method).

Payments on account provided by clients on a non-definitive basis while a project is ongoing, are recognised upon the completion of work as normally agreed in terms of "stages of completion" by reducing the amount of contract work in progress, whereas the payments on account and milestone payments by clients are recognized under the item "Payments on account" on the liabilities side of the balance sheet.

Contracts are considered completed when all costs have been incurred and the work has been accepted by the clients. Any losses on contract work in progress are allocated to provisions in their entirety during the year in which they are expected.

### **Receivables**

Receivables are recognised at their estimated realisable value. Specifically as far as trade receivables are concerned, the estimated realisable value was obtained by subtracting the amount of the allowance for doubtful receivables, which includes the provisions made against risks of insolvency, from their nominal value.

### **Current financial assets**

Short-term financial assets are recognised at purchase or subscription cost, including directly attributable accessory charges, or the realisable amount determined on the basis of market trends, whichever is the lower.

The original cost of such securities is reinstated when the reasons for previous adjustments cease to apply.

### **Cash and cash equivalents**

These are recorded at their nominal value.

### **Accruals and deferrals**

These items include portions of costs and revenues which are common to two or more accounting periods, recognised by means of a breakdown

over time, to satisfy the accruals principle.

### **Provisions for liabilities and charges**

Provisions for liabilities and charges are set aside to cover losses or payables the existence of which is certain or likely, but whose amount and date of occurrence cannot be determined at year-end. The provisions reflect the best possible estimate based on the information available. With regard to the recognition of liabilities and charges, account was also taken of the risks and losses whose existence was revealed also after the end of the period and up until the date these financial statements were prepared.

Risks for which the occurrence of a liability is merely possible are indicated in the notes on provisions, without setting aside a provision for liabilities and charges.

### **Derivative financial instruments**

Derivative financial instruments are used solely for hedging purposes, with the aim of managing the risks deriving from the fluctuation of exchange rates, and are recognized in the memorandum accounts at their nominal amounts when the contract is entered into.

The cost or income (calculated as the difference between the instrument's value at the spot exchange rate when the contract is entered into and its value at the forward exchange rate) is recognised in the income statement on an accruals basis and in such a way as to offset the effects of the hedged cash flows.

If the instrument does not meet all of the requirements to be considered a hedging instrument from an accounting standpoint, the profit or loss deriving from the measurement of the instrument at fair value is immediately recognised in the income statement.

### **Employees' severance indemnity (TFR)**

The employees' severance indemnity provision covers the full liability to employees accrued up until 31 December 2006 under applicable legislation, collective labour agreements and supplementary company agreements. Such liabilities are subject to adjustment for inflation according to indices.

Under the new rules introduced by Italian Law No. 296/2006, the

employees' severance indemnity provision accrued after 1 January 2007 may be allocated to the treasury fund set up by INPS (Italian social insurance institute) or to supplementary pension plans, at the employees' discretion, with the exception of the subsidiary Basis Engineering Srl, for which it continues to be set aside to the employees' severance indemnity provision.

### **Payables**

Payables are recognised at their nominal value, deemed to be representative of their discharge value.

### **Risks, commitments and guarantees**

Commitments to guarantee are presented at their contractual values. Secured guarantees on company property are indicated in these Notes.

### **Costs and revenues**

These are recognised on a prudent and accruals basis as per Article 2423 *bis* of the Italian Civil Code, pursuant to Article 2425 *bis* of said Civil Code, with recording of the related accruals and deferrals. Costs and revenues are presented net of returns, discounts, allowances and premiums, as well as any taxes directly related to the purchase and sale of goods and the provision of services.

### **Capital and operating grants**

Capital and operating grants are recognised in their entirety in the income statement for the year in which they are collected.

So as to avail of the benefits of deferred taxation envisaged by the tax laws in force until 31 December 1997, in previous years part of the grants received (to the extent the tax laws allowed) were allocated to the "Other reserves" item under shareholders' equity.

### **Dividends**

Dividends are recognised during the year in which distribution is approved by the disbursing companies.

### **Income taxes for the period**

Income taxes are recognised on the basis of estimated taxable income in

accordance with the provisions in force, taking account of the applicable exemptions and tax credits due and in compliance with the reference accounting standards regarding the recognition of income taxes for the period.

Deferred tax assets and liabilities are also provided on timing differences between the result for the period and the taxable amount, and are calculated on the basis of the rate which is expected to be applicable to the period in which the differences will reverse, in accordance with the liability method.

Deferred tax assets are recorded when there is the reasonable certainty that there will be taxable profits able to absorb said credit balance in the future.

#### **Translation of foreign currency items**

Foreign currency receivables and payables were originally recognised at the exchange rates in force when the transactions were recorded.

Exchange differences produced on the collection of receivables and payment of payables expressed in foreign currencies are recognised in the income statement.

Receivables and payables in foreign currencies for which exchange-rate risk hedging transactions have been undertaken are adjusted to the base exchange rate of the hedging transactions in question.

At year-end, receivables and payables in foreign currencies for which hedging transactions have not been undertaken are translated on the basis of the exchange rate in force at the reporting date. The gains and losses that arise from such conversion are credited and debited to the income statement as components of a financial nature.

When allocating the net profit for the year, any net gain resulting from the comparison of potential gains and losses on foreign exchange is allocated to a specific reserve that may not be distributed until the profit is realised.

#### **Recognition of hedging contracts on exchange rate risks**

With reference to forward contracts hedging the exchange rate risk relating to specific contractual commitments (orders) for the purchase or sale of an asset which will be delivered (received or shipped) at a subsequent date:

- the purchase cost or sales revenue from the assets is recognised using the exchange rate as of the date the hedging contract was drawn up;
- the difference, which emerges from the comparison between the amount in foreign currency, converted using the forward exchange rate fixed and the amount in foreign currency converted using the exchange rate as of the date of the hedging contract, is recorded in the income statement over the duration of the hedging contract on an accruals basis, as interest.

## **OTHER INFORMATION**

### **Departures pursuant to Article 2423.4 of the Italian Civil Code**

No departures were applied in these financial statements as per Article 2423.4 of the Italian Civil Code.

### **Comparison and presentation of the figures**

In the interest of greater clarity and intelligibility, all figures in the notes and schedules have been presented in thousands of Euro.

The balance sheet figures have been compared with the amounts as at 31 December 2013, whereas the income statement figures have been compared with the amounts as at 30 June 2013.

## **COMMENTS ON THE MAIN ASSET ITEMS**

### **FIXED ASSETS**

#### **INTANGIBLE FIXED ASSETS**

#### **Concessions, licenses, trademarks and similar rights**

The above item underwent the following changes during the period (in thousands of Euro):

	<b>Balance</b>	<b>Incr.</b>	<b>Decr.</b>	<b>Balance</b>
	<b>31/12/13</b>			<b>30/06/14</b>
Licenses	25	0	(4)	21
Concessions of surface rights	<u>481</u>	<u>0</u>	<u>(12)</u>	<u>469</u>
<b>Total</b>	<b><u>506</u></b>	<b><u>0</u></b>	<b><u>(16)</u></b>	<b><u>490</u></b>

The foregoing items are amortised on the basis of the term of user license agreements and the term of concessions of surface rights, respectively.

The amount of concessions of surface rights consists of the consideration paid to acquire those rights, which expire in 2017, 2018 and 2050, on land adjacent to the Piomboni Worksite.

### **Intangible assets in progress**

The above item underwent the following changes during the period (in thousands of Euro):

	<b>Balance</b>	<b>Incr.</b>	<b>Decr.</b>	<b>Balance</b>
	<b>31/12/13</b>			<b>30/06/14</b>
Intangible assets in progress	<u>14</u>	<u>91</u>	<u>0</u>	<u>105</u>

The increase in this item included Euro 53 thousand for the development of a software system aimed at implementing a new planning method capable of improving the engineering process, Euro 28 thousand for the implementation of the SPIDER application for the management of the data of the Piping and E&I disciplines in the construction phase and Euro 10 thousand for the e-mail migration activities from Lotus Domino to Microsoft Exchange.

### **Other intangible assets**

The above item may be broken down as follows (in thousands of Euro):

	<b>Balance</b>	<b>Incr.</b>	<b>Decr.</b>	<b>Balance</b>
	<b>31/12/13</b>			<b>30/06/14</b>
EDP programs	445	147	(146)	446
Leasehold improvements	<u>1,169</u>	<u>0</u>	<u>(176)</u>	<u>993</u>
<b>Total</b>	<b><u>1,614</u></b>	<b><u>147</u></b>	<b><u>(322)</u></b>	<b><u>1,439</u></b>

The increase in the item EDP programs is mainly represented by the acquisition of backup software systems aimed at preventing the loss of the archived IT data and controlling and handling the work progress during the realisation of the projects.

The items decreased due to the effect of amortisation charges, whose criteria differ according to the various types of capitalized costs. In further detail:

- on a straight-line basis over three years for EDP programs, and;
- according to the duration of the surface rights and property lease contracts for investments undertaken on such areas.

**TANGIBLE FIXED ASSETS**

The composition of this item, the changes during the period and depreciation rates are presented in the schedule at the end of the notes. In the first six months of 2014, ordinary depreciation charges were recognized according to rates deemed representative of the residual useful lives of tangible assets.

Some categories of assets include the following revaluations applied in previous years (in thousands of Euro).

The following is a breakdown of the revaluations applied by the Parent Company (in thousands of Euro):

	<b>Law No. 576/75</b>	<b>Law No. 72/83</b>	<b>Law No. 413/91</b>	<b>Law No. 266/05</b>	<b>Law No. 2/09</b>
Yards and buildings	0	0	433	1,155	6,642
Light constructions	0	0	0	651	254
Plant	0	0	0	1,259	0
Land	0	0	0	0	26,871
Machinery	7	163	0	636	0
<b>Total</b>	<b>7</b>	<b>163</b>	<b>433</b>	<b>3,701</b>	<b>33,767</b>
Depreciation as at 30/06/14	0	0	(9)	(263)	(281)
Accumulated depreciation as at 30/06/14	(7)	(163)	(352)	(3,037)	(4,700)
<b>Residual amount to be depreciated</b>	<b>0</b>	<b>0</b>	<b>81</b>	<b>664</b>	<b>29,067</b>

The item Assets in progress and payments on account comprises Euro 1,199 thousand for measures not yet completed carried out at the S. Vitale yard (Euro 1,005 thousand for the activities for expanding the pre-fab area, Euro 155 thousand for the construction of the installations accessory to the pre-fab area, Euro 39 thousand for the improvements carried out on the area in front of the dock), Euro 16 thousand at the Piomboni yard (creation of the evacuation alarm

system) and Euro 43 thousand at the offices of the subsidiary Fores Engineering Srl. The difference is represented by the works for the construction of a new building at the Yard in Kazakhstan (Euro 3,483 thousand) by the associated company Kazakhstan Caspian Offshore Industries LLP.

It is hereby mentioned that during the period, the Parent Company acquired the full right of ownership of the area equipped with industrial sheds adjacent to the San Vitale yard exercising the redemption right envisaged by the leasing agreement previously existing on the asset.

## FINANCIAL ASSETS

### Equity Investments

The item may be broken down as follows (in thousands of Euro):

	% holding	Balance 31/12/13	Inc.	Decr.	Balance 30/06/14
<u>Subsidiary companies:</u>					
Rosetti Marino	96%	1	0	0	1
Mocambique Ltd					
Roships Ltd (*)	100%	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total for subsidiary companies</b>		<b><u>1</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>1</u></b>
<u>Associated companies:</u>					
Rosetti Imstalcon Llp (**)	50%	140	0	(140)	0
Lenac-Rosetti Adria Doo	50%	101	0	0	101
Unaros Fzc (***)	50%	0	0	0	0
Tecon Srl	20%	<u>561</u>	<u>0</u>	<u>(8)</u>	<u>553</u>
<b>Total for associated companies</b>		<b><u>802</u></b>	<b><u>1</u></b>	<b><u>(148)</u></b>	<b><u>654</u></b>
<u>Other companies:</u>					
SAPIR		3	0	0	3
CAAF Industrie		2	0	0	2
Consorzio Cura		1	0	0	1
Cassa Risparmio Ravenna		<u>169</u>	<u>0</u>	<u>0</u>	<u>169</u>
<b>Total for other companies</b>		<b><u>175</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>175</u></b>

(\*) Value equal to 0 since the equity investment has been subscribed for an amount of less than Euro 1 thousand.

(\*\*) Value equal to 0 since the company was wound-up in the first half



of 2014.

(\*\*\*) Value equal to 0 since the equity investment has been fully written down.

The value of the equity investment in Tecon S.r.l. have been reduced by Euro 8 thousand, due to a loss generated in the period, so as to bring the value of the investments in associated companies into line with their respective shareholders' equity values.

The following are the figures drawn from the consolidation packages of associated companies measured according to the equity method as of 30 June 2014 (in thousands of Euro):

	<b>Total Assets</b>	<b>Shareholders' equity</b>	<b>Value of production</b>	<b>Result for period</b>
Tecon Srl	4,868	2,765	2,428	(39)

Lenac-Rosetti Adria Doo and Roships Ltd are in liquidation; Rosetti Mozambique Ltd and Unaros Fzc are not operating; Tecon Srl is active in the engineering sector.

#### **Due from associated companies**

The above item may be broken down as follows (in thousands of Euro):

	<b>Balance 31/12/13</b>	<b>Inc.</b>	<b>Decr.</b>	<b>Balance 30/06/14</b>
Kazakhstan Caspian Offshore Ind.	<u>13,150</u>	<u>1,000</u>	<u>0</u>	<u>14,150</u>

The above receivable refers to 50% of two medium-term loans granted to the associated company Kazakhstan Caspian Offshore Industries LLP in order to allow the construction and extension, respectively, of its own yard in Kazakhstan. The first loan was disbursed as from 2009 in several payments (residual overall value as at 31 December 2013 of Euro 21,800 thousand); the second was resolved this year for a total of Euro 11,600 thousand (it had been disbursed for a total of Euro 2,000 thousand as at 30 June 2014). Both loans are unsecured by collaterals and bear interest at an arm's-length rate. Based on the Business Plan the Company prepared, we believe that no losses should arise from these receivables considering the cash flows coming from the jobs that the associated company has already acquired over the last few years and the probable future acquisitions.

With regard to the loan granted to the associated company Unaros Fzc, it is disclosed that in consideration of the losses accrued and the difficulties in acquiring orders which make it possible to start up production activities, during 2011 a loan granted to the same for US\$ 1,300 thousand was fully written down.

### **Due from third parties**

The above item may be broken down as follows (in thousands of Euro):

	<b>Balance</b>	<b>Inc.</b>	<b>Decr.</b>	<b>Balance</b>
	<b>31/12/13</b>			<b>30/06/14</b>
Mart Machinery Plant	<u>580</u>	<u>6</u>	<u>0</u>	<u>586</u>

The above receivable refers to a loan of US\$ 800 thousand granted to Mart Machinery Plant (a company that holds 50% of the share capital of the associated company Kazakhstan Caspian Offshore Industries Llp); the related repayment plan envisages the last instalment due on 31 December 2015. The change with respect to the previous year is due exclusively to the adjustment of the receivable in line with the exchange rate as of 30 June 2014. The loan, not secured by collaterals, bears interest at an arm's-length rate. We believe that no losses should arise from these receivables.

### **Treasury shares**

The item in question, which came to a total of Euro 5,100 thousand, represents 200,000 treasury shares acquired in January 2009 at a price of Euro 25.50 per share. Accordingly, on the basis of the matters envisaged by Article 2359 *bis* of the Italian Civil Code, a specific "Treasury share reserve" has been recorded under the shareholders' equity accounts, which is unavailable for the same amount.

## **CURRENT ASSETS**

### **INVENTORIES**

The above item may be broken down as follows (in thousands of Euro):

	<b>Balance</b>	<b>Balance</b>
	<b>30/06/2014</b>	<b>31/12/2013</b>
Raw materials	1,673	2,698

provision for obsolescence excluded	<u>(855)</u>	<u>(1,841)</u>
	<u>818</u>	<u>857</u>
Contract work in progress	506,286	476,295
Payments on account	<u>(401,364)</u>	<u>(379,657)</u>
	<u>104,922</u>	<u>96,638</u>
Advances to suppliers	<u>5,785</u>	<u>8,754</u>
<b>Total</b>	<b><u>111,525</u></b>	<b><u>106,249</u></b>

The valuation of period-end inventories of raw materials at their average purchase cost does not result in appreciable differences compared to a valuation at current costs. For the purpose of adjusting this item to the estimated realisable value, a specific obsolescence provision has been recorded to reduce the same, for a total of Euro 855 thousand.

Contract work in progress spanning more than one year represents job orders measured according to the consideration accrued with reasonable certainty (percentage of completion method), net of payments on account received due to the stage of completion of the work. The difference with respect to the previous year is mainly due to the progressive completion of important contracts, already underway in previous years. Contract work in progress includes a contract for which an operating loss has been provided for a total of around Euro 17 thousand.

Advances to suppliers primarily consist of sums paid to various suppliers upon issuing the associated materials purchase order.

Advances envisaged in shipbuilding sub-contracting and main supplies contracts significantly affect this item.

## RECEIVABLES

### Due from customers

The above item includes receivables from customer that derive from normal transactions of a commercial nature.

The above item may be broken down as follows (in thousands of Euro):

	<b>Balance</b>	<b>Balance</b>
	<b>30/06/14</b>	<b>31/12/13</b>
Due from Italian customers	46,448	38,280
Due from EU customers	17,225	31,568

Due from non-EU customers	44,154	36,647
Bad debt provisions	<u>(1,154)</u>	<u>(1,065)</u>
<b>Total</b>	<b><u>106,673</u></b>	<b><u>105,430</u></b>

Bad debt provisions are collectively deemed appropriate to cover presumed impairment losses on receivables.

The increase in the overall value of the receivables with respect to 31 December 2013 is attributable to a different timing of the sales, linked to the trend of the individual contracts on the basis of their percentage of completion.

The composition of the above item, owing to the nature of the Company's business, is highly concentrated, given that approximately 71.05% (70.19% in the previous year) of total trade receivables are attributable to the top five clients by amount of balance outstanding.

#### **Due from associated companies**

The above item may be broken down as follows (in thousands of Euro):

	<b>Balance</b>	<b>30/06/14</b>		<b>Balance</b>
	<b>Trade</b>	<b>Financial</b>	<b>Total</b>	<b>31/12/13</b>
Unaros Fzc	0	39	39	28
Lenac Rosetti Adria	0	0	0	1
Kazakhstan Caspian Off. Ind.	<u>2,140</u>	<u>0</u>	<u>2,140</u>	<u>1,440</u>
<b>TOTAL</b>	<b><u>2,140</u></b>	<b><u>39</u></b>	<b><u>2,179</u></b>	<b><u>1,469</u></b>

All trade and financial transactions with associated companies are undertaken at arm's-length conditions. The above receivables are all considered recoverable. Accordingly, no value adjustments have been made.

#### **Tax receivables**

The above item may be broken down as follows (in thousands of Euro):

	<b>Balance</b>	<b>Balance</b>
	<b>30/06/14</b>	<b>31/12/13</b>
VAT credit	2,173	5,376
Due from customs for duties	0	51
Substitute tax credit Leaving indemnity reval.	0	4
Foreign tax credit	68	4

Regional business tax (IRAP) credit	0	267
Company earnings' tax (IRES) credit	<u>7,531</u>	<u>7,813</u>
<b>Total</b>	<b><u>9,772</u></b>	<b><u>13,515</u></b>

The VAT credit consists of the VAT credit as at 30 June 2014 accrued on ordinary trade transactions for Euro 1,763 thousand and the VAT credit accrued as at 31 December 2012 for which a rebate has been requested, totalling Euro 410 thousand.

The foreign tax credit is due to the withholdings applied by customers on income produced abroad.

The company earnings' tax (IRES) credit is due to the additional advances paid in previous years with respect to the tax due for the first half of 2014, plus the amounts requested for rebate for previous years.

#### **Prepaid taxes**

Prepaid taxes have been provided on all positive timing differences. It should be noted that the theoretical tax effects on timing differences have been calculated according to current rates. For a detailed breakdown of the item, the reader is referred to the specific attached schedule at the end of these notes.

#### **Due from third parties**

The above item may be broken down as follows (in thousands of Euro):

	<b>Balance 30/06/14</b>	<b>Balance 31/12/13</b>
<u>Due within 12 months:</u>		
Due from employees	107	64
Receivables for insurance compensation	0	1
Sundry	<u>60</u>	<u>72</u>
<b>Total</b>	<b><u>167</u></b>	<b><u>137</u></b>
<u>Due beyond 12 months:</u>		
Sundry guarantee deposits	<u>400</u>	<u>458</u>
<b>Total</b>	<b><u>400</u></b>	<b><u>458</u></b>

All of the above amounts are considered collectable. Accordingly, no value adjustments have been made.

Sundry receivables are mainly made up of an amount due from the Congo government for amounts unduly withheld.

## SHORT-TERM FINANCIAL ASSETS

### Other securities

This item refers to the membership dues for the joint venture contract for the 2015 OMC (Offshore Mediterranean Conference) event.

## CASH AND CASH EQUIVALENTS

### Bank and post office deposits

The balance of Euro 33,668 thousand as at 30 June 2014 consisted entirely of bank deposits with positive balances.

### Cash and cash equivalents on hand

The balance, entirely made up of cash, amounts to Euro 67 thousand. With regard to the change in cash and cash equivalents with respect to the previous period, please refer to the cash flow statement attached at the end of these notes.

## ACCRUED INCOME AND PREPAYMENTS

The above item may be broken down as follows (in thousands of Euro):

	<b>Balance</b>	<b>Balance</b>
	<b>30/06/14</b>	<b>31/12/13</b>
Accrued income on forward sale swaps	71	86
Prepayments for rents	9	35
Prepayments on leasing instalments	0	8
Prepayments on movable prop. leases	179	307
Other prepayments	<u>483</u>	<u>314</u>
<b>Total</b>	<b><u>742</u></b>	<b><u>750</u></b>

These represent income and expenses whose pertinence is advanced or deferred with respect to the cash and/or documental movements; these are irrespective of the date of payment or collection of the related expenses or income spanning two or more accounting periods which can be spread over time.

## **COMMENTS ON THE MAIN LIABILITY ITEMS**

### **SHAREHOLDERS' EQUITY**

The changes in shareholders' equity items are presented in the attached schedule.

The following is a commentary on the main shareholders' equity items:

#### **SHARE CAPITAL**

The share capital consists of 4,000,000 ordinary shares with a nominal value of Euro 1.00 each and had been fully subscribed and paid-up as at 30 June 2014.

#### **REVALUATION RESERVE**

The reserve in question was established following the revaluation of assets and the realignment of tax and statutory values in accordance with Italian Law No. 266/05 and Italian Law No. 2/09.

#### **LEGAL RESERVE**

The above reserve consists of portions of profits set aside in previous years.

#### **RESERVE FOR TREASURY SHARES IN PORTFOLIO**

This reserve has been formed by using the extraordinary reserve to account for the purchase of treasury shares commented upon above in the paragraph concerning financial assets.

#### **OTHER RESERVES**

##### **Extraordinary reserve**

The above reserve consists of portions of profits set aside in previous years and increased in the first half of 2014 mainly due to the allocation of part of the profit for 2013.

#### **PROFITS (LOSSES) CARRIED FORWARD**

This item refers to the profits and losses incurred in the previous period by some subsidiaries, fully consolidated.

#### **NET PROFIT FOR THE PERIOD**

This item refers to the result for the period.

## **TRANSLATION RESERVE**

This reserve is made up of the differences caused by converting financial statements into the foreign currencies of the non-resident companies included in the scope of consolidation owing to the differences between the year-end exchange rate used for translating balance sheet values and the average exchange rate of the year used for translating income statement values.

At the beginning of 2014, an important devaluation of the Tenge took place (Kazak local currency) with respect to the Euro, equating to 18.18%, generating a negative impact on the consolidated shareholders' equity for around Euro 2.8 million.

## **PROVISIONS FOR LIABILITIES AND CHARGES**

### **Retirement funds and other similar provisions**

This item concerns the amounts set aside for the leaving indemnity due to a director as resolved by the shareholders' meeting.

### **Provisions for taxes**

This item consists of provisions for deferred taxes. This item is calculated on all the payable timing differences. It should be noted that the theoretical tax effects on timing differences have been calculated according to current rates. The changes in this item are illustrated in the specific attached schedule included at the end of these Notes.

### **Other provisions**

The above item underwent the following changes during the first half of 2014 (in thousands of Euro):

	<b>Balance</b>	<b>Incr.</b>	<b>Decr.</b>	<b>Balance</b>
	<b>31/12/13</b>			<b>30/06/14</b>
Provision for future liabilities and charges	2,608	0	0	2,608
Provision for contractual risks	<u>9,423</u>	<u>0</u>	<u>(281)</u>	<u>9,142</u>
<b>Total</b>	<b><u>12,031</u></b>	<b><u>0</u></b>	<b><u>(281)</u></b>	<b><u>11,750</u></b>

The provision for future liabilities and charges represents the best possible estimate of probable liabilities arising from ongoing civil litigation with third parties.



The provision for contractual risks is deemed sufficient to cover the risk of probable warranty actions and the application of any contractually established penalties on both ongoing and already delivered work.

#### **EMPLOYEES' SEVERANCE INDEMNITY PROVISION (TFR)**

The changes in the above item during the year were as follows (in thousands of Euro):

Balance as at 31/12/2013	3,678
Amount accrued and recognised in the income statement	1,115
Amounts used	<u>(1,023)</u>
Balance as at 30/06/2014	<b><u>3,770</u></b>

The severance indemnity provision as at 30 June 2014 reflected the amount accrued by employees not transferred to welfare funds. The amounts used in fact referred to the transfers to supplementary funds relating to the portions accrued during the period further to the amendments introduced by Italian Law No. 296 dated 27 December 2006 (2007 Italian Finance Bill).

The balance as at 30 June 2014 was net of any advances paid out.

#### **PAYABLES**

The composition of the items that constitute payables is described below together with changes during the year:

##### **Amounts due to banks**

The change in the net financial situation is illustrated in detail in the annexed cash flow statement, at the end of these Notes.

Amounts due to banks totalling Euro 1 thousand, entirely relate to a current account overdraft of the subsidiary Fores Engineering Srl at 30 June 2014.

##### **Amounts due to other lenders**

The item consists of a subsidized loan granted by the Ministry of Industry scheduled for gradual repayment by 2015.

### Payments on account

The item refers to order advances and milestone payments received from clients for ongoing contract work.

	<b>Balance</b>	<b>Balance</b>
	<b>30/06/14</b>	<b>31/12/13</b>
Advances from third party clients	<u>90,631</u>	<u>113,905</u>
<b>Total</b>	<b><u>90,631</u></b>	<b><u>113,905</u></b>

The decrease compared to the previous year reflects the trend in contracts in progress. For further information, please see the information provided in the section relating to contract work in progress.

### Amounts due to suppliers

The above item may be broken down as follows (in thousands of Euro):

	<b>Balance</b>	<b>Balance</b>
	<b>30/06/14</b>	<b>31/12/13</b>
Due to Italian suppliers	50,386	42,610
Due to EU suppliers	8,790	8,214
Due to non-EU suppliers	<u>8,118</u>	<u>16,863</u>
<b>Total</b>	<b><u>67,294</u></b>	<b><u>67,687</u></b>

### Amounts due to subsidiary companies

This item includes the following short-term payables (in thousands of Euro):

	<b>Balance</b>	<b>Balance</b>
	<b>30/06/14</b>	<b>31/12/13</b>
Rosetti Marino Mocambique Ltd	<u>1</u>	<u>1</u>
<b>Total</b>	<b><u>1</u></b>	<b><u>1</u></b>

The entire amount is represented by the amount due to Rosetti Marino Mocambique Limitada deriving from the portion of share capital subscribed but not yet paid in.

### Amounts due to associated companies

This item includes the following short-term payables (in thousands of Euro):

	<b>Balance</b>	<b>Balance</b>
	<b>30/06/14</b>	<b>31/12/13</b>
Tecon Srl	<u>468</u>	<u>818</u>
<b>Total</b>	<b><u>468</u></b>	<b><u>818</u></b>

The above payables derive from trade transactions carried out under arm's-length conditions.

#### **Amounts due to parent companies**

This item includes the following short-term payables (in thousands of Euro):

#### **Tax payables**

The above item may be broken down as follows (in thousands of Euro):

	<b>Balance</b>	<b>Balance</b>
	<b>30/06/14</b>	<b>31/12/13</b>
IRPEF tax withholdings	1,897	2,199
Income taxes	412	465
Taxes on foreign income	0	671
Revaluation substitute tax	2	0
VAT	715	54
Sundry	<u>33</u>	<u>31</u>
<b>Total</b>	<b><u>3,059</u></b>	<b><u>3,420</u></b>

This item is essentially made up of IRPEF tax withholdings made on remuneration for employees and freelance workers, the VAT liability and the income tax liabilities.

The tax periods which may be subject to tax audits are those subsequent to 2008.

#### **Amounts due to social security and welfare institutions**

The item refers to payables owed to such institutions at period-end for the contributions for which the company and its employees are liable.

#### **Other payables**

The above item may be broken down as follows (in thousands of Euro):

	<b>Balance</b>	<b>Balance</b>
	<b>30/06/14</b>	<b>31/12/13</b>
Due to employees	6,332	4,762
Due to independent contractors	61	35

Due to pension funds	317	317
Sundry payables	<u>301</u>	<u>385</u>
<b>Total</b>	<b><u>7,011</u></b>	<b><u>5,499</u></b>

#### **ACCRUED LIABILITIES AND DEFERRED INCOME**

The above item may be broken down as follows (in thousands of Euro):

	<b>Balance</b>	<b>Balance</b>
	<b>30/06/14</b>	<b>31/12/13</b>
Accrued liabilities:		
- Interest expenses on loans	1	6
- Forward sale swaps	262	388
- Sundry	<u>12</u>	<u>3</u>
<b>Total</b>	<b><u>275</u></b>	<b><u>397</u></b>

These represent income and expenses whose pertinence is advanced or deferred with respect to the cash and/or documental movements; these are irrespective of the date of payment or collection of the related expenses or income spanning over two or more accounting periods which can be spread over time.

#### **MEMORANDUM ACCOUNTS**

##### **GUARANTEES GIVEN**

###### **a. Sureties**

The item in question consists essentially of sureties given by insurers and banks to the Company's clients and to companies associated with the same to secure the proper performance of work and to release withholdings securing requested rebates for the VAT office.

##### **OTHER COMMITMENTS AND RISKS:**

###### **a. Forward currency purchases**

The amount refers to the counter-value of NOK 17,580 thousand and US\$ 1,068 thousand as stated in the contracts entered into with financial institutions hedging various purchase orders issued to suppliers.

## **b. Forward currency sales**

The amount refers to the counter-value of GBP 3,280 thousand and US\$ 69,618 thousand as stated in the contracts entered into with a financial institution hedging the contract currently in force with the customers Elf Exploration, Uk Limited and Foxtrot International LDC. From an operational standpoint, these contracts aim at handling the risk of fluctuation in the exchange rates and comply with the provisions established by the current accounting standards required to qualify them as hedging transactions.

## **Other**

With reference to the equity investment in the share capital of Tecon S.r.l. (20%), it is also emphasised that, via a sale option granted to the other shareholders, the Parent Company undertook the commitment to purchase all the residual holdings. This option can be exercised by 22 November 2017.

## **COMMENTS ON THE MAIN INCOME STATEMENT ITEMS**

### **VALUE OF PRODUCTION**

#### **REVENUES FROM SALES AND SERVICES**

Revenues from the sale of goods and the provision of services may be broken down as follows (in thousands of Euro):

	<b><u>1st HALF 2014</u></b>	<b><u>1st HALF 2013</u></b>
Oil & Gas Business Unit	104,952	46,612
Shipbuilding Business Unit	24,667	47,403
Process Plants Business Unit	6,147	9,373
Sundry services	499	316
<b>Total revenues from sales and services</b>	<b><u>136,265</u></b>	<b><u>103,704</u></b>

The geographic break down of the revenues is the following (in thousand of Euro):

	<b><u>1st HALF 2014</u></b>	<b><u>1st HALF 2013</u></b>
Revenues from Italian clients	1,655	56,684
Revenues from EU clients	73,112	16,439
Revenues from non-EU clients	<u>61,498</u>	<u>30,581</u>

**Total revenues from sales and services** 136,265 103,704

The comments on the financial performance for the year are provided in the board of directors' report on operations.

Owing to the nature of the Company's business, the composition of the above item is highly concentrated, given that approximately 94.95% (88.38% in the same period of the previous year) of total revenue from sales and services is attributable to the top five clients by amount.

**CHANGE IN CONTRACT WORK IN PROGRESS**

The above item may be broken down as follows (in thousands of Euro):

Opening contract work in progress as at 1 Jan. 2014	(476,270)
Closing contract work in progress as at 30 June 2014	<u>506,260</u>
<b>Total</b>	<u><b>29,990</b></u>

Work in progress as at 30 June 2014 relates to the Oil & Gas Business Unit (Euro 431,521 thousand), the Process Plants Business Unit (Euro 28,501 thousand) and the Shipbuilding Business Unit (Euro 46,238 thousand).

**INCREASES IN COMPANY-PRODUCED FIXED ASSETS**

During the first six months of 2014, the capitalized costs included in this item included the costs of work done at the Via Trieste facility for Euro 1 thousand (purchase of a software system aimed at controlling and managing the work progress during the realisation of the projects), work done at the Piomboni yard for Euro 1 thousand (creation of an evacuation alarm system) and at the S. Vitale yard for Euro 56 thousand (extension of the pre-fab area and construction of the accessory installations for said area).

**OTHER INCOME AND REVENUES**

The above item may be broken down as follows (in thousands of Euro):

	<u>1st HALF 2014</u>	<u>1st HALF 2013</u>
Operating grants	<u>150</u>	<u>55</u>
<b>Total "operating grants"</b>	<b>150</b>	<b>55</b>
Charge-back of expenses to third parties	249	226
Rentals and leases	33	47

Capital gains on disposal of assets	59	1
Contingent assets	23	33
Risk provision surplus	125	27
Sundry	<u>141</u>	<u>497</u>
<b>Total “sundry”</b>	<b><u>630</u></b>	<b><u>831</u></b>
<b>Total “other income and revenues”</b>	<b><u>780</u></b>	<b><u>886</u></b>

The item “operating grants” included Euro 33 thousand in grants relating to the photovoltaic solar installations installed at the S. Vitale yard and the Via Trieste premises, Euro 91 thousand in grants received from Fondimpresa by way of partial reimbursement of the costs incurred for the creation of a company training plan focused on the development of language and IT skills and Euro 26 thousand relating to grants from the Ministry for Production Activities for extension work carried out at the Via Trieste premises and the S. Vitale and Piomboni yards (Italian Law 488/92).

The item “risk provision surplus” comprises the adjustment of the bad debt provision on the basis of the analysis of recoverability of doubtful receivables partly thanks to the collection of a significant credit position for which risks of non-collectability had been estimated in previous years.

## **PRODUCTION COSTS**

### **PURCHASES**

The above item may be broken down as follows (in thousands of Euro):

	<b><u>1st HALF 2014</u></b>	<b><u>1st HALF 2013</u></b>
Raw materials	47,631	56,817
Ancillary materials and consumables	1,424	1,405
Other purchases	<u>750</u>	<u>953</u>
<b>Total</b>	<b><u>49,805</u></b>	<b><u>59,175</u></b>

The decrease in the item in question compared to the same period in the previous year was primarily due to a differing distribution of the production activities over time.

### **SERVICES**

The above item may be broken down as follows (in thousands of Euro):

<b><u>1st HALF 2014</u></b>	<b><u>1st HALF 2013</u></b>
-----------------------------	-----------------------------

Subcontracting and outsourcing	64,616	84,526
Maintenance and repairs	697	797
Electricity, water and heating	739	961
Other manufacturing costs	7,473	10,914
Accessory personnel costs	2,758	2,614
Marketing expenses	690	1,061
Emoluments for corporate bodies	493	412
Accounts audit	103	216
Administration costs and other overheads	<u>3,782</u>	<u>3,388</u>
<b>Total</b>	<b><u>81,351</u></b>	<b><u>104,889</u></b>

The decrease in the item in question compared to the same period in the previous year was primarily due to the increase in production activities.

#### LEASES AND RENTALS

The above item may be broken down as follows (in thousands of Euro):

	<u>1st HALF 2014</u>	<u>1st HALF 2013</u>
Rental of real estate property	726	731
Movable property leasing	2,720	1,762
Maintenance of third-party assets	8	9
Concession fees	40	42
Software rental	<u>173</u>	<u>184</u>
<b>Total</b>	<b><u>3,667</u></b>	<b><u>2,728</u></b>

The increase in the item in question compared to the same period in the previous year is mainly attributable to a differing distribution of the activities requiring the use of rented and leased assets over time.

#### PERSONNEL COSTS

A breakdown of these costs is included in the income statement.

The following table presents changes in the workforce, broken down by category:

	<u>30/06/13</u>	<u>31/12/13</u>	<u>30/06/14</u>
Executives	46	46	44
White collars	613	612	638
Blue collars	<u>133</u>	<u>134</u>	<u>116</u>
<b>Total</b>	<b><u>792</u></b>	<b><u>792</u></b>	<b><u>798</u></b>



## **AMORTISATION, DEPRECIATION AND WRITE-DOWNS**

A breakdown of the required sub-items has been given above in the Income Statement.

A breakdown of the depreciation charges for tangible fixed assets is presented in a specific annex.

The value of the item "write-down of current receivables" represents the provision for the year to adjust the related Allowance to a value suitable for hedging the risk of the outstanding receivables.

## **CHANGE IN INVENTORIES OF RAW MATERIALS**

The above item may be broken down as follows (in thousands of Euro):

- Opening inventory as at 1 Jan. 2014	(2,698)
- Use/(Provisions) for obsolete inventory	986
- Closing inventory as at 30 June 2014	<u>1,673</u>
<b>Total</b>	<u><b>(39)</b></u>

## **SUNDRY OPERATING EXPENSES**

The above item may be broken down as follows (in thousands of Euro):

	<u><b>1st HALF 2014</b></u>	<u><b>1st HALF 2013</b></u>
Taxes and duties other than income tax	313	315
Capital losses	12	0
Contingent liabilities	5	13
Other operating expenses	<u>43</u>	<u>162</u>
<b>Total</b>	<u><b>373</b></u>	<u><b>490</b></u>

## **FINANCIAL INCOME AND EXPENSES**

### **INCOME FROM EQUITY INVESTMENTS**

The item (Euro 2 thousand) consists of dividends deriving from the equity investment in Cassa di Risparmio di Ravenna and Euro 2 thousand in dividends deriving from the equity investment in Sapir.

### **OTHER FINANCIAL INCOME**

The above item may be broken down as follows (in thousands of Euro):

	<u><b>1st HALF 2014</b></u>	<u><b>1st HALF 2013</b></u>
<u>d) Income other than the above:</u>		
Income from associated companies	<u>183</u>	<u>176</u>
<b>Total</b>	<u><b>183</b></u>	<u><b>176</b></u>

Income from other parties:

Bank interest income	198	443
Sundry interest income	113	136
Allowances receivable	<u>0</u>	<u>1</u>
<b>Total</b>	<b><u>311</u></b>	<b><u>580</u></b>
<b>Total “income other than the above”</b>	<b><u>494</u></b>	<b><u>756</u></b>

**INTEREST AND OTHER FINANCIAL EXPENSES**

The above item may be broken down as follows (in thousands of Euro):

	<u>1st HALF 2014</u>	<u>1st HALF 2013</u>
Interest expenses on bank current accounts	8	4
Interest expenses on loans	2	3
Interest on leases	9	648
Sundry interest expenses	<u>177</u>	<u>0</u>
<b>Total</b>	<b><u>196</u></b>	<b><u>655</u></b>

**FOREIGN-EXCHANGE GAINS AND LOSSES**

The above item may be broken down as follows (in thousands of Euro):

	<u>1st HALF 2014</u>	<u>1st HALF 2013</u>
Exchange gains	2,414	4,442
Unrealised exchange gains	115	254
Exchange losses	(533)	(1,130)
Unrealised exchange losses	<u>(2,015)</u>	<u>(106)</u>
<b>Total</b>	<b><u>(19)</u></b>	<b><u>3,460</u></b>

**VALUE ADJUSTMENTS TO FINANCIAL ASSETS**

The adjustment refers to the equity investment in Tecon S.r.l. and was carried out to adjust the book value in line with shareholders' equity, for Euro 28 thousand.

Please see the aspects described in the section Equity investments for greater details.

**INCOME TAXES FOR THE PERIOD**

The above item may be broken down as follows (in thousands of Euro):

	<u>1st HALF 2014</u>	<u>1st HALF 2013</u>
Current taxes	1,393	2,385
Deferred taxes	74	431

Prepaid taxes	<u>243</u>	<u>(400)</u>
<b>Total</b>	<b><u>1,710</u></b>	<b><u>2,416</u></b>

The actual tax rate thus comes to 83.05% (33.21% in the first six months of the previous period).

### **ANNEXES**

The following annexes contain supplementary information to the Notes and are an integral part thereof.

This information is presented in the following annexes:

- Statement of changes in consolidated shareholders' equity;
- Statement of changes in tangible assets;
- Statement of timing differences that resulted in the recognition of deferred tax assets and liabilities;
- Cash flow statement.

**ROSETTI MARINO S.p.A.**  
**STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY**  
**FOR THE PERIOD ENDED AS AT 30 JUNE 2014**  
(in thousands of Euro)

	Share capital	Revaluation reserve	Legal reserve	Treasury reserve	Other reserves	Profit/losses carried forward	Translation reserve	Consolidation reserve	Net profit for the period	Total	Minority interests
<b>BALANCE AS AT 30 JUNE 2013</b>	<b>4.000</b>	<b>37.923</b>	<b>1.110</b>	<b>5.100</b>	<b>132.788</b>	<b>4.567</b>	<b>(121)</b>	<b>23</b>	<b>4.869</b>	<b>190.259</b>	<b>5</b>
Net profit for year 2012:											
- to reserves	0	0	0	0	4.440	(4.440)	0	0	0	0	0
- dividends	0	0	0	0	0	0	0	0	0	0	0
Elimination of intercompany dividends	0	0	0	0	0	0	0	0	0	0	0
Translation reserve	0	0	0	0	3	0	(1.231)	0	0	(1.228)	1
Revaluation reserve	0	(954)	0	0	0	0	0	0	0	(954)	0
Change in scope of consolidation	0	0	0	0	0	0	0	0	0	0	0
Net profit for second half of 2013	0	0	0	0	0	0	0	0	4.091	4.091	(4)
<b>BALANCE AS AT 31 DECEMBER 2013</b>	<b>4.000</b>	<b>36.969</b>	<b>1.110</b>	<b>5.100</b>	<b>137.231</b>	<b>127</b>	<b>(1.352)</b>	<b>23</b>	<b>8.960</b>	<b>192.168</b>	<b>2</b>
Net profit for year 2013:											
- to reserves	0	0	0	0	2.979	4.081	0	0	(7.060)	0	0
- dividends	0	0	0	0	0	0	0	0	(1.900)	(1.900)	0
Translation reserve	0	0	0	0	483	0	(2.268)	0	0	(1.785)	3
Revaluation reserve	0	0	0	0	0	0	0	0	0	0	0
Net profit for first half of 2014	0	0	0	0	0	0	0	0	354	354	(5)
<b>BALANCE AS AT 30 JUNE 2014</b>	<b>4.000</b>	<b>36.969</b>	<b>1.110</b>	<b>5.100</b>	<b>140.693</b>	<b>4.208</b>	<b>(3.620)</b>	<b>23</b>	<b>354</b>	<b>138.837</b>	<b>0</b>

**STATEMENT OF CHANGES IN TANGIBLE  
ASSETS FOR THE PERIOD ENDED AS AT 30 JUNE 2014**

(in thousands of Euro)

	Historical cost	Opening balance		Changes in the period						Closing balance	
		Acc. depreciation	Balance 31/12/2013	Investments	Disposals	exchange delta	Depreciation	Historical cost	Acc. depreciation	Balance 30/06/2014	
				Purchases	Int. work	Provision	Rate	Ordinary			
<b>Yards and buildings</b>											
- land	34.897	(4.862)	30.035	0	0	0	0%	0	34.817	(4.862)	29.955
- yards and buildings	57.574	(16.426)	41.148	61	0	(1.861)	3%	(1.060)	55.774	(17.486)	38.288
- temporary constructions	5.836	(4.724)	1.112	26	0	0	10%	(117)	5.862	(4.841)	1.021
<b>Plant and machinery:</b>											
- plant	18.221	(11.464)	6.757	5	0	(23)	10%	(480)	18.203	(11.921)	6.282
- dry docks	7	(7)	0	0	0	0	10%	0	7	(7)	0
- treatment installations	238	(209)	29	0	0	0	15%	(6)	238	(215)	23
- machinery	6.145	(5.611)	534	421	0	0	16%	(89)	6.566	(5.700)	866
- electronic systems	26	(26)	0	0	0	0	10%	0	26	(26)	0
<b>Industrial and commercial equipment</b>	5.210	(3.895)	1.315	522	0	(8)	25%	(336)	5.590	(4.223)	1.367
<b>Other tangible assets:</b>											
- office furniture	1.078	(609)	469	5	0	(6)	12%	(41)	1.068	(650)	418
- EDP office machines	2.474	(1.638)	836	13	0	(39)	20%	(148)	2.440	(1.765)	675
- transport vehicles	632	(551)	81	0	0	(191)	20%	(17)	441	(377)	64
- cars	177	(15)	162	0	0	0	25%	(11)	155	(26)	129
- pontoons	2.099	(725)	1.374	0	0	0	8%	(77)	2.099	(802)	1.297
<b>Assets under construction and payments on account:</b>	2.032	0	2.032	1.829	1.177	0	0%	0	4.741	0	4.741
<b>Total</b>	<b>136.646</b>	<b>(50.762)</b>	<b>85.884</b>	<b>2.882</b>	<b>1.177</b>	<b>(267)</b>		<b>(2.382)</b>	<b>138.027</b>	<b>(52.901)</b>	<b>85.126</b>

**STATEMENT OF TIMING DIFFERENCES THAT RESULTED IN THE RECOGNITION OF DEFERRED TAXATION**  
Article 2427.14 of the Italian Civil Code

<i>Description of the timing differences</i>			<i>Prepaid taxes as at 31/12/13</i>			<i>Decrease</i>			<i>Increases</i>			<i>Exchange Delta</i>	<i>Prepaid taxes as at 30/06/2014</i>		
	<i>Deductible differences</i>	<i>Taxable amount</i>	<i>Rate</i>	<i>Tax</i>	<i>Taxable amount</i>	<i>Rate</i>	<i>Tax</i>	<i>Taxable amount</i>	<i>Rate</i>	<i>Tax</i>		<i>30/06/2014</i>	<i>Taxable amount</i>	<i>Rate</i>	<i>Tax</i>
Contracts valued as per revenues		439	27,50%	121	439	27,50%	121	204	27,50%	48	0	0	204	27,50%	48
Provision for contractual risks		7.438	27,50%	2.045	0	27,50%	0	0	27,50%	0	0	0	7.438	27,50%	2.045
Bad debt provision		43	27,50%	11	1	27,50%	0	0	27,50%	0	0	0	42	27,50%	11
Provision for future liabilities and charges		3.473	27,50%	954	125	27,50%	34	0	27,50%	0	0	0	3.348	27,50%	920
Unrealised exchange losses		28	27,50%	8	28	27,50%	8	32	27,50%	9	0	0	32	27,50%	9
Amort. of intangible assets		42	31,40%	13	12	31,40%	4	0	31,40%	0	0	0	30	31,40%	9
Depr. of tangible assets		3.451	31,40%	1.076	244	31,40%	85	19	31,40%	6	(6)	3.226	31,40%	991	
Directors' fees to be paid		280	27,50%	78	35	27,50%	10	0	27,50%	0	0	0	245	27,50%	68
Tax losses		3.447	27,50%	948	84	27,50%	22	0	27,50%	0	(145)	3.363	27,50%	781	
Provision for obsolete inventory		1.024	27,50%	282	158	27,50%	44	0	27,50%	0	(3)	886	27,50%	235	
Loss-making contracts		54	27,50%	15	54	27,50%	15	0	27,50%	0	0	0	0	27,50%	0
Other provisions		89	31,40%	28	41	31,40%	13	89	31,40%	28	(3)	137	31,40%	40	
<b>Total</b>		<b>19.808</b>		<b>5.579</b>	<b>1.221</b>		<b>356</b>	<b>344</b>		<b>91</b>	<b>(157)</b>	<b>18.931</b>		<b>5.157</b>	

<i>Description of the timing differences</i>			<i>Deferred taxes as at 31/12/13</i>			<i>Decrease</i>			<i>Increases</i>			<i>Exchange Delta</i>	<i>Deferred taxes as at 30/06/2014</i>		
	<i>Taxable differences</i>	<i>Taxable amount</i>	<i>Rate</i>	<i>Tax</i>	<i>Taxable amount</i>	<i>Rate</i>	<i>Tax</i>	<i>Taxable amount</i>	<i>Rate</i>	<i>Tax</i>		<i>30/06/2014</i>	<i>Taxable amount</i>	<i>Rate</i>	<i>Tax</i>
Unrealised exchange gains		67	27,50%	18	67	27,50%	18	52	27,50%	14	0	0	52	27,50%	14
Depr. of tangible assets		7.917	31,40%	1.913	0	31,40%	0	105	31,40%	33	(291)	8.022	31,40%	1.655	
Amor. of intangible assets		16	31,40%	5	0	31,40%	0	0	31,40%	0	0	0	16	31,40%	5
Consolidation transactions		2.483	31,40%	783	0	31,40%	0	131	31,40%	41	0	2.624	31,40%	824	
<b>Total</b>		<b>10.493</b>		<b>2.719</b>	<b>67</b>		<b>18</b>	<b>288</b>		<b>88</b>	<b>(291)</b>	<b>10.714</b>		<b>2.498</b>	

**CASH FLOW STATEMENT**

(thousands of Euro)

	<u>1st HALF 2014</u>	<u>2nd HALF 2013</u>
<b>A. OPENING NET SHORT-TERM FINANCIAL POSITION</b>	<b><u>64,237</u></b>	<b><u>89,053</u></b>
<b>B. CASH FLOW FROM / (USED IN) OPERATING ACTIVITIES</b>		
Profit (loss) for the period	354	4,091
Amortisation/depreciation	2,692	3,183
Net change in provisions for liabilities and charges	(484)	2,374
Net change in the employees' severance indemnity provision	<u>92</u>	<u>87</u>
<b>Profit (loss) on operating activities before changes in current assets</b>	<b>2,654</b>	<b>9,735</b>
(Increase) Decrease in current receivables due within 12 months	2,182	(31,388)
(Increase) Decrease in current receivables due beyond 12 months	58	20
(Increase) Decrease in inventories	(5,276)	31,606
(Increase) Decrease in amounts due to suppliers and other payables	(23,536)	(29,505)
Increase (Decrease) in other current assets items	(114)	462
Change in payables to minority shareholders	<u>(2)</u>	<u>(3)</u>
	<b><u>(24,034)</u></b>	<b><u>(19,073)</u></b>
<b>C. CASH FLOW FROM / (USED IN) INVESTING ACTIVITIES</b>		
Net changes in fixed assets:		
- intangible	(210)	(471)
- tangible	(1,624)	(1,207)
- financial	<u>(858)</u>	<u>(1,883)</u>
	<b><u>(2,692)</u></b>	<b><u>(3,561)</u></b>
<b>D. CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES</b>		
Revaluation/realignment	0	(954)
Translation reserve	(1,785)	(1,227)
Allocation of profits	(1,900)	(1)
Other changes in medium/long-term payables	<u>(92)</u>	<u>0</u>
	<b><u>(3,777)</u></b>	<b><u>(2,182)</u></b>
<b>E. CASH FLOW FOR THE PERIOD (B+C+D)</b>	<b><u>(30,503)</u></b>	<b><u>(24,816)</u></b>
<b>F. CLOSING NET SHORT-TERM FINANCIAL POSITION (A+E)</b>	<b><u>33,734</u></b>	<b><u>64,237</u></b>