ROSETTI MARINO

Half-year consolidated financial statements as at 30 June 2019

<u>C O N T E N T S</u>

BOARD OF DIRECTORS' REPORT ON OPERATIONS
ACCOMPANYING THE CONSOLIDATED
FINANCIAL STATEMENTS AS AT 30 JUNE 2019

Dear Shareholders,
The consolidated financial statements of the Group for the first half of 2019, which we hereby submit for your approval, closed with a net profit of Euro 2,147 thousand, after recognising Euro 2,825 thousand in depreciation and amortisation, Euro 755 thousand for write-downs of current assets and provisions for risks of Euro 6,572 thousand.
Considering the economic crisis that has characterised the global economy in recent years and in particular the sectors in which the Group operates, it is our opinion that the results reported can be defined as extremely satisfactory and testify to the commitment of all the staff of the Group, who we believe deserve your and our gratitude.
The following is a presentation of the summary of the Group’s business management and the foreseeable course of its future development.

OPERATING PERFORMANCE

The first half of 2019 was characterised by a significant increase in GDP of +54.81% (Euro 165 million in the first half of 2019 compared to Euro 107 million in the first half of 2018), recorded almost exclusively in the Energy Business Unit. Furthermore, it should be noted that during the first half of 2019 there was a recovery, albeit weak, in the Shipbuilding Business Unit. Finally, the Process Plant Business Unit also recorded an increase compared to the same period in the previous year, although the trend in acquisitions was lower than in 2018.
The increase in production activities was more than proportionally reflected in margins, which were decidedly higher both in absolute terms and in percentage terms compared to the first half of 2018, allowing results to be recorded that we believe are absolutely satisfactory.
The increase in the value of production regarded practically all the companies in the Group, both in Italy and abroad.
For the Italian companies, this was mainly work relating to projects acquired in previous years, which will peak in the coming months, with the significant involvement of the Group’s human resources and manufacturing facilities in Italy.
On the other hand, it should be noted that the commercial performance of the Italian companies in the six-month period under review was unsatisfactory, since the volume of acquisitions in the period was much lower than production (the value of commercial acquisitions in the first

half of 2019 amounted to Euro 71 million).
However, it is important to point out that the low level of acquisitions was not caused by the loss of opportunities, but by a general delay in the awarding of contracts for which the companies are still engaged in the tendering process. We hope that the number of proposals relating to ongoing tenders and the scope of some of these proposals, which are expected to be awarded between the fourth quarter of 2019 and the first quarter of 2020, will allow us to quickly re-establish a good balance between production and acquisition values and ensure adequate business continuity for the Italian companies, in both the Energy and Shipbuilding Business Units.
Lastly, we would like to point out that some of the large tenders just mentioned refer to Wind Platform projects. The acquisition of a first large contract in the Offshore Wind Energy sector would mark that fundamental step in product diversification in the Energy Business Unit that the Group has been trying to take with great determination for some time now.
With regard to foreign companies, particular attention should be paid to the performance of the subsidiary Rosetti Kazakhstan LLP and the associated company Kazakhstan Caspian Offshore Industries LLP. The six-month period under review was characterised by unprecedented volumes of work, which occupied the yard of the associated company Kazakhstan Caspian Offshore Industries LLP and continued offshore on the occasion of the first shutdown of the Kashagan plants due to a series of modifications that had been planned for some time. Given the volume of work and the sensitivity of the activities, the projects recorded a decidedly favourable margin, that was also the result of the very high level of client satisfaction, which, thanks also to the activities of the associated company Kazakhstan Caspian Offshore Industries LLP, was able to minimise downtime and the consequent loss of production in the field.
With reference to the Nigeria area, it should be noted that the first half of the year witnessed the satisfactory continuation of the activities that had begun in the second half of the previous year and that had recorded a decidedly favourable margin even in a context of work volumes that were not particularly large. Unfortunately, it should be noted that, due to budget problems of the client, it is expected that activities will be drastically reduced in the second half of the year and that they can restart satisfactorily only in 2020.
In order to complete the picture of important foreign companies and

initiatives, we would like to draw your attention to the fact that, during the six-month period of reference, the foundations were laid for the launch of an important new project in the United Arab Emirates. As is well known, for more than a year the Group has turned its attention to this country, where, for the next decade huge investments are planned in offshore natural gas installations.

The Group’s dual intention has been to investigate market opportunities and identify a local partner with which to operate according to the business model already adopted in other areas of the world. During the six-month period under review, in addition to having obtained the necessary qualifications from the national oil company and having received the first expressions of interest and requests for quotation, a suitable local partner was identified. Together with this partner, which already operates in the shipbuilding and offshore sector and has a yard suitable for the construction of the products typically produced by the Group, a dialogue has been initiated – very advanced to date – which should lead by the end of 2019 to the launch of a joint venture that will be able to offer itself on the UAE market starting in 2020. This company will be able to rely on the Group’s Engineering and Procurement capabilities and on the local partner’s workforce and production facilities.

Lastly, with regard to the Energy Business Unit, it should be noted that, although at a slower pace, the Technical Services activity, which was developed mainly in Egypt, continued successfully.

The Shipbuilding Business Unit was characterised by the start of work on the superyacht representing the first project acquired by the subsidiary Rosetti Superyachts S.p.A., but also by the launch of a new Repair & Refit service as a result of the availability, recently acquired by the Parent Company, of the dry dock of the San Vitale Yard. This new activity, also as a result of the improvements made to the Asset and the Group’s high level of shipbuilding expertise, is yielding very satisfactory results in terms of both workload and margins. Also in the Shipbuilding sector, it should be noted that a job order was recently acquired for the construction of a very innovative, LNG-fuelled combination of vessels that represents an important first step in what appears to be a very promising market.

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

	30/06/19	30/06/18
G.D.P. (in thousands of Euro)	164,934	106,538
(A1+A2+A3 of the income statement)		
Ebitda (in thousands of Euro)	21,673	8,101
(A+B-10-12-13 of the income statement)		
Ebitda / GDP	13.14%	7.60%
Ebit (in thousands of Euro)	11,341	5,183
(A+B of the income statement)		
Ebit / GDP	6.88%	4.86%
Gross profit (in thousands of Euro)	12,538	5,252
(item 22 of the income statement)		
Gross profit / GDP	7.60%	4.93%
Net profit (in thousands of Euro)	2,147	565
(item 23 of the income statement)		
Net profit / GDP	1.30%	0.53%
R.O.E.	1.20%	0.32%
(Net profit / opening shareholders' equity attributable to the Group)		

It should be noted that the intermediate results shown in the table, in particular EBITDA and EBIT, are not identified as an accounting measure under Italian accounting standards and, therefore, the criteria for determining the intermediate results applied by the Group may not be consistent with those adopted by other companies and/or groups in the sector and, consequently, may not be comparable.

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

Energy Business Unit

The activity of building energy plants is that which, with a value of production in the first half of 2019 of approximately Euro 143 million (Euro 93 million in the first half of 2018), remained the Group's primary sector.

The most important works carried out in the first half of 2019 concerned mainly the Oil & Gas platforms; less significant activities were recorded in the Onshore and Technical Services sectors, while there was no contribution at all from the Subsea sector.
With reference to Oil & Gas platforms, the construction of two units in the Piomboni Yard has begun, one of which is for the UK Offshore and the other for the Danish Offshore.
In Kazakhstan, a platform built by the yard of the associated company Kazakhstan Caspian Offshore Industries LLP was delivered, and important offshore activities were developed in the Kashagan field.
The yard of the associated company Kazakhstan Caspian Offshore Industries LLP is currently building large instrument modules for the Tengiz Onshore field; some of these modules will be delivered by the end of 2019, while others will be completed in 2020.
During the six-month period under review, construction continued in Qatar on a living quarters platform for the Qatar Offshore, which will be installed in 2020 and which will also involve a series of brownfield-type activities on an old platform to which the new one will be connected.
In Nigeria, brownfield activities, which began at the end of 2018, continued. These activities, which were yielding very satisfactory results in terms of both workload and margins, will unfortunately be interrupted in the second half of 2019 due to budget problems of the client and can only be restarted in 2020.
During the six-month period, an initial project of some importance was also acquired by the associated company Rosetti Congo SARL.
On the other hand, no contracts have yet been acquired in the areas of Wind Platforms and Operation & Maintenance services, for which, however, important proposals issued by the Parent Company are under consideration by clients.
The Technical Service activity of the subsidiary Rosetti Singapore Pte Ltd is also continuing, although it is still at a very early stage.
Lastly, it should be noted that the first, albeit small, contracts were acquired by the subsidiary Tecon S.r.l. in the Sharjah area.

Shipbuilding Business Unit
Shipbuilding activities, which had seen the value of production wiped out during the same period in the previous year, showed signs of recovery, achieving a value of production of Euro 2 million during the first half of 2019.
The production activity is attributable to the start of the first project

acquired by the subsidiary Rosetti Superyachts S.p.A., which is carried out by the Parent Company, and by the Repair & Refit service mentioned above.
During the six-month period it also worked hard to acquire a new project in the commercial shipbuilding sector that includes a series of innovative components that are of particular interest in terms of development prospects.

Process Plant Business Unit
This sector of activity was entirely handled by the subsidiary Fores Engineering S.r.l. and its investee companies and contributed, during the first half of 2019, to the achievement of a value of production of approximately Euro 20 million, compared to approximately Euro 14 million recorded in the first half of the previous year and with comparable margin levels.

INVESTMENTS

During the first half of 2019, a total amount of Euro 2,116 thousand was invested, of which Euro 217 thousand in intangible fixed assets and Euro 1,899 thousand in tangible fixed assets.
The main investments in intangible fixed assets related to the acquisition-implementation of software aimed at improving certain company processes.
The investments in tangible fixed assets mainly concerned the associated company Kazakhstan Caspian Offshore Industries LLP and, to a minor extent, the production sites of the Parent Company. These investments were targeted at enhancing both the production means and the infrastructures.
The investment situation confirms the Group's attention to constantly increasingly its level of competitiveness, safety and respect for the environment.

FINANCIAL SITUATION

For a more in-depth analysis of cash flows during the period, refer to the cash flow statement.

At this juncture, mention should be made of the fixed-asset coverage ratio (amply financed through equity) and the net financial position which is decidedly positive and in line with the previous year.

Long-term financial assets consist of a receivable due from the associated company Rigros S.r.l. of Euro 775 thousand relating to 50% of a loan expressed in euros disbursed in 2017 to this same company to guarantee it the financial resources necessary for the acquisition of land for industrial use adjacent to the headquarters of the Parent Company.

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

	30/06/19	31/12/18
Short-term net financial position (in thousands of Euro)	125,848	127,995
(CIII + CIV on assets side – D4 short-term on liabilities side)		
Asset coverage margin (in thousands of Euro)	151,514	158,999
(M/L-term liabilities + total equity - fixed assets)		
Fixed-asset coverage ratio	2.55	2.61
(M/L-term liabilities + total equity / fixed assets)		
Financial independence index	46.63%	47.77%
(Total equity / total assets)		
Ratio of income (expenses) to GDP	0.33%	(1.20%)
(Financial income and expenses / GDP)		

It should be noted that the “Net financial position” is not identified as an accounting measure under Italian accounting standards and, therefore, the criterion used by the Group for its determination may not be the same as that adopted by other companies and/or groups in the sector and, consequently, may not be comparable.

In connection to financial risk on trade receivables we inform you that the Group mainly works with clients with a high retention degree, especially oil companies or their investees and leading Italian ship-

owners. Given the long-standing 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 projects are few in number and large in amount. Given this fact, it is common practice before acquiring a project to conduct a thorough assessment of the financial impact of the same and a prior evaluation of the client's financial capacity. During the performance of the work, careful monitoring of the outstanding receivables also continued.
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 periods, 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.
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

In all Group companies – as in the Parent Company – people’s skills and professionalism are considered a very important intangible asset.
Therefore, during the first half of 2019, considerable resources were invested in training activities, which involved a large part of the employees. We would also like to report that the “Academy Rosetti” training project, aimed at training future managers of the Group, continued. This confirms the special attention that we have always paid to the professional growth of our human resources, as we believe that the staff represents the fundamental resource ensuring the continuity and development of the Group.

The staff headcount came to 1,377 as at 30 June 2019, disclosing an increase of 46 employees compared to the previous six-month period.
New recruits involved +71 individuals, while natural turnover meant -25 left the company. In greater detail, it should be noted that the number of executives increased by +4 units, white-collar workers increased by +67 units, whereas blue-collar workers decreased by -25 units. The changes in the number of employees in the various Group companies are as follows: only Rosetti Kazakhstan LLP reported a decrease (-13 units); while there was an increase in the Parent Company (+23 units), in Tecon S.r.l. (+12 units), in Fores Engineering S.r.l. (+9 units), in Kazakhstan Caspian Offshore Industries LLP (+6 units), in Basis Engineering S.r.l. (+5 units), in Basis Congo SARL (+2 units), in Rosetti Superyachts S.p.A. (+1 unit), and in Rosetti Marino Singapore Pte Ltd (+1 unit).
Due to the type of business conducted, the risk of accidents, including potentially fatal accidents, is high. For that reason the Group has always kept particular care to safety aspects, adopting internal procedures and by doing training in order to prevent these events.
All of the proprietary production sites are certified in accordance with the BS-OHSAS18001 standard.
It is emphasised 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 Explanatory 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."

Activities relating to Italian Legislative Decree no. 231/01 on administrative liability

During the first half of 2019, the Supervisory Body appointed by the Parent Company regularly sent us the Interim Reports on the activities carried out, which the Board of Directors duly noted without findings, due to the absence of events or critical aspects worthy of note.

Information on the environment

The Group creates large metallic constructions and the associated productive activities present a low impact on environment mainly limited on 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.
The Group has devoted considerable efforts to the development and dissemination of the Culture of Sustainability with particular attention to the following objectives:

- minimising environmental impact by reducing energy consumption, atmospheric emissions, and the production of waste;
- steadily improving the systems we use to identify and assess risks and environmental impacts and implementing the necessary prevention and mitigation measures related to them.

These environmental objectives were defined in the first Sustainability Policy issued by the Parent Company in October 2018, which was followed by a series of initiatives aimed at promoting the spread of this culture among all the personnel.

Research and development activities

Research and development activities were mainly carried out by the appointed Business Development unit of the Parent Company and by the subsidiary company Fores Engineering S.r.l.

These activities concerned in particular the following projects:

- a project called Rosmanditen for the study, design, and development of IT solutions for simulating tugboat manoeuvring;
- precompetitive development in favour of technical and technological solutions for the realisation of innovative technologies for the shipbuilding sector and for the Oil & Gas sector;
- technical feasibility studies for innovative eco-sustainability solutions;
- technical feasibility studies for the formulation of complex proposals for the development of innovative shipbuilding and energy products.

It is hoped that a positive outcome of these initiatives will generate good results with positive effects on the future results of the Group.

Treasury share transactions

There were no treasury share transactions during the period under review. Accordingly, the number of treasury shares held by the Parent Company remained unchanged at 200,000 (nominal value of Euro 1.00 each), representing 5.0% of the share capital.

BUSINESS OUTLOOK

The work portfolio resulting from jobs acquired but not completed as at 30 June 2019 amounted to approximately Euro 341 million (Euro 412 million as at 31 December 2018).

With regard to market trends and the main commercial and operational guidelines of the various sectors in which the Group operates, the following should be noted:

Energy Business Unit

The order book amounts to Euro 285 million (Euro 387 million as at 31 December 2018) divided into the Offshore sector for Euro 275 million, the Technical Service sector for Euro 3 million, and the Onshore sector for Euro 7 million.

The good workload resulting from the work in progress will continue in the second half of 2019 and into the first few months of 2020. Currently the Operational Departments of the companies in the Group are focused on meeting delivery times and improving project margins, since the contracts were acquired under very difficult market conditions. On the other hand, the Sales Departments are working to increase the value of acquisitions, which, as already mentioned, are now well below expectations. Several elements of particular importance are highlighted in this context.

The first element is that during the six-month period of reference the Parent Company was awarded a “Competitive FEED” contract for a large gas platform for the UK Offshore. This is a new tender procedure adopted by some of the world’s leading oil companies and by some offshore wind energy companies. This is an important opportunity for the Group, but one that requires a more advanced approach to tendering, which we will need to measure ourselves against.

The second element refers to the large number of important tenders that will be awarded around the end of 2019 and the beginning of 2020. Interest is directed in particular at the Parent Company, but may have significant implications for the other Italian companies in the Group. It is especially important that half of these tenders relate to Wind platforms and that an initial acquisition in this sector would mark a very important step towards the product diversification that the Group has been pursuing with determination for years.

A third element is the business opportunities that can be opened up with the new initiatives launched in the United Arab Emirates, which have already been discussed above, and in Russia, where the subsidiary company Rosetti Marino Project OOO was recently established, which is licensed and is taking part in interesting proposals.

As regards Kazakhstan, in addition to the continuation of the activities currently underway, efforts are being made commercially to give working continuity to the yard of the associated company Kazakhstan Caspian Offshore Industries LLP with the acquisition of new instrument modules for the Tengiz field, and a proposal is being made, together with a Kazakh partner and an Italian partner, in relation to the future major investments for the Karachaganak field.

Lastly, with regard to Nigeria, in addition to the attempt to continue the brownfield project already acquired, important greenfield proposals are being made together with a Nigerian partner with a suitable yard.

Shipbuilding Business Unit

With reference to the Shipbuilding Business Unit, as already mentioned above, there has been a recovery. The order book as at 30 June 2019 amounted to Euro 37 million.

As already mentioned, in addition to the work on the superyacht, in the coming months a commercial shipbuilding work order will be initiated that is of particular interest because it is for a combination of vessels consisting of a tugboat and a barge for the transport of Liquefied Natural Gas (LNG). This combination will allow large ships entering the port of Venice to make offshore bunkers and enter the port using natural gas instead of diesel fuel, in accordance with the new international regulations. The tugboat that is part of the combination will be powered by LNG. This is the first construction of its kind in Italy, which offers interesting opportunities for future development.

In addition, the commercial activity for superyachts will continue, which will result in the Group being increasingly less disadvantaged than in the past as construction of the first order approaches completion.

Finally, we would like to point out the important collaboration initiated with partners active in the superyacht Repair & Refit market. This activity can rely on the availability of the dry dock of the San Vitale Yard and on the Group's high level of shipbuilding expertise.

Process & Plant Business Unit

This sector has an order book as at 30 June 2019 of Euro 19 million (Euro 16 million as at 31 December 2018).

The most significant element that is expected to lead to interesting developments will be the opening to the Russian market, in relation to which very interesting proposals are being made. In addition to the considerable range of products that the Group already offers the market, it is particularly important to be able to pursue significant geographical diversification and, in this context, Russia is potentially a very important market.

The size and number of the existing proposals should ensure good working continuity for the Group in this important sector, which is mainly pursued by the subsidiary Fores Engineering S.r.l. and its foreign subsidiaries.

Ravenna, 30/09/2019

On behalf of the Board of Directors
The Chief Executive Officer
Oscar Guerra

HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

AS AT 30 JUNE 2019:

- ***Balance sheet***
- ***Income statement***
- ***Cash flow statement***
- ***Explanatory notes***

BALANCE SHEET (amounts in thousands of Euro)

ASSETS	*30/06/2019*	*31/12/2018*	*30/06/2018*
A) SUBSCRIBED CAPITAL, UNPAID	**0**	**0**	**0**
B) FIXED ASSETS:			
I Intangible fixed assets:			
1) start-up and expansion costs	4	16	19
2) industrial patent rights	105	87	61
4) concessions, licenses, trademarks and similar rights	384	389	397
6) assets in progress and payments on account	360	225	146
7) other intangible fixed assets	1,230	1,337	1393
8) goodwill	11	14	11
TOTAL INTANGIBLE FIXED ASSETS	2,094	2,068	2,027
II Tangible fixed assets:			
1) land and buildings	77,901	75,943	79,237
2) plant and machinery	3,567	4,116	4,569
3) industrial and commercial equipment	5,563	5,233	5,706
4) other assets	3,928	4,193	4,435
5) assets under construction and payments on account	2,815	5,159	2,371
TOTAL TANGIBLE FIXED ASSETS	93,774	94,644	96,318
III Long-term financial assets			
1) equity investments:			
a) in subsidiary companies	1	1	1
b) in associated companies	21	97	147
d-bis) in other companies	170	170	169
Total equity investments	192	268	317
2) receivables:			
b) due from associated companies			
- due beyond 12 months	775	1,024	1,550
d bis) due from third parties	724	719	318
TOTAL LONG-TERM FINANCIAL ASSETS	1,691	2,011	2,185
TOTAL FIXED ASSETS	**97,559**	**98,723**	**100,530**
C) CURRENT ASSETS:			
I Inventories:			
1) raw materials, ancillary materials, and consumables	1,256	2,302	2,479
3) contract work in progress	23,714	20,091	67,194
5) advances	10,791	9,570	26,442
TOTAL INVENTORIES	35,761	31,963	96,115
II Receivables:			
1) trade receivables			
- due within 12 months	101,157	91,822	78,224
3) due from associated companies	4,586	3,692	3,334
4) due from parent company	5	10	1
5 bis) tax receivables	8,196	8,806	7,390
5 ter) prepaid taxes	9,239	9,888	5,573
5quater) due from third parties			
- due within 12 months	1,539	1,672	1,488
- due beyond 12 months	405	446	271
TOTAL RECEIVABLES	125,127	116,336	96,281
III Current financial assets:			
5) derivative financial instruments	6,284	6,467	9,254
6) other securities	64,934	57,296	48,389
TOTAL SHORT-TERM FINANCIAL ASSETS	71,218	63,763	57,643
IV Cash at bank and in hand:			
1) bank and post office deposits	78,053	75,978	26,691
3) cash and cash equivalents	115	147	69
TOTAL CASH AT BANK AND IN HAND	78,168	76,125	26,760
TOTAL CURRENT ASSETS	**310,274**	**288,187**	**276,799**
D) ACCRUED INCOME AND PREPAYMENTS	**1,503**	**1,097**	**718**
TOTAL ASSETS	**409,336**	**388,007**	**378,047**

LIABILITIES		***30/06/2019***	***31/12/2018***	***30/06/2018***
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	144,872	141,931	141,931
	VII Reserve for expected cash flow hedging transactions	(629)	(1,640)	(1,560)
	VIII Profits (losses) carried forward	(15)	43	43
	IX Profit/loss for the period	2,147	5,543	565
	X Negative reserve for treasury shares	(5,100)	(5,100)	(5,100)
	XI Consolidation reserve	23	23	23
	XII Translation reserve	(3,294)	(3,189)	(2,245)
	TOTAL GROUP SHAREHOLDERS' EQUITY	**180,083**	**179,690**	**175,736**
	Minority interests in capital and reserves	10,799	5,648	6,586
	TOTAL GROUP SHAREHOLDERS' EQUITY AND MINORITY INTERESTS	**190,882**	**185,338**	**182,322**
B)	**PROVISIONS FOR LIABILITIES AND CHARGES**			
	1) Pensions and similar commitments	871	853	492
	2) Provisions for taxes	4,314	3,895	5,707
	3) Derivative financial instruments	673	1,679	1,560
	4) Others	17,858	13,889	6,377
	TOTAL PROVISIONS FOR LIABILITIES AND CHARGES	**23,716**	**20,316**	**14,136**
C)	**EMPLOYEES' SEVERANCE INDEMNITY PROVISION**	**4,316**	**4,321**	**4,361**
D)	**PAYABLES:**			
	3) amounts due to shareholders for loans	775	775	0
	4) amounts due to banks			
	- due within 12 months	23,538	11,893	36,564
	- due beyond 12 months	30,159	47,747	17,759
	5) amounts due to other lenders	0	10	0
	6) advances	71,082	63,932	82,988
	7) trade payables	45,083	40,775	27,969
	9) amounts due to subsidiary companies	1	1	1
	10) amounts due to associated companies	21	21	59
	12) tax payables	9,334	4,632	2,670
	13) amounts due to social security and welfare institutions	2,196	2,152	1,896
	14) other payables	7,839	5,564	6,976
	TOTAL PAYABLES	**190,028**	**177,502**	**176,882**
E)	**ACCRUED LIABILITIES AND DEFERRED INCOME**	**394**	**530**	**346**
TOTAL LIABILITIES		**409,336**	**388,007**	**378,047**

INCOME STATEMENT	H1 2019	2018	H1 2018
A) VALUE OF PRODUCTION:			
1) Revenues from sales and services	160,759	253,886	80,402
3) Changes in contract work in progress	4,175	6,648	26,136
4) Increases in own work capitalized	41	113	15
5) Other revenues and income:			
a) operating grants	100	484	81
b) other	1,249	1,450	4,138
TOTAL VALUE OF PRODUCTION	**166,324**	**262,581**	**110,772**
B) COSTS AND EXPENSES:			
6) Raw materials, ancillary materials, consumables and goods for resale	(43,112)	(77,294)	(27,124)
7) Services	(63,556)	(81,303)	(36,222)
8) Leases and rentals	(3,396)	(11,878)	(8,699)
9) Personnel costs:			
a) wages and salaries	(24,970)	(45,745)	(22,810)
b) social security contributions	(6,154)	(11,484)	(5,709)
c) employees' severance indemnity provision	(1,095)	(2,260)	(1,090)
d) retirement pensions and similar commitments	(117)	(590)	(116)
e) other personnel costs	(466)	(2,391)	(312)
Total personnel costs	(32,802)	(62,470)	(30,037)
10) Amortisation, depreciation, and write-downs:			
a) amortisation of intangible fixed assets	(203)	(514)	(229)
b) depreciation of tangible fixed assets	(2,622)	(5,304)	(2,665)
d) write-down of receivables posted in current assets and of cash at bank and in hand	(755)	(1,270)	(24)
Total amortisation, depreciation and write-downs	(3,580)	(7,088)	(2,918)
11) Change in inventories of raw materials, ancillary materials, consumables and goods for resale	(1,046)	6	87
12) Provisions for risks	(6,572)	(3,924)	0
14) Other operating expenses	(739)	(1,143)	(676)
TOTAL COSTS AND EXPENSES	**(154,803)**	**(245,094)**	**(105,589)**
DIFFERENCE BETWEEN THE VALUE OF PRODUCTION AND COSTS AND EXPENSES (A+B)	**11,521**	**17,487**	**5,183**
C) FINANCIAL INCOME AND EXPENSE:			
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	970	517	280
d) income other than the above			
- interest and fees from associated companies	112	59	0
- interest and fees from third parties and sundry income	59	672	388
17) Interest and other financial expense:			
d) other	(875)	(1,655)	(670)
17bis) Foreign-exchange gains and losses	273	(2,718)	135
TOTAL FINANCIAL INCOME AND EXPENSE	**539**	**(3,124)**	**133**
D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS AND LIABILITIES			
18) Revaluations:			
a) of equity investments	0	1	0
c) of current securities	146	9	6
d) of derivative financial instruments	403	19	199
19) Write-downs:			
b) of long-term financial assets	0	(1,335)	0
c) of current securities	(1)	(542)	(31)
d) of derivative financial instruments	(70)	(939)	(238)
TOTAL ADJUSTMENTS TO FINANCIAL ASSETS	**478**	**(2,787)**	**(64)**
RESULT BEFORE TAXATION (A+B+C+D)	**12,538**	**11,576**	**5,252**
20) Income taxes for the year	(5,435)	(6,335)	(4,357)
PROFIT (LOSS) FOR THE PERIOD INCLUDING MINORITY INTERESTS	**7,103**	**5,241**	**895**
Minority-interest net (profit) loss	(4,956)	302	(330)
GROUP PROFIT (LOSS)	**2,147**	**5,543**	**565**

CASH FLOW STATEMENT (thousands of Euro)	**H1 2019**	**H2 2018**
OPENING BALANCE OF CASH AT BANK AND IN HAND	**76,125**	**26,760**
A. CASH FLOWS DERIVING FROM OPERATING ACTIVITIES		
Net profit (loss) for the period	2,147	4,978
Income taxes	5,435	2,419
1. Profit (loss) for the period before income taxes	7,582	7,397
Adjustments for non-monetary elements which have not had a matching balance under net working capital		
Allowances to provisions	9,337	2,279
Amortisation and depreciation of fixed assets	2,825	2,924
Value adjustments to financial assets and liabilities of derivative financial instruments which do not involve monetary changes	1,011	(80)
2. Cash flow before changes in net working capital	20,755	12,520
Changes in net working capital		
(increase) decrease in inventories	(3,681)	64,126
(increase) decrease in current receivables due within 12 months	(9,551)	(20,107)
Increase (decrease) in trade payables and other payables	13,767	(7,434)
(increase) decrease in accrued income and prepayments	(406)	(379)
Increase (decrease) in accrued liabilities and deferred income	(136)	184
(increase) decrease in other working capital items	5,192	(1,113)
3. Cash flow after changes in net working capital	25,940	47,797
Other adjustments		
(Income taxes paid)	(733)	(457)
(Use of provisions)	(5,340)	4,114
CASH FLOW FROM OPERATING ACTIVITIES (A)	**19,867**	**51,454**
B. CASH FLOWS DERIVING FROM INVESTMENT ACTIVITIES		
Net changes in:		
Intangible fixed assets	(229)	(326)
Tangible fixed assets	(1,752)	(965)
Long-term financial assets	320	174
Current financial assets	(7,455)	(6,120)
CASH FLOW FROM INVESTMENT ACTIVITIES (B)	**(9,116)**	**(7,237)**
C. CASH FLOWS DERIVING FROM FINANCING ACTIVITIES		
Loan capital		
Loans taken out	0	41,275
Repayment of loans	(5,943)	(35,183)
Shareholders' equity		
Dividends (and interim payments) paid	(2,660)	0
Translation reserve	(105)	(944)
CASH FLOW FROM FINANCING ACTIVITIES (C)	**(8,708)**	**5,148**
INCREASE (DECREASE) IN CASH AT BANK AND IN HAND (A+B+C)	**2,043**	**49,365**
CLOSING BALANCE OF CASH AT BANK AND IN HAND	**78,168**	**76,125**

Notes: *the interest recorded is essentially equal to that collected/paid; the divestments 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.*

EXPLANATORY NOTES

STRUCTURE AND CONTENT OF THE FINANCIAL STATEMENTS

The half-year consolidated financial statements have been drawn up in compliance with the provisions of the Italian Civil Code and comprise the balance sheet, the income statement, the cash flow statement (prepared in compliance with the formats respectively as per Articles 2424, 2424 bis of the Italian Civil Code, Articles 2425 and 2425 bis of the Italian Civil Code and Article 2425 ter of said Code) and these explanatory notes. The purpose of the explanatory notes is to illustrate, analyse and in some cases supplement the financial statement data and contain the information required by Articles 2427 and 2427 bis of the Italian Civil Code, by other provisions of the Civil Code concerning financial statements and by other previous laws. 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.
Where necessary, the legal provisions have been supplemented by the accounting standards recommended by the Accounting Standards Committee of the Italian Accounting Profession, as amended and supplemented by the OIC (the Italian Accounting Standards Setter), including therein the amendments introduced in January 2019, as well as those of the International Accounting Standards Board (IASB), within the limits that the latter are compatible with Italian legal provisions.
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 and taking into account the criteria of relevance.
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 have not been realised.
In observance of the accruals principle, the effects of the transactions and other events have 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 financial statements as at 30 June 2019 have been prepared by using the financial statements of the individual companies included within the scope of consolidation, drawn from the related half-year financial statements and 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

The consolidated financial statements have been drawn up on the basis of the reporting packages approved by the management bodies of the consolidated companies, adjusted - where necessary - for the purpose of aligning them with the Group accounting standards, or on the basis of the financial information forwarded by the consolidated companies and drawn up in compliance with the instructions of the Parent Company.

The accounting standards adopted for the preparation of the consolidated financial statements are those adopted by the Parent Company for the drafting of the annual financial statements or those adopted by the majority of the consolidated companies, notwithstanding the standard for the measurement of the equity investments in associated companies using the equity method instead of the cost method and the accounting treatment of assets under financial lease, as illustrated further on in these explanatory notes.

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 "Goodwill" and amortised over five years, if that amount represents future income-generating capacity;

- significant transactions between consolidated companies and payables, receivables and unrealised profits deriving from transactions between Group companies, net of any tax effect, have been eliminated;
- the portions of shareholders' equity and the result for the interim period pertaining to minority interests are illustrated in the specific consolidated balance sheet and income statement items;
- companies acquired during the half-year have been consolidated as from the date on which a majority interest was obtained. If acquisition occurs during the final days of the half-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 2019 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 the companies Rosetti Marino Mozambique Limitada and Rosetti Marino Project OOO, which were not included in the scope of consolidation since they were not yet operative as of 30 June 2019.
Equity investments in associated companies have been presented according to the equity method, with the exception of the companies Basis Pivot Ltd and Rosetti Pivot Ltd, since they are dormant.
The associated companies Kazakhstan Caspian Offshore Industries LLP and Rosetti Congo SARL have been consolidated on a line-by-line basis, in light of the Parent Company's de facto control over the governance mechanisms defined for the operational management of these companies. This made it possible to reflect the real size of the business developed by the Group.
With reference to the associated company Kazakhstan Caspian Offshore Industries LLP, as already reported as at 31 December 2018, it should be noted that for purposes of comparison, the figures as at 30 June 2018 have been restated in a consistent manner to reflect the consolidation on a line-by-line basis and not using the proportional method.
The following is a list of equity investments in subsidiaries and associated companies included in the scope of consolidation (in thousands of Euro):

Name	**Location**	**Share capital**	**Percent interest**
Subsidiary companies			
FORES ENGINEERING S.r.l.	Forlì	1,000	100.0%
BASIS ENGINEERING S.r.l.	Milan	500	100.0%
ROSETTI GENERAL CON. Lda (1)	Portugal	50	100.0%
ROSETTI KAZAKHSTAN Llp (2)	Kazakhstan	198	100.0%
FORES ENG. ALGERIE Eurl (3)	Algeria	1,118	100.0%
FORES DO BRASIL LTDA (4)	Brazil	112	100.0%
ROSETTI MARINO UK Limited	United Kingdom	0	100.0%
ROSETTI MARINO MOZAMBIQUE Limitada (*)	Mozambique	1	96.0%

ROSETTI MARINO SUPERYACHTS S.p.A.	Ravenna	1,500	90.0%
ROSETTI LYBIA Jsc	Libya	622	65.0%
TECON S.r.l.	Milan	47	60.0%
BASIS CONGO Sarl (5)	Congo	99	60.0%
ROSETTI MARINO SINGAPORE Pte Ltd	Singapore	63	100.0%
K.C.O.I. Llp (6)	Kazakhstan	1,160	50.0%
ROSETTI CONGO SARL	Congo	152	50.0%
ROSETTI MARINO PROJECT OOO (*)	Russia	0	90.0%
Associated companies			
RIGROS S.r.l.	Ravenna	100	50.0%
ROSETTI PIVOT Ltd (*)	Nigeria	2,818	49.0%
BASIS PIVOT Ltd (7) (*)	Nigeria	46	45.0%

(1) Of which 2% held indirectly through Basis Engineering S.r.l.
(2) Of which 10% held indirectly through Fores Engineering S.r.l.
(3) Held indirectly through Fores Engineering S.r.l.
(4) Of which 75% held indirectly through Fores Engineering S.r.l.
(5) Held indirectly through Basis Engineering S.r.l.
(6) Of which 40% held indirectly through Rosetti Kazakhstan LLP.
(7) Held indirectly through Basis Engineering S.r.l.

(*) Currently dormant company

During the first half of 2019, the following changes took place compared to the previous year, which had an effect on the consolidated financial statements:
- line-by-line consolidation of the associated company Rosetti Congo SARL, previously not consolidated as it was dormant;
- acquisition of 90% of the share capital of the subsidiary Rosetti Marino Project OOO with registered office in Moscow;
- payment of Euro 1 million to the subsidiary Rosetti Superyachts S.p.A. to cover the losses for the year accrued and being accrued.

The subsidiary and associated companies included in the scope of consolidation operate in the following segments:
- Fores Engineering S.r.l., Fores Engineering Algèrie Eurl, and Fores do Brasil LTDA: design and construction of automation and control systems and related maintenance;
- Basis Engineering S.r.l., Basis Congo SARL, and Tecon S.r.l.: multi-disciplinary design of oil and petrochemical facilities;
- Kazakhstan Caspian Offshore Industries LLP, Rosetti Lybia Jsc,

- Rosetti Congo SARL, and Rosetti Marino UK Limited: construction of offshore and onshore oil installations;
- Rosetti Kazakhstan LLP and Rosetti Marino Singapore Pte Ltd: supply of technical services;
- Rosetti Superyachts S.p.A.: construction of superyachts;
- Rosetti General Contracting Construcoes Serviços Lda: chartering of vessels;
- Rigros S.r.l.: redevelopment of a yard area adjacent to the Parent Company's headquarters.

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 separate half-year financial statements and the corresponding consolidated figures as at 30 June 2019:

	Shareholders' equity	Profit/loss for the period
FIGURES PRESENTED IN THE FINANCIAL STATEMENTS OF ROSETTI MARINO S.P.A. AS AT 30 JUNE 2019	163,082	119
Consolidation adjustments:		
a. Difference between the carrying amounts of consolidated equity investments and the valuation of those equity investments according to the equity method	16,748	3,619
b. Effect of the accounting recognition offinance lease contracts for tangible fixed assets according to the financial method	2,050	(57)
c. Reversal of unrealised profits deriving from transactions between companies of the Group	79	114
d. Reversal of unrealised profits deriving from the distribution of dividends between companies of het group	(1,764)	(1,764)
e. Allocation of deferred and prepaid taxes pertaining to the tax effect (where applicable)of consolidation adjustments	(112)	116
FIGURES PRESENTED IN THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30/06/19	180,083	2,147

VALUATION PRINCIPLES

The accounting standards indicated below were reformulated by the Italian Accounting Body (OIC) in the version issued on 22 December 2016 following the changes introduced by Italian Legislative Decree no. 139/2015 and amended by the “Amendments” issued on 29 December 2017 as well as by the “Amendments” issued on 28 January 2019.

The most significant valuation criteria adopted for the preparation of the consolidated financial statements as at 30 June 2019 in compliance with Article 2426 of the Italian Civil Code and the aforementioned accounting standards are as follows:

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 fixed assets are written down if they become impaired, irrespective 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 relating to goodwill, consolidation difference and “Long-term charges” as per Article 2426.5 of the Italian Civil Code.

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 if they become impaired, irrespective 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 valued at cost, as are equity investments in dormant subsidiaries and associated companies. The book value is determined based on the purchase or subscription price. The cost is then written down for impairment when the investees 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.

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 31 December 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 client 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 received from clients while a project is ongoing,

for work performed and normally agreed upon through “progress reports”, are recorded under revenues, while payments on account from clients received at the start of work are recorded under the item “Payments on account” on the liabilities side of the balance sheet.
Contracts are considered completed when all the contractual 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, recorded under assets, 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 liabilities and charges, recorded under liabilities, equal to the excess.

Receivables
Receivables are reported in the financial statements in compliance with the amortised cost criterion, taking into account the time factor and the estimated realisable value. The amortised cost principle is not applied in cases in which its effects are irrelevant, i.e. when transaction costs, commissions paid between the parties and any other difference between the initial value and the value of the receivable when due are negligible or if the receivables are short-term (i.e. due within 12 months).
Trade receivables due beyond 12 months of their initial recognition that are not interest bearing or that attract interest at rates that are significantly different from market rates, and the related revenues, are initially recognised at the value determined by discounting the future cash flows at the market interest rate. The difference between the value of the receivable when initially recognised, calculated as indicated above, and its value when due, is reported in the income statement as a financial income over the term of the receivable using the effective interest rate criterion.
The value of the receivables, as determined above, is adjusted, if necessary, by a specific allowance for doubtful receivables, booked to directly decrease the value of said receivables, so as to adjust them to their estimated realisable 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
Current 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 at 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 financial assets and liabilities reported at their fair value and are mainly used as hedging instruments in order to manage the risks deriving from fluctuations in exchange rates and interest rates.
Derivatives are classified as hedging instruments only when, at the beginning of the hedge, there is a close and documented correlation between the characteristics of the hedged item and those of the hedging instrument and this hedging relationship is formally documented and the effectiveness of the periodically checked hedging is high.
When derivatives hedge the risk of changes in the future cash flows of the instruments being hedged (cash flow hedges), the effective portion of

the profits or losses on the derivative financial instrument is suspended in the shareholders' equity. The profits and losses associated with the ineffective portion of a hedge are recorded in the income statement. When the related transaction is carried out, the cumulative profits and losses, recorded up to that moment in the shareholders' equity, are transferred to the income statement when the relative transaction takes place (as an adjustment or supplement to the income statement items impacted by the financial flows being hedged). Therefore, the changes in the corresponding fair value of derivative financial hedging instruments are recorded:

- in the income statement under items D18 or D19 in the case of fair value hedging of an asset or liability recorded in the balance sheet as well as changes in the fair value of the hedged items (if the change in the fair value of the hedged item is greater in absolute terms than the change in the fair value of the hedging instrument, the difference is recorded in the income statement item affected by the hedged item);
- in a specific equity reserve (under item AVII "Reserve for expected cash flow hedging transactions") in the case of cash flow hedging in a manner that offsets the effects of the hedged flows (the ineffective component is classified under items D18 and D19).

For the derivative financial instruments classified as “for trading”, since they do not satisfy the requirements for being treated under hedge accounting, the fair value changes are recognised in the balance sheet and are booked to items D18 or D19 of the income statement.

Employees’ severance indemnity provision

The employees’ severance indemnity provision covers the full liability to employees accrued 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 subsidiaries Basis Engineering S.r.l., Tecon S.r.l., and Rosetti Superyachts S.p.A. in relation to which it continues to be set aside in the Employees' severance indemnity provision.

Payables

Payables are recorded using the amortised cost criterion, taking into account the time factor. The amortised cost criterion is not applicable to payables if the effect is negligible. The effects are considered to be negligible for short-term payables (i.e. with a due date of less than 12 months). For the amortised cost criterion, please see what has been said about receivables.

Costs and revenues

Costs and revenues are recognised in accordance with the principles of prudence and on an 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, deferrals and prepayments. 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.
The 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.
In 2017 the Parent Company, together with the subsidiaries Rosetti Superyachts S.p.A., Basis Engineering S.r.l., and Fores Engineering S.r.l., participated in the Rosetti Group's Italian tax consolidation programme pursuant to Articles 117-129 of the Consolidated Income Tax Act (TUIR), for a three-year period. The Parent Company acts as consolidating entity and determines a single taxable amount for the group of companies participating in the tax consolidation programme, thereby benefiting from the ability to set taxable income off against tax losses in a single return. The agreement allows the consolidating company Rosetti Marino S.p.A. to use the tax losses produced by the consolidated companies and provides for the obligation for the former to grant the latter a credit, at the time and to the extent that the losses will be used.

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.

Exceptions pursuant to Article 2423.4 of the Italian Civil Code

No exceptions 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, cash flow statement, explanatory notes and related annexes have been presented in thousands of Euro.

In the explanatory notes, the balance sheet figures have been compared with the amounts as at 31 December 2018, whereas the income statement figures have been compared with the amounts as at 30 June 2018.

COMMENTS ON THE MAIN ASSET ITEMS

FIXED ASSETS

INTANGIBLE FIXED ASSETS

Start-up and expansion costs

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

	Balance 31/12/18	Incr.	Decr.	Balance 30/06/19
Start-up and expansion costs	16	0	(12)	4

Industrial patent rights

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

	Balance 31/12/18	Incr.	Decr.	Balance 30/06/19
Patent rights	87	36	(18)	105

Concessions, licenses, trademarks and similar rights

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

	Balance 31/12/18	Incr.	Decr.	Exchange delta	Balance 30/06/19
Licenses	10	0	0	1	11
Concessions of surface rights	379	0	(6)	0	373
Total concessions, licenses, etc.	**389**	**0**	**(6)**	**1**	**384**

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

Intangible fixed assets in progress

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

	Balance 31/12/19	Incr.	Decr.	Balance 30/06/19
Intangible fixed assets in progress	225	135	0	360

This item represents the value of the activities carried out up until 30 June 2019 for the development of internal projects not yet concluded carried out by the Parent Company and by the subsidiary company Rosetti Superyachts S.p.A..

Other intangible fixed assets

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

	Balance 31/12/18	Incr.	Decr.	Exchange delta	Balance 30/06/19
EDP programs	347	46	(103)	11	301
Leasehold improvements	990	0	(61)	0	929
Total other intangible fixed assets	**1,337**	**46**	**(164)**	**11**	**1,230**

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 programmes, and;
- according to the duration of the surface rights and property lease contracts for investments undertaken on such areas.

Goodwill

This item pertains to the positive differences between the cost paid by the Parent Company to acquire equity interests in Group companies and the corresponding portions of the shareholders' equity of those companies at the acquisition date. In particular, this item consists of the residual consolidation difference of Euro 8 thousand deriving from the purchase of 40% of Tecon S.r.l. and Euro 3 thousand deriving from the purchase of a Singaporean company that was then renamed Rosetti Marino Singapore Pte Ltd.

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 these explanatory notes.

In the first six months of 2019, 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 primarily includes work not yet completed mainly carried out by the associated company Kazakhstan Caspian Offshore Industries LLP for the work relating to the construction of new areas and buildings at the Yard in Kazakhstan, by the Parent Company for works to modernise the structure of the San Vitale Yard and the associated company Rigros S.r.l..

LONG-TERM FINANCIAL ASSETS

Equity investments

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

	% Holding	**Balance 31/12/18**	**Incr.**	**Decr.**	**Balance 30/06/19**
Subsidiary companies:					
Rosetti Marino Mocambique Ltd(*)	96%	1	0	0	1
Total subsidiary companies		**1**	**0**	**0**	**1**
Associated companies:					
Rosetti Congo SARL (***)	50%	76	0	(76)	0
Rosetti Pivot Ltd (*)(**)	49%	0	0	0	0
Basis Pivot Ltd (*)	45%	21	0	0	21
Total associated companies		**97**	**0**	**(76)**	**21**
Other companies:					
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		20	0	0	20
Cassa Risparmio Ravenna		127	0	0	127
Other companies		16	0	0	16
Total other companies		**170**	**0**	**0**	**170**

(*) Dormant company
(**) Equity investment written down in full
(***) Company consolidated on a line-by-line basis starting from the first half of 2019

Amounts due from associated companies

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

	Balance 31/12/18	Incr.	Decr.	Balance 30/06/19
Rosetti Pivot Ltd	1,584	0	(636)	948
Allowance for doubtful receivables	(1,335)	0	387	(948)
Rigros S.r.l.	775	0	0	775
Total receivables	**1,024**	**0**	**(249)**	**775**

The receivable due from the associated company Rosetti Pivot Ltd is entirely made up of a loan for a residual amount of Euro 938 thousand granted to the associated company in order to allow it to meet its financial needs in the start-up phase before the start of operations. This loan bears interest at an arm's-length rate.
The allocation to the provision for doubtful receivables reflects the Directors' prudent assessment of the risk of bad debts.
The amount due from the associated company Rigros S.r.l. consists of 50% of a loan for a total of Euro 1,550 thousand for the purpose of permitting it to purchase land for industrial use adjacent to the headquarters of the Parent Company. This loan bears interest at an arm's-length rate.

Receivables due from third parties

This item, amounting to Euro 724 thousand (Euro 719 thousand as at 31 December 2018) consists mainly of a long-term investment made by the subsidiary Tecon S.r.l.

CURRENT ASSETS

INVENTORIES

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

	Balance 30/06/2019	Balance 31/12/2018
Raw materials	2,140	3,303
less provision for obsolescence	(884)	(1,001)
	1,256	2,302
Contract work in progress	23,714	20,091

Advances to suppliers	10,791	9,570
Total	**35,761**	**31,963**

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 provision for risks is considered adequate for representing the estimated realisable value of the material in stock. This provision amounts to Euro 884 thousand and has decreased compared to the previous year due to lower inventories of raw materials.

Contract work in progress represents job orders measured according to the consideration accrued with reasonable certainty, 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 different progress of the contract work in progress.

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 resulting from normal transactions of a commercial nature.

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

	Balance 30/06/19	**Balance 31/12/18**
Amounts due from Italian clients	5,805	23,163
Amounts due from EEC clients	15,518	23,327
Amounts due from non-EEC clients	86,210	50,989
Bad debt provisions	(6,376)	(5,657)
Total	**101,157**	**91,822**

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

The increase in the overall value of the receivables with respect to 31 December 2018 is linked to the timing mismatch between the collection of the receivables linked to the projects underway and the issue of the invoices for projects more recently acquired.

The composition of the above item, owing to the nature of the Company's business, remains relatively concentrated and increased compared to 31 December 2018 and amounts to approximately 72.76% (56.56% in the previous year) of total trade receivables made up of the top five clients by the amount of their balance. The increase is mainly attributable to the Kazakhstan area.

Amounts due from associated companies

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

	Balance Trade	30/06/19 Financ.	Total	Balance 31/12/18
Rigros S.r.l.	0	0	0	2
Rosetti Pivot Ltd	4,419	167	4,586	3,674
Rosetti Congo SARL	0	0	0	16
TOTAL	**4,419**	**167**	**4,586**	**3,692**

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

Receivables due from parent company

The amount due from the parent company Rosfin S.p.A. amounting to Euro 5 thousand is entirely of a commercial nature. These transactions are carried out at arm's-length conditions and no value adjustments have been made to the related receivables since they are deemed fully recoverable by the Directors.

Tax receivables

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

	Balance 30/06/2019	Balance 31/12/2018
VAT credit	5,954	7,573
Receivables from customs	6	0
Substitute tax credit Leaving indemnity reval.	2	5
Foreign tax credit	0	563
Regional business tax (IRAP) credit	233	228
Company earnings' tax (IRES) credit	2,001	437
Total	**8,196**	**8,806**

The VAT credit consists of Euro 5,877 thousand for the annual VAT credit accrued on ordinary trade transactions and Euro 77 thousand for the VAT credit accrued in previous periods for which a rebate has been requested.

The IRAP credit is due both to higher advances paid in previous years

compared to the tax due and to credits accrued in 2017 on the basis of the provisions of Article 19.1(b) of Italian Law Decree no. 91/2014 (also known as the 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, and the amount corresponds 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 2019, 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 Explanatory notes.
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.

Receivables due from third parties
The above item may be broken down as follows (in thousands of Euro):

	Balance 30/06/19	**Balance 31/12/18**
Due within 12 months:		
Due from employees	162	140
Sundry amounts	1,377	1,532
Total	**1,539**	**1,672**
Due beyond 12 months:		
Sundry guarantee deposits	405	446
Total	**405**	**446**

All of the above amounts are considered collectable. Accordingly, no value adjustments have been made.
The item Sundry amounts includes Euro 1,272 thousand (equivalent value of USD 1,447 thousand) relating to receivables due from Broadview Engineering Limited for the payment of the interest holding in the Nigerian company being formed Shoreline Logistics Nigeria

Limited.

CURRENT FINANCIAL ASSETS

The increase in current financial assets is mainly due to the temporary investments of liquidity in units of insurance policies, bank certificates, mutual investment funds, and other shares and bonds.

The changes in current financial assets are shown in the following table:

	Balance 31/12/18	**Delta change**	**Balance 30/06/19**
Current receivable derivative financial instruments	6,467	(183)	6,284
Other current securities	57,296	7,638	64,934
Total other securities	**63,763**	**7,455**	**71,218**

The overall increase in this item is entirely due to temporary investments of liquidity.

The item Current receivable derivative financial instruments consists of Euro 6,240 thousand of derivative financial instruments classified as "held for trading", as they do not meet the requirements for being treated under hedge accounting, and Euro 44 thousand from the Mark to Market of the following hedging instruments:

Type: Forward sale contract - Rosetti Marino S.p.A.
Type of underlying contract: forward sale, Banca Nazionale del Lavoro S.p.A.
Notional amount: USD 4,558 thousand
Notional amount: Euro 3,978 thousand
Expiry date: 31/03/2020
MTM: Euro 26 thousand

Type: Forward purchase contract - Rosetti Marino S.p.A.
Type of underlying contract: forward purchase, Unicredit S.p.A.
Notional amount: GBP 204 thousand
Notional amount: Euro 225 thousand

Expiry date: 31/07/2019
MTM: Euro 3 thousand

Type: Forward sale contract - Fores Engineering S.r.l.
Type of underlying contract: forward sale, Unicredit S.p.A.
Notional amount: USD 2,500 thousand
Notional amount: Euro 2,202 thousand
Expiry date: 30/08/2019
MTM: Euro 15 thousand

For the derivative financial instruments classified as “for trading”, the fair value changes are recognised in the Balance Sheet and are booked to items D18d or D19d of the Income Statement.
The item Other current securities consists entirely of temporary investments of liquidity made mainly in insurance policies (Euro 60 million), in mutual investment funds, and to a lesser extent in other shares and bonds. Changes in fair value are recognised in the Balance Sheet and are charged to the Income Statement under items D18c or D19c.

CASH AT BANK AND IN HAND

Bank and post office deposits
The balance of Euro 78,053 thousand as at 30 June 2019 consisted entirely of bank deposits with positive balances.

Cash and cash equivalents
The balance, entirely made up of cash, amounts to Euro 115 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 explanatory notes.

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

	Balance 30/06/19	**Balance 31/12/18**
Accrued income on forward sale swaps	2	5
Prepayments for rents	507	49
Prepayments on movable prop. leases	8	63
Other prepayments	986	980
Total	**1,503**	**1,097**

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 movements in the items comprising the Shareholders' Equity are presented in the annexed schedule.
The following is a commentary on the main items of which it is composed:

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 2019.

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

The above reserve consists of portions of profits set aside in previous years. The change was determined by the allocation of the profit/loss for 2018.

RESERVE FROM EXPECTED CASH FLOW HEDGING TRANSACTIONS

This reserve changes due to the recognition of the future cash flows deriving from derivative instruments which are considered to be "cash flow hedging instruments".

PROFITS (LOSSES) CARRIED FORWARD

This item refers to the profits and losses generated in the previous period by some subsidiaries, consolidated on a line-by-line basis.

PROFIT (LOSS) FOR THE PERIOD
This item refers to the result for the year.

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, amounting to Euro 871 thousand (Euro 853 thousand as at 31 December 2018), consists mainly of the provision for the leaving indemnity due to directors (Euro 528 thousand) and the provision for the leaving indemnity and solidarity award for top management (Euro 343 thousand).

Provisions for taxes
This item consists entirely of deferred taxes calculated on all the payable temporary differences of Euro 4,314 thousand (Euro 3,895 thousand as at 31 December 2018).
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 Explanatory notes.

Provisions for liability derivative financial instruments
This item, amounting to Euro 673 thousand (Euro 1,679 thousand as at 31 December 2018) represents the matching balance of that stated under “reserve from expected cash flow hedging transactions” present under shareholders’ equity. The characteristics of the derivative financial instruments are indicated in the following table:

IRS contract - Rosetti Marino S.p.A.
Type of underlying contract: loan, Mediocredito Italiano S.p.A.
Notional amount: Euro 7,500 thousand
Duration: 48 months
Period: 28/02/2019 - 28/02/2023
Rate: 3-month Euribor
Frequency: quarterly instalments
MTM: Euro 138 thousand

IRS contract - Rosetti Marino S.p.A.
Type of underlying contract: loan, Unicredit S.p.A.
Notional amount: Euro 16,250 thousand
Duration: 47 months
Period: 31/10/2018 - 31/07/2022
Rate: 3-month Euribor
Frequency: quarterly instalments
MTM: Euro 175 thousand

IRS contract - Rosetti Marino S.p.A.
Type of underlying contract: loan, BPER Banca S.p.A.
Notional amount: Euro 10,000 thousand
Duration: 18 months
Period: 17/07/2018 - 31/01/2020
Rate: 3-month Euribor
Frequency: half-year instalments
MTM: Euro 38 thousand

Forward sale contract - Rosetti Marino S.p.A.
Type of underlying contract: forward sale, Banca Nazionale del Lavoro S.p.A.
Notional amount: USD 17,300 thousand
Notional amount: Euro 14,733 thousand
Expiry date: 31/08/2020
MTM: Euro 283 thousand

IRS contract - Basis Engineering S.r.l.

Notional amount: Euro 2.5 million
Duration: 60 months
Period: 30 June 2016 - 30 June 2021
Rate: 3 month Euribor
Frequency: quarterly instalments
MTM: Euro 7 thousand

IRS contract - Fores Engineering S.r.l.
Notional amount: Euro 10 million
Duration: 60 months
Period: 30/11/2016 - 30/11/2021
Rate: 3 month Euribor
Frequency: quarterly instalments
MTM: Euro 32 thousand

It should be noted that the main Italian companies of the Group have a system of powers and procedures that govern the signing of derivative finance agreements approved by their respective Boards of Directors. In particular, with reference to derivative financial instruments to hedge against exchange-rate risk, the Board of Directors approves the level of credit to be used for the stipulation of derivative financial instruments and within this credit line the administrative management materially defines the most suitable instrument to hedge against the risk.
Instruments to hedge against the interest-rate risk on loans are specifically approved by the Board of Directors together with the resolution on the loan that is being hedged.

Other provisions
The above item underwent the following changes during the first half of 2018 (in thousands of Euro):

	Balance 31/12/18	Incr.	Decr.	Exchange delta	Balance 30/06/19
Provision for future liabilities and charges	2,695	1,250	0	0	3,945
Provision for future charges on contracts	2,634	1,116	(485)	0	3,265
Provision for employee bonuses	2,127	0	(2,127)	0	0
Provision for contractual risks	2,833	3,371	0	9	6,213
Provision for sundry liabilities	3,600	835	0	0	4,435
Total other provisions	**13,889**	**6,572**	**(2,612)**	**9**	**17,858**

The provision for future liabilities and charges represents the best possible estimate of probable liabilities arising from ongoing civil litigation with third parties.
The provision for future liabilities and charges on contracts was allocated in order to cover the estimated risks on contract work in progress.
The provision for employee bonuses set aside as at 31 December 2018 was fully utilised during the first half of 2019.
The provision for contractual risks was set aside to cover the risk of probable warranty actions, the application of any penalties provided for in the contract, and the occurrence of additional costs necessary to make up for the delay accumulated on some projects underway.
The provision for sundry liabilities was set aside to estimate the country risk deriving from the fact that the Group has significant transactions in high-risk countries, such as Kazakhstan.

EMPLOYEES' SEVERANCE INDEMNITY PROVISION

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

Balance as at 31/12/2018	4,321

Amount accrued and recognised in the income statement	1,095
Amounts paid	(1,100)
Balance as at 30/06/2019	**4,316**

The employees' severance indemnity provision as at 30 June 2019 reflected the amount accrued by employees not transferred to welfare funds. The amounts paid 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).

PAYABLES

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

Amounts due to banks

The item refers to:

- Euro 16.3 million for a mortgage loan taken out by the Parent Company with Unicredit Banca d'Impresa in 2018. In relation to this
- mortgage loan and for the purpose of hedging the interest rate fluctuation risk, the Parent Company entered into a derivative finance agreement (Interest Rate Swap) which has the accounting requisites so as to be qualifiable as a hedging derivative as previously commented on;
- Euro 10 million for a mortgage loan taken out by the Parent Company with UBI Banca, which provides for a fixed rate. The repayment of the interest portion in several quarterly instalments, and the repayment of the principal portion in a single instalment at the maturity date of the loan, scheduled in 2021. To guarantee this loan, the Parent Company has pledged securities recorded in current assets with a value as at 30 June 2019 of Euro 11,973 thousand. It should be noted that this loan was repaid early on 16/07/2019;
- Euro 10 million for a mortgage loan taken out by the Parent Company with Banca Popolare dell'Emilia Romagna, which provides for a floating 3-month Euribor rate increased by a spread of 0.8 percentage point, the repayment of the interest in several half-yearly instalments, and the repayment of the principal portion in a single instalment at the maturity of the loan, scheduled in 2020. In relation to this mortgage loan and for the purpose of hedging the interest rate fluctuation risk, a derivative finance agreement (Interest Rate Swap) was entered into which meets the accounting requirements to be qualified as a hedging derivative instrument, as mentioned above;
- Euro 7.5 million for a mortgage loan taken out by the Parent

Company with Mediocredito Italiano during the first half of 2018, which provides for a variable 3-month Euribor rate increased by a spread of 1.0 percentage point and the repayment of the principal portion in quarterly instalments until maturity of the loan, scheduled in 2023. In relation to this mortgage loan and for the purpose of hedging the exchange rate fluctuation risk, the Company entered into a derivative finance agreement (Interest Rate Swap) which has the accounting requisites so as to be qualifiable as a hedging derivative instrument, as previously commented on;

- Euro 3.0 million for a mortgage loan taken out by the Parent Company with Banco BPM S.p.A. at a fixed rate and the repayment of the principal portion in quarterly instalments on maturity of said loan, scheduled in 2022. The company has availed itself of the possibility of not measuring the debt at amortised cost since the transaction costs are of little significance and the interest rate inferable from the contract does not differ significantly from the market rate;
- Euro 5.0 million for a mortgage loan with Cassa dei Risparmi di Forlì e della Romagna taken out on 30 November 2016 by the subsidiary Fores Engineering S.r.l., repayable over five years and maturing on 30 November 2021. In relation to this mortgage loan and for the purpose of hedging the interest rate fluctuation risk, the company entered into a derivative finance agreement (Interest Rate Swap) which has the accounting requisites so as to be qualifiable as a hedging derivative instrument, as previously commented on;
- Euro 0.6 million for a mortgage loan taken out with Banca Popolare dell'Emilia Romagna by the subsidiary Fores Engineering S.r.l. on 6 October 2015 maturing on 6 October 2019;
- Euro 1.3 million for a mortgage loan taken out by the subsidiary Basis Engineering S.r.l. with Unicredit Banca d'Impresa in the first half of 2016. In relation to this mortgage loan and for the purpose of hedging the interest rate fluctuation risk, the company entered into a derivative finance agreement (Interest Rate Swap) which has the accounting requisites so as to be qualifiable as a hedging derivative instrument, as previously commented on.

Advance payments

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

	Balance 30/06/19	**Balance 31/12/18**
Contract work in progress	16,408	12,887
Advances from third-party clients	54,674	51,045
Total	**71,082**	**63,932**

The increase compared to the previous year reflects the trend in contract work 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 30/06/19	Balance 31/12/18
Due to Italian suppliers	21,804	26,015
Due to EU suppliers	5,934	3,054
Due to non-EU suppliers	17,345	11,706
Total	**45,083**	**40,775**

The increase is due to a timing mismatch between the payment of the payables linked to the projects underway with respect to the receipt of the invoices for projects more recently acquired.

Amounts due to subsidiary companies

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

	Balance 30/06/19	Balance 31/12/18
Rosetti Marino Mocambique Ltd	1	1
Total	**1**	**1**

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 30/06/19	Balance 31/12/18
Basis Pivot Ltd	21	21
Total	**21**	**21**

The entire amount is represented by the amount due to Rose Basis Pivot Ltd deriving from 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 30/06/19	Balance 31/12/18
IRPEF tax withholdings	2,697	2,204
Income taxes	4,352	1,880
Revaluation substitute tax	13	0
VAT	1,841	370
Others	431	178
Total	**9,334**	**4,632**

This item is essentially made up of the current tax payable, the liability for IRPEF withholdings on compensation for employees and self-employed workers, and the VAT payable.

The tax periods which may be subject to tax audits are those subsequent to 2013.

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 30/06/19	Balance 31/12/18
Amounts due to employees	7,325	4,962
Amounts due to independent contractors	7	60
Amounts due to pension schemes	434	471
Sundry payables	73	71
Total	**7,839**	**5,564**

ACCRUED LIABILITIES AND DEFERRED INCOME

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

	Balance 30/06/19	Balance 31/12/18
Accrued liabilities:		
- Interest expense on mortgage loans	111	109
- Forward sale swaps	208	370
- Other	9	45
	328	**524**
Deferred income		
- Other	66	6
	66	**6**
Total	**394**	**530**

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.

COMMENTS ON THE MAIN INCOME STATEMENT ITEMS

VALUE OF PRODUCTION

REVENUES FROM SALES AND SERVICES

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

	H1 2019	H1 2018
Energy Business Unit	136,978	73,447
Shipbuilding Business Unit	1,333	0
Process Plants Business Unit	21,234	5,004
Sundry services	1,214	1,951
Total revenues from sales and services	**160,759**	**80,402**

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

	H1 2019	H1 2018
Revenues from Italian clients	9,405	24,545
Revenues from EU clients	31,233	1,546
Revenues from non-EU clients	120,121	54,311
Total revenues from sales and services	**160,759**	**80,402**

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 relatively concentrated, given that approximately 63.26% (75.31% in the same period of the previous year) of total revenues 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):

	H1 2019	H1 2018
Opening contract work in progress	(20,091)	(238,845)
Exchange Delta	552	(2)
Closing contract work in progress	23,714	264,983
Total change in work in progress	**4,175**	**26,136**

The item "Change in contract work in progress", which presents a positive balance of Euro 4,175 thousand (positive balance of Euro 26,136 thousand as at 30 June 2018), represents the difference between the valuation of the orders in progress as at 30 June 2019 (Euro 23,714 thousand) and the valuation of the orders in progress at the end of the previous financial year (Euro
20,091 thousand). This item concerns the Energy Business Unit for Euro 4,512 thousand (positive for Euro 17,273 thousand as at 30 June 2018), the Shipbuilding Business Unit for Euro 1,058 thousand (negative for Euro 0 thousand as at 30 June 2018), and the Process Plant Business Unit for Euro -1,395 thousand (positive for Euro 8,863 thousand as at 30 June 2018).

INCREASES IN OWN WORK CAPITALIZED

During the first six months of 2019, the capitalized costs included in this item included the costs incurred by the Parent Company in relation to work carried out at the San Vitale Yard (changes to the doors of the "large structural metalwork" industrial building, changes to the launching lines of the quay, adaptation of the overhead travelling crane to current safety standards, and purchase and installation of air compressors for use in the dry dock) and at the Ravenna facility (adaptation of the overhead travelling crane to current safety standards).

OTHER INCOME AND REVENUES

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

	H1 2019	H1 2018
Operating grants	100	81
Total "operating grants"	**100**	**81**
Charge-backs of expenses to third parties	146	312
Rentals and leases	18	45
Capital gains on disposal of assets	4	1
Excess of risk provisions	919	3,582
Contingent assets	29	41
Other amounts	133	157
Total "other amounts"	**1,249**	**4,138**
Total "other income and revenues"	**1,349**	**4,219**

The uses for release of the risk provisions have been recognised since the conditions existing at the time they were provided in previous years have ceased to exist.

COSTS AND EXPENSES

PURCHASES

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

	H1 2019	H1 2018
Raw materials	38,697	24,666
Ancillary materials and consumables	4,299	2,165
Other purchases	116	293
Total	**43,112**	**27,124**

The increase in this item compared to the previous period is due to the increase in the volume of production.

SERVICES

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

	H1 2019	H1 2018
Subcontracting and outsourcing	47,555	22,100
Maintenance and repairs	885	628
Electricity, water and heating	525	346
Other production costs	6,145	5,430
Accessory personnel costs	3,087	2,293
Marketing expenses	1,962	1,919
Emoluments for corporate bodies	640	570
Accounts audit	112	82
Administration and other general overheads	2,645	2,854
Total	**63,556**	**36,222**

The change compared to the previous year reflects the increase in production activities.

LEASES AND RENTALS

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

	H1 2019	H1 2018
Rental of real estate property	1,778	1,069
Movable property leasing	1,371	7,476
Maintenance of third-party assets	2	2
Concession fees	30	38
Software rental	215	114
Total	**3,396**	**8,699**

The decrease in the item in question compared to the previous six-month period is attributable to a differing distribution of the activities requiring recourse to the use of third party assets over time.

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:

	30/06/19	31/12/18	30/06/18
Executives	47	47	43
Office staff	876	841	809
Blue-collar workers	454	527	479
Total	**1,377**	**1,415**	**1,331**

AMORTISATION, DEPRECIATION, AND WRITE-DOWNS

A breakdown of the required sub-items has been given above in the income statement.
A breakdown of the depreciation charges for tangible fixed assets is presented in a specific annex. The value of the item “write-down of current receivables” represents the provision for the 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 01/01/19	(3,303)
- Use/(Provisions) for obsolete inventory	117
- Closing inventory as at 30/06/19	2,140
Total	**(1,046)**

SUNDRY OPERATING EXPENSES

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

	H1 2019	H1 2018
Taxes and duties other than income tax	475	587
Capital losses on disposal of assets	61	0
Contingent liabilities	74	11
Other operating expenses	129	78
Total	**739**	**676**

FINANCIAL INCOME AND EXPENSES

OTHER FINANCIAL INCOME

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

	H1 2019	H1 2018
c) Income from current securities not representing equity investments:		
- dividends from securities' management	1	1
- interest income on securities	810	137
- capital gains	159	142
Total	**970**	**280**
d) Income other than the above:		
- interest from associated companies	112	0
Total	**112**	**0**
d) Income other than the above:		
- interest from third parties and sundry income:		
- bank interest income	17	7
- interest income from clients	7	23
- sundry interest income	35	358
Total	**59**	**388**
Total "income other than the above"	**1,141**	**668**

INTEREST AND OTHER FINANCIAL EXPENSES

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

	H1 2019	H1 2018
d) others:		
- interest expense on bank current acc.	0	6
- interest expense on mortgage loans	395	355
- securities' management fees	56	15
- capital losses on securities	6	1
- sundry interest expenses	418	293
Total	**875**	**670**

EXCHANGE GAINS AND LOSSES

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

	H1 2019	H1 2018
Exchange gains	703	152
Unrealised exchange gains	585	504
Exchange losses	(990)	(101)
Unrealised exchange losses	(25)	(420)
Total	**273**	**135**

ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS

The negative balance of the item "Adjustments to the value of financial assets" amounts to Euro 478 thousand and mainly includes the following adjustment components:

- revaluation of current securities for Euro 146 thousand;
- revaluation of derivative financial instruments for Euro 403 thousand;
- write-down of current securities for Euro (1) thousand.
- write-down of derivative financial instruments for Euro (70) thousand.

INCOME TAXES FOR THE PERIOD

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

	H1 2019	H1 2018
Current taxes	(6,617)	(3,070)
Previous years' taxes	620	8
Deferred taxes	(392)	(257)
Prepaid taxes	954	(1,038)
Total	**(5,435)**	**(4,357)**

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

OTHER INFORMATION

Sureties

This item includes Euro 103,283 thousand in sureties given by insurers and banks to clients of Group companies to guarantee the proper execution of works and the release of withholding guarantees.

INFORMATION PURSUANT TO ART. 1, PARAGRAPH 125 OF ITALIAN LAW NO. 124 OF 04 AUGUST 2017

As provided for by Article 1, paragraphs 125 et seq. of Italian Law no. 124/2017 on the transparency of public funding, the following are the contributions and economic benefits of any kind received by public administrations and entities controlled by them, even indirectly:

Name of the funding agency: Gestore dei Servizi Energetici GSE S.p.A. - Rosetti Marino S.p.A.
Amount collected: Euro 32 thousand
Collection date: various receipts, first half of 2019

Reason: contributions on exchange

Name of the funding agency: Ministry of Economy and Finance -
Fores Engineering S.r.l.
Amount offset by other taxes: Euro 77 thousand
Date of compensation: 18/03/2019
Reason: Research and Development contribution for costs incurred in 2017

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

In the period between the end of accounting period and the date of this document there were no events that could have a significant impact from an operational point of view.

ANNEXES

The following annexes contain supplementary information to the Explanatory 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 fixed assets;
- Statement of temporary differences that resulted in the recognition of deferred tax assets and liabilities.

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 30 June 2019
(in thousands of Euro)

	Share capital	Revaluation reserve	Legal reserve	Other reserves	Reserve from expected cash flow hedging transactions	Profits (losses) carried forward	Negative reserve for treasury stock in portfolio	Translation reserve	Consolidation reserve	Net profit for the year	Total	Minority interests
BALANCES AS AT 30 JUNE 2018	**4,000**	**36,969**	**1,110**	**141,931**	**(1,560)**	**43**	**(5,100)**	**(2,245)**	**23**	**565**	**175,736**	**6,586**
2017 net profit:												
- to reserve	0	0	0	0	0	0	0	0	0	0	0	0
- dividends	0	0	0	0	0	0	0	0	0	0	0	0
Translation reserve	0	0	0	0	0	0	0	(944)	0	0	(944)	(806)
Reserve from expected cash flow hedging transactions	0	0	0	0	(80)	0	0	0	0	0	(80)	0
Change in scope of consolidation	0	0	0	0	0	0	0	0	0	0	0	0
Net profit for 2nd half of 2018	0	0	0	0	0	0	0	0	0	4,978	4,978	(632)
BALANCES AS AT 31 DECEMBER 2018	**4,000**	**36,969**	**1,110**	**141,931**	**(1,640)**	**43**	**(5,100)**	**(3,189)**	**23**	**5,543**	**179,690**	**5,648**
2018 net profi:												
- to reserve	0	0	0	2,941	0	(58)	0	0	0	(2,883)	0	0
- dividends	0	0	0	0	0	0	0	0	0	(2,660)	(2,660)	0
Translation reserve	0	0	0	0	0	0	0	(105)	0	0	(105)	195
Reserve from expected cash flow hedging transactions	0	0	0	0	1,011	0	0	0	0	0	1,011	0
Change in scope of consolidation	0	0	0	0	0	0	0	0	0	0	0	0
Net profit/loss for 1st half of 2019	0	0	0	0	0	0	0	0	0	2,147	2,147	4,956
BALANCES AS AT 30 JUNE 2019	**4,000**	**36,969**	**1,110**	**144,872**	**(629)**	**(15)**	**(5,100)**	**(3,294)**	**23**	**2,147**	**180,083**	**10,799**

STATEMENT OF CHANGES IN TANGIBLE FIXED ASSETS
FOR THE YEAR ENDED 30 June 2019
(in thousands of Euro)

	Opening balance			Changes in the period										Closing balance		
	Original	Accumulated	Balance	Investments		Divestments			Category change		Exchange	Depreciation		Original	Accumulated	Balance
	cost	depreciation	31/12/2018	Acquisitions	Internal work	Historical	Revaluations	Provision	Historical	Provision	delta	Rate	Ordinary	Cost	depreciation	30/06/2019
Yards and buildings:																
- land	35,040	(4,862)	30,178	0	0	0	0	0	0	0	5	0%	0	35,045	(4,862)	30,183
- yards and buildings	75,060	(29,644)	45,416	0	0	0	0	0	2,929	0	242	3%	(1,135)	78,231	(30,779)	47,452
- temporary construction	5,974	(5,625)	349	9	0	(43)	0	4	0	0	0	10%	(53)	5,940	(5,674)	266
Plant and machinery:																
- plant	18,014	(14,546)	3,468	42	0	(44)	(4)	42	0	0	0	10%	(449)	18,008	(14,953)	3,055
- dry dock	7	(7)	0	0	0	0	0	0	0	0	0	10%	0	7	(7)	0
- tratement plants	239	(239)	0	0	0	0	0	0	0	0	0	15%	0	239	(239)	0
- machinery	6,702	(6,054)	648	8	0	(198)	(10)	167	0	0	0	16%	(103)	6,502	(5,990)	512
- electronic installations	26	(26)	0	0	0	0	0	0	0	0	0	10%	0	26	(26)	0
Industrial and commercial equipment	12,087	(6,854)	5,233	499	0	(130)	0	118	281	0	55	25%	(493)	12,792	(7,229)	5,563
Other tangible assets:																
- office furniture	2,282	(1,231)	1,051	159	0	(83)	0	3	0	0	2	12%	(111)	2,360	(1,339)	1,021
- EDP office equipment	3,499	(2,590)	909	121	0	(112)	0	11	0	0	4	20%	(104)	3,512	(2,683)	829
- transport vehicles	553	(522)	31	94	0	(106)	0	22	0	0	0	20%	(7)	541	(507)	34
- motor vehicles	709	(323)	386	97	0	(91)	0	0	0	0	3	25%	(34)	718	(357)	361
- pontoon	3,707	(1,891)	1,816	0	0	0	0	0	0	0	0	8%	(133)	3,707	(2,024)	1,683
Assets under construction and payments on account:	5,159	0	5,159	502	368	0	0	0	(3,210)	0	(4)	0%	0	2,815	0	2,815
Total	**169,058**	**(74,414)**	**94,644**	**1,531**	**368**	**(807)**	**(14)**	**367**	**0**	**0**	**307**		**(2,622)**	**170,443**	**(76,669)**	**93,774**

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

	Prepaid taxes as at 31/12/2018		*Decrease*		*Increases*		*Exchange Delta*	*Prepaid taxes as at 30/06/2019*	
Deductible differences	Taxable amount	Tax	Taxable amount	Tax	Taxable amount	Tax		Taxable amount	Tax
Provision for contractual risks	614	148	0	0	0	0	0	614	148
Allowance for doubtful receivables	4,304	1,033	434	105	342	82	0	4,212	1,010
Provision for future liabilities and charges	4,567	1,366	0	0	1,483	356	0	6,050	1,722
Unrealised exchange losses	188	45	189	45	133	32	0	132	32
Depreciation of tangible fixed assets	1,431	392	65	18	0	0	1	1,366	375
Directors' fee to be paid	8	1	0	0	0	0	0	8	1
Tax losses*	4,340	1,635	4,340	1,613	1,412	665	0	1,412	687
Provision for obsolete inventory	996	237	130	31	12	3	0	878	209
Loss-making contracts	17,646	4,234	15,499	3,720	18,122	4,349	0	20,269	4,863
Provision for employee bonuses	2,471	593	2,128	511	0	0	0	343	82
Other financial statement provisions	651	204	873	184	401	88	2	179	110
Total	**37,216**	**9,888**	**23,658**	**6,227**	**21,905**	**5,575**	3	**35,463**	**9,239**

* It should be noted that according to the tax consolidation programme the parent company has benefited from the tax losses accrued by the subsidiary companies that have participated in this programme for an amount of Euro 1,606 thousand

	Deferred taxation as at 31/12/2018		*Decrease*		*Increases*		*Exchange Delta*	*Deferred taxes as at 30/06/2019*	
Taxable differences	Taxable amount	Tax	Taxable amount	Tax	Taxable amount	Tax		Taxable amount	Tax
Unrealised exchange gains	25	5	25	6	26	6	0	26	5
Depreciation of tangible fixed assets	9,675	3,189	0	0	1,995	401	27	11,670	3,617
Amortisation of intangible fixed assets	15	2	0	0	0	0	0	15	2
Other financial statement provisions	458	111	453	104	466	112	0	471	119
Consolidation transactions	1,773	588	71	17	0	0	0	1,702	571
Total	**11,946**	**3,895**	**549**	**127**	**2,487**	**519**	**27**	**13,884**	**4,314**