

ROSETTI MARINO S.p.A.

HALF - YEAR CONSOLIDATED
FINANCIAL STATEMENTS
as at 30 June 2016

Approved by
the Board of Directors
on
30 September 2016

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
E&A Index No. 1530

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1. DIRECTORS' REPORT ON OPERATIONS
ACCOMPANYING THE
CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2016

Dear Shareholders,

The consolidated half-year financial statements as at 30 June 2016 which we hereby submit to you closed with a net loss of Euro 2,327 thousand, after recognising Euro 2,357 thousand in depreciation and amortisation and Euro 347 thousand for write-downs of current assets. 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 considerable decrease in business volumes (Euro 87 million in the first six months of 2016 compared to Euro 120 million in the first six months of 2015).

In detail, with respect to the same period in 2015 there was a decrease in turnover in the Oil & Gas segment (Euro -30 million) and the Process Plants sector (Euro -14 million) and an increase in the Shipbuilding sector (Euro +11 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 an important manner in the business sectors in which the Company operates, especially as from mid 2013.

The Oil & Gas sector, which is the most important for the Company, was particularly affected by the crisis further to the drop in investments by oil companies, due in particular to the collapse of oil prices and partly to the political instability which affected various Arab nations of particular interest for the Company.

The Shipbuilding sector went against the trend, having in the last few years seen a sharp drop in charters regarding transportation of all the commodities with consequent and heavy repercussions on the investment plans of the shipowners, showing the first signs of recovery in the tug sector.

As a consequence of the above, the considerable decrease in production volumes together with the increase in the competitiveness of the reference markets, the margins fell considerably reporting unsatisfactory levels which did not permit the coverage of the

overheads.

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

	30 June 2016	30 June 2015
GDP (in thousands of Euro)	86,976	120,033
(A1+A2+A3 of the income statement)		
Ebitda (in thousands of Euro)	(422)	5,961
(A+B-10-12-13 of the income statement)		
Ebitda / GDP	-0.49%	4.97%
Ebit (in thousands of Euro)	(3,126)	1,015
(A+B of the income statement)		
Ebit / GDP	-3.59%	0.85%
Gross profit (loss) (in thousands of Euro)	(3,453)	2,209
Gross profit (loss) / GDP	-3.97%	1.84%
Net profit (loss) (in thousands of Euro)	(2,327)	501
Net profit (loss) / GDP	-2.68%	0.42%
R.O.E.	-1.26%	0.27%
(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.

Energy Business Segment

This segment, which yielded gross domestic product of approximately € 55 million during the six months (€ 84 million in the first half of 2015), despite having reported a considerable drop, remained the Group's primary segment.

Unfortunately, the period in question was also heavily affected by the low price of oil with consequent suspension of a large part of the investments by the oil companies. This in fact led to the impossibility of acquiring new orders for the construction of off-shore platforms with a consequent and considerable fall in the volume of production activities. Furthermore, it continued to impede the launch of production activities in production areas other than those where we are traditionally present and on which we have concentrated our commercial efforts (see Nigeria).

In order to deal with the sector crisis, we have continued to implement a careful cost reduction policy, both overheads and operating costs. Furthermore, we have partly offset the lack of new platform acquisitions, by means of a diversification of the products within the energy sector with the acquisition of on-shore, subsea work and technical services.

In particular during the first half of 2016, we were involved in the continuation of the contracts acquired in previous periods, some completed and others to be delivered during the coming period.

Mention should be made, clearly going against the trend of the market, of the consistent pick-up in production activities in Kazakhstan, which permitted our local investee companies to acquire a satisfactory order book and to considerably increase their business volumes with good margins. In particular, they were involved in the creation of “pig traps” at our Aktau site, whose work was recently terminated, as well as in Hook-up work and technical services linked to the launch of the Kashaghan plant.

Naval Business Segment

Naval business, conducted primarily by the Parent Company (ship building) and subsidiary Rosetti General Contracting Lda (ship chartering) contributed approximately Euro 13 million (Euro 2 million in the first half of 2015) to the income.

Unfortunately, in an already difficult market situation, the collapse of oil prices in fact wrote-off the demand for naval vessels supporting the off-shore activities of the oil companies, vessels which have been our main product in recent years. In order to deal with the collapse in demand for these vessels, we dedicated ourselves to the tug market and the creation of hull parts for cruise ships.

Despite remaining at unsatisfactory levels, production activities in any event rose considerably compared with the same period in the previous year, thanks to the pick-up in work relating to the construction of 5 tugs, of which one delivered in the first few months of the year (you will recall that in the first half of 2015 the production activities were limited to the construction of a number of cruise ships block).

Process Plants Business Segment

This business segment, in which the subsidiary Fores Engineering Srl and its investee companies operate, reported a decrease contributing approximately Euro 19 million to the income (Euro 33 million in the first half of 2015).

This sector was also heavily affected by the current oil prices which considerably reduced the investments made by customers and at the same time increased the degree of competition leading to significant pressure on margins.

INVESTMENTS

During the first six months of 2016, investments in intangible assets came to Euro 317 thousand and investments in technical assets to Euro 1,332 thousand, for a grand total of Euro 1,649 thousand.

The main investments were made by the Parent Company with the purchase of machinery for the head office workshop and handling equipment for the Piomboni site.

The level of investments made, despite the current market situation, confirms the Group's attention to constantly increasing 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.

At this juncture, mention should be made of the fixed-asset coverage ratio (amply financed through equity) and the positive net financial position.

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

	<u>30 June 2016</u>	<u>30 June 2015</u>
Short-term net fin. pos. (in thousands of Euro)	+70,294	+70,591
(CIII + CIV on assets side –		

D.4 short-term on liabilities side)

Asset coverage margin (in thousands of Euro)	+126,483	+119,517
(M/L-term liabilities + total equity - fixed assets)		
Asset coverage ratio	2.26	2.06
(M/L-term liabilities + total equity / fixed assets)		
Financial independence index	53.57%	53.75%
(Total equity / total assets)		
Ratio of income (expenses) to GDP	-0.25%	0.97%
(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 with a high degree of client loyalty, 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 capacity and to continue to monitor outstanding receivables thoroughly during the execution of the work.

Since it has a mainly positive net financial position and has obtained a strong rating from the banks with which it deals, 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 2016 there were outstanding forward purchase transactions entered into with various banks by the subsidiary Fores Engineering Srl for US\$ 833 thousand hedging supply contracts and forward sale transactions, entered into by the Parent Company for US\$ 3,461 thousand and by Fores Engineering Srl for US\$

3,871 thousand hedging contracts outstanding with customers.

It is hereby specified that, when one operates in countries with a local currency difficult to trade and subject to sharp exchange rate fluctuations (see Kazakhstan), hedging of the exchange rate risk cannot be effectively implemented.

STAFF

The staff headcount came to 1,120 as at 30 June 2016, disclosing an increase of 329 compared to the same period in the previous year.

In further detail, it should be noted that the number of white-collar and blue-collar workers increased respectively by 145 and 189, whereas executives decreased by 5.

The increase in staff, going against the trend with the afore-mentioned decrease in production activities, is mainly linked to the Subsidiary and Associated companies located in Kazakhstan and is due to the need to deal with the increase in production activities in the country.

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 Group are certified in accordance with BS-OHSAS18100.

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," "Staff" 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 the subsea sector, the naval sector and the Gainn project relating to the study of a prototype of an LNG micro-scale liquefaction and storage plant. 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 subsequent events

In the period between the date of closure of the half-year period under review and the current date, there were no events that could have a significant impact on operations.

BUSINESS OUTLOOK

In our opinion, the current order backlog which amounts to around Euro 201 million, despite being lower than expectations, must in any event be evaluated positively considering the difficult situation which the hydrocarbons industry has been undergoing for a couple of years due to low oil prices.

Further on, we will examine the individual sectors in which the Company operates in detail.

Energy Segment

The order backlog in this sector amounts to around Euro 163 million and is heavily conditioned by the current price of oil.

Unfortunately, it is by now the common opinion of all the operators in the sector, that the current price level of crude is still destined to continue for a while. This means that the demand for new oil platforms is expected to remain very low also in the second half of the year and for the majority of 2017.

In the presence of a sharp reduction in investments in new oil fields, it is believed that the oil companies will dedicate greater resources to extraordinary maintenance activities (brownfield) on the existing platforms for the purpose of extending their production. Therefore, in order to deal with this difficult market moment, besides pursuing the few opportunities which will present themselves in relation to the construction of new platforms with absolute determination, we will continue with the endeavour to increase the business volume in the subsea, brownfield and technical services area, being products which have permitted us - in the last years - to at least partly offset the lack of investments in new platforms.

It should be mentioned however that there are some areas going against

the trend of the Oil & Gas sector market, where the investments of the oil companies have not stopped and where we have great expectations for the coming future. The most interesting area for the Group is without doubt Kazakhstan where in particular there is an important opportunity for the associated company Kcoi Llp which we expect might come to fruition shortly and which should permit the same to report decidedly positive economic results in the coming years.

Other areas bucking the trend are Egypt, where ENI has discovered an important oil deposit and the Gulf where the investments of the oil companies have never in fact stopped. In this connection, mention should be made of the very recent acquisition by the Parent Company of an important contract for the realisation of a jacket to be installed off the Iranian coast, in relation to which construction activities care of our Marina di Ravenna shipyard are not envisaged.

In conclusion, we would point out that two agreements are being finalised for operating within the sphere of wind energy generation on Offshore fields for Northern Europe, where the potential partners are already active. It is believed that the Group's considerable experience in the Offshore field, together with the production assets which it is endowed with, may allow it to acquire the first important contracts in the Offshore Wind sphere within a short space of time. The Offshore Wind sector is an Energy market segment which is not yet mature, and which is not influenced by the price of crude and in relation to which important investments are envisaged, over the coming years, in various parts of the World, as also demonstrated by the numerous supply requests which have been proposed over the last few months to the Group.

Shipbuilding Segment

The considerable difficulty of the market moment is confirmed in particular for the vessels serving the off-shore platforms where demand in fact has been wiped out. You will recall that service vessels were our main product which had determined the satisfactory results achieved during the years prior to the sector crisis.

However, a certain recovery in investments of Ship owners within the sphere of tugs has been noted. This type of vessel, despite presenting margins and revenue volumes lower than the ships which the Group

built in the past, in any event guarantees an interesting workload. Therefore, important commercial action continues, aimed above all else at port tugs, also with innovative projects. Furthermore, particular attention is reserved for the most important Italian ship builder with whom we are seeking to finalise agreements which permit us to increase the creation of ship components such as blocks for Cruise Ships and Megayacht hulls and the building of vessels of a smaller size.

It is disclosed that, given the current difficulties the market finds itself in, it is fundamental to maintain the structure of the Shipbuilding Division very flexible and ready to be enhanced when the conditions for a pick-up of the market takes place.

Process Plants Segment

This sector will also continue to be affected by the current oil prices which considerably reduced the investments made by customers and at the same time increased the degree of competition leading to significant pressure on margins.

Despite the market difficulties, the intense commercial activities have made it possible to achieve an order backlog of around Euro 25 million which permits a suitable workload for the second half of the year.

Dear Shareholders,

the activities carried out by the Group in the first half of 2016 generated a net loss of Euro 2,327 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 2016

On behalf of the Board of Directors

The Chairman

Medardo Ranieri

2. CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2016:

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

BALANCE SHEET (amounts in thousands of Euro)

ASSETS	30 June 2016	31 Dec. 2015	30 June 2015
A) SUBSCRIBED CAPITAL,			
UNPAID	0	0	0
B) FIXED ASSETS:			
I Intangible fixed assets:			
4) Concessions, licenses, trademarks and similar rights	436	452	479
6) assets in progress and payments on account	230	46	0
7) other intangible assets	1,060	1,182	1,491
TOTAL INTANGIBLE FIXED ASSETS	1,726	1,680	1,970
II Tangible fixed assets:			
1) Land and buildings	69,520	70,534	77,388
2) Plant and machinery	6,671	6,678	7,220
3) Industrial and commercial equipment	1,127	903	1,260
4) Other tangible assets	3,511	3,722	4,000
5) assets under construction and payments on account	166	103	759
TOTAL TANGIBLE FIXED ASSETS	80,995	81,940	90,627
III Financial assets			
1) equity investments:			
a) in subsidiary companies	61	61	1
b) in associated companies	830	851	1,904
d-bis) in other companies	166	145	198
TOTAL EQUITY INVESTMENTS	1,057	1,057	2,103
2) Receivables:			
b) due from associated companies	16,674	16,674	18,000
TOTAL RECEIVABLES	16,674	16,674	18,000
TOTAL FINANCIAL ASSETS	17,731	17,731	20,103
TOTAL FIXED ASSETS	100,452	101,351	112,700
C) CURRENT ASSETS:			
I Inventories:			
1) Raw, ancillary materials and consumables	2,086	360	1,600
3) Contract work in progress	54,618	46,276	39,572
5) Payments on account	10,429	10,695	13,683
TOTAL INVENTORIES	67,133	57,331	54,855
II Receivables:			
1) trade receivables	70,199	85,533	84,441
3) due from associated companies	5,067	3,375	2,085
5bis) tax receivables	6,894	7,963	8,877
5ter) prepaid taxes	6,676	4,990	6,478
5quater) due from third parties			
- within 12 months	218	179	179
- beyond 12 months	104	110	105
TOTAL RECEIVABLES	89,158	102,150	102,165
III Current financial assets:			
6) Other securities	49,080	36,941	43,928
TOTAL FINANCIAL ASSETS	49,080	36,941	43,928
1) Bank and post office deposits	32,488	49,498	27,173
3) Cash and cash equivalents	52	70	
TOTAL CASH AT BANK AND IN HAND	32,532	49,550	27,243
TOTAL CURRENT ASSETS	237,903	245,972	228,191
D) ACCRUED INCOME AND PREPAYMENTS	1,373	1,026	827
TOTAL ASSETS	339,728	348,349	341,718

LIABILITIES	30 June 2016	31 Dec. 2015	30 June 2015
A) SHAREHOLDERS' EQUITY:			
I Share capital	4,000	4,000	4,000
III Revaluation reserve	36,969	36,969	36,969
IV Legal reserve	1,110	1,110	1,110
VI Other reserves	150,683	148,004	148,376
VIII Profits (losses) carried forward	(132)	(137)	(137)
IX Profit (loss) for the period	(2,327)	1,697	501
X Negative treasury share reserve	(5,100)	(5,100)	(5,100)
XI Translation reserve	(3,232)	(1,937)	(2,090)
XII Consolidation reserve	23	23	23
TOTAL GROUP SHAREHOLDERS' EQUITY	181,994	184,629	183,652
Minority interests in capital and reserves	(3)	2	7
TOTAL GROUP SHAREHOLDERS' EQUITY AND MINORITY INTERESTS	181,991	184,631	183,659
B) PROVISIONS FOR LIABILITIES AND CHARGES			
1) Pensions and similar commitments	138	120	102
2) Provisions for taxes	2,436	2,611	3,697
4) Other	3,331	3,371	9,059
TOTAL PROVISIONS FOR LIABILITIES AND CHARGES	5,905	6,102	12,858
C) EMPLOYEES' SEVERANCE INDEMNITY PROVISION	3,385	3,601	3,708
D) PAYABLES:			
4) due to banks			
- within 12 months	11,318	6,272	580
- beyond 12 months	35,654	43,771	31,992
6) payments on account	59,878	52,104	52,194
7) due to suppliers	29,404	40,780	43,744
9) due to subsidiary companies	1	1	1
10) due to associated companies	296	265	1,172
12) tax payables	3,646	2,519	2,507
13) due to social security and welfare institutions	1,780	2,194	2,215
14) other payables	6,349	5,962	6,956
TOTAL PAYABLES	148,326	153,868	141,361
E) ACCRUED LIABILITIES AND DEFERRED INCOME	121	147	132
TOTAL LIABILITIES	339,728	348,349	341,718

INCOME STATEMENT		Ist HALF 2016	2015	Ist HALF 2015
A) INCOME:				
1) Revenues from sales and services		40,064	631,639	562,376
3) changes in contract work in progress		46,912	(404,014)	(442,343)
4) Increases in own work capitalized		71	37	11
5) Other income and revenues				
a) operating grants		65	114	66
b) other		841	6,621	356
TOTAL INCOME 87,953		234,397	120,466	
B) COSTS AND EXPENSES:				
6) Raw, ancillary and consumables and goods for resale		(34,831)	(90,433)	(43,374)
7) Services		(25,806)	(62,882)	(40,856)
8) Leases and rentals		(1,932)	(6,527)	(4,496)
9) Staff and related costs:				
a) wages and salaries		(20,853)	(39,703)	(19,831)
b) social security contributions		(5,106)	(9,986)	(5,266)
c) employees' severance indemnity provision		(1,069)	(2,297)	(1,157)
e) other personnel costs		(169)	(394)	(164)
Total staff and related costs		(27,197)	(52,380)	(26,418)
10) Amortisation, depreciation and write-downs:				
a) amortisation of intangible fixed assets		(271)	(627)	(294)
b) depreciation of tangible fixed assets		(2,086)	(4,446)	(2,259)
d) write-downs of current receivables and of cash at bank and in hand		(347)	(545)	(2,393)
Total amortisation, depreciation and write-downs		(2,704)	(5,618)	(4,946)
11) Change in inventories of raw, ancillary materials, consumables and goods for resale		1,726	(191)	1,049
12) Provisions for risks		0	0	0
14) Sundry operating expenses		(335)	(774)	(410)
TOTAL COSTS AND EXPENSES		(91,079)	(218,805)	(119,451)
DIFFERENCE BETWEEN INCOME AND COSTS AND EXPENSES (A+B)		(3,126)	15,592	1,015
C) FINANCIAL INCOME AND EXPENSES:				
15) Income from equity investments:				
d) dividends and other income from other companies		0	1	0
16) Other financial income:				
c) from current securities not representing equity investments		21	280	153
d) Income other than the above				
-interest and fees from associated companies		178	396	198
-interest and fees from third parties and sundry income		714	931	220
17) Interest and other financial expenses:				
d) other		(511)	(1,694)	(636)
17bis) foreign-exchange gains and losses		(620)	(10,712)	1,231
TOTAL FINANCIAL INCOME AND EXPENSES		(218)	(10,798)	1,166
D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS AND LIABILITIES				
18) Revaluations:				
a) of equity investments		34	30	28
c) of current securities		0	3	0
19) Write-downs:				
a) of equity investments		(71)	(1,121)	0
b) of financial assets other than equity investments		0	(123)	0
d) of current securities		(72)	(66)	0
TOTAL ADJUSTMENTS TO FINANCIAL ASSETS		(109)	(1,277)	28
RESULT BEFORE TAXATION (A+B+C+D)		(3,453)	3,517	2,209
20) Income taxes for the period		1,120	(1,831)	(1,714)
PROFIT (LOSS) FOR THE PERIOD INCLUDING MINORITY INTERESTS		(2,333)	1,686	495
Minority-interest (profit) loss for the period	(6)	11	6	
GROUP PROFIT (LOSS)		(2,327)	1,697	501

NOTES

STRUCTURE AND CONTENT OF THE FINANCIAL STATEMENTS

The half-year consolidated financial statements as at and for the period from 1 January 2016 to 30 June 2016 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 Directors' report on operations. With reference to the financial statement schedules, steps have been taken to adopt the structure envisaged by Article 2426 of the Italian Civil Code, as amended by Italian Legislative Decree No. 139/15, as from 2016. Furthermore, any significant effects expected from the introduction of the new provisions introduced by the new legislation, have been indicated in the notes. If necessary, the legal provisions have been supplemented by the accounting standards recommended by the Accounting Standards Committee of the Italian Accounting Profession and revised by the Italian Accounting Body, as well as those of the International Accounting Standards Board (IASB), within the limits that the latter are compatible with Italian legal provisions. In addition, even if not required by specific legal provisions, all the supplementary information deemed necessary for providing a true and fair view is also provided. In particular, the cash flow statement has been drawn up.

The accounting standards adopted for the preparation of the financial statements for the period are compliant with the matters envisaged by Article 2423 bis of the Italian Civil Code and are essentially contained in Article 2426 of said Code, supplemented and interpreted by the Accounting Principles issued by the Italian Accounting Profession and revised by the Italian Accounting Body further to the reform laid down by the Legislator concerning Company Law by means of Italian Legislative Decree No. 6 dated 17 January 2003 and subsequent amendments.

The measurement of the financial statement items was carried out

aspiring to the general criteria of prudence and accruals, with a view to the business as a going-concern.

The application of the prudent approach led to the individual measurement of the elements making up the individual items or captions of the assets or liabilities, in order to avoid offsetting between losses which had to be recognised and profits not to be recognised since they are not realised.

In observance of the accruals principle, the effects of the transactions and the events has been recognised in the accounts and assigned to the period to which said operations and events refer, and not to that in which the related financial transactions (collections and payments) will take place. For the purpose of the accounting measurements, priority is given to the economic essence of the underlying transactions rather than their legal form.

The notes illustrate, analyse and, in some cases, supplement financial statement figures and contain the information required by Article 38 of Italian Legislative Decree No. 127/91 and other provisions of law. 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 financial statements as at 30 June 2016 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 policies.

REFERENCE DATE OF THE CONSOLIDATED FINANCIAL STATEMENTS

All the companies included in the consolidated financial statements align their date of closure of the financial statements with that of the consolidated financial statements.

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 earnings 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 company is consolidated as from the following year.

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 2016 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, Rosetti Marino Mexico S. de R.L. and Basis Congo Sarl, not included in the scope of consolidation since they were dormant as of 30 June 2016.

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 Rosetti Pivot Ltd, Rosetti Congo Sarl, Basis Pivot Ltd and Unaros Fzc not included in the scope of consolidation, since the first three are dormant 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):

Name	Registered office	Share capital	Percent interest
<i><u>Subsidiaries</u></i>			
FORES ENGINEERING Srl	Forlì	1,000	100.0%
BASIS ENGINEERING Srl	Milan	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 MARINO MEXICO S. de R.L. (**) (5)	Mexico	44	100.0%

ROSETTI MARINO MOCAMBIQUE	Mozambique	1	96.0%
Limitada (*)	e		
ROSETTI LYBIA Jsc (*)	Tripoli	622	65.0%
BASIS CONGO Sarl (*)	Congo	99	60.0%
<u>Associated companies</u>			

K.C.O.I. Llp (6)	Kazakhstan	1,160	50.0%
UNAROS Fzc (**)	UAE	32	50.0%
ROSETTI CONGO Sarl (*)	Congo	152	50.0%
ROSETTI PIVOT Ltd (*)	Nigeria	2,471	49.0%
BASIS PIVOT Ltd (*)	Nigeria	46	45.0%
TECON Srl	Milan	47	20.0%

(1) Of which 2% held indirectly through Basis Engineering Srl.

(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 S.r.l.

(5) Of which 10% held indirectly through Basis Engineering S.r.l.

(6) Of which 40% held indirectly through Rosetti Kazakhstan Llp.

(*) Presently not operating

(**) Company in liquidation

The following changes compared to the previous year occurred in the first half of 2016:

- liquidation of the subsidiary Alfaro S.r.l. (Italy).

The subsidiary and associated companies, included in the scope of consolidation and not in liquidation 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;
- Kazakhstan Caspian Offshore Industries Llp, Rosetti Kazakhstan Llp and Rosetti Marino UK Limited: construction of offshore and onshore oil installations;
- Rosetti General Contracting Construcoes Serviços Lda: charter of vessels.

The schedule required by Article 2427.5, of the Italian Civil Code is

presented in an annex to these notes.

RECONCILIATION OF THE PARENT COMPANY'S SHAREHOLDERS' EQUITY AND PROFIT/LOSS AND THE CORRESPONDING CONSOLIDATED FIGURES

The following is the statement of reconciliation between the shareholders' equity and profit/loss for the period presented in the Parent Company's half-year financial statements and the corresponding consolidated figures as at 30 June 2016:

	<u>Shareholders' equity</u>	<u>Profit (loss) for the period</u>
FIGURES PRESENTED IN THE FINANCIAL STATEMENTS OF ROSETTI MARINO SPA AS AT 30 JUNE 2016	160,368	164
Consolidation adjustments:		
a. Difference between the carrying amounts of consolidated equity investments and the valuation of those equity investments according to the equity method	20,024	(2,373)
b. Effect of the accounting recognition of finance lease contracts for tangible fixed assets according to the financial method	2,394	(57)
c. Reversal of unrealized gains deriving from transactions between Group companies	(122)	(79)
d. Reversal of unrealised profits deriving from the distribution of dividends between Group companies	0	0
e. Allocation of deferred and prepaid taxes pertaining to the tax effect (where applicable) of consolidation adjustments	<u>(670)</u>	<u>18</u>
AMOUNTS PRESENTED IN THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2016	<u>181,994</u>	<u>(2,327)</u>

VALUATION PRINCIPLES

The most significant valuation principles adopted for the preparation of the consolidated financial statements as at 30 June 2016 in accordance with Article 2426 of the Italian Civil Code and the afore-mentioned accounting standards are set out below:

Intangible fixed assets

Intangible fixed assets are stated at purchase or production cost, inclusive of any related charges, and are amortised systematically over the period they are expected to be used in the future.

Intangible assets are written down if they become impaired, independently of the amount of previously recognized amortization 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 purchase or production cost, net of any capital grants, 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:

- the original value of the assets purchased with financial lease agreements shown in assets 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 amortisation 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 the 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 period-end according to the consideration accrued with reasonable certainty (the percent 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 percentage is figured as the ratio of the costs incurred as at 30

June 2016 to estimated total costs.

The additional fees are included under contract revenues only when by the reporting date there has been formal acceptance by the customer of these additional fees, or, despite the absence of formal acceptance, as of that date it is highly probable that the request for additional fees is accepted on the basis of the most recent information and past experience.

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 "states of advancement" 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.

Contracts are considered completed when all costs have been incurred and the work has been accepted by the clients. Any losses on contracts, estimated with reasonable approximation, are booked in full to decrease the value of the contract work in progress during the period in which they became known. If this loss is higher than the value of the work in progress, the Company records a specific provision for risks and charges equal to the excess.

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. The estimate of the allowance for doubtful receivables includes the estimates of losses both due to the credit risk situations which have already manifested or are deemed probable and those for other non-recoverable amounts which have already manifested or have not yet manifested but are deemed probable.

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 at bank and in hand

These are recorded at their nominal value and include the interest accrued as of the period end date. Cash at bank and in hand in foreign currency are valued at the period end exchange rate.

Accruals, deferrals and prepayments

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 the amount and the date of occurrence of which cannot be determined at period-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 provision

The employees' severance indemnity provision covers the full liability to employees accrued 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.

The changes made to the severance indemnity legislation by Italian Law No. 296 dated 27 December 2006 ("2007 Finance Bill") and by subsequent implementing Decrees and Regulations, amended the accounting criteria applied to the portions of indemnity accrued as of 31 December 2006 and those accruing as from 1 January 2007, since as a result of the establishment of the "Fund for the disbursement to employees in the private sector of severance indemnities as per Article 2120 of the Italian Civil Code" (Treasury Fund managed by INPS on behalf of the State) the employers who employ at least 50 workers are obliged to pay the portions of severance indemnity to this Treasury Fund, accrued in relation to those workers who have not chosen to assign their severance pay to a supplementary welfare fund. The amount of the Employees' severance indemnity stated in the financial statements is therefore indicated net of the portions paid over to said INPS Treasury Fund, with the exception of the subsidiary Basis Engineering S.r.l., in relation to which it continues to be set aside in 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 recognized when they are effectively 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 period 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 matters indicated by the reference accounting standards regarding the recognition of income taxes for the period.

Deferred tax assets and liabilities are also provided on temporary differences between the result for the period and the positive or negative 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 period-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 profits and losses that arise from such conversion are credited and debited to the income statement as components of a financial nature.

When allocating net profit, 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 gain 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 asset 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 foreign currency amount 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 balances

In the interest of greater clarity and intelligibility, all figures in the balance sheet, income statement, notes and pertaining schedules have

been presented in thousands of Euro.

In the notes, the balance sheet figures have been compared with the amounts as at 31 December 2015, whereas the income statement figures have been compared with the amounts as at 30 June 2015.

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):

	Balance 31 Dec. 2015	Incr.	Decr.	Balance 30 June 2016
Licenses	19	0	(3)	16
Concessions of surface rights	<u>433</u>	<u>0</u>	<u>(13)</u>	<u>420</u>
Total	<u>452</u>	<u>0</u>	<u>(16)</u>	<u>436</u>

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 Yard.

Intangible fixed assets in progress

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

	Balance 31 Dec. 2015	Incr.	Decr.	Balance 30 June 2016
Intangible fixed assets in progress	<u>46</u>	<u>184</u>	<u>0</u>	<u>230</u>
Total	<u>46</u>	<u>184</u>	<u>0</u>	<u>230</u>

The increase in fixed assets in progress is mainly due to the capitalisation by the subsidiary Basis Engineering Srl of the costs for the moving of the offices and the transfer of the administrative headquarters. Furthermore, there were investments relating to the Parent Company for Euro 15 thousand linked to the development of the

new company intranet, Euro 1 thousand for the development of a documental software dedicated to the procurement area process and Euro 18 thousand for the development of the new software for recording the hours worked by project / cost centre.

Other intangible assets

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

	Balance	Incr.	Decr.	Balance
	31 Dec. 2015			30 June 2016
Mortgage fees	264	25	(9)	280
EDP programs	271	92	(94)	269
Leasehold improvements	<u>647</u>	<u>16</u>	<u>(152)</u>	<u>511</u>
Total	<u>1,182</u>	<u>133</u>	<u>(255)</u>	<u>1,060</u>

The increase in the item mortgage fees relates to the charges incurred by the subsidiary Basis Engineering Srl for the raising of a mortgage loan for Euro 2,500 thousand with Unicredit maturing on 30 June 2021.

The increase in the item EDP programs mainly includes Euro 48 thousand for the acquisition of IBM user licences purchased by the Parent Company and Euro 29 thousand for the acquisition of PHAST software by the subsidiary Basis Engineering Srl.

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

- on a straight-line basis over three years for EDP programs;
- on the basis of the duration of the mortgage loan agreements for the cost of taking out the same;
- 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 2016, ordinary depreciation charges were recognized according to rates deemed representative of the residual useful lives of tangible assets.

The item Assets in progress and payments on account comprises measures not yet completed carried out by the Parent Company care of the Piomboni site and in particular Euro 64 thousand for improvements

on the sewage network, Euro 48 thousand for the creation of a pedestrian open space and Euro 19 thousand for the creation of the evacuation alarm system. There were also measures for Euro 13 thousand incurred by the subsidiary Fores Engineering Srl for the construction activities on the new offices and Euro 22 thousand incurred by the associated company Kazakhstan Caspian Offshore Industries LLP for the work relating to the construction of new areas care of the Yard in Kazakhstan.

FINANCIAL ASSETS

Equity Investments

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

	%	Balance	Incr.	Decr.	Balance
	holding	31 Dec. 2015			30 June 2016
<u>Subsidiary companies:</u>					
Rosetti Marino Mocambique Ltd(*)	96%	1	0	0	1
Basis Congo Sarl (*)	60%	<u>60</u>	<u>0</u>	<u>0</u>	<u>60</u>
Total subsidiary companies		<u>61</u>	<u>0</u>	<u>0</u>	<u>61</u>
<u>Associated companies:</u>					
Unaros Fzc (**)	50%	0	0	0	0
Rosetti Congo Sarl (*)	50%	76	0	0	76
Rosetti Pivot Ltd (*)	49%	137	0	0	137
Basis Pivot Ltd (*)	45%	21	0	0	21
Tecon S.r.l.	20%	<u>617</u>	<u>0</u>	<u>(21)</u>	<u>596</u>
Total associated companies		<u>851</u>	<u>0</u>	<u>(21)</u>	<u>830</u>
<u>Other companies:</u>					
SAPIR		3	0	0	3
CAAF Industrie		2	0	0	2
Consorzio Cura		1	0	0	1
Consorzio Destra Candiano		1	0	0	1
Offshore Mediterranea Conference		0	21	0	21
Cassa Risparmio Ravenna		<u>138</u>	<u>0</u>	<u>0</u>	<u>138</u>
Total other companies		<u>145</u>	<u>21</u>	<u>0</u>	<u>166</u>

(*) Dormant company

(**) Equity investment written down in full

The value of the equity investment in Tecon Srl has been reduced by Euro 21 thousand, due to the profit generated in the first half of the

year, so as to bring the value of the investments in associated companies into line with their respective shareholders' equity values. The item other companies contains the reclassification of the investment holding in Offshore Mediterranea Conference previously included under financial assets not representing equity investments. The following are the figures drawn from the consolidation packages of associated companies measured according to the equity method as of 30 June 2016 (in thousands of Euro):

	Total assets	Shareholders' equity	Income	Profit/loss for the period
Tecon Srl	5,026	2,981	2,056	(103)

Amounts due from associated companies

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

	Balance 31 Dec. 2015	Incr.	Decr.	Balance 30 June 2016
Kazakhstan Caspian Offshore Ind.	<u>16,674</u>	<u>0</u>	<u>0</u>	<u>16,674</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 medium-term loan was disbursed as from 2009 in several payments (residual overall value as at 30 June 2015 of Euro 21,800 thousand); the second medium-term loan was resolved this year for a max. total of Euro 11,600 thousand (and disbursed for a total of Euro 11,549 thousand). Both loans are unsecured by collateral 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.

CURRENT ASSETS

INVENTORIES

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

Balance 30 June 2016	Balance 31 Dec. 2015
---------------------------------	---------------------------------

Raw materials	3,017	1,291
less provision for obsolescence	<u>(931)</u>	<u>(931)</u>
	<u>2,086</u>	<u>360</u>
Contract work in progress	178,437	131,530
Payments on account	<u>(123,819)</u>	<u>(85,254)</u>
	<u>54,618</u>	<u>46,276</u>
Advances to suppliers	<u>10,429</u>	<u>10,695</u>
Total	<u>67,133</u>	<u>57,331</u>

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. The considerable increase in inventories of raw materials is mainly due to the receipt of material processed and delivered to the end customer in July 2016 by the associated company Kazakhstan Caspian Offshore Industries Llp. The risk provision remained unchanged since that existing was deemed suitable for representing the estimated realisable value of the material in stock. The provision is equal to Euro 931 thousand.

Contract work in progress spanning more than one year represents job orders measured according to the consideration accrued with reasonable certainty (percentage completion method), net of payments on account received due to the state of advancement 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.

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

RECEIVABLES

Trade receivables

This item includes trade receivables that derive from normal transactions of a commercial nature.

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

	Balance	Balance
	30 June 2016	31 Dec. 2015
Amounts due from Italian clients	15,083	12,683
Amounts due from EEC clients	24,882	27,730

Amounts due from non-EEC clients	32,478	47,020
Bad debt provisions	<u>(2,244)</u>	<u>(1,900)</u>
Total	<u>70,199</u>	<u>85,533</u>

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

The increase in the bad debt provision is due to the provision made during the interim period to adjust the gross value of the receivables to their estimated realisable value on the basis of the overall measurements which take into account the insolvency risks mainly linked to specific factors.

The decrease in the overall value of the receivables with respect to 31 December 2015 is consequent to the reduction of the income.

The composition of the above item, owing to the nature of the Company's business, is fairly concentrated, given that approximately 50.45% (73.92% in the previous year) of total trade receivables are attributable to the top five clients by amount of balance outstanding.

Amounts due from associated companies

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

	Balance 30 June 2016		Balance	
	Trade	Financial	Tot.	31 Dec. 2015
Unaros Fzc	0	0	0	60
Rosetti Pivot Ltd	134	0	134	0
Kazakhstan Caspian Off. Ind.	<u>4,005</u>	<u>928</u>	<u>4,933</u>	<u>3,315</u>
TOTAL	<u>4,139</u>	<u>928</u>	<u>5,067</u>	<u>3,375</u>

All trade and financial transactions with associated companies are undertaken at arm's-length conditions.

Tax receivables

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

	Balance	Balance
	30 June 2016	31 Dec. 2015
VAT credit	1,087	1,287
Due from customs for duties	26	26
Foreign tax credit	35	0
Regional business tax (IRAP) credit	1,105	1,132
Company Income Tax (IRES) credit	<u>4,641</u>	<u>5,518</u>

Total

6,894

7,963

The VAT receivable consists of the VAT credit as at 30 June 2016 accrued on ordinary trade transactions for Euro 869 thousand and the VAT credit accrued in previous periods for which a rebate has been requested, totalling Euro 218 thousand.

The regional business tax (IRAP) credit is essentially due to the advances paid in previous years with respect to the tax due. To a minor extent, this credit is due to credits accrued in 2014 on the basis of the matters envisaged by Article 19.1, letter B of Italian Decree Law No. 91/2014 (so-called competitiveness decree). This decree envisaged the possibility of converting any surplus deriving from the A.C.E. (Economic Growth Aid), into an IRAP credit, which can be divided into five annual equal parts, along with the amounts corresponding to the residual credit which can be used in the following three accounting periods.

The company income tax (IRES) credit is due to the additional advances paid in previous years with respect to the tax due for the first half of 2016, plus the amounts requested for rebate for previous years.

Prepaid taxes

Prepaid taxes have been provided on all positive temporary differences. It should be noted that the theoretical tax effects on temporary 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.

Note that the Italian Stability Law for 2016 (published in the It. Official Gazette, No. 302 dated 30 December 2015, as per Italian Law No. 208 of 28 December 2015) has changed the IRES (Company Income Tax) rate as of 1 January 2017 reducing it from 27.5% to 24% with effect from the tax periods after 31 December 2016. In light of this, the theoretical tax effects on the temporary differences were calculated taking into account, for the items with tax relevance in 2017 and subsequent years, the reduction of the IRES rate.

Prepaid taxes for tax losses have been recognised since the company believes that reasonable certainty exists of obtaining taxable income in the future which may be able to absorb the losses which can be carried forward, within the period in which the same are deductible according to tax legislation.

Due from third parties

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

	Balance	Balance
	30 June 2016	31 Dec. 2015
<u>Within 12 months:</u>		
Due from employees	146	130
Receivables for insurance compensation	4	0
Sundry	<u>68</u>	<u>49</u>
Total	<u>218</u>	<u>179</u>
<u>After 12 months:</u>		
Sundry guarantee deposits	<u>104</u>	<u>110</u>
Total	<u>104</u>	<u>110</u>

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

Sundry receivables include an amount due from the Congo government for amounts unduly withheld.

CURRENT FINANCIAL ASSETS

Other securities

This item comprises the liquidity investments in units of mutual investment funds, insurance policies and other shares and bonds.

CASH AT BANK AND IN HAND

Bank and post office deposits

The balance of Euro 32,488 thousand as at 30 June 2016 consisted entirely of bank deposits with positive balances.

Cash and cash equivalents

The balance, entirely made up of cash, amounts to Euro 44 thousand. With regard to the change in cash at bank and in hand 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):

	Balance	Balance
	30 June 2016	31 Dec. 2015
Accrued income for interest	285	199
Prepaid expenses for rents	249	5
Prepaid expenses on movable prop. leases	0	84
Other prepaid expenses	<u>839</u>	<u>738</u>
Total	<u>1,373</u>	<u>1,026</u>

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 the component items of shareholders' equity are presented in the attached schedule.

The following is a commentary on the main shareholders' equity component 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 2016.

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.

OTHER RESERVES

Extraordinary reserve

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

years. The change is partly explained by the allocation of a portion of 2015 profit and partly by the reversal of the Treasury stock reserves initially established and once again booked to the Extraordinary reserve.

PROFITS (LOSSES) CARRIED FORWARD

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

PROFIT (LOSS) FOR THE PERIOD

This item refers to the result for the period.

NEGATIVE TREASURY SHARE RESERVE

This reserve includes the equivalent value of the treasury shares held by the company.

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 period-end exchange rate used for translating balance sheet values and the average exchange rate of the period used for translating income statement values.

PROVISIONS FOR LIABILITIES AND CHARGES

Pensions and similar commitments

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 includes the provision for deferred taxes and is calculated on all the payable temporary differences.

It should be noted that the theoretical tax effects on temporary 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 2016 (in thousands of Euro):

	Balance	Incr.	Decr.	Balance
	31 Dec. 2015			30 June 2016
Provision for future risks	1,266	0	0	1,266
Provision for contractual risks	<u>2,105</u>	<u>0</u>	<u>(40)</u>	<u>2,065</u>
Total	<u>3,371</u>	<u>0</u>	<u>(40)</u>	<u>3,331</u>

The provision for future risks 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. The decrease reported during the first half of 2016 is essentially attributable to the use of this provision by the subsidiary Fores Engineering Srl.

EMPLOYEES' SEVERANCE INDEMNITY (TFR)

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

Balance as of 31 Dec. 2015	3,601
Amount accrued and recognised in the income statement	1,069
Amounts paid	<u>(1,285)</u>
Balance as of 30 June 2016	<u>3,385</u>

The severance indemnity provision as at 30 June 2016 reflected the amount accrued by employees not transferred to welfare funds. The uses in fact include 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 Finance Bill).

The balance as at 30 June 2015 was net of any advances paid out.

PAYABLES

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

Amounts due to banks

The item includes Euro 30 million for a mortgage loan taken out by the Parent Company with Unicredit Banca d'Impresa during 2014; Euro 14.4 million for the residual value of two additional mortgage loans, taken out by the subsidiary Fores Engineering Srl, of which Euro 4.4 million with Banca Popolare di Ravenna and Euro 10.0 million with Cassa di Risparmio di Forlì and Euro 2.5 million for a mortgage loan taken out by the subsidiary Basis Engineering Srl with Unicredit Banca d'Impresa in the first half of 2016.

With reference to the loan agreement taken out by the Parent Company in 2014 care of Unicredit Banca D'Impresa, for the purpose of hedging the exchange rate fluctuation risk, the Company entered into a derivative loan agreement (Interest Rate Swap) which has the accounting requisites so as to be qualifiable as a specific hedge.

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

Payments on account

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

	Balance	Balance
	30 June 2016	31 Dec. 2015
Advances from third party clients	<u>59,878</u>	<u>52,104</u>
Total	<u>59,878</u>	<u>52,104</u>

The increase 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.

Trade payables

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

	Balance	Balance
	30 June 2016	31 Dec. 2015
Due to Italian suppliers	21,428	27,068
Due to EEC suppliers	3,016	8,871
Due to non-EEC suppliers	<u>4,960</u>	<u>4,931</u>
Total	<u>29,404</u>	<u>40,780</u>

The decrease is linked to the drop in the income.

Amounts due to subsidiary companies

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

	Balance	
Balance	30 June 2016	31 Dec. 2015
Rosetti Marino Mocambique Ltd	<u>1</u>	<u>1</u>
Total	<u>1</u>	<u>1</u>

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):

	Balance	Balance
	30 June 2016	31 Dec. 2015
Rosetti Pivot Ltd	73	73
Basis Pivot Ltd	21	21
Tecon Srl	<u>202</u>	<u>171</u>
Total	<u>296</u>	<u>265</u>

The payables due to Tecon Srl derive from trade transactions carried out under arm's-length conditions; the payables due to Rosetti Pivot Ltd and Basis Pivot Ltd concern the portion of share capital subscribed but not yet paid in.

Tax payables

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

	Balance	Balance
	30 June 2016	31 Dec. 2015
IRPEF tax withholdings	1,957	2,324
Income taxes	670	148
Revaluation substitute tax	4	4
VAT	966	18
Other	<u>49</u>	<u>25</u>
Total	<u>3,646</u>	<u>2,519</u>

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 2010.

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):

	Balance	Balance
	30 June 2016	31 Dec. 2015
Due to employees	5,923	5,122
Due to independent contractors	0	26
Due to pension funds	354	416
Sundry payables	<u>72</u>	<u>398</u>
Total	<u>6,349</u>	<u>5,962</u>

ACCRUED LIABILITIES AND DEFERRED INCOME

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

	Balance	Balance
	30 June 2016	31 Dec. 2015
Accrued liabilities:		
- Interest expense on mortgage loans	89	77
- Forward sale swaps	16	35
- Other	<u>7</u>	<u>31</u>
	<u>112</u>	<u>143</u>
Deferred income		
- Other	<u>9</u>	<u>4</u>
	<u>9</u>	<u>4</u>
Total	<u>121</u>	<u>147</u>

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.

OTHER INFORMATION

GUARANTEES GIVEN

a. Sureties

The item in question, totalling Euro 86,935 thousand, 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 release withholdings securing requested rebates for the VAT office.

OTHER COMMITMENTS AND RISKS:

a. Forward currency purchases

The amount refers to the balance of US\$ 833 thousand (Euro 2,100 thousand as of 31 December 2015), as stated in the contracts entered into with Unicredit Banca hedging purchase orders entered into with the supplier QGI.

b. Forward currency sales

As of 30 June 2016, there were forward currency sale transactions outstanding for a nominal total of Euro 6,945 thousand (Euro 17,339 thousand as of 31 December 2015). This item comprises the equivalent value of US\$ 3,641 thousand as emerging from the contract entered into with Cassa dei Risparmi di Forlì e della Romagna hedging the contract existing with the client Stx Offshore Shipbuilding Co Ltd and the equivalent value of US\$ 3,817 as emerging from the contract entered into with Unicredit Banca hedging the contract existing with the client ARAB Development.

From an operational standpoint, these contracts are functional for a handling of 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.

Credit facilities

The amount, totalling Euro 645 thousand, refers to a credit facility authorized by a financial institution for a foreign supplier to secure a purchase order for raw materials.

Other amounts

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-date estimated as Euro 2,784 thousand) to purchase all the residual holdings. This option can be exercised by 22 November 2017.

COMMENTS ON THE MAIN INCOME STATEMENT ITEMS

INCOME

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):

	<u>Ist HALF 2016</u>	<u>Ist HALF 2015</u>
Energy Business Unit	21,079	540,043
Shipbuilding Business Unit	8,266	2,867
Process Plants Business Unit	10,115	18,548
Sundry services	<u>604</u>	<u>918</u>
Total revenues from sales and services	<u>40,064</u>	<u>562,376</u>

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

	<u>Ist HALF 2016</u>	<u>Ist HALF 2015</u>
Revenues from Italian clients	12,556	13,550
Revenues from EEC clients	63	148,847
Revenues from non-EEC clients	<u>27,445</u>	<u>399,979</u>
Total revenues from sales and services	<u>40,064</u>	<u>562,376</u>

The comments on the financial performance for the year are provided in the Directors' report on operations.

Owing to the nature of the Company's business, the composition of the above item is fairly concentrated, given that approximately 56.90% (94.34% 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. 2016	(131,530)
Closing contract work in progress as at 30 June 2016	<u>178,442</u>

Total **46,912**

The item "Change in contract work in progress", which presents a positive balance of Euro 46,912 thousand (negative balance of Euro 442,343 thousand as of 30 June 2015), represents the difference between the valuation of the orders in progress as of 30 June 2016 (Euro 178,442 thousand) and the valuation of the orders in progress in the previous period (Euro 131,530 thousand). This item concerns the Energy Business Unit (positive for Euro 33,129 thousand), the Shipbuilding Business Unit (positive for Euro 4,633 thousand) and the Process Plant Business Unit (positive for Euro 9,150 thousand).

INCREASES IN OWN WORK CAPITALIZED

During the first half of 2016, the capitalized costs included in this item incurred by the Parent Company and relating to work carried out care of the Piomboni site came to Euro 4 thousand (creation of a pedestrian open space, improvements to the sewer network, creation of a new alarm system for evacuation), plus the costs incurred by the subsidiary Basis Engineering Srl for moving the offices currently underway, for Euro 67 thousand.

OTHER INCOME AND REVENUES

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

	<u>Ist HALF 2016</u>	<u>Ist HALF 2015</u>
Operating grants	65	66
Total "operating grants"	65	66
Charge-backs of expenses to third parties	210	230
Rentals and leases	31	33
Capital gains on disposal of assets	15	7
Excess of risk provisions	456	0
Out-of-period income	32	6
Other	97	76
Total "other items"	<u>841</u>	<u>352</u>
Total "other income and revenues"	<u>906</u>	<u>418</u>

Amongst other aspects, the item operating grants included Euro 38 thousand in grants relating to the photovoltaic solar installations installed at the S. Vitale site and the headquarters in Via Trieste and Euro 27 thousand in grants received from the Department for

Infrastructures and Transport by way of partial reimbursement of the costs incurred by the company within the sphere of the GAINN4CORE venture (venture sponsored and managed by the Department for Infrastructures and Transport (MIT) which aims to create a series of LNG distribution pilot projects throughout Italy).

COSTS AND EXPENSES

PURCHASES

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

	<u>Ist HALF 2016</u>	<u>Ist HALF 2015</u>
Raw materials	33,584	41,844
Ancillary materials and consumables	1,218	1,489
Other purchases	<u>29</u>	<u>41</u>
Total	<u>34,831</u>	<u>43,374</u>

The decrease with respect to the previous period is mainly due to the drop in the income.

SERVICES

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

	<u>Ist HALF 16</u>	<u>Ist HALF 2015</u>
Subcontracting and outsourcing	15,377	23,644
Maintenance and repairs	758	649
Electricity, water and heating	571	456
Other production costs	2,390	9,571
Accessory personnel costs	2,715	2,084
Marketing expenses	964	897
Emoluments for directors and officers	260	303
Accounts audit	63	79
Administration and other general overheads	<u>2,708</u>	<u>3,173</u>
Total	<u>25,806</u>	<u>40,856</u>

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

LEASES AND RENTALS

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

	<u>Ist HALF 2016</u>	<u>Ist HALF 2015</u>
Rental of real estate property	835	787

Movable property leasing	899	3,413
Maintenance of third-party assets	6	6
Concession fees	39	41
Software rental	<u>153</u>	<u>249</u>
Total	<u>1,932</u>	<u>4,496</u>

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

STAFF AND RELATED 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 June 2015</u>	<u>31 Dec. 2015</u>	<u>30 June 2016</u>
Executives	50	48	45
White collars	583	582	728
Blue collars	<u>158</u>	<u>179</u>	<u>347</u>
Total	<u>791</u>	<u>809</u>	<u>1,120</u>

The increase in staff, going against the trend with the afore-mentioned decrease in production activities, is mainly linked to the Subsidiary and Associated companies located in Kazakhstan and is due to the need to deal with the increase in production activities in the country.

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 items of tangible assets is presented in a specific annex.

The value of the item "write-down of current receivables" represents the provision for the period 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. 2016	1,291
- Use/(Provision) for obsolete inventory	0
- Closing inventory as at 30 June 2016	<u>(3,017)</u>
Total	<u>(1,726)</u>

SUNDRY OPERATING EXPENSES

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

	<u>Ist HALF 2016</u>	<u>Ist HALF 2015</u>
Taxes and duties other than income tax	299	365
Out-of-period expense	7	22
Other operating expenses	<u>29</u>	<u>10</u>
Total	<u>335</u>	<u>397</u>

FINANCIAL INCOME AND EXPENSES

OTHER FINANCIAL INCOME

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

	<u>Ist HALF 2016</u>	<u>Ist HALF 2015</u>
Other financial income		
c) income from current securities not representing equity investments:	<u>21</u>	<u>153</u>
Total	<u>21</u>	<u>153</u>
d) income other than the above:		
-income from associated companies	<u>178</u>	<u>198</u>
Total	<u>178</u>	<u>198</u>
Income from other parties:		
Bank interest income	42	112
Interest income from clients	230	101
Sundry interest income	<u>442</u>	<u>7</u>
Total	<u>714</u>	<u>220</u>
Total "income other than the above"	<u>913</u>	<u>571</u>

INTEREST AND OTHER FINANCIAL EXPENSES

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

	<u>Ist HALF 2016</u>	<u>Ist HALF 2015</u>
Interest expense on bank current accounts	7	12
Interest expense on mortgage loans	302	267
Securities handling commission	11	19
Capital losses on sale of securities	62	232
Sundry interest expense	<u>129</u>	<u>106</u>
Total	<u>511</u>	<u>636</u>

EXCHANGE GAINS AND LOSSES

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

	<u>Ist HALF 2016</u>	<u>Ist HALF 2015</u>
Exchange gains	425	3,024
Unrealised exchange gains	631	1,989
Exchange losses	(804)	(3,443)
Unrealised exchange losses	<u>(872)</u>	<u>(339)</u>
Total	<u>(620)</u>	<u>1,231</u>

ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS

The negative balance of the item "Adjustments to the value of financial assets" amounts to Euro 109 thousand and mainly includes the following adjustment components:

- revaluation of current securities for Euro 34 thousand;
- write-down of equity investment in Tecon Srl for Euro 21 thousand;
- write-down of current securities for Euro 72 thousand.

INCOME TAXES FOR THE PERIOD

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

	<u>Ist HALF 2016</u>	<u>Ist HALF 2015</u>
Current taxes	733	1,879
Deferred taxes	(117)	414
Prepaid taxes	<u>(1,736)</u>	<u>(579)</u>
Total	<u>(1,120)</u>	<u>1,714</u>

For the breakdown of deferred and prepaid taxes, please see the specific table attached to these notes.

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 temporary differences that resulted in the recognition of deferred taxation;
- Cash flow statement.

ROSSETTI MARINO S.p.A.
STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED AS AT 30 JUNE 2016
(in thousands of Euro)

	Share capital	Revaluation reserve	Legal reserve	Other reserves	Profits (losses) carried forward	Reserve for treasury shares	Translation reserve	Consolidation reserve	Net profit for the year	Total	Minority interests
BALANCES AS AT 30 JUNE 2015	4.000	36.969	1.110	148.376	(137)	(5.100)	(2.090)	23	501	84444	7
2014 net profit:											
- to reserve	0	0	0	0	0	0	0	0	0	0	0
- dividends	0	0	0	0	0	0	0	0	0	0	0
Translation reserve	0	0	0	(372)	0	0	133	0	0	(219)	12
Revaluation reserve	0	0	0	0	0	0	0	0	0	0	0
Net profit for 2nd half of 2015	0	0	0	0	0	0	0	0	1.196	1.196	(17)
BALANCES AS AT 31 DECEMBER 2015	4.000	36.969	1.110	148.004	(137)	(5.100)	(1.937)	23	1.697	84444	2
2015 net profit:											
- to reserve	0	0	0	1.241	0	0	0	0	(1.241)	0	0
- dividends	0	0	0	0	0	0	0	0	(456)	(456)	0
Translation reserve	0	0	0	1.438	5	0	(1.295)	0	0	148	1
Revaluation reserve	0	0	0	0	0	0	0	0	0	0	0
Net profit for 1st half of 2016	0	0	0	0	0	0	0	0	(2.327)	(2.327)	(6)
BALANCES AS AT 30 JUNE 2016	4.000	36.969	1.110	150.688	(132)	(5.100)	(3.232)	23	(2.327)	84444	(3)

STATEMENT OF CHANGES IN TANGIBLE FIXED ASSETS
FOR THE YEAR ENDED AS AT 30 JUNE 2016

(in thousands of Euro)																	
Opening balance				Changes in the year											Closing balance		
Original cost	Accumulated depreciation	Balance 31/12/2014	Investments			Divestments			Category change		exchange conversion delta	Depreciation		Original Cost	Revaluation	Accumulated depreciation 30/06/2015	
			Acquisitions	Internal work	grants	Revaluation	Provision	Historical	Revaluation	Provision		Historical	Provision				Rate
Yards and buildings:																	
- land	34.831,0	(4.862,0)	29.969,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	(5,0)	0,0	0,0	34.826,0	0,0	(4.862,0)	29.964,0
- yards and buildings	60.148,0	(20.333,0)	39.815,0	124,0	0,0	0,0	0,0	0,0	0,0	0,0	(153,5)	0,0	0,0	60.118,5	0,0	(21.235,5)	38.883,0
- temporary construction	5.892,0	(5.142,0)	750,0	18,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,1	(95,0)	5.910,0	0,0	(5.237,0)	673,0
Plant and machinery:																	
- plant	19.394,0	(13.352,0)	6.042,0	2,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,1	(489,1)	19.396,0	0,0	(13.841,1)	5.554,9
- dry dock	7,0	(7,0)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,1	0,0	7,0	0,0	(7,0)	0,0
- treatment plants	238,0	(229,0)	9,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,2	(4,0)	238,0	0,0	(233,0)	5,0
- machinery	6.573,0	(5.946,0)	627,0	586,4	0,0	0,0	(107,0)	(86,0)	193,0	0,0	0,0	0,2	(102,0)	6.966,4	0,0	(5.835,0)	1.111,4
- electronic installations	26,0	(26,0)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,1	0,0	26,0	0,0	(26,0)	0,0
Industrial and commercial equipment																	
	5.664,0	(4.761,0)	903,0	440,0	0,0	0,0	(27,0)	0,0	10,0	0,0	(13,0)	0,3	(186,0)	6.064,0	0,0	(4.937,0)	1.127,0
Other tangible assets:																	
- office furniture	1.116,0	(756,0)	360,0	35,0	0,0	0,0	(1,5)	0,0	0,0	0,0	0,0	0,1	(30,5)	1.149,5	0,0	(786,5)	363,0
- EDP office equipment	2.703,0	(2.138,0)	565,0	61,0	0,0	0,0	0,0	0,0	0,0	0,0	1,0	0,2	(114,0)	2.765,0	0,0	(2.252,0)	513,0
- transport vehicles	510,0	(426,0)	84,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,2	(16,0)	510,0	0,0	(442,0)	68,0
- motor vehicles	159,0	(71,0)	88,0	2,5	0,0	0,0	0,0	0,0	0,0	0,0	(2,0)	0,3	(11,5)	159,5	0,0	(82,5)	77,0
- pontoon	3.707,0	(1.082,0)	2.625,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,1	(135,0)	3.707,0	0,0	(1.217,0)	2.490,0
Assets under construction and payments on account																	
	103,0	0,0	103,0	1,0	62,0	0,0	0,0	0,0	0,0	0,0	(0,5)	0,0	0,0	165,5	0,0	0,0	165,5

STATEMENT OF TEMPORARY DIFFERENCES THAT RESULTED IN THE RECOGNITION OF DEFERRED TAX ASSETS AND LIABILITIES
 paragraph 14, Article 2427 of the Italian Civil Code

Description of temporary differences	Prepaid taxes as at 31 Dec. 2015			Decrease			Rate change			Increases			Rate adjustment			Exchange Delta	Prepaid taxes as at 30 June 2016		
	Taxable amount	Rate	Taxation	Taxable amount	Rate	Taxation	Taxable amount	Rate	Taxation	Taxable amount	Rate	Taxation	Taxable amount	Rate	Taxation		Taxable amount	Rate	Taxation
Entertainment expenses	0	31.40%	0	0	31.40%	0	0	5.85%	0	0	31.40%	0	0	31.40%	0	0	0	31.40%	0
Contracts valued at revenues	0	27.50%	0	0	27.50%	0	0	0	0	0	27.50%	0	0	27.50%	0	0	0	27.50%	0
Previous years' losses	0	20.00%	0	0	20.00%	0	0	0	0	0	20.00%	0	0	20.00%	0	0	0	20.00%	0
Provision for contractual risks	427	27.50%	103	0	27.50%	0	0	0	0	0	27.50%	0	0	27.50%	0	(1)	0	27.50%	102
Bad debt provision	51	27.50%	14	0	27.50%	0	0	0	0	51	27.50%	49	177	27.50%	(8)	0	228	27.50%	55
Provision for future liabilities and charges	2,126	27.50%	549	0	27.50%	0	0	1,000	0	0	27.50%	0	0	27.50%	(37)	0	2,126	27.50%	512
Unrealised exchange losses	36	27.50%	10	36	27.50%	10	0	0	0	0	27.50%	26	109	27.50%	0	0	109	27.50%	26
Amortisation of intangible fixed assets	0	31.40%	0	0	31.40%	0	0	0	0	324	31.40%	0	0	31.40%	0	0	0	31.40%	0
Depreciation of tangible fixed assets	2,228	31.40%	617	330	31.40%	104	0	0	0	0	31.40%	0	0	31.40%	1	0	1,896	31.40%	514
Directors' fee to be paid	140	27.50%	35	35	27.50%	10	0	0	0	0	27.50%	0	0	27.50%	2	0	105	27.50%	27
Tax losses	14,709	27.50%	2,576	91	27.50%	25	0	0	0	0	27.50%	1,987	8,277	27.50%	(11)	(40)	22,886	27.50%	4,487
Provision for obsolete inventory	937	27.50%	230	0	27.50%	0	150	0	0	0	27.50%	0	0	27.50%	0	(1)	937	27.50%	218
Loss-making contracts	2,166	27.50%	592	2,156	27.50%	593	0	0	0	60	27.50%	492	1,857	27.50%	0	0	1,857	27.50%	491
Other financial statement provisions	1,069	31.40%	264	48	31.40%	34	0	0	0	0	31.40%	23	73	31.40%	0	(9)	1,094	31.40%	244
Consolidation transactions	0	27.50%	0	0	27.50%	0	0	5.85%	0	0	27.50%	0	0	27.50%	0	0	0	27.50%	0
IRES (company earnings' tax) losses	0	27.50%	0	0	27.50%	0	0	5.85%	0	0	27.50%	0	0	27.50%	0	0	0	27.50%	0
Total	23,877		4,990	2,696		776	1,150		0	0	10,493		2,577	(65)	(50)		31,674		6,676

Description of temporary differences	Deferred taxation as at 31 Dec. 2015			Decrease			Rate change			Increases			Rate adjustment	Exchange Delta	Deferred taxation as at 30 June 2016			
	Taxable amount	Rate	Taxation	Taxable amount	Rate	Taxation	Taxable amount	Rate	Taxation	Taxable amount	Rate	Taxation			Taxable amount	Rate	Taxation	
Unpaid dividends	0	31.40%	0	0	31.40%	0	0	5.85%	0	0	31.40%	0	0	31.40%	0	0	31.40%	0
Grants lt. Law 132 capital acc. Art. 55	0	31.40%	0	0	31.40%	0	0	5.85%	0	0	31.40%	0	0	31.40%	0	0	31.40%	0
Unrealized foreign-exchange gains	1,012	27.50%	279	1,012	27.50%	279	0	0	0	411	27.50%	99	0	0	0	411	27.50%	99
Depreciation of tangible fixed assets	10,281	31.40%	1,603	0	31.40%	0	0	0	0	268	31.40%	84	0	(23)	0	10,549	31.40%	1,664
Amortisation of intangible fixed assets	16	31.40%	3	0	31.40%	0	0	0	0	0	31.40%	0	0	0	0	16	31.40%	3
Other financial statement provisions	11	0.00%	3	11	0.00%	3	0	0	0	0	0.00%	0	0	0	0	0	0.00%	0
Consolidation transactions	2,190	31.40%	688	57	31.40%	18	0	0	0	0	31.40%	0	0	0	0	2,133	31.40%	670
Unpaid dividends	0	27.50%	0	0	27.50%	0	0	0	0	0	27.50%	0	0	0	0	0	27.50%	0
Total	13,510		2,576	1,080		300	0	23.05%	0	679		183	0	(23)		13,109		2,436

<u>CASH FLOW STATEMENT</u> (thousands of Euro)	Ist HALF 2016	IIInd HALF 2015
<u>OPENING BALANCE OF CASH AT BANK AND IN HAND</u>	49,550	27,243
<u>A. CASH FLOWS DERIVING FROM OPERATING ACTIVITIES</u>		
Profit (loss) for the period	(2,327)	1,196
Income taxes	<u>(1,120)</u>	<u>117</u>
1. Profit (loss) for the period before income taxes	<u>(3,447)</u>	<u>1,313</u>
Adjustments for non-monetary elements which have not had a matching balance under net working capital		
Provisions (release) to funds	1,416	(707)
Amortisation and depreciation of fixed assets	<u>2,357</u>	<u>2,520</u>
2. Cash flow before changes in net working capital	<u>326</u>	<u>3,126</u>
Changes in net working capital		
(increase) decrease in inventories	(9,802)	(2,617)
(increase) decrease in current receivables due within 12 months	12,642	2,757
Increase (decrease) in trade payables and other payables	(3,598)	(4,976)
(increase) decrease in accrued income and prepayments	(347)	(199)
Increase (decrease) in accrued liabilities and deferred income	(26)	15
Increase (decrease) in other working capital items	<u>2,262</u>	<u>(10)</u>
3. Cash flow after changes in net working capital	<u>1,457</u>	<u>(1,904)</u>
Other adjustments		
(Income taxes paid)	(9)	(105)
(Use of provisions)	<u>(1,485)</u>	<u>(8,752)</u>
<u>CASH FLOW FROM OPERATING ACTIVITIES (A)</u>	<u>(37)</u>	<u>(10,761)</u>
<u>B. CASH FLOWS DERIVING FROM INVESTMENT ACTIVITIES</u>		
Net changes in fixed assets:		
Intangible	(317)	(43)
Tangible	(1,141)	6,500
Financial		2,372
Current financial assets	<u>(12,139)</u>	<u>6,987</u>
<u>CASH FLOW FROM INVESTMENT ACTIVITIES (B)</u>	<u>(13,597)</u>	<u>15,816</u>
<u>D. CASH FLOW DERIVING FROM FINANCING ACTIVITIES</u>		
Loan capital		
Increase (decrease) in short-term payables to banks	84	0
Loans taken out	2,500	17,760
Repayment of loans	(5,655)	(289)
Shareholders' equity		
Dividends (and interim payments) paid	(456)	0
Translation reserve	<u>143</u>	<u>(219)</u>
<u>CASH FLOW FROM FINANCING ACTIVITIES (D)</u>	<u>(3,384)</u>	<u>17,252</u>
<u>INCREASE (DECR.) IN CASH AT BANK AND IN HAND (A+B+D)</u>	<u>(17,018)</u>	<u>22,307</u>
<u>CLOSING BALANCE OF CASH AT BANK AND IN HAND</u>	<u>32,532</u>	<u>49,550</u>

Note: the interest recorded is essentially equal to that collected/paid; the disinvestments are not significant and therefore not analysed; the investments were more or less paid for as of the date the financial statements were drawn up.