ROSETTI MARINO

Half-year consolidated financial statements as at 30/06/2020

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BOARD OF DIRECTORS' REPORT ON OPERATIONS

ACCOMPANYING THE

CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2020

Dear Shareholders,
The consolidated financial statements of the Group for the first half of 2020 which we hereby submit for your approval closed with a net loss of Euro 17,058 thousand, after recognising Euro 3,406 thousand in depreciation and amortisation and Euro 23 thousand of write-downs of current assets.
This result clearly reflects the devastating effect that the Covid-19 pandemic has had on the markets, and in particular on the Energy sector, where the hydrocarbon price war intensified further between producing nations, which attempted to make up for the decline in their revenues by increasing production while demand remained stagnant. The net loss for the half-year is the sum of the losses reported by all Group companies without distinction, both in Italy and internationally, and was particularly influenced by the increase in costs relating to management of the pandemic emergency, the need to renegotiate contractual terms and delivery dates with clients and, finally, the temporary freeze on investments in new energy installations imposed on companies by market conditions, which underwent a sudden, dramatic shift of unprecedented extent. It should also be noted that the result for the half-year was extremely negative despite the significant measures designed to contain both indirect and direct costs adopted by the various Group companies, which, among other initiatives, froze hiring and generally cut external costs at all companies, adopted redundancy schemes in Italy, reduced the salaries of expatriates who worked from home for the international companies, made massive use of holiday leave for executives and cut investments. Although the result for the half-year is decidedly unsatisfactory, unexpected and very far removed from the estimates that were possible until last January, it is markedly less so than it could have been had exceptional efforts not been made by the Group's personnel, and by its management in particular, showing a considerable capacity to react to adversity and a spirit of sacrifice that we believe merit our – and your – gratitude.

OPERATING PERFORMANCE

The first half of 2020 was characterised by a significant decline in GDP, which amounted to Euro 112 million (Euro 165 million in the first half of 2019), with the Energy sector particularly penalised. This decline in production was primarily due to the effects of the lockdown, which shut down practically all operations by Italian companies for more than two months and also occurred at the international level, at different times and with even longer durations. In addition, when business resumed, production was lower as a result of the restrictions and the effects of the redundancy scheme from which all Italian companies had benefited continued to be felt. However, the effect of the crisis caused by the decline in activities and the costs related to the pandemic were felt at the level of margins much more than at the level of the value of production. In fact, despite the very considerable, absolutely unprecedented cuts that it was possible to make at the level of general expenses (overhead costs), the value of production for the half-year was able to generate a much smaller margin than that required to reach the break-even point.

The decline in the value of production and margins extended to all Group companies, both in Italy and abroad.

Another negative element during the half-year related to the Group's negative sales performance. In fact, production related almost entirely to projects acquired in previous years. The volume of acquisitions during the period was much lower than in previous years and even the volume of production during the period, totalling just Euro 33 million. In the best case scenario, this situation is due to the severe delays in tender management processes by clients due to the pandemic, and in such cases contract award dates were often postponed until early 2021. However, in the Energy sector, it should be noted that almost all companies in turn scaled back their capital investment strategies for the near term, sacrificing above all the construction of new facilities both to reduce their operating losses and to reflect the decline in demand caused by the effects of the pandemic. The combined effect of the delays in the award processes for several tenders and the cancellation of other tenders had severe consequences for the commercial activities of all Group companies. Especially serious were the cancellations of two of the Parent Company's target projects in the British North Sea, one of which was to be awarded directly to Rosetti

Marino on a “single-source” basis without a tender. The contracts for both these projects were supposed to have been awarded during the reporting half-year.
Acquisitions were also lower in the Shipbuilding sector and related solely to the Repair & Refit business. However, in this case, and with particular regard to superyachts, the unsatisfactory result was due above all to the difficulties in travel and normal operations due to the lockdown restrictions. In fact, it is believed that the global economic crisis will leave target customers in the yacht market unscathed and such customers are even expected to prefer luxury boating to other forms of recreation, since it is less subject to health risks. The situation in the LNG bunkering systems sector, which the Group recently entered, is different. Although in the medium-to-long term the tendency to migrate marine propulsion from diesel (which is a pollutant and is much more climate-altering in terms of CO2 emissions) to liquefied natural gas continues, in the near term this type of bunkering system is being penalised by plummeting demand from cruise ships, which are one of the sectors most penalised by the pandemic.
As mentioned above, the sales activities of our international companies also came to a halt during the half-year. In this case, fortunately, there were no project cancellations by clients. However, no significant new contracts were awarded in Kazakhstan, and work has yet to be resumed in Nigeria and the United Arab Emirates. In addition, in this latter country, the time required for the qualification of the recently formed associated company Rosetti Ali & Sons Llc with the Abu Dhabi State Company was extended by more than six months beyond the normal timescales and the procedure is only now nearing completion.

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

	30/06/2020	30/06/2019
G.D.P. (in thousands of euros)	111,529	164,934
(A1+A2+A3 of the income statement)		
Ebitda (in thousands of euros)	(14,868)	21,673
(A+B-10-12-13 of the income statement)		
Ebitda / GDP	(13.33%)	13.14%
Ebit (in thousands of euros)	(18,297)	11,521
(A+B of the income statement)		
Ebit / GDP	(16.41%)	6.98%

Gross profit (in thousands of euros) (item 22 of the income statement)	(20,295)	12,538
Gross profit / GDP	(18.20%)	7.60%
Net profit (in thousands of euros) (item 23 of the income statement)	(17,058)	2,147
Net profit / GDP	(15.29%)	1.30%
R.O.E	(9.36%)	1.20%

(Net profit / opening shareholders' equity attributable to the Group)
It should be noted that the intermediate results presented 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 segments 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 2020 of approximately Euro 92 million (Euro 143 million in the first half of 2019), remained the Group's primary sector.
The main projects developed during the half-year related to oil and gas platforms, although construction work on the first jacket ever acquired by the Group for a wind platform also began during the reporting period. In the waters of the Arabian Gulf off Qatar, activities for the hook-up of the Living Quarter Platform then commenced – with enormous difficulties due to the pandemic – after work on the Ras Laffan facility had been completed in February. Due to the restrictions, lockdowns and quarantines, the work, which ought to have been completed, has been delayed by approximately four months. As a consequence, some contractual conditions – and in particular the final delivery dates – have been renegotiated with the client. At the Piomboni yard work also continued on the process platform, which recently left Ravenna and is en route to the British North Sea, as well as on the Utility and Living Quarters Module intended for the Danish North Sea. Finally, construction of the jacket for the wind platform to be installed

in the Atlantic Ocean off the coast of France also began at the Piomboni yard.
For the international companies, the half-year was characterised by considerable periods of idleness or partial productivity that far exceeded those seen in Italy, and significant problems were encountered in managing expatriate personnel and vendors. The site of the associate Kazakhstan Caspian Offshore Industries Llp in Kazakhstan was shut down twice during the half-year and production is still greatly reduced due to a series of restrictive measures. The company's Italian personnel – which returned to Italy mid-way through the half-year – remain unable to return to Kazakhstan, with a few exceptions.
A similar situation occurred in Nigeria, where the activities of the associate Rosetti Pivot Ltd remain completely shutdown to date and where we hope that the expatriate personnel who returned to Italy around five months ago will soon be able to go back to work.
We were recently able to have the Italian Managing Director of the associate Rosetti Ali & Sons Llc return to the United Arab Emirates. He is tasked with completing the qualification process for the company, which has been halted for around six months, also due to the restrictions caused by the pandemic.
For all companies, both in Italy and abroad, it was necessary to renegotiate some contractual terms with clients, including the delivery dates for all projects, and margins came in below the break-even point. Many of these renegotiations have already been concluded with primarily positive outcomes.

Shipbuilding Business Unit
Shipbuilding activity, while also severely penalised by the pandemic, showed increased business volumes, reporting a value of production of Euro 4 million in the first half of 2020 (compared to Euro 2 million in the first half of 2019).
Production activity was due to the continuing work on the 38-metre yacht (C123), repair and refitting activity and the start of construction of the offshore LNG bunkering convoy for ships entering the Port of Venice, composed of a LNG-powered tow boat (C124) and a cargo unit (C125) for transporting liquefied natural gas.
All activities were sharply slowed by the restrictions due to the pandemic. It was once again necessary to renegotiate certain contractual terms, and above all delivery dates, with the vessel owners.

Except for one set of negotiations that remain ongoing, these renegotiations have already been concluded with results that we view as positive. Project margins contracted considerably and were once again well below the break-even point.

Process Plant Business Unit

This sector of activities was entirely seen to by the subsidiary Fores Engineering S.r.l. and its investee companies and contributed, in the first half of 2020, around Euro 16 million (Euro 20 million in the first half of 2019) to the value of production.

Here again the decline in volumes was primarily due to the consequences of the pandemic and it was necessary to renegotiate conditions and delivery dates with clients. As in the other sectors, project margins were severely penalised in the Process Plants sector as well, coming in below the break-even point.

INVESTMENTS

During the first half of 2020, a total amount of Euro 970 thousand was invested, of which Euro 93 thousand in intangible fixed assets and Euro 877 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 increasing its level of competitiveness, safety and respect for the environment.

FINANCIAL SITUATION

For a more in-depth analysis of cash flows during the period, 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 decidedly positive net financial position albeit down with respect to the previous year.
Long-term financial assets relate primarily to receivables from the associates Rosetti Pivot Ltd (Euro 401 thousand) and Rigros S.r.l. (Euro 775 thousand) in connection with two loans disbursed upon the commencement of their respective activities to provide the financial resources required for the start-up phase.

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

	30/06/2020	31/12/2019
Short-term net financial position (in thousands of Euro)	85,419	120,207
(CIII + CIV on assets side – D4 short-term on liabilities side)		
Asset coverage margin (in thousands of Euros)	146,175	155,370
(M/L-term liabilities + total equity - fixed assets)		
Asset coverage ratio	2.47	2.50
(M/L-term liabilities + total equity / fixed assets)		
Financial independence index	48.13%	48.87%
(Total equity / total assets)		
Ratio of income (expenses) to GDP	-0.40%	0.20%
(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 orders are few in number and large in amount. Given this fact, it is common practice before acquiring an order to conduct a thorough assessment of the

financial impact of that order and a prior evaluation of the client's financial capacity. During the performance of the work, careful monitoring of the outstanding receivables also continued.
Since net financial position remains markedly positive, there are currently no difficulties in procuring financial resources or risks relating to 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 nonetheless 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.
However, due to the lockdown caused by the Covid-19 pandemic, in the first half of 2020 it was not possible to continue training initiatives, above all those relating to the “Rosetti Academy” project aimed at training the Group’s future managers.
The staff headcount came to 1,221 as at 30 June 2020, a decrease of 39 compared to 31 December 2019.
In further detail, the number of executives increased by one, whereas the number of white-collar and blue-collar workers decreased by 37 and three, respectively. The change in headcount may be broken down among the various Group companies as follows: decreases at the Parent Company (-20), Basis Engineering S.r.l. (-13), Rosetti Kazakhstan Llp (-8) and Tecon S.r.l. (-2); and increases at Fores Engineering S.r.l. (+3) and Kazakhstan Caspian Offshore Industries Llp (+1).
Due to the type of business conducted, the risk of accidents, including potentially fatal accidents, is high. For that reason your 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 2020, 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.
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 2020 amounted to approximately Euro 165 million (Euro 246 million as at 31 December 2019).

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 amounted to approximately Euro 111 million (Euro 188 million at 31 December 2019).

As had been expected for several months, the low oil price levels and effects of the Covid-19 pandemic are driving down the volumes of investments in installations by energy companies, which are also focused in the near term on containing the amount of the losses caused by the global decline in demand. This effect has already become apparent, with the cancellation of two natural gas platform projects for the United Kingdom and the extension of the dates for submitting another bid for the Dutch North Sea by six months. However, it should also be noted that all Group companies are receiving numerous requests for bids and shows of interest in new projects. The forecast for the near term is thus that work will continue on the natural gas platform for Denmark and on the wind platform for France – in both cases at the Piomboni yard in Ravenna – and that the offshore activities in Qatar and the United Kingdom will be completed by early 2021. In the fourth quarter of 2020, as informally anticipated to us by the client, the contractual option is expected to be exercised for the award to the Parent Company of the construction work on another jacket for the second wind platform to be installed in the French Atlantic.

In early 2021 it is also expected that the award stage will be reached in various tenders in which the Group is participating for natural gas platforms in Qatar, the Dutch and Danish North Sea, the United Arab Emirates, Russia and Libya, as well as for wind platforms to be installed in the United Kingdom and technical service projects in Kazakhstan, Nigeria and Romania.

Shipbuilding Business Unit

The Shipbuilding Business Unit had an order book of approximately Euro 28 million as at 30 June 2020 (approximately Euro 29 million as at 31 December 2019).

In the near term work is expected to continue on the 38-metre yacht and the two units (tow boat and cargo unit) in the LNG bunkering convoy under construction by the Parent Company. Work on these

latter two units in particular will also continue throughout 2021.
In the fourth quarter of 2020 we also expect that the Parent Company will be awarded the contract to build the hull of a 45-metre aluminium yacht, negotiations for which are now in the final stage.
The yacht bids that the subsidiary Rosetti Superyachts S.p.A. is currently pursuing, for a total of seven units with lengths of 33 to 65 metres, are not expected to reach the award stage until early 2021.
Finally, we foresee the repair and refit activities currently being performed by the Parent Company to move ahead in substantial continuity with the situation that has emerged since the lockdown was ended for the San Vitale yard.

Process Plant Business Unit
The Process Plants Unit had an order book of approximately Euro 26 million as at 30 June 2020 (approximately Euro 29 million as at 31 December 2019).
The unit reflects the fact that the extensive geographical distribution of suppliers and clients entails problems relating to the pandemic that interfere extensively and sporadically with the business. However, it should be noted that, in addition to the work already in the order book, the subsidiary Fores Engineering S.r.l. is developing a considerable volume of bids and that the response from the Russian market in particular, for which an initial important project is already in the advanced stages, appears particularly favourable.
Encouraging signs of recovery are likewise being seen in various countries on the Mediterranean Sea and Arabian Gulf.

Ravenna, 30/09/2020

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

HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

AS AT 30 JUNE 2020:

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

BALANCE SHEET (amounts in thousands of Euro)

ASSETS	*30/06/2020*	*31/12/2019*	*30/06/2019*
A) SUBSCRIBED CAPITAL, UNPAID	**0**	**0**	**0**
B) FIXED ASSETS:			
I Intangible fixed assets:			
1) start-up and expansion costs	9	12	4
2) industrial patent rights	118	125	105
4) concessions, licenses, trademarks and similar rights	375	378	384
6) assets in progress and payments on account	24	25	360
7) other intangible fixed assets	1,616	1,785	1,230
8) goodwill	5,120	5,854	11
TOTAL INTANGIBLE FIXED ASSETS	7,262	8,179	2,094
II Tangible fixed assets:			
1) Land and buildings	75,878	77,651	77,901
2) Plant and machinery	2,799	3,094	3,567
3) Industrial and commercial equipment	4,964	5,348	5,563
4) Other tangible assets	3,478	3,967	3,928
5) Assets under construction and payments on account	2,204	2,601	2,815
TOTAL TANGIBLE FIXED ASSETS 89,323	92,661	93,774	
III Long-term financial assets:			
1) equity investments:			
a) in subsidiary companies	1	1	1
b) in associated companies	778	778	21
d-bis) in other companies	161	161	170
2) receivables:			
a) due from subsidiary companies			
- due beyond 12 months	80	80	0
b) due from associated companies			
- due beyond 12 months	1,176	1,315	775
d bis) due from third parties	583	578	724
TOTAL LONG-TERM FINANCIAL ASSETS	2,779	2,913	1,691
TOTAL FIXED ASSETS	**99,364**	**103,753**	**97,559**
C) CURRENT ASSETS:			
I Inventories:			
1) Raw, ancillary materials and consumables	2,354	2,646	1,256
3) Contract work in progress	58,670	39,259	23,714
5) payments on account	9,200	8,779	10,791
TOTAL INVENTORIES	70,224	50,684	35,761
II Receivables:			
1) trade receivables			
- due within 12 months	52,271	75,760	101,157
3) due from associated companies	3,356	3,236	4,586
4) due from parent company	5	12	5
5bis) tax receivables	12,465	11,610	8,196
5ter) prepaid taxes	13,438	9,140	9,239
5quater) due from third parties			
- due within 12 months	1,766	1,572	1,539
- due beyond 12 months	470	404	405
TOTAL RECEIVABLES	83,771	101,734	125,127
III Current financial assets:			
5) derivative financial instruments	2,288	4,927	6,284
6) other securities	67,907	64,404	64,934
TOTAL LONG-TERM FINANCIAL ASSETS	70,195	69,331	71,218
IV Cash at bank and in hand:			
1) Bank and post office deposits	44,136	80,488	78,053
3) Cash and cash equivalents	85	76	115
TOTAL CASH AT BANK AND IN HAND	44,221	80,564	78,168
TOTAL CURRENT ASSETS	**268,411**	**302,313**	**310,274**
D) ACCRUED INCOME AND PREPAYMENTS	**1,209**	**1,152**	**1,503**
TOTAL ASSETS	**368,984**	**407,218**	**409,336**

LIABILITIES	***30/06/2020***	***31/12/2019***	***30/06/2019***
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	147,589	144,873	144,872
VII Reserve from expected cash flow hedging transactions	(684)	(785)	(629)
VIII Profits (losses) carried forward	(162) (16)	(15)	
IX Profit (loss) for the period	(17,058)	4,470	2,147
X Negative treasury share reserve	(5,100)	(5,100)	(5,100)
XI Consolidation reserve	23	23 23	
XII Translation reserve	(4,108)	(3,387)	(3,294)
TOTAL GROUP SHAREHOLDERS' EQUITY	**162,579**	**182,157**	**180,083**
Minority interests in capital and reserves	15,025	16,841	10,799
TOTAL GROUP SHAREHOLDERS' EQUITY AND MINORITY INTERESTS	**177,604**	**198,998**	**190,882**
B) PROVISIONS FOR LIABILITIES AND CHARGES			
1) Pensions and similar commitments	539	701	871
2) Provisions for taxes	4,304	4,883	4,314
3) Derivative financial instruments	687	814	673
4) Other	9,254	7,851	17,858
TOTAL PROVISIONS FOR LIABILITIES AND CHARGES	**14,784**	**14,249**	**23,716**
C) EMPLOYEES' SEVERANCE INDEMNITY PROVISION	**4,279**	**4,398**	**4,316**
D) PAYABLES:			
3) amounts due to shareholders for loans	775	775	775
4) amounts due to banks			
- within 12 months	28,997	29,688	23,538
- beyond 12 months	48,843	41,440	30,159
5) amounts due to other lenders			
- within 12 months	42	0	0
- beyond 12 months	29	38	0
6) payments on account	27,973	37,314	71,082
7) Trade payables	48,066	63,729	45,083
9) due to subsidiary companies	1	1	1
10) Due to associated companies	21	21	21
12) tax payables	4,620	3,780	9,334
13) amounts due to social security and welfare institutions	2,049	2,369	2,196
14) other payables	10,606	9,991	7,839
TOTAL PAYABLES	**172,022**	**189,146**	**190,028**
E) ACCRUED LIABILITIES AND DEFERRED INCOME	**295**	**427**	**394**
TOTAL LIABILITIES	**368,984**	**407,218**	**409,336**

INCOME STATEMENT	1st HALF 2020	2019	1st HALF2019
A) VALUE OF PRODUCTION:			
1) Revenues from sales and services	92,116	316,831	160,759
3) Changes in contract work in progress	19,413	21,801	4,175
4) Increases in own work capitalized	6	123	41
5) Other income and revenues:			
a) operating grants	271	365	100
b) other	647	7,864	1,249
TOTAL VALUE OF PRODUCTION	**112,453**	**346,984**	**166,324**
B) COSTS AND EXPENSES:			
6) Raw materials, ancillary materials, and goods for resale	(25,722)	(99,324)	(43,112)
7) Services	(67,239)	(142,767)	(63,556)
8) Leases and rentals	(6,550)	(7,606)	(3,396)
9) Staff and related costs:			
a) wages and salaries	(20,374)	(47,490)	(24,970)
b) social security contributions	(5,349)	(11,774)	(6,154)
c) employees' severance indemnity provision	(1,088)	(2,249)	(1,095)
d) pensions and similar commitments	(142)	(290)	(117)
e) other personnel costs	44	(584)	(466)
Total staff and related costs	(26,909)	(62,387)	(32,802)
10) Amortisation, depreciation and writedowns:			
a) amortisation of intangible fixed assets	(950)	(2,052)	(203)
b) depreciation of tangible fixed assets	(2,456)	(5,013)	(2,622)
d) write-down of current receivables and of cash at bank and in hand	(23)	(636)	(755)
Total amortisation, depreciation and write-downs	(3,429)	(7,701)	(3,580)
11) Change in inventories of raw, consumables and goods for resale	(292)	344	(1,046)
12) Provisions for risks	0	(449)	(6,572)
14) Sundry operating expenses	(609)	(1,861)	(739)
TOTAL COSTS AND EXPENSES	**(130,750)**	**(321,751)**	**(154,803)**
DIFFERENCE BETWEEN VALUE OF PRODUCTION AND COSTS AND EXPENSES (A+B)	**(18,297)**	**25,233**	**11,521**
C) FINANCIAL INCOME AND EXPENSES:			
15) Income from equity investments:			
d) dividends and other income from other companies	0	1	0
16) Other financial income:			
c) from current securities not representing equity investments	631	2,165	970
d) Income other than the above			
-interest and fees from associated companies	49	172	112
-interest and fees from third parties and sundry income	10	86	59
17) Interest and other financial expenses:			
d) other	(1,136)	(1,532)	(875)
17bis) Foreign-exchange gains and losses	5	(222)	(273)
TOTAL FINANCIAL INCOME AND EXPENSES	**(441)**	**670**	**539**
D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS AND LIABILITIES			
18) Revaluations:			
a) of equity investments	0	757	0
b) of long-term financial assets	0	1,335	0
c) of current securities	26	49	146
d) of derivative financial instruments	36	473	403
19) Write-downs:			
a) of equity investments	(658)	(80)	0
c) of current securities	(514)	(34)	(1)
d) of derivative financial instruments	(447)	(163)	70
TOTAL ADJUSTMENTS TO FINANCIAL ASSETS	**(1,557)**	**(2,337)**	**(478)**
RESULT BEFORE TAXATION (A+B+C+D)	**(20,295)**	**28,240**	**(12,538)**
20) Income taxes for the year	(2,262)	(12,549)	(5,435)
PROFIT (LOSS) FOR THE PERIOD INCLUDING MINORITY INTERESTS	**(18,033)**	**15,691**	**7,103**
Minority-interest (profit) loss	(975)	(11,221)	(4,956)
GROUP PROFIT (LOSS)	**(17,058)**	**4,470**	**2,147**

CASH FLOW STATEMENT (thousands of Euro)	**1st HALF 2020**	**2nd HALF 2019**
OPENING BALANCE OF CASH AT BANK AND IN HAND	**80,564**	**78,168**
A. CASH FLOWS DERIVING FROM OPERATING ACTIVITIES		
Profit (loss) for the period	(17,058)	2,323
Income taxes	(2,262)	7,114
1. Profit (loss) for the period before income taxes	(19,320)	9,437
Adjustments for non-monetary elements which have not had a matching balance under net working capital		
Accruals to provisions	2,071	(5,869)
Amortisation and depreciation of fixed assets	3,406	4,240
Value adjustments to financial assets and liabilities of derivative financial instruments which that do not involve monetary transactions	101	(156)
2. Cash flow before changes in net working capital	(13,742)	7,652
Changes in net working capital		
(increase) decrease in inventories	(19,461)	(14,757)
(increase) decrease in current receivables due within 12 months	18,020	26,009
Increase (decrease) in trade payables and other payables	(24,676)	(12,759)
(increase) decrease in accrued income and prepayments	(57)	351
Increase (decrease) in accrued liabilities and deferred income	(132)	33
(increase) decrease in other working capital items	1,882	6,043
3. Cash flow after changes in net working capital	(41,930)	12,572
Other adjustments		
(Income taxes paid)	3,102	(12,668)
(Use of provisions)	(6,299)	(1,725)
CASH FLOW FROM OPERATING ACTIVITIES (A)	**(40,553)**	**(6,395)**
B. CASH FLOWS DERIVING FROM INVESTMENT ACTIVITIES		
Net changes in:		
Intangible Fixed Assets	(33)	(7,934)
Tangible Fixed Assets	882	(1,278)
Long-term Financial Assets	134	(1,222)
Current financial assets	(864)	1,887
CASH FLOW FROM INVESTMENT ACTIVITIES (B)	**119**	**(8,547)**
C. CASH FLOWS DERIVING FROM FINANCING ACTIVITIES		
Loan capital		
Loans taken out	28,000	35,042
Repayment of loans	(21,288)	(17,611)
Shareholders' equity		
Dividends (and interim payments) paid	(1,900)	0
Translation reserve	(721)	(93)
CASH FLOW FROM FINANCING ACTIVITIES (C)	**4,091**	**17,338**
INCREASE (DECREASE) IN CASH AT BANK AND IN HAND (A+B+C)	**(36,343)**	**2,396**
CLOSING BALANCE OF CASH AT BANK AND IN HAND	**44,221**	**80,564**

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 2020 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 or the proportional 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 2020 include the 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 the subsidiaries Rosetti Marino Mocambique Ltd, Rosetti Marino Project Ooo and Rosetti Marino Ooo, which were not included in the scope of consolidation since they were not yet operative as at 30 June 2020.
Equity investments in associated companies have been presented according to the equity method, with the exception of the companies Rosetti Pivot Ltd and Basis Pivot Ltd, since they are dormant.
The following is a list of equity investments in subsidiaries and associated companies within the scope of consolidation (in thousands of Euro):

Name	**Registered office**	**Share capital**	**Percent interest**
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	Portugal	50	100.0%
ROSETTI KAZAKHSTAN Llp (1)	Kazakhstan	198	100.0%
FORES ENG. ALGERIE Eurl (2)	Algeria	1,616	100.0%
FORES DO BRASIL LTDA (3)	Brazil	112	100.0%
ROSETTI MARINO UK Limited	United Kingdom	0	100.0%
ROSETTI MARINO SUPERYACHTS S.p.A.	Ravenna	1,500	90.0%
ROSETTI MARINO PROJECT OOO (*)	Russia	1	90.0%
ROSETTI MARINO OOO (*)	Russia	1	90.0%
ROSETTI MARINO SINGAPORE Pte Ltd	Singapore	63	100.0%
ROSETTI MARINO	Mozambiqu	1	96.0%

MOZAMBIQUE Limitada (*)	e		
ROSETTI LYBIA Jsc	Libya	622	65.0%
TECON S.r.l.	Milan	47	60.0%
BASIS CONGO Sarl (4)	Congo	99	60.0%
K.C.O.I. Llp (5)	Kazakhstan	1,160	50.0%
Associated companies			
ROSETTI CONGO Sarl	Congo	152	50.0%
RIGROS S.r.l.	Ravenna	100	50.0%
ROSETTI PIVOT Ltd	Nigeria	2,818	49.0%
BASIS PIVOT Ltd (6) (*)	Nigeria	46	45.0%
ROSETTI ALI & SONS Llc	Abu Dhabi	36	49.0%

(1) Of which 10% held indirectly through Fores Engineering S.r.l.
(2) Held indirectly through Fores Engineering S.r.l.
(3) Of which 75% held indirectly through Fores Engineering S.r.l.
(4) Held indirectly through Basis Engineering S.r.l.
(5) Of which 5% held indirectly through Rosetti Kazakhstan Llp.
(6) Held indirectly through Basis Engineering S.r.l.
(*) Not included in the scope of consolidation

The following changes compared to the previous year occurred in the first half of 2020:

- acquisition by the Parent Company of a 2% interest in the subsidiary Rosetti General Contracting Construcoes Serviços Lda from the subsidiary Basis Engineering Srl;
- payment by the Parent Company of Euro 1 million to the subsidiary Rosetti Superyachts SpA 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 Marino UK Limited and Rosetti Ali & Sons Llc: 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.

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

The following is the statement of reconciliation between the shareholders' equity and profit for the period presented in the Parent Company's separate half-year financial statements and the corresponding consolidated figures as at 30 June 2020:

	Shareholders equity	Profit for the period
FIGURES PRESENTED IN THE FINANCIAL STATEMENTS OF ROSETTI MARINO SPA AS AT 30/06/2020	151,891	(9,302)
Consolidation adjustments:		
a. Difference between the carrying amounts of consolidated equity investments and the valuation of those equity investments according to the equity method	13,862	(3,086)
b. Effect of the accounting recognition of finance lease contracts for tangible fixed assets according to the financial method	1,935	(57)
c. Reversal of unrealized gains deriving from transactions between Group companies	41	161
d. Reversal of unrealised profits deriving from the distribution of dividends between Group companies	(4,790)	(4,790)
e. Allocation of deferred and prepaid taxes pertaining to the tax effect (where		

applicable) of consolidation adjustments	(360)	16
FIGURES PRESENTED IN THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30/06/2020	162,579	(17,058)

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 principles adopted for the preparation of the annual financial statements as at 31 December 2019 in accordance with Article 2426 of the Italian Civil Code and the afore-mentioned accounting standards are set out below:

Intangible fixed assets
Intangible fixed assets are stated at purchase or production cost, inclusive of any related charges, and are amortised systematically over the period they are expected to be used in the future.
Intangible assets are written down if they become impaired, independently of the amount of previously recognized amortization charges. If the grounds for an impairment loss cease to apply in later years, the original amount is recovered, with the exception of the items goodwill, consolidation difference and deferred charges.
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.
These are systematically depreciated each year on a straight-line basis according to economic/technical rates determined in relation to the

residual useful lives of the assets. The rates applied are presented in the section setting out comments on assets. Tangible fixed assets are written down when impaired, independently of previously recognised depreciation charges. If the grounds for an impairment loss cease to apply in later years, the original amount is recovered.
Ordinary maintenance costs are expensed in full to the income statement, whereas those that involve improvements are allocated to the assets to which they refer and are depreciated according to the residual useful life of the asset in question.

Leased assets
The operating assets whose availability is attained by way of financial lease agreements are shown on the financial statements according to the international accounting standards (IAS 17), the so-called "financial method" that requires:
- the original value of the assets purchased with financial lease agreements shown in assets at the time these contracts are stipulated;
- recognition under liabilities of the corresponding residual principal amount owed to the leasing company;
- booking to the income statement of the relevant economic-technical amortisation and pertinent financial expense implicit in the financial lease payments, replacing the pertinent fees.

Equity investments and securities (recorded under fixed assets)
Equity investments in associated companies are measured according to the equity method or the proportional method if 50% owned. Equity investments in other companies are 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 average purchase or production cost, calculated according to the weighted average cost, and realisable value, whichever is the lower.

Contract work in progress and revenue recognition:
Contract work in progress spanning more than one year is measured at period-end according to the consideration accrued with reasonable certainty (the percent completion method). Consideration accrued is calculated by applying the percentage of completion determined according to the cost-to-cost method to the estimated total revenue.
The percentage is figured as the ratio of the costs incurred as at 30 June 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 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 (TFR)
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

These are recognised on a prudent and accruals basis as per Article 2423-bis of the Italian Civil Code, pursuant to Article 2425-bis of said Civil Code, with recording of the related accruals, 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 in the year in which the investor company becomes entitled to collect them as a result of the resolution by the Shareholders' Meeting of the investee 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.

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

Departures 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 notes, the balance sheet figures have been compared with the amounts as at 31 December 2019, whereas the income statement figures have been compared with the amounts as at 30 June 2019.

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 31/12/2019	Incr.	Decr.	Balance 30/06/2020
Start-up and expansion costs	12	0	(3)	9

Industrial patent rights

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

	Balance 31/12/2019	Incr.	Decr.	Balance 30/06/2020
Patent rights	125	13	(20)	118

Concessions, licences, trademarks and similar rights

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

	Balance 31/12/2019	Incr.	Decr.	Exchange delta	Balance 30/06/2020
Licenses	11	3	0	0	14
Concessions of surface rights	367	0	(6)	0	361
Total concessions, licenses, etc.	**378**	**3**	**(6)**	**0**	**375**

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 31/12/2019	Incr.	Decr.	Balance 30/06/2020
Intangible fixed assets in progress	25	18	(19)	24

This item refers to the value of activities performed until 30 June 2020 for the development of internal projects not yet concluded by the Parent Company and relating to updates of the software used to manage non-conformities, internal audits, lessons learned and corrective actions.

The decrease was due solely to the conclusion of the activities performed on the dry dock of the San Vitale yard intended to separate the waters used in the bottom cleaning process.

Other intangible fixed assets

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

	Balance 31/12/2019	Incr.	Decr.	Exchange delta	Balance 30/06/2020
Deferred charges	9	0	(1)	0	8
EDP programs	400	7	(62)	(41)	304
Leasehold improvements	1,376	52	(124)	0	1,304
Total other intangible fixed assets	**1,785**	**59**	**(187)**	**(41)**	**1,616**

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.

The item consists in part of the residual consolidation difference of Euro

5 thousand deriving from the purchase of 40% of Tecon S.r.l., of Euro 2 thousand deriving from the purchase of a Singaporean company then renamed Rosetti Marino Singapore Pte Ltd, and of Euro 5,113 thousand deriving from the purchase of an Emirati company then renamed Rosetti Ali & Sons Llc (of which Euro 731 thousand was amortised during the half-year).

TANGIBLE FIXED ASSETS

The composition of this item, the changes during the period and depreciation rates are presented in the schedule at the end of the notes.
In the first six months of 2020, 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 and the Piomboni Yards 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 31/12/2019**	**Incr.**	**Decr.**	**Balance 30/06/2020**
Subsidiary companies:					
Rosetti Marino Mocambique Ltd(*)	96%	1	0	0	1
Total subsidiary companies		**1**	**0**	**0**	**0**
Associated companies:					
Rosetti Pivot Ltd (*)	49%	757	0	0	756
Basis Pivot Ltd (*)	45%	21	0	0	21
Total associated companies		**778**	**0**	**0**	**778**
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	124	0	0	124
Other companies	10	0	0	10
Total other companies	**161**	**0**	**0**	**161**

(*) Dormant company

Receivables due from subsidiary companies

This item is entirely made up of a loan for a residual amount of Euro 80 thousand granted to the subsidiary Rosetti Marino Project Ooo 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.

Amounts due from associated companies

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

	Balance 31/12/2019	Incr.	Decr.	Balance 30/06/2020
Rosetti Pivot Ldt	540	0	(139)	401
Allowance for doubtful receivables	0	0	0	0
Rigros Srl	775	0	0	775
Total receivables	**1,315**	**0**	**(139)**	**1,176**

The receivable due from the associated company Rosetti Pivot Ltd is entirely made up of a loan for the amount of Euro 401 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 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 583 thousand (Euro 578 thousand as at 31 December 2019) consists mainly of a long-term financial 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 30/06/2020	Balance 31/12/2019
Raw materials	2,993	3,364
less provision for obsolescence	(639)	(718)
	2,354	2,646
Contract work in progress	58,670	39,259
Advances to suppliers	9,200	8,779
Total	**70,224**	**50,684**

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 639 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 30/06/2020	Balance 31/12/2019
Amounts due from Italian clients	4,232	4,826
Amounts due from EEC clients	8,344	15,674
Amounts due from non-EEC clients	42,288	57,844
Bad debt provisions	(2,593)	(2,584)
Total	**52,271**	**75,760**

The change compared to the previous year reflects the decrease in production.
The composition of the above item, owing to the nature of the business, remains relatively concentrated, up with respect to 31 December 2019 and amounting to approximately 58.17% (71.13% in the comparative period) of total trade receivables attributable to the top five clients by amount of balance outstanding.
Bad debt provisions are collectively deemed appropriate to cover presumed impairment losses on receivables.

Amounts due from associated companies

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

	Balance	30/06/2020		Balance
	Trade	**Financ.**	**Total**	**31/12/2019**
Rosetti Pivot Ltd	2,333	19	2,352	3
Rosetti Congo Sarl	621	310	931	2,630
Rigros S.r.l.	35	38	73	603
TOTAL	**2,989**	**367**	**3,356**	**3,236**

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

Receivables due from the 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 30/06/2020	Balance 31/12/2019
VAT credit	5,106	5,701
Employee severance indemnity revaluation substitute tax	2	10
Foreign tax credit	2,495	844
Regional business tax (IRAP) credit	1,155	1,155
Company earnings' tax (IRES) credit	3,382	3,900
Other	325	0

Total	**12,465**	**11,610**

The VAT credit consists of the total VAT credit accrued of Euro 5,029 thousand and a VAT credit of Euro 77 thousand for which a refund has been requested but not yet collected.
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 2020, 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 30/06/2020	**Balance 31/12/2019**
Due within 12 months:		
Due from employees	198	95
Receivables for insurance compensation	0	3
Sundry amounts	1,568	1,474
Total	**1,766**	**1,572**
Due beyond 12 months:		
Sundry guarantee deposits	470	404

Total	**470**	**404**

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

The item Sundry amounts includes Euro 1,293 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 31/12/2019	**Delta**	**Balance 30/06/2020**
Current receivable derivative financial instruments	4,927	(2,639)	2,288
Other current securities	64,404	3,503	67,907
Total other securities	**69,331**	**864**	**70,195**

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

The item Current receivable derivative financial instruments consists of Euro 2,285 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 3 thousand from the Mark to Market of the following hedging instruments:

Type: forward sale contract
Underlying contract: forward sale, Banca Nazionale del Lavoro S.p.A.
Notional amount: USD 4,000,000
Notional amount: Euro 3,554,924
Maturity: 30/09/2020
MTM: Euro 2 thousand

Type: forward sale contract
Underlying contract: forward sale, Banca Nazionale del Lavoro S.p.A.
Notional amount: USD 4,000,000
Notional amount: Euro 3,552,082
Maturity: 30/10/2020
MTM: Euro 1,000

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), investment funds, bonds, and to a lesser extent in other shares. 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 44,136 thousand as at 30 June 2020 consisted entirely of bank deposits with positive balances.

Cash and cash equivalents
The balance, entirely made up of cash, amounts to Euro 85 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 30/06/2020	**Balance 31/12/2019**
Prepayments for rents	25	37
Prepayments on movable prop. leases	7	27
Other prepayments	1,177	1,088
Total	**1,209**	**1,152**

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 2020.

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 result for 2019.

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 amounted to Euro 539 thousand (Euro 701 thousand as at 31 December 2019) and consisted of the residual share of the provision for the variable individual termination bonus established for top managers of Euro 179 thousand and the provision for the leaving indemnity due to directors of Euro 360 thousand.

Provisions for taxes
This item consisted solely of deferred tax liabilities calculated on all taxable temporary differences of Euro 4,025 thousand (Euro 4,062 thousand as at 31 December 2019) and a provision for taxes of Euro 279 thousand (Euro 821 thousand as at 31 December 2019).
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 687 thousand (Euro 814 thousand as of

31 December 2019) 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 tables:

Type: IRS contract
Underlying contract: loan, Intesa San Paolo S.p.A.
Notional amount: Euro 5,500,000
Term: 48 months
Period: 28/02/2019 - 28/02/2023
Rate: 3-month Euribor
Frequency: quarterly instalments
MTM: Euro 78 thousand

Type: IRS contract
Underlying contract: loan, Intesa San Paolo S.p.A.
Notional amount: Euro 8,000,000
Term: 59 months
Period: 31/07/2019 - 17/06/2024
Rate: 6-month Euribor
Frequency: half-year instalments
MTM: Euro 43 thousand

Type: IRS contract
Underlying contract: loan, Unicredit S.p.A.
Notional amount: Euro 4,381,462
Term: 48 months
Period: 24/10/2019 - 31/10/2023
Rate: 3-month Euribor
Frequency: quarterly instalments
MTM: Euro 28 thousand

Type: IRS contract
Underlying contract: loan, Unicredit S.p.A.
Notional amount: Euro 11,250,000
Term: 47 months
Period: 31/10/2018 - 31/07/2022
Rate: 3-month Euribor

Frequency: quarterly instalments
MTM: Euro 86 thousand

Type: IRS contract
Underlying contract: loan, Banco BPM
Notional amount: Euro 4,171,640
Term: 39 months
Period: 11/10/2019 - 31/12/2022
Rate: 3-month Euribor
Frequency: quarterly instalments
MTM: Euro 27 thousand

Type: IRS contract
Underlying contract: loan, Credit Agricole Italia S.p.A.
Notional amount: Euro 8,139,263
Term: 48 months
Period: 16/07/2019 - 17/07/2023
Rate: 3-month Euribor
Frequency: quarterly instalments
MTM: Euro 72 thousand

Type: IRS contract
Underlying contract: loan, Credit Agricole Italia S.p.A.
Notional amount: Euro 2,000,000
Term: 60 months
Period: 29/06/2020 - 30/06/2025
Rate: 3-month Euribor
Frequency: quarterly instalments
MTM: Euro 19 thousand

Type: IRS contract
Underlying contract: loan, BPER Banca S.p.A.
Notional amount: Euro 9,382,001
Term: 48 months
Period: 29/01/2020 - 29/01/2024
Rate: 3-month Euribor
Frequency: half-year instalments
MTM: Euro 56 thousand

Type: forward sale contract
Underlying contract: forward sale, Banca Nazionale del Lavoro S.p.A.
Notional amount: USD 2,212,666
Notional amount: Euro 1,708,227
Maturity: 31/08/2020
MTM: Euro 259 thousand

IRS contract – Basis Engineering S.r.l.
Notional amount Euro 2.5 million
Term: 60 months
Period: 30 June 2016 – 30 June 2021
Rate: 3-month Euribor
Frequency: quarterly instalments
MTM: Euro 4 thousand

IRS contract – Fores Engineering S.r.l.
Notional amount Euro 10 million
Term: 60 months
Period: 30 November 2016 – 30 November 2021
Rate: 3-month Euribor
Frequency: quarterly instalments
MTM: Euro 18 thousand

IRS contract - Basis Engineering S.r.l.
Notional amount Euro 2.5 million
Term: 60 months
Period: 30 June 2016 – 30 June 2021
Rate: 3-month Euribor
Frequency: quarterly instalments
MTM: Euro 2 thousand

IRS contract – Fores Engineering S.r.l.
Notional amount: Euro 10 million
Term: 60 months
Period: 30 November 2016 – 30 November 2021
Rate: 3-month Euribor
Frequency: quarterly instalments
MTM: Euro 17 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 31/12/2019	**Incr.**	**Decr.**	**Exchange delta**	**Balance 30/06/2020**
Provision for future liabilities and charges	4,255	990	(66)	(162)	5,017
Provision for contractual risks	1,796	0	0	(17)	1,779
Provision for covering future losses	0	658	0	0	658
Provision for sundry liabilities	1,800	0	0	0	1,800
Total other provisions	**7,851**	**1,648**	**(66)**	**(179)**	**9,254**

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 covering future losses was recognised to reflect the need to recapitalise Group companies currently not within the scope of consolidation.
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 (TFR)

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

Balance as at 31/12/2019	4,398
Amount accrued and recognised in the income statement	1,088
Amounts paid	(1,207)
Balance as of 30/06/2020	**4,279**

The employees’ severance indemnity provision as at 30 June 2020 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:

- financing granted by Banco BPM Spa to the Parent Company consisting of two loans. The first contract, entered into in 2017, provides for a fixed interest rate and payments of principal and interest in quarterly instalments until the maturity of the loan in 2022 (residual amount of Euro 2.0 million as at 30 June 2020). The second contract, entered into in 2019, provides for a variable interest rate and payments of principal and interest in quarterly instalments until the maturity of the loan in 2022 (residual amount of Euro 4.2 million as at 30 June 2020). 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;

- financing granted by Intesa San Paolo S.p.A. to the Parent Company consisting of two loans. The first contract, entered into in 2018, provides for a variable interest rate and payments of principal and interest in quarterly instalments until the maturity of the loan in 2023 (residual amount of Euro 5.5 million as at 30 June 2020). The second contract, entered into in 2019, provides for a variable interest rate and payments of principal and interest in half-yearly instalments until the maturity of the loan in 2024 (residual amount of Euro 8.0 million as at 30 June 2020). In relation to these mortgage loans and for the purpose of hedging the interest rate fluctuation risk, the Parent Company entered into a derivative finance agreement (Interest Rate Swap) for each of them, which has the accounting requisites so as to be qualifiable as a hedging derivative as previously commented on;
- financing granted by Unicredit Spa to the Parent Company consisting of three loans. The first contract, entered into in 2018, provides for a variable interest rate and payments of principal and interest in quarterly instalments until the maturity of the loan in 2022 (residual amount of Euro 11.2 million as at 30 June 2020). The second contract, entered into in 2019, provides for a variable interest rate and payments of principal and interest in quarterly instalments until the maturity of the loan in 2023 (residual amount of Euro 4.4 million as at 30 June 2020). The third contract, entered into during the half-year, provides for a fixed interest rate, the debiting of interest payments in half-yearly instalments and repayment of principal in a single instalment at the maturity of the loan in 2022 (residual amount of Euro 3.0 million as at 30 June 2020). In relation to the first and second contract, and for the purpose of hedging the interest rate fluctuation risk, the Parent Company entered into a derivative finance agreement (Interest Rate Swap) for each of them, which has the accounting requisites so as to qualify as a hedging derivative as previously commented on;
- financing granted by Credit Agricole Italia S.p.A. to the Parent Company consisting of two loans. The first contract, entered into in 2019, provides for a variable interest rate and payments of principal and interest in quarterly instalments until the maturity of the loan in 2023 (residual amount of Euro 8.1 million as at 30 June 2020). The second contract, entered into during the half-year, provides for a variable interest rate and payments of principal and interest in quarterly instalments until the maturity of the loan in 2025 (residual amount of Euro 2.0 million as at 30 June 2020).In relation to these

loans 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 qualify as a hedging derivative instrument, as previously commented on;

- financing granted by Monte dei Paschi di Siena S.p.A. to the Parent Company, contracted in 2019, with a residual value of Euro 4.2 million, which provides for a variable interest rate and payment of principal and interest in half-yearly instalments until the maturity of the loan in 2022;
- financing granted by BPER Banca S.p.A. to the Parent Company, contracted during the half-year, with a residual value of Euro 9.4 million, which provides for a variable interest rate and payment of principal and interest in quarterly instalments until the maturity of the loan in 2024. 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;
- financing granted by Credito Emiliano S.p.A., contracted during the half-year, with a residual value of Euro 4.2 million, which provides for a fixed interest rate and payment of principal and interest monthly instalments until the maturity of the loan in 2021;
- financing granted to the subsidiary Fores Engineering S.r.l. by Cassa dei Risparmi di Forlì e della Romagna with an outstanding balance of Euro 3.0 million, repayable in five years, with maturity on 30 November 2021. 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;
- financing granted to the subsidiary Fores Engineering S.r.l. by Unicredit S.p.A. with an outstanding balance of Euro 1.0 million, repayable in three years, with maturity on 31 July 2023. 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;
- financing granted to the subsidiary Fores Engineering S.r.l. by Banca

BPER with an outstanding balance of Euro 3.0 million, repayable in four years, with maturity on 20 January 2024. 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;

- financing granted to the subsidiary Basis Engineering S.r.l. by Unicredit Banca d'Impresa with an outstanding balance of Euro 0.6 million. 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;
- financing in the form of a contractual advance account with Banca Intesa relating to the ARCTIC project (for the client Technip/Gygaz) in the amount of Euro 4.0 million, maturing in 2021.

Payments on account

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

	Balance 30/06/2020	**Balance 31/12/2019**
Contract work in progress	8,132	8,601
Advances from third-party clients	19,841	28,713
Total	**27,973**	**37,314**

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 30/06/2020	**Balance 31/12/2019**
Due to Italian suppliers	24,401	30,156
Due to EEC suppliers	4,201	5,216
Due to non-EEC suppliers	19,464	28,357
Total	**48,066**	**63,729**

The change compared to the previous year reflects the decrease in production.

Amounts due to subsidiary companies

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

	Balance 30/06/2020	Balance 31/12/2019
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 30/06/2020	Balance 31/12/2019
Basis Pivot Ltd	21	21
Total	**21**	**21**

The entire amount is represented by the amount due to 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 30/06/2020	Balance 31/12/2019
IRPEF tax withholdings	1,789	2,448
Income tax payable (to Treasury)	165	189
Income tax payable (to Treasury) abroad	666	1,013
VAT	1,976	104
Other amounts	24	26
Total	**4,620**	**3,780**

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 2014.

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 30/06/2020	**Balance 31/12/2019**
Due to employees	6,121	5,229
Due to independent contractors	7	16
Due to pension funds	427	480
Sundry payables	4,051	4,266
Total	**10,606**	**9,991**

ACCRUED LIABILITIES AND DEFERRED INCOME

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

	Balance 30/06/2020	**Balance 31/12/2019**
Accrued liabilities:		
- Interest expense on mortgage loans	84	117
- Forward sale swaps	124	275
- Other	27	28
	235	**420**
Deferred income		
- Other	60	7
	60	**7**
Total	**295**	**427**

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 2020	H1 2019
Energy Business Unit	79,205	136,978
Shipbuilding Business Unit	5,263	1,333
Process Plant Business Unit	6,951	21,234
Sundry services	697	1,214
Total revenues from sales and services	**92,116**	**160,759**

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

	H1 2020	H1 2019
Revenues from Italian clients	8,861	9,405
Revenues from EEC clients	26,426	31,233
Revenues from non-EEC clients	56,829	120,121
Total revenues from sales and services	**92,116**	**160,759**

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 76.07% (63.26% 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 2020	H1 2019
Opening contract work in progress	(39,259)	(20,091)
Exchange delta	(2)	552
Closing contract work in progress	58,670	23,714
Total change in work in progress	**19,413**	**4,175**

The item "Change in contract work in progress", which presents a positive balance of Euro 19,413 thousand (positive balance of Euro 4,175 thousand as at 30 June 2019), represents the difference between the valuation of the orders in progress as at 30 June 2020 and the valuation of the orders in progress at the end of the previous year. This item concerns the Energy Business Unit for Euro 11,656 thousand (positive for Euro 4,512 thousand as of 30 June 2019), the Shipbuilding Business Unit for Euro (773) thousand (positive for Euro 1,058 thousand as of 30 June 2019) and the Process Plant Business Unit for Euro 8,530 thousand (negative for Euro (1,395) thousand as of 30 June 2019).

INCREASES IN OWN WORK CAPITALIZED

In the first half of 2020 the costs capitalised under this item referred to work done by the Parent Company at the San Vitale yard (replacement of the movable roof, installation of a new dust aspiration system in the structural metalwork industrial building, modernisation activity on the dry dock to separate the water used in the bottom cleaning process, construction of roofs over the air tanks and modernisation of the mechanical workshop) and at the Piomboni yard (modernisation of two office containers).

OTHER INCOME AND REVENUES

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

	H1 2020	**H1 2019**
Operating grants	271	100
Total "operating grants"	**271**	**100**
Charge-backs of expenses to third parties	453	146
Rentals and leases	21	18
Capital gains on disposal of assets	0	4
Excess of risk provisions	50	919
Contingent assets	13	29
Other amounts	110	133
Total "other amounts"	**647**	**1,249**
Total "other income and revenues"	**918**	**1,349**

COSTS AND EXPENSES

PURCHASES

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

	H1 2020	**H1 2019**
Raw materials	24,014	38,697
Ancillary materials and consumables	1,676	4,299

Other purchases	32	116
Total	**25,722**	**43,112**

The change compared to the previous year reflects the decrease in production.

SERVICES

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

	H1 2020	**H1 2019**
Subcontracting and outsourcing	47,579	47,555
Maintenance and repairs	746	885
Electricity, water and heating	571	525
Other production costs	12,736	6,145
Accessory personnel costs	1,226	3,087
Marketing expenses	1,218	1,962
Emoluments for directors and officers	519	640
Accounts audit	105	112
Administration and other general overheads	2,539	2,645
Total	**67,239**	**63,556**

This item remains essentially in line with the comparative half-year.

LEASES AND RENTALS

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

	H1 2020	**H1 2019**
Rental of real estate property	1,422	1,778
Movable property leasing	4,909	1,371
Maintenance of third-party assets	1	2
Concession fees	28	30
Software rental	190	215
Total	**6,550**	**3,396**

The change 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:

	30/06/2020	31/12/2019	30/06/2019
Executives	49	48	47
White collars	813	850	876
Blue collars	359	362	454
Total	**1,221**	**1,260**	**1,377**

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 01/01/2020	(3,364)
- Use/(Provision) for obsolete inventory	79
- Closing inventory as at 30/06/2020	2,993
Total	**(292)**

SUNDRY OPERATING EXPENSES

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

	H1 2020	H1 2019
Taxes and duties other than income tax	418	475
Capital losses on disposals	4	61
Contingent liabilities	35	74
Other operating expenses	152	129
Total	**609**	**739**

FINANCIAL INCOME AND EXPENSES

OTHER FINANCIAL INCOME

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

	H1 2020	H1 2019
c) Income from current securities not representing equity investments:		
- dividends from securities' management	1	1

- interest income on securities	617	810
- capital gains	13	159
Total	**631**	**970**
d) Income other than the above:		
- income from associated companies	49	112
Total	**49**	**112**
d) Income other than the above:		
- interest from third parties and sundry income:		
- bank interest income	10	17
- interest income from clients	0	7
- sundry interest income	0	35
Total	**10**	**59**
Total "income other than the above"	**690**	**1,141**

INTEREST AND OTHER FINANCIAL EXPENSES

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

	H1 2020	**H1 2019**
d) other:		
- interest expense on bank current accts.	2	0
- interest expense on mortgage loans	455	395
- securities' management fees	1	56
- capital losses on securities	450	6
- sundry interest expense	228	418
Total	**1,136**	**875**

EXCHANGE GAINS AND LOSSES

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

	H1 2020	**H1 2019**
Exchange gains	1,377	703
Unrealised exchange gains	(454)	585
Exchange losses	(817)	(990)
Unrealised exchange losses	(101)	(25)
Total	**5**	**273**

ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS

The negative balance of the item "Adjustments to the value of financial assets" amounts to Euro 1,557 thousand and mainly includes the following adjustment components:

- revaluation of current securities for Euro 26 thousand;
- revaluation of current derivative financial instruments for Euro 36

thousand;
- accrual to the provision for covering future losses of investees of Euro (658) thousand;
- write-down of current securities for Euro (514) thousand;
- write-down of current derivative financial instruments for Euro (447) thousand.

INCOME TAXES FOR THE YEAR

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

	H1 2020	H1 2019
Current taxes	(1,892)	(6,617)
Previous years taxes	(13)	620
Deferred taxes	(142)	(392)
Prepaid taxes	4,309	954
Total	**2,262**	**(5,435)**

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 105,467 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.

SIGNIFICANT SUBSEQUENT EVENTS

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 2020
(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 2019	**4.000**	**36.969**	**1.110**	**144.872**	**(629)**	**(15)**	**(5.100)**	**(3.294)**	**23**	**2.147**	**180.083**	**10.799**
Translation reserve	0	0	0	1	0	(1)	0	(93)	0	0	(93)	(223)
Reserve from expected cash flow hedging transactions	0	0	0	0	(156)	0	0	0	0	0	(156)	0
Change in scope of consolidation	0	0	0	0	0	0	0	0	0	0	0	0
Net profit/loss for 2nd half of 2019	0	0	0	0	0	0	0	0	0	2.323	2.323	6.265
BALANCES AS AT 31 DECEMBER 2019	**4.000**	**36.969**	**1.110**	**144.873**	**(785)**	**(16)**	**(5.100)**	**(3.387)**	**23**	**4.470**	**182.157**	**16.841**
2019 net profit:												
- to reserve	0	0	0	4.428	0	(146)	0	0	0	(4.282)	0	0
- dividends	0	0	0	(1.712)	0	0	0	0	0	(188)	(1.900)	0
Translation reserve	0	0	0	0	0	0	0	(721)	0	0	(721)	(841)
Reserve from expected cash flow hedging transactions	0	0	0	0	101	0	0	0	0	0	101	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 2020	0	0	0	0	0	0	0	0	0	(17.058)	(17.058)	975
BALANCES AS AT 30 JUNE 2020	**4.000**	**36.969**	**1.110**	**147.589**	**(684)**	**(162)**	**(5.100)**	**(4.108)**	**23**	**(17.058)**	**162.579**	**15.025**

STATEMENT OF CHANGES IN TANGIBLE FIXED ASSETS FOR THE YEAR ENDED 30 JUNE 2020

(in thousands of Euro)

	Opening balance			Changes in the period										Closing balance		
	Original	Accumulated	Balance	Investments		Divestments			Category change		delta	Depreciation		Original	Accumulated	Balance
	cost	depreciation	31/12/2019	Acquisitions	Internal work	Historical	Revaluations	Provision	Historical	Provision	exchange conversion	Rate	Ordinary	Cost	depreciation	30/06/2020
Yards and buildings:																
- land	35,050	(4,862)	30,188	0	0	0	0	0	0	0	(27)	0%	0	35,023	(4,862)	30,161
- yards and buildings	79,128	(31,936)	47,192	6	9	0	0	0	578	0	(1,193)	3%	(1,081)	78,528	(33,017)	45,511
- temporary construction	6,006	(5,735)	271	0	0	(18)	0	5	0	0	0	10%	(52)	5,988	(5,782)	206
Plant and machinery:																
- plant	18,062	(15,385)	2,677	78	123	(3)	0	3	0	0	0	10%	(406)	18,260	(15,788)	2,472
- dry dock	7	(7)	0	0	0	0	0	0	0	0	0	10%	0	7	(7)	0
- treatment plants	239	(239)	0	0	0	0	0	0	0	0	0	15%	0	239	(239)	0
- machinery	6,212	(5,795)	417	0	0	0	0	0	0	0	0	16%	(90)	6,212	(5,885)	327
- electronic installations	26	(26)	0	0	0	0	0	0	0	0	0	10%	0	26	(26)	0
Industrial and commercial equipment	12,915	(7,567)	5,348	216	0	(220)	0	217	160	0	(269)	25%	(488)	12,802	(7,838)	4,964
Other tangible assets:																
- office furniture	2,423	(1,489)	934	5	0	(64)	0	0	0	0	(15)	12%	(105)	2,349	(1,594)	755
- EDP office equipment	3,727	(2,862)	865	88	0	(109)	0	42	0	0	(23)	20%	(109)	3,683	(2,929)	754
- transport vehicles	539	(511)	28	0	0	0	0	0	0	0	0	20%	(9)	539	(520)	19
- motor vehicles	844	(439)	405	0	0	(58)	0	0	0	0	(16)	25%	(36)	770	(475)	295
- pontoon	3,707	(1,972)	1,735	0	0	0	0	0	0	0	0	8%	(80)	3,707	(2,052)	1,655
Assets under construction and payments on account	2,601	0	2,601	704	(352)	0	0	0	(738)	0	(11)	0%	0	2,204	0	2,204
Total	**171,486**	**(78,825)**	**92,661**	**1,097**	**(220)**	**(472)**	**0**	**267**	**0**	**0**	**(1,554)**		**(2,456)**	**170,337**	**(81,014)**	**89,323**

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 31/12/2019		*Decrease*		*Increases*		*Exchange Delta*	*Prepaid taxes as at 30/06/2020*	
Deductible differences	**Taxable amount**	**Tax**	**Taxable amount**	**Tax**	**Taxable amount**	**Tax**		**Taxable amount**	**Tax**
Provision for contractual risks	173	42	0	0	0	0	0	173	42
Allowance for doubtful receivables	771	185	10	2	0	0	0	761	183
Provision for future liabilities and charges	2.354	907	1.942	35	0	0	0	412	872
Unrealised exchange losses	96	23	97	23	31	7	0	30	7
Depreciation of tangible fixed assets	1.280	351	154	43	0	0	0	1.126	308
Directors' fee to be paid	8	1	0	0	0	0	0	8	1
Tax losses	15.237	4.252	4	1	17.872	4.277	(1)	33.105	8.527
Provision for obsolete inventory	653	159	79	19	0	0	0	574	140
Loss-making contracts	12.052	2.891	10.627	2.550	11.731	2.816	0	13.156	3.157
Provision for employee bonuses	341	82	178	43	15	4	0	178	43
Other financial statement provisions	863	247	855	179	455	100	(10)	463	158
Total	**33.828**	**9.140**	**13.946**	**2.895**	**30.104**	**7.204**	**(11)**	**49.986**	**13.438**

	Deferred taxation as at 31/12/2019		*Decrease*		*Increases*		*Exchange Delta*	*Deferred taxes as at 30/06/2020*	
Taxable differences	**Taxable amount**	**Tax**	**Taxable amount**	**Tax**	**Taxable amount**	**Tax**		**Taxable amount**	**Tax**
Unrealised exchange gains	47	11	47	11	129	31	0	129	31
Depreciation of tangible fixed assets	10.310	3.375	0	0	680	136	(179)	10.990	3.332
Amortisation of intangible fixed assets	15	2	0	0	0	0	0	15	2
Other financial statement provisions	494	118	510	118	501	120	0	485	120
Consolidation transactions	1.640	556	67	16	0	0	0	1.573	540
Total	**12.506**	**4.062**	**624**	**145**	**1.310**	**287**	**(179)**	**13.192**	**4.025**