ROSETTI MARINO

Consolidated Financial Statements

31 December 2017

Approved by the BoD on 30/03/2018

INDEX

1. DIRECTORS' REPORT ON OPERATIONS,

ACCOMPANYING THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2017

Dear Shareholders,
The consolidated financial statements of the Group for 2017 report a net loss of Euro (5,949) thousand after depreciation and amortisation of Euro 4,904 thousand, writedowns of current assets of Euro 469 thousand and accruals to provisions for risks of Euro 2,428 thousand. This result has been conditioned by the ongoing economic crisis that has characterised the global economy in recent years and, in particular, the segments where the Group operates which have been penalised by low oil prices. While the Energy Segment has shown the first signs of recovery, the same cannot be said for the Process Plant Segment which has continued to be affected by the economic situation or the Shipbuilding Segment which has seen a slump in volume of business.
We present below an overview of the Group's operating performance and details of foreseeable future developments.

OPERATING PERFORMANCE

The year ended 31 December 2017 was characterised by a fall in the volume of production (GIP of Euro 190 million in 2017 against Euro 213 million in 2016); the Shipbuilding Business Segment was worst affected and recorded all-time low production levels. Only the Energy Business Unit managed to maintain volumes in line with those recorded in 2016. The Process Plans Business Unit substantially held on to its market share although it confirmed the slump in margins already seen during the previous year.
The low value of production was undoubtedly due to the fact that 2017 was the fourth consecutive year of severe crisis for the Oil&Gas industry. However, the year was characterised by a series of positive commercial signals that had not been seen during the previous three years. Although it is still too early to speak of a genuine recovery in the industry, we must highlight the fact that the commercial and business development strategies adopted by the Group in recent years have, at last, produced positive results not only from a qualitative perspective – as in the previous two years – but also in terms of volumes. Indeed, for the Group, the year 2017 was characterised by

the start of work on important projects acquired during the year which will produce significant rewards in the years ahead when volumes are expected to grow.
In light of these events, we believe that the result achieved during the year – albeit characterised by a significant loss of value - must be considered positive. This is all the truer in light of the fact that, as a result of the ongoing crisis in the industry, very few companies in the “Energy” industry have managed to achieve such a strong recovery in orders as that managed by the Group in 2017. We believe it is useful to highlight the fact that these results have been made possible thanks to a focused but decisive commercial policy that has concentrated on the geographical areas, products and services – many of them new for the Group - with growth potential and interest in the professional skills and operational flexibility which characterise Group. These activities did not produce significant rewards in 2017 but it did enable the Group to record an order backlog of Euro 366 million at 31/12/17 (Euro 129 million at 31/12/2016) – this lets us look ahead with a moderate degree of optimism.
In 2017, the Process Plants segment, where subsidiary Fores Engineering operates, saw a repeat the disappointing results of last year, in terms of margins. In the second half of the year, this led to a major rethink of the business approach. From a commercial perspective, the subsidiary began to adopt a policy much more focused on less aggressive clients and geographical areas while, in operational terms, it adopted a tougher approach, paying much closer attention to time and costs.
In the Shipbuilding Business Unit, the most significant event during the year was the incorporation of subsidiary Rosetti Superyachts S.p.A. (RSY), as we will go on to describe in detail later.
We also note that the financial statements were penalised by unfavourable exchange trends, especially regarding the Kazakh currency and the US Dollar. This trend generated exchange losses of Euro (2,492) thousand at Group level.

A selection of the key performance indicators is provided below:

	31.12.17	31.12.16
G.I.P. (in thousands of Euro)	189,509	213,011
(A1+A2+A3 of the income statement)		
EBITDA (in thousands of Euro)	3,015	12,597
(A+B-10-12-13 of the income statement)		
EBITDA / GIP	1.59%	5.91%
EBIT (in thousands of Euro)	(4,786)	2,202
(A+B of the income statement)		
EBIT / GIP	-2.53%	1.03%
Profit(Loss) before tax (in thousands of Euro)	(5,904)	2,875
(item 22 of the income statement)		
Profit(Loss) before tax / GIP	-3.12%	1.35%
Net profit(loss) (in thousands of Euro)	(5,849)	1,755
(item 23 of the income statement)		
Net profit(loss) / GIP	-3.09%	0.82%
R.O.E	-3.14%	0.95%
(Net profit(loss) / Opening Group equity)		

An analysis of the various business segments in which the Group operates is provided below. Please refer to the Notes to the Financial Statements for more detailed analysis of the numbers themselves:

Energy Business Unit

With value of production of around Euro 151 million in 2017 (Euro 151 million in 2016), the energy segment was confirmed as the Group's main operating segment.

The year was again badly affected by the ongoing crisis in the industry although the oil price recovery, together with intensive commercial efforts, led to a significant increase in new order acquisitions compared to prior years. In the Offshore sector, the year saw the start of work on Living Quarters for Qatar (to be built in the Middle East) and on an offshore module to be built in Kazakhstan at the Yard of associated company Kazakhstan Caspian Offshore Industries Llp. For both projects, Project Management, Engineering and Procurement activities have been launched. Moreover, towards the end of the year, the Company won an order for a very important project regarding

Living Quarters destined for Denmark and to be built at the Piomboni Yard. In the Subsea sector, the Company delivered modules destined for Libya under an order acquired in prior years and work commenced on the pre-fabrication of underwater pipelines for the same oilfield, under an order picked by the Company during the year from a different Main Contractor. The year also registered the satisfactory delivery of an important Onshore project for Italy and, finally, in the second half of the year a highly interesting Technical Services project got underway in Egypt and will probably continue into 2018.
Still with regard to work in progress, we note that, in the first half of the year, associated company Kazakhstan Caspian Offshore Industries Llp carried out the initial stages of a project for a new client and the results achieved were worse than forecast. The situation improved later in the year and margins were significantly better in the second semester, also in relation to a major project that may be classified as Technical Services which improved the Company's result for the year and further enhanced KCOI's excellent reputation in Kazakhstan.
The orders acquired by the Parent Company in the second half of 2017 and the return to a full level of production for the ENI facility in Val d'Agri – where the Company has an operations office – helped subsidiary Basis Engineering S.r.l. to recover in terms of revenues and margins. As stated, the improvement only arrived in the second half of the year and was not sufficient to enable Basis Engineering to achieve its budget objectives. However, it does represent a good starting point for 2018. We also highlight the start of activities by subsidiary Basis Congo Sarl in the second half of 2017 and the acquisition of a majority of the quota capital of Tecon S.r.l. – now a subsidiary – in December 2017. The positive effects of these initiatives are expected in the years ahead and they are of great strategic importance to the Group, also because Engineering is a high value added link of the Energy industry value chain the Rosetti Group will be able to extend the geographical areas where it carries out lower value added activities such as Construction. Furthermore, the Engineering know-how will give the Group access to the new and innovative products that it is always seeking to find.
Finally, the important Technical Services business recovered well in

the second half of the year compared to the first six month period. This led to satisfactory results in both Egypt and Kazakhstan.
As previously stated, the latter part of the second half of the year was characterised by extremely important new orders, unparalleled in recent years. Although these new orders did not yield significant benefits in 2017, they are very important because of the major impact they will have on all of the Group companies in the near future. Moreover, in addition to the new order acquisitions already mentioned above, we note that, in early 2018, the Group obtained a first call-off relating to the four-year contract for brownfield projects signed by Nigerian associated company Rosetti-Pivot Ltd with the leading international player in Nigeria. In 2017, new contracts worth around Euro 358 million were acquired (Euro 101 million in 2016) and we await the outcome of a number of important tendering processes that should be concluded by the end of the first half of 2018.

Shipbuilding Business Unit
Shipbuilding contributed value of production of around Euro 3 million in 2017 (Euro 24 million in 2016).
Unfortunately, the ongoing crisis in this segment has effectively wiped out demand for support vessels for offshore activities. Consequently, production activities in 2017 were essentially limited to completion of two tugboats that were in the order backlog at 31.12.2016.
The Directors found themselves faced with a crisis in the shipbuilding segment that was so severe and so long-lasting that it had no historical precedent. Therefore, they had to decide whether to suspend shipbuilding activities – at least temporarily – or to seek to convert capacity to other related segments with better Business prospects. As a result, the decision was taken to close the Shipbuilding Yard temporarily, to deploy operations personnel on Energy projects for several months and to transform at least part of the business as a builder of merchant ships into a leisure boats activity with the introduction of the Superyachts business. This important entrance onto a market completely different to the traditional one led to the creation of a new company – with mainly commercial objectives – and a new brand, as well as an entirely new approach to the client base. So it was that, in June 2017, new

subsidiary Rosetti SuperYachts S.p.A. (hereinafter, also, "RSY") was set up with a new minority shareholder with significant experience of the sector. New design projects were carried out, a promotional campaign was undertaken in order to launch the brand and the products in the specialist channels and personnel was recruited. Consulting contracts were also entered into in order to secure the professional skills not present in the Group's organisation but which are indispensable for the new business. At present, the Group – and, particularly, the Parent Company - is providing RSY with a great deal of support with the preparation of detailed projects and the drafting of tenders. This is because, under the business model adopted, RSY is to win orders from clients, handling directly marketing, design and Luxury finishing aspects. Meanwhile, the construction of the yachts themselves is to be carried out by Parent Company Rosetti Marino S.p.A.

Process Plants Business Unit

This business segment is entirely handled by subsidiary Fores Engineering and its associated companies. In 2017, it generated value of production of around Euro 36 million against around Euro 38 million in 2016.

Market difficulties have hit this Business Unit worse than expected because of its ineffective commercial policy. Said commercial policy is too dispersive and pays insufficient attention to the competitive environment in product destinations. It led, on the one hand, to a very low level of new orders during the year and, on the other hand, resulted in the acquisition of very low margin products accompanied by the burden of fairly high risks. In response to this situation, the company took a number of important reorganizational decisions between the second and third quarters and made numerous changes to the Senior Management team.

We highlight the revised commercial processes and the new business development strategy launched in the second half of 2017 which made it possible to put the 2018 Budget together with a volume of tenders sufficient to cover the number of new orders and the production levels necessary to bring the company back into profit in 2018. Furthermore, the company has launched a series of projects designed

to improve processes, reduce production costs, reduce project execution periods and lower the incidence of general costs.
The Directors expect that the combined effect of all of these measures will lead to recovery in 2018 in terms of both new order acquisitions and margins. This will lead to recovery in the Business Segment in terms of market position and competitiveness.

CAPITAL EXPENDITURE

In 2017, the Group incurred capital expenditure totalling Euro 6,419 thousand with Euro 484 thousand invested in intangible assets and Euro 5,935 thousand in tangible assets.
The main investments in intangible assets regarded the purchase and implementation of software intended improve certain business processes.
Investments in tangible assets mainly associated company Kazakhstan Caspian Offshore Industries Ltd and, to a lesser extent, the production sites of the Parent Company. The investments aimed to improve both production facilities and infrastructures.
The level of capital expenditure confirms the Group's commitment to becoming ever more competitive while operating safely and respecting the environment.

FINANCIAL SITUATION

For a more detailed analysis of cash flows during the year, please see the Group's consolidated financial statements and, in particular, the statement of cash flows.
At this point, we would highlight the fixed asset coverage ratio (amply financed through equity) and the net financial position which remains positive despite a slight decrease compared to prior year.
Financial fixed assets mainly include a receivable of Euro 8,750 thousand from associated company Kazakhstan Caspian Offshore Industries LLp representing 50% of two loans in Euro made to that company (as a result of consolidation on a proportionate basis), in prior years, to provide it with the financial resources needed to finance the capital expenditure planned at the yard in Kazakhstan.

We note that, during 2017, associated company Kazakhstan Caspian Offshore Industries Llp made full repayment of the loan totalling Euro 11,549 thousand that was received in 2012 and partial repayment of the loan granted in 2009 in the amount of Euro 4,300 thousand.

Some of the most important financial and equity ratios are shown below:

	31.12.17	31.12.16
Short-term NFP (in thousands of Euro)	60,355	100,497
(CIII + CIV of Assets – D4 current of Liabilities)		
Fixed asset coverage margin (in thousands of Euro)	114,489	141,922
(M/L term liabilities + total equity – fixed assets)		
Fixed asset coverage ratio	2.22	2.40
(M/L term liabilities + total equity / fixed assets)		
Financial independence index	49.50%	49.30%
(Total equity / Total assets)		
Ratio of financial income(expense) to GIP	-0.73%	0.35%
(Financial income and expenses / GIP)		

Note that if exchange losses are not considered, financial net financial expenses represent +0.59% of GIP.

Moving onto the financial risks relating to trade receivables, we note that the Group operates primarily with longstanding clients, including leading oil companies or their subsidiaries and leading Italian shipping companies. Given the longstanding relationships with clients and their financial soundness, no specific guarantees are required for receivables from clients. However, we note that, as the Group tends to operate on a few, very large contracts, its receivables are highly concentrated on a small number of clients. Given this fact, it is standard 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 situation and to continue to monitor outstanding receivables thoroughly during performance of the work.

The Group has a healthy, positive net financial position and has obtained a good rating from the banks with which it deals. Accordingly, there are no difficulties in raising financial resources or risks associated with interest rate fluctuation.

The Group is exposed to the exchange rate risk as a result of its

operations on international markets. In order to protect itself against this risk, as in previous years, the Group has arranged exchange rate risk hedging transactions when it has acquired significant orders from clients in foreign currencies and issued significant orders to suppliers in foreign currencies.
It should be noted that when business is conducted in countries whose local currencies are not easily traded and are subject to significant fluctuation (e.g. Kazakhstan), it is not possible to perform effective exchange risk hedging.

PERSONNEL

For all of the Group companies – including the Parent Company – the skill and professionalism of personnel are viewed as extremely important intangible assets.
Therefore, during the year, the Group invested a lot of resources on training activities that involved many employees (for example, the Parent Company invested an amount equal to 1.93% of its personnel costs). This figure confirms the special attention that has been paid to the professional development of human resources as we believe that people represent an essential resource for the continued success and development of the Group.
As at 31 December 2017, the headcount came to 1,032 employees, a net decrease of 30 compared to 31 December 2016.
Some 240 employees were hired while -270 employees left the workforce due to natural turnover. In further detail, it should be noted that the number of executives decreased by 6 while white-collar workers and blue-collar workers decreased by 16 and 8, respectively. Headcount decreases were recorded by Rosetti Kazakhstan Llp (-64), Fores Engineering S.r.l. (-22) and Fores Engineering Algerie Eurl (-17) while there were increases for Kazakhstan Caspian Offshore Industries Llp (+33), parent company Rosetti Marino S.p.A. (+9), Basis Engineering S.r.l. (+3), Basis Congo Sarl (+3) and Rosetti Superyachts S.p.A. (+2). We also note the inclusion of the employees of Tecon S.r.l. (+23) as a result of the line-by-line consolidation of that subsidiary following the acquisition of a further 45.0% of its shares in December 2017.

Due to the type of business conducted, the risk of accidents, including potentially fatal accidents, is high. For this reason, the Group has always devoted particular attention to safety issues by adopting a series of internal procedures and educational measures aimed at preventing such events.
All production facilities have been certified compliant with the BS-OHSAS18001 standard.
Furthermore, we continue to promote initiatives aimed at further spreading a culture of safety among all internal and external workers who operate at our Italian and international production facilities.

OTHER INFORMATION ON OPERATIONS

As expressly required by Article 2428 of the Italian Civil Code, we report the following while referring the reader to the Notes for further information on the numbers reported:

Information on business risks

The inherent risks involved in the business activities of the Group companies are those typical of enterprises that operate in the plant engineering and shipbuilding segments.
The responsibilities resulting from the design and construction of our products and the risks associated with normal operating activity are dealt with in advance by devoting adequate attention to such aspects when developing processes and implementing adequate organisational procedures, as well as by acquiring adequate insurance cover 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 environment have been reviewed in advance and appropriate measures adopted, as described in the "Financial situation", "Information on the environment", "Personnel" and "Business outlook" paragraphs.

Activities relating to Legislative Decree 231/11 on administrative responsibility

For 2017, the Parent Company Supervisory Board has duly issued Six Monthly Reports on its activities in the first and second halves of the year. The Board of Directors has acknowledged these reports which do not contain any facts or issues worth of note.

Information on the environment

The Group constructs large metal structures and the related manufacturing activities involve limited environmental risks, mainly during the painting and sandblasting phases.

Although these risks are limited, they are thoroughly assessed and evaluated by the unit responsible for environmental matters.
The attention paid to environmental issues is borne out by the fact that the Parent Company has been certified compliant with international standard ISO14001 for many years.

Research and development

Research and development is mainly carried out by the Parent Company's Business Development unit which incurred costs totalling Euro 1,617 thousand. These activities have involved the study of new products and new technologies, relating in particular to the subsea segment, the wind segment and the shipbuilding segment. The main studies have included the floating wind power platform, the project for a new tugboat for ports, the Gainn project on a prototype for the storage and micro-liquefaction of LNG and study, research and realisation of an underwater control system for subsea plant and equipment.
These research activities could, potentially, produce significant benefits for the Group which might be able to conquer new market segments through these innovative projects.

Treasury share transactions

There were no transactions in treasury shares during the year. Therefore, the number of treasury shares held by the Parent Company remained unchanged at 200,000 (par value of Euro 1.00 each) or 5.0% of share capital.

BUSINESS OUTLOOK

At 31.12.2017, the order backlog for contracts acquired but not yet completed amounted to around Euro 366 million.
We note the following with regard to the main commercial and operational developments on the market in the various segments where the Group operates:

Energy Business Unit
The order backlog for this business unit stands at Euro 350 million (Euro 101 million at 31 December 2016), including Euro 322 million in the offshore segment, Euro 10 million in the subsea segment, Euro 10 million in the Technical Service segment and Euro 8 million in the onshore segment.
Therefore, the situation has greatly improved compared to recent years and it should be noted that the Group has also reached the final stages of more important tendering processes which – in the first few months of 2018 – could be translated into important, new orders for work to be carried out at the yards in Ravenna and Akshukur, marking a clear relaunch of work at all of the Group's production facilities, including those in Italy.
As already stated, the operating activities of Nigerian associated company Rosetti Pivot Ltd are expected to get underway at the start of 2018 while associate Kazakhstan Caspian Offshore Ltd will continue to have a very healthy workload. Finally, the year will also see the start of construction work in Qatar on the Living Quarters destined for that country – the related contract was acquired in 2017. This will ensure a full level of operating activity for the Branch recently registered in Qatar.
In 2018, the Company will continue its commercial and business development efforts with the utmost determination and the following main objectives in mind: consolidate position in Qatar, acquire contracts and commence operating activities in new geographical areas like the Congo and Russia and acquire first contracts in the

Renewable Energy segment (offshore wind in particular), with special attention paid to Europe.

Shipbuilding Business Unit

At present, the Shipbuilding Business Unit has no order backlog but the business is expected to pick up in the near future in relation to both the type of ships that represent the Group's traditional products and Superyachts, through new subsidiary RSY. For traditional ships, in particular, the Group is presenting a series of innovative tugboats to North African ship-owners with tenders backed by an attractive funding mechanism guaranteed by SACE. Several foreign competitors have already offered this type of solution and it has been well received by the market. The Group is already involved in important negotiations based on this new format and has noted a certain level of interest from ship-owners. Meanwhile, in the Superyachts segment, the products offered by RSY have attracted strong interest from potential customers and various sets of negotiations are underway. The Directors expect the first orders to arrive during the first half of 2018.

Process & Plant Business Unit

The Group operates in this segment through subsidiary Fores Engineering Srl and its subsidiaries/associated companies. At the start of 2018, an order backlog in excess of Euro 16 million was carried forward from prior year.

The gradual recovery in investment in the Oil & Gas industry and the new commercial approach adopted by the new Senior Management team are leading to a many new tenders and, consequently, to new orders in line with the level envisaged in the 2018 Budget.

Geographically speaking, once more this year, the areas of greatest commercial interest will include the North Sea (mainly for projects acquired by the Parent Company), the United Arab Emirates, North Africa (and the Congo (Brazzaville). It will be important to see how prospects regarding Russia and Qatar turn out in practice.

One of the Group's main strengths lies in this Business Segment is the vast range of products and services it can offer clients both in Italy and in the various other countries where the Group usually operates.

In terms of the foreseeable workload for 2018, setting aside the slow start to the year, the outlook is for a healthy workload that will keep the operating structure occupied and will avoid under-utilisation of capacity during the year.

Dear Shareholders,

The activities carried out by the Group in 2017 have generated a net loss of Euro (5,849) thousand.

We invite you to approve the financial statements, the accounting policies applied and the accompanying directors' report.

Ravenna 30/03/2018

For the Board of Directors
The Chief Executive Officer
Oscar Guerra

<u>2. CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017:</u>

- ***Balance Sheet***
- ***Income Statement***
- ***Statement of Cash Flows***
- ***Notes***

BALANCE SHEET (Amounts in thousands of Euro)

ASSETS		*2017*	*2016*
A)	**DUE FROM SHAREHOLDERS FOR UNPAID CAPITAL**	**0**	**0**
B)	**NON-CURRENT ASSETS:**		
	I Intangible assets		
	1) start-up and expansion costs	10	0
	3) industrial patent rights	52	0
	4) concessions, licences, trademarks and similar rights	403	422
	6) assets in progress and payments on account	31	62
	7) other intangible assets	1,383	1,530
	8) goodwill	14	0
	TOTAL INTANGIBLE ASSETS	1,893	2,014
	II Tangible assets:		
	1) land and buildings	66,871	69,307
	2) plant and machinery	5,154	6,271
	3) industrial and commercial equipment	2,863	1,319
	4) other tangible assets	3,549	3,860
	5) assets under construction and payments on account	2,859	880
	TOTAL TANGIBLE ASSETS	81,296	81,637
	III Financial assets:		
	1) investments:		
	a) in subsidiaries	1	55
	b) in associated companies	147	778
	d-bis) in other entities	169	143
	Total investments	317	976
	2) receivables:		
	b) from associated companies		
	due within a year	0	5,774
	due after more than a year	10,300	10,900
	d bis) from others	150	0
	TOTAL FINANCIAL ASSETS	10,767	17,650
	TOTAL NON-CURRENT ASSETS	**93,956**	**101,301**
C)	**CURRENT ASSETS:**		
	I Inventory:		
	1) raw, ancillary and consumable materials	1,379	638
	3) contract work in progress	45,990	73,796
	5) payments on account	14,984	4,047
	TOTAL INVENTORY	62,353	78,481
	II Receivables:		
	1) due from clients (trade)		
	due within a year	88,303	72,152
	due after more than a year	0	2,800
	3) due from associated companies	6,511	5,730
	4) due from parent companies	10	8
	5bis) tax receivables	5,921	6,772
	5ter) deferred tax assets	6,165	5,179
	5quarter) due from others		
	- due within a year	232	220
	- due after more than a year	270	95
	TOTAL RECEIVABLES	107,412	92,956
	III Current financial assets:		
	5) derivatives	13,327	4,167
	6) other securities	43,863	37,379
	TOTAL FINANCIAL ASSETS	57,190	41,546
	IV Cash and cash equivalents:		
	1) bank and post office accounts	41,369	62,423
	3) cash and cash equivalents on hand	73	64
	TOTAL CASH AND CASH EQUIVALENTS	41,442	62,487
	TOTAL CURRENT ASSETS	**268,397**	**275,470**
D)	**PREPAID EXPENSES AND ACCRUED INCOME**	**716**	**812**
TOTAL ASSETS		**363,069**	**377,583**

LIABILITIES AND SHAREHOLDERS' EQUITY		*2017*	*2016*
A)	**SHAREHOLDERS' EQUITY:**		
	I Share capital	4,000	4,000
	III Revaluation reserve	36,969	36,969
	IV Legal reserve	1,110	1,110
	VI Other reserves	149,809	149,240
	VII Cash flow hedge reserve	(250)	(481)
	VIII Retained earnings (Accumulated losses)	(86)	(132)
	IX Profit (Loss) for the year	(5,849)	1,755
	X Negative reserve for treasury shares held	(5,100)	(5,100)
	XI Consolidation reserve	23	23
	XII Translation reserve	(2,147)	(1,230)
	TOTAL EQUITY ATTRIBUTABLE TO THE GROUP	**178,479**	**186,154**
	Capital and reserves attributable to minorities	1,247	3
	TOTAL EQUITY ATTRIBUTABLE TO THE GROUP AND TO MINORITIES	**179,726**	**186,157**
B)	**PROVISIONS FOR RISKS AND CHARGES:**		
	1) Provisions for retirement benefits and similar	474	156
	2) Tax provisions	3,245	2,571
	3) Derivatives	250	481
	4) Other	8,089	7,657
	TOTAL PROVISIONS FOR RISKS AND CHARGES	**12,058**	**10,865**
C)	**T.F.R./EMPLOYEE SEVERANCE INDEMNITY PROVISION**	**4,270**	**3,464**
D)	**PAYABLES:**		
	4) bank borrowing:		
	- due within a year	38,277	3,536
	- due after more than a year	12,391	42,737
	6) payments on account	73,430	80,967
	7) due to suppliers (trade)	32,655	38,926
	9) due to subsidiaries	1	24
	10) due to associated companies	66	778
	12) tax payables	3,167	3,304
	13) social security payables	2,026	1,996
	14) other payables	4,883	4,691
	TOTAL PAYABLES	**166,896**	**176,959**
E)	**ACCRUED EXPENSES AND DEFERRED INCOME**	**119**	**138**
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		**363,069**	**377,583**

INCOME STATEMENT (AMOUNTS IN THOUSANDS OF EURO)	*2017*	2016
A) VALUE OF PRODUCTION:		
1) Revenues from sales and services	171,371	124,327
3) Change in contract work in progress	18,138	88,684
4) Increase in internal works capitalised	27	180
5) Other revenues and income:		
a) operating grant income	578	297
b) other	2,458	1,678
TOTAL VALUE OF PRODUCTION	**192,572**	**215,166**
B) COST OF PRODUCTION:		
6) Raw, ancillary and consumable materials and goods	(39,483)	(75,131)
7) Services	(92,151)	(67,873)
8) Leases and rentals	(8,419)	(4,774)
9) Personnel:		
a) wages and salaries	(38,020)	(41,887)
b) social contributions	(8,883)	(9,903)
c) T.F.R./Employee severance indemnity	(2,171)	(2,179)
e) other personnel costs	(374)	(380)
Total personnel costs	(49,448)	(54,349)
10) Amortisation, depreciation & writedowns:		
a) amortisation of intangible assets	(546)	(633)
b) depreciation of tangible assets	(4,358)	(4,252)
d) writedowns of current receivables and cash and cash equivalents	(469)	(3,039)
Total amortisation, depreciation & writedowns	(5,373)	(7,924)
11) Change in inventory of raw, ancillary and consumable materials and goods for resale	741	277
12) Provisions for risks	(2,428)	(2,471)
14) Sundry operating expenses	(797)	(719)
TOTAL COST OF PRODUCTION	**(197,358)**	**(212,964)**
DIFF. BETWEEN VALUE AND COST OF PRODUCTION (A+B)	**(4,786)**	**2,202**
C) FINANCIAL INCOME AND EXPENSES:		
15) Income from equity investments:		
d) dividends and other income from other entities	1	1
16) Other financial income:		
c) from current securities other than equity investments	961	469
d) income other than the above		
- interest and fees from associated companies	198	339
- interest and fees from others and sundry income	674	899
17) Interest and other financial expenses:		
d) subsidiaries	0	(116)
d) associated companies	0	(49)
d) others	(720)	(862)
17bis) exchange gains and losses	(2,492)	61
TOTAL FINANCIAL INCOME AND EXPENSES	**(1,378)**	**742**
D) ADJUSTMENTS TO VALUE OF FINANCIAL ASSETS		
18) Revaluations:		
a) of equity investments	46	14
c) of current securities	74	3
d) of derivatives	389	128
19) Writedowns:		
a) of equity investments	0	(166)
c) of current securities	(77)	(47)
c) of derivatives	(172)	(1)
TOTAL ADJ. TO VALUE OF FINANCIAL ASSETS	**260**	**(69)**
PROFIT (LOSS) BEFORE TAXATION (A+B+C+D)	**(5,904)**	**2,875**
20) Taxes on income for the year	(51)	(1,120)
NET PROFIT (LOSS) FOR THE YEAR INCLUDING AMOUNT PERTAINING TO NON-CONTROLLING INTERESTS	**(5,955)**	**1,755**
Profit) loss for year pertaining to non-controlling interests	(106)	0
NET PROFIT (LOSS) - GROUP	**(5,849)**	**1,755**

STATEMENT OF CASH FLOWS (thousands of Euro)	**31/12/2017**	**31/12/2016**
OPENING CASH AND CASH EQUIVALENTS	**62,487**	**49,550**
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) for the period	(5,849)	1,755
Taxes on income	51	1,120
1. Profit (loss) for the period before taxes on income	(5,798)	2,875
Adjustments for non-cash items with no impact on net working capital		
Allocations to provisions	5,229	9,362
Depreciation/Amortisation of non-current assets	4,904	4,885
Adjustments to value of financial assets and liabilities (derivative) not involving any cash flows	231	(44)
2. Cash flows before changes in NWC	4,566	17,078
Changes in net working capital		
(increase) decrease in inventory	15,967	(21,035)
(increase) decrease in current receivables	(17,100)	8,554
Increase (decrease) in trade payables and other payables	(14,321)	26,076
(increase) decrease in prepaid expenses and accrued income	96	214
Increase (decrease) in accrued expenses and deferred income	(19)	(9)
(increase) decrease in other working capital items	3,869	(2,784)
3. Cash flows after changes in NWC	(6,942)	28,094
Other adjustments		
(Taxes on income paid)	(188)	(335)
(Use of provisions)	(3,050)	(1,863)
CASH FLOWS FROM OPERATING ACTIVITIES (A)	**(10,180)**	**25,896**
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in:		
Intangible assets	(425)	(967)
Tangible assets	(4,017)	(3,949)
Non-current financial assets	6,883	81
Current financial assets	(15,644)	(4,605)
CASH FLOWS FROM INVESTING ACTIVITIES (B)	**(13,203)**	**(9,440)**
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Debt		
Loans arranged	8,419	2,500
Loans repaid	(4,024)	(6,270)
Equity		
Dividends (and advances on dividends) paid	(1,140)	(456)
Revaluation/Realignment		
Translation reserve	(917)	707
CASH FLOWS FROM FINANCING ACTIVITIES (C)	**2,338**	**(3,519)**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	**(21,045)**	**12,937**
CLOSING CASH AND CASH EQUIVALENTS	**41,442**	**62,487**

Note: *the interest accounted for is substantially equally to that received/paid; disposals are not significant so are not shown; investments had largely been paid for at the date of preparation of the financial statements.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

STRUCTURE AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with the requirements of the Italian Civil Code and consist of the balance sheet, the income statement and the statement of cash flows (prepared in the formats required, respectively, by Articles 2424 and 2424 bis of the Italian Civil Code, Articles 2425 and 2425 bis of the Italian Civil Code and Article 2425 ter of the Italian Civil Code) and these notes. The purpose of the notes is to illustrate, analyse and, in some cases, supplement the figures reported in the financial statements. They contain the information required by Articles 2427 and 2427 bis of the Italian Civil Code, by other provisions of the Italian Civil Code on financial reporting and by other previous laws. The notes also provide such additional information considered necessary to provide a true and fair representation, even though not specifically required by law.

Where necessary, statutory reporting requirements have been supplemented with the accounting standards recommended by the Standard-Setting Committee of Italy's National Council of Accountants and revised by the Italian Accounting Board, as amended and supplemented by the OIC (*Organismo Italiano di Contabilità* or Italian Accounting Board), including the amendments issued in December 2017, and by the standards issued by the International Accounting Board (IASB), insofar as the latter are consistent with Italian law.

The items reported in the financial statements were measured based on the prudence and accruals principles, on a going concern basis and taking account of the principle of materiality.

Application of the prudence principle meant that items included in each asset or liability caption were valued separately in order to avoid offsetting of losses that should have been recognised and profits that should not as they had not been realised.

In accordance with the accrual principle, the effect of transactions and other events has been accounted for an allocated to the period to which such transactions and events rate and not to the period when the related cash movements (collections and payments) occur. For

accounting purposes, priority is given to the economic substance of the underlying transactions rather than to their legal form.
The consolidated financial statements as at 31 December 2017 have been prepared using the financial statements of the individual companies included within the scope of consolidation, as obtained from the statutory financial statements and consolidation packages prepared by the respective Boards of Directors. These financial statements have been appropriately adjusted, as necessary, to bring them into line with the accounting policies described below.

CONSOLIDATED REPORTING DATE

All of the entities included in the consolidated financial statements have the same financial year end as the consolidated reporting date.

CONSOLIDATION PRINCIPLES

The consolidated financial statements have been prepared based on the financial statements approved by the General Meetings or Boards of Directors of the consolidated companies, as adjusted – as appropriate – to bring them into line with the Group's accounting principles, or based on financial information submitted by the consolidated companies and prepared in accordance with the Parent Company's instructions.

The accounting principles adopted when preparing the consolidated financial statements are those adopted by the Parent Company to prepare its separate financial statements i.e. those adopted by most of the consolidated companies. This is except for the fact that investments in associated companies are valued using the equity method rather than the cost method and for the accounting treatment of assets held under finance leases, as illustrated later in these Notes.

A) Consolidation methods

Subsidiaries are consolidated on a line-by-line basis. The primary criteria adopted for that method are as follows:
- the carrying amount of equity investments is eliminated against the related 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 recognised under a shareholders' equity item entitled "Consolidation reserve"; where positive, it is recognised under an asset item entitled "Consolidation difference" and amortised over five years where 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, are eliminated;
- non-controlling interests in shareholders' equity and net profit are disclosed under specific items in the consolidated balance sheet and income statement;
- companies acquired during the year are consolidated with effect from the date on which a majority interest was obtained. If acquisition occurs during the final days of the year, the acquired company is consolidated with effect from the following reporting period.

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

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

When preparing the consolidated financial statements, the assets and liabilities of foreign subsidiaries with functional 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 year-end exchange rates and the translation of the income statement at the average rates for the year are recognised in the shareholders' equity item "Translation reserve”. This reserve is released to the income statement as income or expense in the period when the related subsidiary is sold.

SCOPE OF CONSOLIDATION

The consolidated financial statements as at 37 December 2016 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, except for Rosetti Marino Mocambique Limitada which was not included in the scope of consolidation because it was not yet operating at 31 December 2017.
Investments in associated companies have been included using the equity method. This is except for Kazakhstan Caspian Offshore Industries Llp which has been consolidated using the proportionate method and companies Rosetti Pivot Ltd, Rosetti Congo Sarl and Basis Pivot Ltd which have been excluded because they are non-operational.

A list of equity investments in subsidiaries and associated companies is provided below (in thousands of Euro):

Company name	Location	Share capital	% interest held
Subsidiaries			
FORES ENGINEERING S.r.l.	Forlì	1.000	100.0%
BASIS ENGINEERING S.r.l.	Milan	500	100.0%
ROSETTI GENERAL CON. Lda (1)	Portugal	50	100.0%
ROSETTI KAZAKHSTAN Llp (2)	Kazakhstan	198	100.0%
FORES ENG. ALGERIE Eurl (3)	Algeria	1.118	100.0%
FORES DO BRASIL LTDA (4)	Brazil	112	100.0%
ROSETTI MARINO UK Limited	United Kingdom	0	100.0%
ROSETTI MARINO MOZAMBIQUE Limitada (*)	Mozambique	1	96.0%
ROSETTI MARINO SUPERYACHTS S.p.A.	Ravenna	1.500	90.0%
ROSETTI LYBIA Jsc	Libya	622	65.0%
TECON S.r.l.	Milan	47	65.0%

BASIS CONGO Sarl (5)	Congo	99	60.0%
Associated companies			
K.C.O.I. Llp (6)	Kazakhstan	1,160	50.0%
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 (*)	Nigeria	46	45.0%

(1) Including 2% held indirectly through Basis Engineering S.r.l.
(2) Including 10% held indirectly through Fores Engineering S.r.l.
(3) Held indirectly through Fores Engineering S.r.l.
(4) Including 75% held indirectly through Fores Engineering S.r.l.
(5) Held indirectly through Basis Engineering Srl
(6) Including 40% held indirectly through Rosetti Kazakhstan Llp
(*) Company currently dormant/non-operational

During 2017, the following changes compared to prior year had an impact on the consolidated financial statements:

- incorporation of subsidiary Rosetti Marino Superyachts S.p.A. (Italy) by the Parent Company which holds a 90% equity interest;
- line-by-line consolidation of subsidiary Basis Congo Sarl which was previously valued at cost as it was non-operational;
- acquisition of 45.0% of the quota capital of associated company Tecon Srl (Italy), taking the percentage interest held to 65.0%. In prior year, the investment was classified under investments in associated companies as the equity interest held stood at 20%. The acquisition of an additional 45% - and with it control – took place at the end of December 2017. For this reason, the Balance Sheet has been consolidated line by line while the Income Statement for 2017 has not been consolidated.

The subsidiaries and associated companies operate in the following sectors:

- Fores Engineering S.r.l., Fores Engineering Algèrie Eurl and Fores do Brasil LTDA: design, construction and maintenance of automation and control systems;
- 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 Libya Jsc, Rosetti Kazakhstan Llp and Rosetti Marino UK Limited: construction of offshore and onshore oil facilities;
- Rosetti General Contracting Construcoes Serviços: ship charter and services and operating activities on foreign markets;
- Rosetti Superyachts S.p.A.: sale and construction of superyachts.

RECONCILIATION BETWEEN SHAREHOLDERS' EQUITY AND PROFIT FOR THE YEAR OF PARENT COMPANY ROSETTI MARINO S.P.A. AND CONSOLIDATED SHAREHOLDERS' EQUITY AND PROFIT FOR THE YEAR

The following is the statement of reconciliation between the shareholders' equity and profit for the year reported in the financial statements of the Parent Company and the corresponding consolidated figures as at 31 December 2017:

	Share-holders' equity	Profit for the year
AMOUNTS REPORTED IN FINANCIAL STATEMENTS OF ROSETTI MARINO S.p.A. AT 31/12/17	162,434	1,128
Consolidation adjustments:		
a. Difference between the carrying amount of consolidated equity investments and the valuation of those equity methods according to the equity method	14,113	(3,827)
b. Effect of accounting for finance lease agreements for tangible assets in accordance with the finance lease method	2,222	(114)
c. Reversal of unrealised profits/losses resulting from transactions between Group companies	(30)	(92)
d. Reversal of unrealised profits resulting from distribution of dividends between Group companies	0	(2,976)

e. Allocation of deferred tax assets and liabilities pertaining to the tax effect (where applicable) of consolidation adjustments	(260)	32
AMOUNTS REPORTED IN THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017	178,479	(5,849)

ACCOUNTING POLICIES

The accounting policies described below were updated by the Italian Accounting Standards Board / "OIC" in the version issued on 22 December 2016 – in response to the changes introduced by Legislative Decree 139/2015 – and amended by the "Amendments" issued on 29 December 2017.

The "Amendments" regarded the following accounting standards:

- OIC 12 Presentation of financial statements;
- OIC 13 Inventories;
- OIC 16 Tangible assets;
- OIC 17 Consolidated financial statements and equity method;
- OIC 19 Payables;
- OIC 21 Investments;
- OIC 24 Intangible assets;
- OIC 29 Changes to accounting policies, changes to accounting estimates, correction of errors, events after the reporting date;
- OIC 32 Derivatives.

These "Amendments" had no effect on the amounts reported in the financial statements at 31 December 2017.

The most significant accounting policies applied when preparing the financial statements at 31 December 2017 in compliance with the requirements of Article 2426 of the Italian Civil Code and the aforementioned accounting standards are as follows:

Intangible assets

Intangible assets are recognised at purchase or production cost, including related expenses. They are systematically amortised over their expected useful lives.

When, irrespective of the amortisation already recorded, the value of an intangible asset is impaired, it is adjusted accordingly. If, in

subsequent years, the grounds for an impairment loss cease to apply, the original amount is restored, except with regard to goodwill, consolidation difference and "Deferred expenses" in terms of Article 2426(5) of the Italian Civil Code.
Advertising and research and development costs are expensed in their entirety during the year in which they are incurred.

Tangible assets
Tangible assets are recognised at purchase or production cost, net of any grants towards capital expenditure and adjusted for certain assets in application of specific revaluation laws. Cost includes related expenses and direct and indirect costs to the extent reasonably attributable to the asset.
Tangible assets are systematically depreciated each year on a straight-line basis using rates of depreciation determined in relation to the residual useful lives of the assets. The rates applied are presented on the section of the notes containing comments on assets. Tangible assets are written down when impaired, irrespective of previously recognised depreciation charges. If the grounds for an impairment loss cease to apply in later years, the original amount is restored.
Ordinary maintenance costs are expensed in their entirety to the income statement, whereas those that involve improvements are allocated to the relevant assets and depreciated on the basis of the residual useful life of the asset in question.

Assets held under finance leases
Tangible assets held under finance lease agreements are reported in accordance with International Accounting Standards (IAS 17) using the "finance lease method" which provides for:
- the recognition of an asset equal to the original amount of the assets acquired under finance lease agreements at the time of signature of such agreements;
- the recognition of the related principal element of the outstanding liability towards the leasing company;
- the allocation to the income statement, in place of lease instalments for the period, of depreciation charges and financial expenses for the period, as included in the finance lease instalments.

Equity investments and securities (recorded as non-current assets)
Equity investments in associates are measured using the equity method or the proportionate method if they are 50% owned. Equity investments in other entities are measured at cost, as are investments in dormant/non-operational subsidiaries. The carrying amount is determined on the basis of the purchase or subscription price. Cost is then written down for impairment when the investee companies incur losses and it is not expected that the income earned in the immediate future will be sufficient to offset these losses. The original amount is restored in later years if the grounds for the impairment loss cease to apply.

Inventory

Raw Materials:
Raw materials are measured at the lower of purchase or production cost, determined using the weighted average cost method, and estimated realisable value.

Contract work in progress and revenue recognition:
Contract work in progress spanning more than one year is measured at year-end on the basis of the consideration accruing with reasonable certainty (the percentage completion method). Consideration accruing is calculated by applying the completion percentage determined using the cost-to-cost method to estimated total revenues.
This percentage is calculated as the ratio of costs incurred as at 31 December to estimated total costs.
Additional consideration is included in contract revenues only when it is formally accepted by the client before the reporting date or, if there has been no formal acceptance, at the reporting date, it is highly probable that the request for additional consideration will be accepted based on the most recent information and historical 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 made by clients on a non-definitive basis while a project is ongoing, are recognised upon the completion of work as normally agreed in terms of “states of completion” by reducing the

amount of contract work in progress, whereas advances received from clients at the outset of contract work and contractual milestone payments by clients are recognised under the item “Payments on account” on the liabilities side of the balance sheet.
Contracts are considered completed when all costs have been incurred and the work has been accepted by the clients. Any losses on contracts that can be estimated with reasonable accuracy are deducted from the value of contract work in progress in the period they come to light. If such losses exceed the value of the contract work in progress, the Company records a specific provision for risks for the excess amount.

Receivables

Receivables are reported using the amortised cost method, taking account of the time factor and estimated realisable amount. The amortised cost method is not applied when its effects would be irrelevant i.e. when transaction costs, commission paid between the parties and all other differences between initial amount and amount on maturity are immaterial or the receivables are short-term (i.e. due within a year).
Trade receivables due after more than a year from the time of initial recognition – without payment of interest or with interest significantly different than market rates – are initially recognised at the amount determined by discounting future cash flows at the market rate of interest. The difference between the initial recognised value of the receivable as so determined and terminal value is recorded in the income statement as financial income over the period of the receivable, using the effective interest rate method.
The value of receivables, determined as above, is adjusted, as necessary, by a specific provision for bad debts, as deducted directly from the receivables in order to bring them into line with their estimated realisable amount. The estimate of the provision for bad debts includes forecast losses due to credit risks that have already materialised or are considered probable as well as losses for other collection issues that have already emerged or which have not yet emerged but are considered probable.

Current financial assets

Current financial assets are recognised at the lower of purchase or subscription cost, including directly attributable auxiliary expenses, and realisable amount based on market performance.

The original cost of such securities is restored when the grounds for previously recognised impairment adjustments cease to apply.

Cash and cash equivalents

Cash and cash equivalents are recognised at their nominal amount. Amounts denominated in foreign currency are stated at reporting date exchange rates.

Prepaid expenses and accrued income, accrued expenses and deferred income

These items include portions of costs and revenues common to two or more reporting periods, as determined in accordance with the accrual basis of accounting.

Provisions for risks and charges

Provisions for risks and contingencies are created to cover losses or liabilities that are certain or probable but whose amount and due date could not be determined at year end. The amounts provided represent the best possible estimate based on the information available. When measuring risks and contingencies, risks and losses that came to light between the reporting date and the date the consolidated financial statements were prepared were also taken into account.

Risks for which the emergence of a liability is merely possible are disclosed in the Note on provisions without making any accrual to a provision for risks and charges.

Derivative instruments

Derivative instruments are financial assets and liabilities measured at fair value and are mainly used as hedging instruments to manage the risk of exchange rate and interest rate fluctuation.

Derivatives are classified as hedging instruments only when, at the start of the hedge, there is a close, documented relationship between the item hedged and the financial instrument and the effectiveness of the hedge – as regularly tested - is high.

When the derivatives hedge the risk of changes in cash flow from the hedged instruments ("cash flow hedges"), the effective portion of the gains or losses on the derivative financial instrument is suspended under equity. Gains or losses relating to the ineffective portion of a hedge are recorded in the income statement. When the related operation is realised, gains and losses accumulated in equity to date are recorded in the income statement when the operation in question is realised (as adjustments to the income statement captions affected by the hedged cash flows). Therefore, changes in the fair value of hedging derivatives are allocated:

• in the income statement, to captions D18 or D19 in case of a fair value hedge of an asset or liability recorded in the financial statements together with changes in the fair value of the hedged items (where 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 caption affected by the hedged item);

• in a specific equity reserve (under caption AVII "Reserve for cash flow hedges") in case of cash flow hedges in order to offset the effects of the hedged cash flows (the ineffective portion is recorded under captions D18 and D19).

Changes in the fair value of derivatives classified as held for trading – because they do not meet hedge accounting requirements – are recorded in the balance sheet and allocated to the income statement under captions D18 or D19.

TFR/Employee severance indemnity provision

The employee severance indemnity provision covers the full liability accruing up to 31 December 2006 towards employees under applicable legislation, collective labour agreements and supplementary company agreements. The liability is adjusted for inflation based on indices. Note that the changes to TFR rules introduced by Law no 296 of 27 December 2006 ("Finance Act 2007") and by subsequent Decrees and implementation Regulations have amended the accounting methods applied to TFR entitlement accruing as at 31 December 2006 and to that accruing from 1 January 2007 onwards. Following the establishment of the "Fund for payment to private sector employees of the employee severance indemnity in terms of Article 2120 of the Italian Civil Code" (Treasury Fund managed by INPS on behalf of the State), employers with at least fifty employees are obliged to pay into said Treasury Fund portions of TFR entitlement accruing in favour of employees who have not opted to pay their entitlement into a supplementary pension fund. The TFR liability reported in the financial statements is stated net of amounts paid to said INPS Treasury Fund; this is except for subsidiary Basis Engineering S.r.l. which continues to make allocations to the TFR provision.

Payables

Payables are reported using the amortised cost method, taking account of the time factor. The amortised cost method is not applied to payables when its effect is insignificant. The effect is considered insignificant for short-term payables (i.e. payables due within a year). For details of the amortised cost method, see the note on Receivables.

Revenues and costs

Costs and revenues are recognised in accordance with the prudence and accruals concepts required by Article 2423-*bis* of the Italian Civil Code. Pursuant to Article 2425-*bis* of the Italian Civil Code, costs and revenues are stated 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. Related party transactions take place on an arm's length basis.

Grants towards capital expenditure and operating expenses

Grants towards capital expenditure and operating expenses are recognised when they are collected.

In prior years, in order to take advantage of the suspension of taxation under tax rules in force until 31 December 1997, for the amount permitted by tax rules, part of the grants received was recorded under shareholders' equity item "other reserves".

Dividends

Dividends are recognised during the year in which distribution is approved by the company paying them.

Taxes on income for the year

Income taxes are recorded on the basis of estimated taxable income in accordance with current tax rules, taking account of applicable exemptions and tax credits due and in accordance with Italian GAAP requirements for the treatment of income taxes.

Deferred tax assets and liabilities are also recognised on temporary differences between the reported result for the year and taxable income. They are calculated based on the rate of taxation expected to be applicable in the fiscal year that the differences will reverse, in application of the "liability method".

Deferred tax assets are recognised when it is reasonably certain that there will be sufficient future taxable income to ensure their recovery.

For a three-year period commencing in 2017, the Parent Company, together with subsidiaries Rosetti Superyachts S.p.A., Basis Engineering S.r.l. and Fores Engineering S.r.l., have opted to participate in the Rosetti Group consolidated taxation arrangement in terms of Articles 117-129 of the Consolidated Income Taxes Act (T.U.I.R.). The Parent Company acts as consolidating entity and determines a single taxable base for all group companies taking part in the tax consolidation. In this way, taxable income can be offset against tax losses in a single tax return.

Translation into Euro of foreign currency items

Receivables and payables in foreign currency are originally accounted for at the exchange rates in effect when the transactions are recorded.

Exchange differences arising on the collection of receivables and settlement of payables in foreign currency are recognised in the income statement.

Receivables and payables in foreign currency for which exchange risk hedging transactions have been arranged are adjusted to the base exchange rate of the said hedging transactions.

At year-end, receivables and payables in foreign currency for which hedging transactions have not been arranged are translated on the basis of the exchange rate in force at the reporting date. Gains and losses arising from this translation are credited and debited to the

income statement as financial income or expenses.
Any net gain arising after considering unrealised exchange gains and losses is allocated to a specific non-distributable reserve until it is realised.

OTHER INFORMATION

Exceptions pursuant to Article 2423(4) of the Italian Civil Code
No exceptions pursuant to Article 2423(4) of the Italian Civil Code were made when preparing the attached financial statements.

Comparison and presentation of figures
In the interest of greater clarity and comprehensibility, all figures in the balance sheet, income statement, notes and accompanying attachments are stated in thousands of Euro.

COMMENTS ON THE MAIN ASSET ITEMS

NON-CURRENT ASSETS

INTANGIBLE ASSETS

Start-up and expansion costs
The above item underwent the following changes during the year (in thousands of Euro):

	Bal. 31/12/16	Incr.	Decr.	Bal. 31/12/17
Start-up and expansion costs	0	13	(3)	10

This item includes the net book value of the start-up costs incurred by subsidiary Rosetti Superyachts S.p.A..

Industrial patent rights

Movements on this item during the year were as follows (in thousands of Euro):

	Bal. 31/12/16	Incr.	Decr.	Bal. 31/12/17
Patents	0	52	0	52

The increase in patents is due to the line-by-line consolidation of subsidiary Tecon S.r.l. following the acquisition of a further 45% of quota capital in December 2017.

Concessions, licences, trademarks and similar rights

Movements on this item during the year were as follows (in thousands of Euro):

	Bal. 31/12/16	Incr.	Decr.	Exch. Diff.	Bal. 31/12/17
Licences	14	0	0	(2)	12
Concession of land rights	408	0	(17)	0	391
Total concessions licences etc.	**422**	**0**	**(17)**	**(2)**	**403**

The above items are amortised on the basis of the period of the user license agreements and the term of concessions of land rights, respectively.

Concessions of land rights consists of the residual amount of consideration paid to acquire those rights, which expire in 2017, 2018 and 2050, on land adjacent to the Piomboni yard.

Intangible assets in progress

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

	Bal. 31/12/16	Incr.	Decr.	Bal. 31/12/17
Intangible assets in progress	62	31	(62)	31

"Intangible assets in progress and payments on account" amounts to Euro 31 thousand and represents the value of work done until 31.12.2017 on internal projects not yet completed.

Other intangible assets

This item is analysed as follows (in thousands of Euro):

	Bal. 31/12/16	**Incr.**	**Decr.**	**Exch. Diff.**	**Bal. 31/12/17**
Loan arrangement expenses	135	0	(74)	0	61
Software	263	347	(148)	(9)	453
Leasehold improvements	1,132	41	(304)	0	869
Total other intangible assets	**1,530**	**388**	**(526)**	**(9)**	**1,383**

We note that, as specifically permitted, the Group has continued to classify arrangement expenses relating to loans signed prior to 01.01.2016 as "other intangible assets" and to amortise these expenses in accordance with the former accounting standard. .

The increase in "Software" mainly includes – for the Parent Company - Euro 15 thousand relating to development of new CRM (Customer Relationship Management) software capable of managing the flow of information between the Tenders Department and the Sales Department; Euro 1 thousand for the purchase of software to calculate the best plan for the cutting of steel bars, pipes and profiles; Euro 11 thousand for the purchase of IBM software; Euro 62 thousand for the purchase of Microsoft software; Euro 22 thousand for the development of software to manage business trips and related expense claims; Euro 113 thousand for the development of software for the procurement process; and Euro 14 thousand for the development of new software for the management of delivery notes and materials certificates. Meanwhile, subsidiary Basis Engineering S.r.l. has invested around Euro 13 thousand on software for Engineering applications and subsidiary Fores Engineering S.r.l. has invested in inventory management software.

The increase in "Leasehold improvements" is due to the capitalisation of costs incurred by Basis Engineering S.r.l. to bring the leased property in Assago into line with the requirements of the business.

Decreases include Euro 526 thousand of amortisation for the year and Euro 9 thousand of exchange differences. Amortisation is charged at different rates for the various types of capitalised cost, as follows:

- On a straight-line basis over three years for software;

- Over the period of the loan agreement for loan arrangement expenses;
- Over the period of the land rights and property lease agreements for capex in those areas.

Goodwill

This item regards the positive difference between the amount paid by the Parent Company to acquire investments in Group companies and the corresponding portion of equity of said companies at the acquisition date. In more detail, the balance consists of the consolidation difference of Euro 14 thousand arising on the acquisition of 45% of Tecon S.r.l. in December 2017.

TANGIBLE ASSETS

A detailed breakdown of this item, movements during the year and the depreciation rates applied are provided in an attachment to these Notes.

In 2017, ordinary depreciation charges were recognised at rates representing the useful lives of the tangible assets.

“Assets under construction and payments on account” mainly includes construction work on new office buildings and new warehouses at the Kazakhstan Yard by associated company Kazakhstan Caspian Offshore Industries LLP.

FINANCIAL ASSETS

Equity investments

A detailed breakdown of non-consolidated equity investments is provided below (in thousands of Euro):

	Interest held	**Balance 31/12/16**	**Incr.**	**Decr.**	**Balance 31/12/17**
Subsidiaries:					
Rosetti Marino Mocambique Ltd (*)	96%	1	0	0	1
Basis Congo Sarl	60%	54	0	(54)	0
Total subsidiaries		**55**	**0**	**(54)**	**1**
Associated companies:					
Rosetti Congo Sarl (*)	50%	76	0	0	76

Rosetti Pivot Ltd (*)	49%	0	0	0	0
Rigros S.r.l.	50%	50	0	0	50
Basis Pivot Ltd (*)	45%	21	0	0	21
Tecon S.r.l.	20%	631	36	(667)	0
Total associated companies		**778**	**36**	**(667)**	**147**
Other entities:					
SAPIR		3	0	0	3
CAAF Industrie		2	0	0	2
Consorzio Cura		1	0	0	1
Consorzio Destra Candiano		1	0	0	1
O.M.C.		20	0	0	20
Cassa Risparmio Ravenna		116	10	0	126
Other companies		0	16	0	16
Total other entities		**143**	**26**	**0**	**169**

(*) Non-operational/Dormant company.

As previously stated, we note that the decreases in the investment in subsidiary Basis Congo Sarl and in the investment in associated company Tecon S.r.l. are due to the line-by-line consolidation of these companies after the start of operating activities in the Congo in 2017 and the acquisition of a further 45% equity interest in December 2017, respectively.

We note that the carrying amount of the investment in Cassa di Risparmio di Ravenna S.p.A. has been increased by Euro 10 thousand to bring it into line with market value at 31.12.2017.

“Other companies” refers to minority investments held by subsidiary Tecon S.r.l. The increase is due to the line-by-line consolidation of that company following the acquisition of a further 45% of its quota capital in December 2017.

Receivables from associated companies

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

	Balance 31/12/16	**Incr.**	**Decr.**	**Balance 31/12/17**
Kazakhstan Caspian Offshore Ind.	16,674	0	(7,924)	8,750
Rigros S.r.l,	0	1,550	0	1,550
Total receivables	**16,674**	**1,550**	**(7,924)**	**10,300**

The receivable from associated company Kazakhstan Caspian Offshore Industries Llp consists of 50% of a medium-term loan disbursed in several instalments from 2009 onwards (total outstanding amount of Euro 17,500 thousand at 31/12/2017) in order to finance the setting up of a yard in Kazakhstan. The loan is unsecured and bears interest at a market-based, arm's length rate. The Parent Company Directors plan to finalise the extension of the loan of Euro 17,500 thousand maturing in 2018 and, for that reason, it has been classified under non-current receivables.

We note that, in 2017, associated company Kazakhstan Caspian Offshore Industries Llp made full repayment of a loan totalling Euro 11,549 thousand received in 2012 and repaid part (Euro 4,300 thousand) of a loan received by it in 2009.

Based on the Business Plan prepared by the Company, considering the cash flows from contracts the associated company has acquired in recent years and likely future new orders, no losses are expected on these loans.

During 2017, a loan of Euro 1,550 thousand was granted to associated company Rigros S.r.l. in order to finance the purchase of a plot of land next to the Parent Company headquarters. The loan bears interest at market-based rates, on an arm's length basis.

CURRENT ASSETS

INVENTORY

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

	Balance 31/12/2017	**Balance 31/12/2016**
Raw materials	2,354	1,452
Minus obsolescence provision	(975)	(814)
	1,379	638
Contract work in progress	238,845	220,194
Payments on account	(192,855)	(146,398)
	45,990	73,796
Advances to suppliers	14,984	4,047
Total inventory	**62,353**	**78,481**

Measurement of year-end inventory at weighted average purchase cost does not lead to any appreciable difference compared to a current cost

measurement. In order to bring inventory into line with its estimated realisable value, an obsolescence provision of Euro 975 thousand has been recorded.
Long-term contract work in progress is measured based on consideration accruing with reasonable certainty (percentage of completion method). It is stated net of payments on account received based on the state of completion of the works. The decrease compared to prior year is due to the different state of completion of contracts in progress and, in particular, to the high percentage of completion of contracts at the end of the previous period and, therefore, the higher level of payments on account received.
Advances to suppliers primarily consist of sums paid to various suppliers and sub-contractors upon placement of the related orders for purchases of materials and for sub-contract agreements.

RECEIVABLES

Due from clients (trade)

This item includes receivables from clients arising as a result of normal commercial transactions.
It may be broken down as follows (in thousands of Euro):

	Balance 31/12/17	**Balance 31/12/16**
Due from clients - Italy	31,772	15,816
Due from clients – Other EU	10,510	19,379
Due from clients – Non-EU	50,503	44,220
Provision for bad debts	(4,482)	(4,463)
Total due from clients (trade)	**88,303**	**74,952**

The increase in total trade receivables compared to prior year is due to different timing of collections in relation to progress with contracts as described above.
Given the nature of the Group's business, trade receivables are highly concentrated with 44.09% (51.89% in prior year) of the total due from the five leading clients by outstanding balance.
The provision for bad debts, substantially unchanged compared to prior year, is considered reasonable in light of the collection risks relating to trade receivables. It has been determined on an overall basis taking account of collection risks relating to certain specific

factors. The provision reflects a prudent assessment by the Directors of the collection risk regarding these receivables.

Receivables from associated companies

This item may be analysed as follows (in thousands of Euro):

	Balance 31/12/17			Balance
	Trade	**Financial**	**Tot.**	**31/12/16**
Rigros S.r.l.	-	1	1	-
Rosetti Pivot Ltd	898	-	898	306
Kazakhstan Caspian Off. Ind.	5,527	85	5,612	5,424
TOTAL	**6,425**	**86**	**6,511**	**5,730**

All trade and financial transactions with associated companies take place on an arm's length basis. No further losses on receivables from associated companies are expected in addition to those already reflected in the financial statements.

Receivables from parent company

The receivables from parent company Rosfin S.p.A., amounting to Euro 10 thousand, are trade receivables. The related transactions were entered into on an arm's length basis and no provision has been made as the Directors believe the receivables will be collected in full.

Tax receivables

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

	Balance 31/12/17	Balance 31/12/16
VAT receivable	1,342	1,720
Customs duty receivable	-	32
Foreign tax receivable	540	29
IRAP receivable	927	835
IRES receivable	3,112	4,156
Total	**5,921**	**6,772**

The VAT receivable mainly includes the annual VAT credit of Euro 1,047 thousand arising on ordinary commercial transactions and a VAT credit of Euro 295 thousand accruing in prior years for which a refund has been requested.

The IRAP credit is due to both to the fact that payments made on account in prior years exceeded the tax actually due and to credits

arising in 2014 pursuant to Article 19(1) B of Decree Law no 91/2014 (the “competitiveness” decree) which made it possible to convert any A.C.E. (Economic Growth Subsidy) surplus into an IRAP credit, to be split into five equal annual amounts. The amount represents the remaining credit that may be used in the next three years.
The IRES receivable is mainly due to the fact that income tax payments made on account in prior years exceeded the taxes actually due for 2017 and to refund requests made in relation to prior years.

Deferred tax assets

Deferred tax assets have been recognised on all positive temporary differences. The theoretical tax effects on temporary differences have been calculated according to current rates. Detailed movements on this item are provided in an annex to these Notes.

Receivables from others

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

	Balance 31/12/17	**Balance 31/12/16**
Due within a year:		
Due from employees	95	73
Insurance refunds receivable	6	9
Sundry	131	138
TOTAL	**232**	**220**
Due after more than a year:		
Guarantee deposits	270	95
TOTAL	**270**	**95**

All of the above amounts are considered recoverable so no provision for bad debts has been recorded.

CURRENT FINANCIAL ASSETS

The following table shows changes in current financial assets:

	Balance 31/12/16	**Diff.**	**Balance 31/12/17**
Derivatives	4,167	9,160	13,327
Other securities	37,379	6,484	43,863
Total financial assets	**41,546**	**15,644**	**57,190**

The increase in both items is entirely due to temporary investments of cash. The balance at 31 December 2017 consists of insurance policies (Euro 37 million) subject to a limited risk of change in the value of the asset, mutual fund units, bank certificates and, to a minor extent, shares and bonds.
Changes in fair value are recorded in the Balance Sheet and in the Income Statement under captions D18 c or D19 c.
Derivatives includes derivative instruments classified as held for trading as they do not satisfy hedge accounting requirements: changes in fair value are recorded in the Balance Sheet and in the Income Statement under captions D18 d or D19 d.

CASH AND CASH EQUIVALENTS

Bank and post office accounts
The balance of Euro 41,369 thousand at 31 December 2017 consisted entirely of funds held in bank accounts.

Cash and cash equivalents on hand
The balance at 31 December 2017 mainly consisted of cash on hand and amounted to Euro 73 thousand.
The change in cash and cash equivalents compared to prior year is explained in the statement of cash flows.

PREPAID EXPENSES AND ACCRUED INCOME

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

	Balance 31/12/17	**Balance 31/12/16**
Prepaid rental costs	160	241
Prepaid moveable asset rental costs	37	74
Other prepaid expenses	519	497
Total prepaid expenses and accrued income	**716**	**812**

These items represent portions of income and expenses that relate to different reporting periods than the one in which they were collected or paid. They have been determined in accordance with the accrual principle.

COMMENT ON THE MAIN LIABILITY AND EQUITY ITEMS

SHAREHOLDERS’ EQUITY

Movements on the items included in Shareholders’ equity are shown in an attachment.
The main shareholders’ equity items are commented on below:

SHARE CAPITAL

At 31 December 2017, share capital was wholly subscribed and paid and consisted of 4,000,000 ordinary shares with a par value of Euro 1.00 each.

REVALUATION RESERVE

This reserve was created in 2005 after the revaluation of fixed assets and the realignment of tax values and values for statutory reporting purposes under Law 266/05. It increased in 2008 as a result of the revaluation of fixed assets under Law 2/09.

LEGAL RESERVE

This reserve includes portions of annual earnings allocated in prior years.

OTHER RESERVES

Extraordinary reserve

This reserve consists of portions of annual earnings allocated in prior years.

CASH FLOW HEDGE RESERVE

Movements on this reserve reflect future cash flows from derivatives which are considered “cash flow hedging instruments ".

RETAINED EARNINGS (ACCUMULATED LOSSES)

This includes the prior year retained earnings of several subsidiaries consolidated on a line-by-line basis.

NET PROFIT(LOSS) FOR THE YEAR

This includes the net profit or loss for the year.

NEGATIVE RESERVE FOR TREASURY SHARES HELD

This reserve reflects the value of treasury shares held by the Company.

TRANSLATION RESERVE

This reserve regards differences arising on the translation of the foreign currency financial statements of companies not resident in Italy but included in the scope of consolidation and due to differences between the year-end exchange rate (used to translate Balance Sheet items) and the average exchange rate for the year (used to translate Income Statement items).

PROVISIONS FOR RISKS AND CHARGES

Provisions for retirement benefits and similar rights

This item includes amounts allocated for the leaving indemnity of a Director, as approved by the Shareholders' General Meeting. At 31.12.2017, it stood at Euro 474 thousand (Euro 156 thousand at 31.12.2016).

Tax provisions

This item includes the current tax provision of Euro 814 thousand and the deferred tax provision of Euro 2,431 thousand (Euro 2,571 thousand at 31.12.2016), as calculated on all taxable temporary differences.

Note that the theoretical tax effect of the temporary differences has been calculated based on current tax rates. The change in this item compared to prior year is shown in an attachment to these Notes.

Provision for derivatives

This caption, amounting to Euro 250 thousand (Euro 481 thousand at 31.12.2016), represents the contra-entry to the amount recorded under the "Cash flow hedge reserve" in shareholders' equity. The key features of the derivatives are listed below:

Hedging Instrument

IRS agreement Rosetti Marino S.p.A.
Notional amount Euro 30 million
Duration: 48 months
Period: 31.10.2014 – 31.10.2018
Rate: Euribor 3 months
Frequency: Quarterly instalments
MTM in Euro at 31.12.17 Euro (220) thousand
Hedging Instrument
IRS agreement Basis Engineering S.r.l.
Notional Amount Euro 2.5 million
Duration: 60 months
Period: 30.06.2016 – 30.06.2021
Rate: Euribor 3 months
Frequency: Quarterly instalments
MTM in Euro at 31.12.17 Euro (8) thousand
Hedging Instrument
IRS Agreement Fores Engineering S.r.l.
Notional Amount Euro10 million
Duration: 60 months
Period: 28.02.2017 – 30.11.2021
Rate: Euribor 3 months
Frequency: Quarterly instalments
MTM in Euro at 31.12.17 Euro (22) thousand

We note that the Parent Company has adopted a system of powers and procedures which regulate the signature of derivative agreements.
In more detail, with regard to derivatives used to hedge the exchange rate risk, the Board of Directors approves the limits for use in relation to the arrangement of derivatives and, within said limits, the Finance and Accounting Department determines which derivatives are most appropriate to hedge the risk.
Meanwhile, derivatives used to hedge the interest rate risk in relation to loans are specifically approved by the Board of Directors together with the financing that is to be hedged.

Other provisions

Movements on this item during 2017 were as follows (in thousands of Euro):

	Balance 31/12/16	Incr.	Decr.	Exch. Diff.	Balance 31/12/17
Provision for future risks	2,383	879	(129)	(1)	3,132
Provision for contractual risks	3,474	1,549	(1,759)	(107)	3,157
Provision for sundry risks	1,800	0	0	0	1,800
Total other provisions	**7,657**	**2,428**	**(1,888)**	**(108)**	**8,089**

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

The provision for contractual risks has been created to cover the risk of probable work under warranty in application of contractual penalty clauses and the emergence of additional costs necessary to recover the delay accumulated on certain ongoing projects.

The provision for sundry risks has been created to cover the estimated specific country risk due to the fact that the Group is party to major transactions in high risk countries e.g. Kazakhstan, as previously described.

T.F.R./EMPLOYEE SEVERANCE INDEMNITY PROVISION

Movements on the provision during the year were as follows (in thousands of Euro):

Balance 31-12-2016	3,464
Amount accruing and recorded in income statement	2,171
Other movements	686
Utilisation	(2,051)
Balance 31-12-2017	**4,270**

The TFR/employee severance indemnity provision at 31 December 2017 represents the indemnity accruing in favour of employees up to 31 December 2006. It will be settled through payments made when employees leave the Italian companies or through advance payments made in accordance with the law. Utilisation mainly consists of transfers to complementary pension funds in relation to amounts accruing during the year following changes introduced by Law no 296 of 27 December 2006 (Finance Act 2007).

PAYABLES

No payables are secured on Group assets.
No payables are due after more than five years.
A breakdown of payables is provided below together with movements on the various component items during the year:

Bank borrowing

This item includes:
- a loan of Euro 30 million arranged by the Parent Company with Unicredit Banca d'Impresa in 2014 which provides for a bullet repayment of the principal upon expiry of the loan which is scheduled for 2018. In order to hedge the interest rate risk relating to this loan, the Parent Company has arranged a derivative contract (Interest Rate Swap) which meets the accounting requirements to be treated as a hedging derivative, as previously described;
- a loan of Euro 4.5 million arranged by the Parent Company with Banco BPM in 2017 (of which Euro 1.0 million is due within a year) which provides for a fixed rate of interest of 0.98% and repayment of the principal in several instalments until the scheduled expiry of the loan in 2022;
- a loan of Euro 2.5 million (of which Euro 1.2 million due within a year) arranged by subsidiary Fores Engineering S.r.l. with Banca Popolare dell'Emilia Romagna on 06.10.2015 and expiring on 06.10.2019;
- a loan of Euro 8 million (of which Euro 2.0 million due within a year) from Cassa dei Risparmi di Forlì e della Romagna, as arranged by subsidiary Fores Engineering S.r.l. on 30.11.2016 and repayable in five years (final expiry date of 30.11.2021). In order to hedge the interest rate risk relating to this loan, the company has arranged a derivative contract (Interest Rate Swap) which meets the accounting requirements to be treated as a hedging derivative, as previously described;
- a loan of Euro 2.2 million arranged by subsidiary Basis Engineering

S.r.l. with Unicredit Banca d'Impresa in the first half of 2016, including Euro 0.6 million due within a year. In order to hedge the interest rate risk relating to this loan, the company has arranged a derivative contract (Interest Rate Swap) which meets the accounting requirements to be treated as a hedging derivative, as previously described.

This caption also includes Euro 3.4 million of advances on invoices requested by subsidiary Fores Engineering S.r.l. in the final months of 2017.

Payments on account

This item includes advances already received from clients and milestone payments for contracts in progress.

	Balance 31/12/17	**Balance 31/12/16**
Advances from third party clients	73,430	80,967
TOTAL PAYMENTS ON ACCOUNT	**73,430**	**80,967**

The decrease compared to prior year reflects the contract work in progress trend at the reporting date. For further information, see the specific note on Contract work in progress.

Due to suppliers (trade)

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

	Balance 31/12/17	**Balance 31/12/16**
Due to suppliers - Italy	22,679	25,806
Due to suppliers – Other EU	2,867	5,634
Due to suppliers – Non-EU	7,109	7,486
TOTAL	**32,655**	**38,926**

These payables relate to commercial transactions subject to normal market terms and conditions with payment due within a year. The decrease is mainly due to the different timing of contracts.

Payables to subsidiaries

This item includes short-term payables as follows (in thousands of Euro):

	Balance 31/12/17	Balance 31/12/16
Rosetti Marino Mocambique Ltd	1	1
Basis Congo Sarl	0	23
TOTAL	**1**	**24**

This item represents a liability towards Rosetti Marino Mocambique Limitada in respect of share capital subscribed but not yet paid.

Payables to associated companies

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

	Balance 31/12/17	Balance 31/12/16
Rigros S.r.l.	37	37
Basis Pivot Ltd	21	21
Tecon S.r.l.	0	720
Kazakhstan Caspian Offshore Industries Llp	8	0
TOTAL	**66**	**778**

The decrease in the payable to Tecon S.r.l. is due to the line-by-line consolidation of the investment in that company following the acquisition of a further 45% equity interest in December 2017. The payables to Rigros S.r.l. and Basis Pivot Ltd regard the portion of share capital subscribed but not yet paid.

Tax payables

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

	Balance 31/12/17	Balance 31/12/16
Personal income tax deducted at source	1,881	1,960
Income taxes payable	74	6
Substitute tax on revaluation of TFR	4	3
VAT	1,064	1,181
Other taxes not on income	144	154
Total tax payables	**3,167**	**3,304**

This item mainly consists of personal income tax deducted at source from the remuneration of employees and freelance workers, income

tax payables and VAT payable.
Tax periods after 2012 have yet to be finalised and are still open to assessment.

Social security payables

This item includes employee and employer social security contributions payable to social security institutions. The balance is broadly in line with 31 December 2016.

Other payables

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

	Balance 31/12/17	**Balance 31/12/16**
Due to employees	4,341	4,123
Due to freelance contractors	18	27
Due to pension funds	396	407
Sundry payables	128	134
Total other payables	**4,883**	**4,691**

This item primarily consists of amounts due to employees.

ACCRUED EXPENSES AND DEFERRED INCOME

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

	Balance	**Balance**
Accrued expenses:	**31/12/17**	**31/12/16**
Accrued loan interest expenses	88	92
Accrued expenses re forward sales/ purchases	1	10
Other	24	32
	113	**134**
Deferred income:		
Other	6	4
	6	**4**
	119	**138**

Total accrued expenses and deferred income

These items represent portions of income and expenses that relate to different reporting periods than the one in which they were collected or paid. They have been determined in accordance with the accrual principle.

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):

	2017	2016
Energy Business Unit	93,680	71,435
Shipbuilding Business Unit	16,771	18,667
Process Plants Business Unit	57,397	32,327
Sundry services	3,523	1,898
Total revenues from sales and services	**171,371**	**124,327**

Revenues may be broken down by geographical area as follows (in thousands of Euro):

	2017	2016
Revenues from Italian clients	23,808	29,651
Revenues from other EU clients	42,996	1,323
Revenues from non-EU clients	104,567	93,353
Total revenues from sales and services	**171,371**	**124,327**

Given the nature of the Company's business, revenues are fairly concentrated with around 53.14% of total revenues from sales and services generated by the five largest clients (46.90% in prior year). This concentration mainly regards the Energy Business Unit.

CHANGE IN CONTRACT WORK-IN-PROGRESS

This item may be analysed as follows (in thousands of Euro):

	2017	2016
Opening contract WIP at 01/01	(220,194)	(131,530)
Exchange difference	(513)	20
Closing contract WIP at 31/12	238,845	220,194
Total change in contract WIP	**18,138**	**88,684**

At 31 December 2017, contract work in progress included Euro 231,440 thousand relating to the Energy Business Unit and Euro 7,405 thousand relating to the Process Plants Business Unit.

Changes compared to prior year must be analysed considering together the changes in "Revenues from sales" and "Change in contract work in progress" as contracts are only reclassified to "Revenues from sales" upon completion.

INCREASES IN INTERNAL WORKS CAPITALISED

In 2017, the costs capitalised under this caption included costs incurred by the Parent Company, mainly for work on a new stretch of the sewage network at the San Vitale Yard, costs incurred by Italian subsidiaries Basis Engineering S.r.l. - for work on new offices - and Fores Engineering S.r.l. – for the implementation of new inventory management software.

OTHER REVENUES AND INCOME

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

	2017	2016
Grants towards operating expenses	578	297
Total "Grants towards operating expenses"	**578**	**297**
Recharge of expenses to third parties	1,080	518
Hires and rentals	96	53
Gains on asset disposals	23	29
Reversal of excess provisions for risks	532	647
Out of period income	466	47
Other	261	384
Total other revenues	**2,458**	**1,678**

"Grants towards operating expenses" mainly comprises Euro 93 thousand of grants towards the photovoltaic solar power systems installed by the Parent Company at the S. Vitale yard and at the Via Trieste site, as well as towards the solar power systems installed by subsidiary Fores Engineering S.r.l. at its premises in Forlì.

The remainder includes grants received from Fondimpresa in partial reimbursement of costs incurred to run a training program organised by the Parent Company (Euro 29 thousand) and grants in the form of tax credits maturing on research and development activities carried out in prior years and launched by both the Parent Company (Euro 142 thousand) and subsidiary Fores Engineering S.r.l. (Euro 307 thousand).

Other revenues have increased mainly because of higher recharges of personnel costs to third parties.

The reversal of excess provisions for risks regards provisions that were created in prior years but are no longer required.

COST OF PRODUCTION

PURCHASES

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

	2017	2016
Raw materials	37,779	72,027
Consumables	1,592	2,923
Other purchases	112	181
Total purchases	**39,483**	**75,131**

The decrease in this item compared to prior year is due to the different timing of activities for which materials have to be purchased, as well as to a change in the operating model for certain contracts. The decrease must be read together with the change in sub-contract costs which show a significant increase.

COSTS FOR SERVICES

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

	2017	2016
Sub-contracting and outsourcing	61,283	45,260
Repairs and maintenance	1,111	1,290
Electricity, water and heating	827	952
Other production costs	14,796	5,837
Sundry personnel costs	4,253	5,636
Selling costs	3,598	3,292
Statutory auditors' fees	71	64
Directors' fees	589	486
External auditors' fees	139	156
General, administrative and insurance costs	5,484	4,900
Total costs for services	**92,151**	**67,873**

The increase compared to prior year reflects the different timing of operating activities.

LEASE AND RENTAL COSTS

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

	2017	**2016**
Property rental	1,298	1,812
Hire/rental of moveable property	6,876	2,638
Maintenance of leased/rented property	4	17
Concession fees	78	77
Software rental	163	230
Total lease and rental costs	**8,419**	**4,774**

The increase in this item – especially with regard to the hire/rental of moveable assets – also reflects the different timing of operating activities in the two reporting periods. In fact, the increase in hire/rental costs of moveable assets is primarily due to the charter cost of ships used to install a jacket on the open seas.

PERSONNEL COSTS

The income statement contains a breakdown of personnel costs. The increase is mainly concentrated in the Kazakhstan companies as a result of the higher value of production in that country.

The following table shows changes in the workforce by category during the year:

	31/12/16	**Increases**	**Decreases**	**31/12/17**
Executives	42	7	(13)	36
White collar	699	175	(191)	683
Blue collar	321	58	(66)	313
Total	**1,062**	**240**	**(270)**	**1,032**

DEPRECIATION, AMORTISATION AND WRITEDOWNS

The breakdown required has been provided in the Income Statement.

Details of depreciation charges on tangible assets are provided in a specific attachment.

“Writedowns of current receivables” represents the accrual made for the year to ensure that the bad debt provision covers the credit risk regarding outstanding receivables.

CHANGE IN INVENTORY OF RAW MATERIALS

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

- Opening inventory at 01/01/17	(1,452)
- Change in inventory obsolescence provision	(161)
- Closing inventory at 31/12/17	2,354
Total	**741**

The change in the inventory obsolescence provision is entirely due to amount allocated for the period.

ALLOCATIONS TO PROVISIONS FOR RISKS

This item includes the amounts allocated as described under the caption "Provisions for Risks and Charges".

SUNDRY OPERATING EXPENSES

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

	2017	**2016**
Taxes and duties other than income tax	727	568
Losses on asset disposals	1	20
Out of period expenses	14	12
Other operating expenses	55	119
Total sundry operating expenses	**797**	**719**

FINANCIAL INCOME AND EXPENSES

INCOME FROM EQUITY INVESTMENTS

This item includes dividends from other companies of Euro 1 thousand, as paid by Porto Intermodale Ravenna S.p.A. (S.A.P.I.R.).

OTHER FINANCIAL INCOME

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

	2017	**2016**
c) Income from current securities other than equity investments:		
- dividends from securities management	2	51
- interest income on securities	692	205
- gains on disposals	267	213
Total	**961**	**469**
d) Income other than the above:		
- interest from associated companies	198	339
Total	**198**	**339**

d) Income other than the above:		
- interest from others and sundry income:		
- bank interest income	47	104
- interest income from clients	132	353
- sundry interest income	495	442
Total	**674**	**899**

INTEREST AND OTHER FINANCIAL EXPENSES

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

	2017	**2016**
d) other:		
- interest expense on current accounts	3	7
- interest expense on bank loans	636	586
- securities management commission	19	59
- losses on securities	27	110
- sundry interest expenses	35	100
Total	**720**	**862**

EXCHANGE GAINS AND LOSSES

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

	2017	**2016**
Exchange gains	227	1,311
Unrealised exchange gains	197	1,715
Exchange losses	(455)	(1,194)
Unrealised exchange losses	(2,461)	(1,771)
Total	**(2,492)**	**61**

The change is due to fluctuation in the value of the Kazakhstan currency and the US Dollar.

ADJUSTMENTS TO VALUE OF FINANCIAL ASSETS

"Adjustments to value of financial assets" shows a positive balance of Euro 260 thousand and includes the following adjustments:

- revaluation of equity investments by Euro 46 thousand;
- revaluation of current securities by Euro 74 thousand;
- revaluation of derivative instruments by Euro 389 thousand;
- writedown of current securities by Euro 77 thousand.
- writedown of derivative instruments by Euro 172 thousand.

TAXES ON INCOME FOR THE YEAR

This item is analysed as follows (in thousands of Euro):

	2017	2016
Current taxes	1,044	1,462
Prior year taxation	(40)	(48)
Deferred taxes	77	(97)
Deferred tax income	(1,030)	(197)
Total taxes on income for the year	**51**	**1,120**

The effective tax rate at Group level is -0.86% (38.96% in 2016).

As previously stated, the Parent Company has signed an agreement opting for consolidated taxation together with several Group companies, as follows:

- Basis Engineering S.r.l.
- Fores Engineering S.r.l.
- Rosetti Superyachts S.p.A.

The agreement – effective for a period of three years commencing from 2017 – enables consolidating entity Rosetti Marino S.p.A. to utilise the tax losses produced by the other participating companies and requires it to recognise a tax credit in favour of said companies when and to the extent that the tax losses are utilised.

OFF BALANCE SHEET COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

Guarantees given

Sureties

This item consists of Euro 80,507 thousand of sureties given by insurers and banks to the Group's clients as guarantees of proper performance of works and to release amounts withheld for guarantee, as well as Euro 65,283 thousand of sureties granted to banks and/or third parties as security for commitments made by Group companies.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

There have been no events with a significant impact on operations between the reporting date and the date of these financial statements.

ATTACHMENTS

The following attachments contain supplementary information in addition to that provided in the Notes of which they are an integral part.

The said information is contained in the following attachments:

- Statement of movements on shareholders’ equity for the years ended 31 December 2017 and 31 December 2016;
- Detailed analysis of tangible assets at 31 December 2017;
- - Temporary differences resulting in recognition of deferred tax assets and liabilities.

ROSETTI MARINO S.p.A.
STATEMENT OF MOVEMENTS ON CONSOLIDATED SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017
(in thousands of Euro)

	Share capital	Revaluation reserve	Legal reserve	Other reserves	Cash flow hedge reserve	Ret. Earnings (Accum. losses)	Neg. Reserve for treasury shares held	Transation reserve	Consolidation reserve	Net profit for year	Total	Equity of minority interests
BALANCE AT 31 DECEMBER 2015	4.000	36.969	1.110	148.004	(437)	(137)	(5.100)	(1.937)	23	1.697	184.192	2
Net profit for 2015:												
- to reserves	0	0	0	1.236	0	5	0	0	0	(1.241)	0	0
- dividends	0	0	0	0	0	0	0	0	0	(456)	(456)	0
Translation reserve	0	0	0	0	0	0	0	707	0	0	707	1
Cash flow hedge reserve	0	0	0	0	(44)	0	0	0	0	0	(44)	0
Net profit for 2016	0	0	0	0	0	0	0	0	0	1.755	1.755	0
BALANCE AT 31 DECEMBER 2016	4.000	36.969	1.110	149.240	(481)	(132)	(5.100)	(1.230)	23	1.755	186.154	3
Net profit for 2016:												
- to reserves	0	0	0	569	0	46	0	0	0	(615)	0	0
- dividends	0	0	0	0	0	0	0	0	0	(1.140)	(1.140)	0
Translation reserve	0	0	0	0	0	0	0	(917)	0	0	(917)	2
Cash flow hedge reserve	0	0	0	0	231	0	0	0	0	0	231	0
Change in scope of consolidation	0	0	0	0	0	0	0	0	0	0	0	1.348
Net profit for 2017	0	0	0	0	0	0	0	0	0	(5.849)	(5.849)	(106)
BALANCE AT 31 DECEMBER 2017	4.000	36.969	1.110	149.809	(250)	(86)	(5.100)	(2.147)	23	(5.849)	178.479	1.247

STATEMENT OF MOVEMENTS ON TANGIBLE ASSETS
FOR THE YEAR ENDED 31 DECEMBER 2017
(in thousands of Euro)

	Opening situation			Movements during the year										Closing situation		
				Additions		Disposals			Change of category		Exch	Depreciation				
	Historical cost	Accum. Deprec'n	Balance 31/12/2016	Purchases	Int. Works	H/Cost	Revaluations	Acc Dep'n	Hist cost	Acc Dep'n	Diff	Rate	Ordinary	Historical cost	Accum. Deprec'n	Balance 31/12/2017
Yards and buildings:																
- land	34.847	(4.862)	29.985	0	0	0	0	0	0	0	(37)	0%	0	34.810	(4.862)	29.948
- yards and buildings	60.950	(22.206)	38.744	550	80	(7)	0	0	275	0	(1.240)	3%	(1.878)	60.608	(24.084)	36.524
- light constructions	5.894	(5.316)	578	0	0	0	0	0	0	0	0	10%	(179)	5.894	(5.495)	399
Plant and machinery:																
- plant	19.582	(14.328)	5.254	7	19	(1.100)	(464)	1.562	0	0	(2)	10%	(950)	18.042	(13.716)	4.326
- dry dock	7	(7)	0	0	0	0	0	0	0	0	0	10%	0	7	(7)	0
- treatment plant	238	(237)	1	0	0	0	0	0	0	0	0	15%	(1)	238	(238)	0
- machinery	6.971	(5.955)	1.016	63	0	(191)	(123)	314	0	0	0	16%	(251)	6.720	(5.892)	828
- electrical systems	26	(26)	0	0	0	0	0	0	0	0	0	10%	0	26	(26)	0
Industrial and commercial equipment	6.402	(5.083)	1.319	2.201	0	(78)	0	62	0	0	(268)	25%	(373)	8.257	(5.394)	2.863
Other tangible assets:																
- office furniture	1.461	(761)	700	180	0	(6)	0	(1)	0	0	(17)	12%	(176)	1.618	(938)	680
- IT equipment	2.762	(2.137)	625	173	0	(21)	0	17	0	0	(23)	20%	(214)	2.891	(2.334)	557
- commercial vehicles	555	(446)	109	0	0	0	0	0	0	0	(3)	20%	(43)	552	(489)	63
- automobiles	165	(94)	71	132	0	0	0	0	0	0	(16)	25%	(23)	281	(117)	164
- pontoon	3.707	(1.352)	2.355	0	0	0	0	0	0	0	0	8%	(270)	3.707	(1.622)	2.085
Assets under construction and payments on a/c	880	0	880	2.549	(19)	(25)	0	0	(275)	0	(251)	0%	0	2.859	0	2.859
Total	**144.447**	**(62.810)**	**81.637**	**5.855**	**80**	**(1.428)**	**(587)**	**1.954**	**0**	**0**	**(1.857)**		**(4.358)**	**146.510**	**(65.214)**	**81.296**

TEMPORARY DIFFERENCES RESULTING IN THE RECOGNITION OF DEFERRED TAX ASSETS AND LIABILITIES in terms of Article 2427(14) of the Italian Civil Code

Description of temporary differences	*Deferred Tax Assets at 31/12/2016*		*Decrease*		*Increase*		*Exchange Difference*	*Deferred Tax Assets at 31/12/2017*	
Deductible differences	Taxable amount	Tax	Taxable amount	Tax	Taxable amount	Tax		Taxable amount	Tax
Provision for contractual risks	2,265	544	1,763	423	1,550	372	0	2,052	493
Bad debt provision	2,593	622	398	98	0	0	0	2,195	524
Provision for future risks	3,889	931	1,253	31	880	211	(1)	3,516	1,110
Unrealised exchange losses	25	6	22	6	688	165	0	691	165
Depreciation of tangible assets	1,739	480	193	59	0	0	0	1,546	421
Directors' fees to be paid	71	16	63	15	0	0	0	8	1
Tax losses	2,512	523	775	155	6,809	1,838	(11)	8,546	2,195
Inventory obsolescence provision	820	194	0	0	151	39	(2)	971	231
Loss-making contracts	6,462	1,550	5,636	1,550	3,651	876	(1)	4,477	875
Other provisions	1,326	313	872	213	315	79	(29)	769	150
Total	**21,702**	**5,179**	**10,975**	**2,550**	**14,044**	**3,580**	**(44)**	**24,771**	**6,165**

Description of temporary differences	*Deferred Taxes atl 31/12/2016*		*Decreases*		*Increase*		*Exchange Difference*	*Deferred Taxes at 31/12/2017*	
Taxable differences	Taxable amount	Tax	Taxable amount	Tax	Taxable amount	Tax		Taxable amount	Tax
Unrealised exchange gains	72	17	72	17	42	10	0	42	10
Depreciation of tangible assets	8,415	1,775	0	0	670	134	(216)	9,085	1,693
Amortisation of intangible assets	15	3	0	0	0	0	(1)	15	2
Other provisions	517	124	397	123	438	105	0	558	106
Consolidation operations	2,040	652	133	32	0	0	0	1,907	620
Total	**11,059**	**2,571**	**602**	**172**	**1,150**	**249**	**(217)**	**11,607**	**2,431**

3. EXTERNAL AUDITORS' REPORT

Deloitte.

Deloitte & Touche S.p.A.
Centro Direzionale Eurotorri
Piazza Italo Pinazzi, 67/A
43122 Parma
Italia

Tel: +39 0521 976011
Fax: +39 0521 976012
www.deloitte.it

INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
ROSETTI MARINO S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Rosetti Marino S.p.A. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2017, the consolidated statement of income and statement of cash flows for the year then ended and the explanatory notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Italian law governing financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Rosetti Marino S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance the Italian law governing financial statements and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10

The Directors of Rosetti Marino S.p.A. are responsible for the preparation of the report on operations of Rosetti Marino Group as at December 31, 2017, including its consistency with the related consolidated financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of Rosetti Marino Group as at December 31, 2017 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the report on operations is consistent with the consolidated financial statements of Rosetti Marino Group as at December 31, 2017 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the Group and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Valeria Brambilla
Partner

Parma, Italy
April 5, 2018

This report has been translated into the English language solely for the convenience of international readers.