Financial Statements at 31/12/2016

I N D E X

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1. DIRECTORS' REPORT ON OPERATIONS,
ACCOMPANYING THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

Dear Shareholders,

The financial statements hereby submitted for your review and approval provide a faithful representation of the Company's current situation.
They report a net profit of Euro 2,462 thousand after depreciation and amortisation of Euro 3,267 thousand, accruals to the provision for bad debts of Euro 2,687 thousand and accruals to provisions for risks of Euro 1,837 thousand.
Considering the ongoing economic crisis that has stricken the global economy in the last few years and, in particular, the segments where the Company operates, we believe that the result achieved can still be considered satisfactory and reflects the dedication shown by the staff of all Group companies, who deserve our and your gratitude.

We provide below an overview of the Company's operating performance in the last year and details of foreseeable future developments.

OPERATING PERFORMANCE

The year ended 31 December 2016 was characterised by a significant decrease in value of production (Euro 130 million in 2016 against Euro 158 million in 2015) in the Energy segment which was only partially offset by an increase in the Shipbuilding segment; the Shipbuilding segment remained well short of a satisfactory level of production.
The decrease in the volume of business is the direct result of the crisis on the Oil&Gas market triggered by oil price trends. In fact, for some years now, all oil companies have reduced their investment to the minimum essential level and have postponed the start of new investment projects until oil prices stabilise again.
The significant decline in demand for new oil platforms has been offset partially, on the one hand, by an increase in subsea business and customer assistance services (these activities generate lower volumes but with higher margins) and, on the other hand, by a strong cost containment policy in relation to both operating costs and fixed costs. As a result of these measures, we have achieved a result which must be considered absolutely positive, taking account of current market conditions.
Despite the above, the significant decrease in the volume of production activities was reflected on margins which were lower than in prior year both in absolute terms and as a percentage of revenues.
In terms of intermediate profit margins, we note that the prior year financial statements were boosted significantly by the reversal of excess provisions of Euro 4,350 thousand (Euro 444 thousand in 2016) while just Euro 321 thousand was allocated to provisions for risks (against Euro 4,524 thousand in 2016). Without considering the above factors, the difference between intermediate profit margins for the two periods would have been far smaller (EBITDA of +3.49% in 2016 against +6.04% in 2015, EBIT of +1.00% in 2016 against +3.90% in 2015).
We also note that the financial statements have benefited to a much lesser extent than in prior year from dividends received from subsidiaries and associated companies (Euro 123 thousand in 2016 against Euro 2,160 thousand in 2015).
Finally, we highlight the fact that the excellent results achieved by associated company Kazaka Kcoi Llp in 2016 made it possible to reduce partially (Euro 2,511 thousand) the provision for rescheduling of future loses created during prior year.

A selection of the key performance indicators is provided below:

	31.12.16	31.12.15

G.I.P. (in thousands of Euro)	130,125	158,402
(A1+A2+A3 of the income statement)		
EBITDA (in thousands of Euro)	4,989	13,912
(A+B-10-12-13 of the income statement)		
EBITDA / GIP	3.83%	8.78%
EBIT (in thousands of Euro)	(2,802)	10,205
(A+B of the income statement)		
EBIT / GIP	(2.15%)	6.44%
Profit before tax (in thousands of Euro)	1,656	5,847
Profit before tax / GIP	1.27%	3.69%
Net profit (in thousands of Euro)	2,462	2,883
(income statement item 21)		
Net profit / GIP	1.89%	1.82%
R.O.E. (Net profit / Opening equity)	1.54%	1.78%

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

Energy Segment

With value of production of around Euro 104 million in 2016 (Euro 144 million in 2015), this sector was confirmed as the Company's main operating segment.
In more detail, production activities were carried out in the offshore platform sector (Euro 61 million), the subsea sector (Euro 27 million), the technical service sector (Euro 14 million) and the onshore sector (Euro 2 million).
The year was greatly influenced by oil prices which remained very low, leading oil companies to persevere with a policy of containment of new investments, cancelling or postponing decisions on the realisation of new Oil&Gas facilities. This was the scenario in the geographical areas historically served by the Company and its subsidiaries/associated companies, with the sole exception of Kazakh company KCOI.
We have adopted three main courses of action in order to deal with the problems on the traditional market.
First of all, we have continued to pursue a policy of containment of indirect costs and optimisation of direct costs.
Second, we have undertaken commercial and business development activities in market areas less affected by the suspension of investments. This has seen us focus with determination on the Persian/Arabian Gulf, paying particular attention to Iran, Qatar and the United Arab Emirates. This means we have decided to concentrate our efforts in an area where hydrocarbon production prices are among the world's lowest and where new facilities are still being built, albeit against a background of more aggressive competition than in the past. We believe this has been the right choice because, during the year, we managed to acquire an initial contract for a jacket destined for Iran and because – following a swift approval process – we are currently tendering for several important projects for Qatar and the United Arab Emirates.
Third and finally, we have sought to increase our activities in relation to products and services other than those traditionally realised by the Company. In particular, we have acquired contracts in the on-shore engineering segment and have gain confirmation that we made the right decision in opting to provide specialist technical services. We have also made successful progress with the project for subsea modules that we acquired during the previous year.
During the year, we delivered a small platform for the Congo and successfully continued our work on other projects in progress where healthy margins enabled us to end the year in profit despite the low level of revenues.
We also acquired contracts worth around Euro 74 million and we await the outcome of several major tendering processes that should be completed in the first half of 2017.

Shipbuilding Business Unit

Shipbuilding contributed value of production of around Euro 24 million in 2016 (Euro 13 million in 2015).
Unfortunately, the serious crisis in the segment continues, following the slump in oil prices which has effectively wiped out demand for support ships for offshore activities; in the recent past, such vessels were our main product in this segment. Despite our significant commercial efforts, during the year, the right conditions to acquire new orders for traditional ships or for other types of vessel for which we tendered did not materialise.
Consequently, in 2016, our operating activities concentrated on continuing with work on production of the five tugboats in our order backlog – three of these vessels were completed and delivered during the year, one was delivered in March 2017 and the last one will be completed and delivered in the very near future.
In the second half of the year, we established commercial relations with Italy's largest shipbuilder and we hope that this collaboration will soon yield its first contracts for sub-assemblies or for vessels other than those which represent our traditional type of products. Similarly, we are looking into the prospects that could materialise in relation to diesel/electric and LNG powered vessels.

CAPITAL EXPENDITURE

In 2016, the Company incurred capital expenditure totalling Euro 1,151 thousand with Euro 201 thousand invested in intangible assets, Euro 900 thousand in tangible assets and Euro 50 thousand in equity investments.
The main investments in intangible assets regarded the purchase and implementation of software intended improve certain business processes and work on an area where land rights are held.
Investments in tangible assets mainly regarded all three production sites and aimed to improve both production facilities and infrastructures. The most significant capex regarded the workshop in via Trieste with the purchase of a new pipe-cutting machine and a forklift truck, the yard in San Vitale with the purchase of "Ship-Caisson" used to close the dry dock and the Piomboni yard where a landscaped pedestrian area was built.
The level of capital expenditure confirms the Company's commitment to becoming ever more competitive while operating safely and respecting the environment.

EQUITY INVESTMENTS

Direct investments in subsidiaries and associated companies underwent the following changes in 2016:
- incorporation of associated company Rosetti Rigros Srl (head office in Ravenna), subscribing 50% of quota capital;
- liquidation of subsidiary Rosetti Doo (Croatia);
- liquidation of subsidiary Alfaros Srl (Ravenna);
- liquidation of subsidiary Rosetti Marino Mexico Srl (Mexico);
- liquidation of associated company Unaros Fzc (United Arab Emirates).

The subsidiaries and associated companies continue to operate on their respective markets with positive operating results, thus carrying out the mission assigned to them and continuing to integrate with the Company and with other Group companies when this is required by contracts for complex multi-purpose facilities. A detailed analysis of the income statement/financial results of the subsidiaries/associates is provided in a table in the Notes and in the Consolidated Financial Statements. At this point, we would recall that the subsidiaries and associated companies (both direct and indirect) have operated in the following segments:
- Fores Engineering S.r.l., Fores Engineering Algerie Eurl and Fores Do Brasil Ltda: design, construction and maintenance of automation and control systems;
- Basis Engineering Srl, Basis Congo Sarl, Basis Pivot Ltd and Tecon Srl: engineering companies mainly involved in multi-disciplinary design of oil and petrochemical facilities;
- Rosetti Libya Jsc, Kazakhstan Caspian Offshore Industries Llp, Rosetti Kazakhstan Llp, Rosetti Marino

Mocambique Ltd, Rosetti Uk, Rosetti Pivot Ltd and Rosetti Congo Sarl: construction of offshore and onshore oil facilities;
- Rosetti General Contracting Lda: ship rental/charter;
- Rigros Srl: management of activities regarding the future purchase of a plot of land for industrial use.

FINANCIAL SITUATION

For a more detailed analysis of cash flows during the year, please see the statement of cash flows included in an attachment to the financial statements.

At this point, we highlight the fixed asset coverage ratio (amply financed through equity) and the net financial position (including current financial assets) which remains clearly positive – it has significantly improved compared to prior year – and reflects the solidity of the Company.

Some of the key financial and equity ratios are shown below:

	31.12.16	31.12.15
Short-term NFP (in thousands of Euro) (C.III + C.IV of Assets – D.4 current of Liabilities)	82,114	68,634
Fixed asset coverage margin (in thousands of Euro) (M/L term liabilities + total equity – fixed assets)	105,641	103,042
Fixed asset coverage ratio (M/L term liabilities + total equity / fixed assets)	2.11	2.06
Financial independence index (Total equity / Total assets)	56.93%	58.06%
Ratio of financial income(expense) to GIP (items 16+17+17bis of the income statement / GIP)	+1.11%	+0.70%

Moving onto the financial risks relating to trade receivables, we note that the Company 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. Nonetheless, it should be noted that, as the Company 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 common practice before acquiring an order, to conduct a thorough assessment of the financial impact of that order and a prior evaluation of the client's financial situation. The process continues during execution of the work with careful monitoring of outstanding receivables.

The Company 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 Company 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 Company 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. As at 31 December 2016, the Company had USD 5,089 thousand of outstanding forward sale contracts with various banks as hedges for orders received from clients.

PERSONNEL

The skill and professionalism of our personnel constitutes an extremely important intangible asset for the Company. Therefore, during the year, the Company invested an amount equal to 1.34% of its personnel costs on training activities that involved many employees. This figure confirms the special attention that has always been paid to the

professional development of all employees as we believe that people represent an essential resource for the continued success and development of the Company.
At 31 December 2016, the headcount stood at 310 employees (plus 25 employees currently seconded to foreign subsidiaries and associated companies), a 16 employee decrease on prior year. This decrease is mainly due to an increase in the number of employees seconded to foreign subsidiaries and associates. In more detail, 20 employees left the workforce during the year due to natural turnover while 74 more left after their fixed-term employment contracts expired, 89 new employees were hired and while there was an eleven employee increase in the number of Italian employment contracts suspended to enable personnel to be hired by foreign subsidiaries and associated companies during temporary secondment periods.
Due to the type of business conducted, the risk of accidents, including potentially fatal accidents, is high. For this reason, the Company 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 and 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 Company 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 2016, the 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 worthy of note.

Information on the environment

The Company constructs large metal structures whose manufacture involves 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.
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 carried out by the specific Business Development unit which incurred costs totalling Euro 1,095 thousand. These activities have involved the study of new products and new technologies, relating in particular to the subsea segment, the shipbuilding segment with new projects for tugboats with alternative diesel/electric and LNG propulsion systems and project Gainn regarding research into a prototype facility for storage and micro-liquefaction of LNG. These research activities could produce significant benefits for the Company which may enjoy the opportunity of entering new areas of the market by studying innovative processes and developing new operating methods.

Other business locations

In addition to the headquarters in Via Trieste, Ravenna (site of the Company offices and pre-fabrication workshops), the Company's activities have taken place at the following locations:
- Piomboni Yard (Marina di Ravenna): construction/assembly of structures for the Energy sector;
- San Vitale Yard (port of Ravenna): Shipbuilding activities;
- Milan Offices (premises of subsidiary Basis Engineering): engineering design of Energy sector projects;
- Poland Branch: assisting a client with the conversion of a mobile drilling platform into an oil production platform;
- Libya Branch: refurbishment of an FPSO unit to enable connection to DP4 platform for a Korean client**;**
- Algeria Branch: integration of a telecoms system along a 570 km pipeline in Algeria.

Intra-Group relations

As you are aware, the Company heads an industrial group including many companies, some of which (Fores Engineering Srl, Basis Engineering Srl, Rosetti Marino UK, Rosetti General Contracting Lda, Rosetti Kazakhstan Llp, Rosetti Marino Mocambique Ltd and Rosetti Libya Jsc) are under the direct control and coordination of the Company.
The Group companies enter into industrial, commercial and financial transactions (exchanges of services, technical, commercial and administrative assistance plus the purchase and sale of materials, the rental of ships, short-term loans, etc.) between themselves. These transactions take place on an arm's length basis at normal market conditions.
For a more detailed analysis of the relations between Group companies at year end and, more generally, for other information on the various activities carried out by the Companies and the transactions that took place in 2016, reference should be made to the Notes and accompanying attachments and to the consolidation financial statements provided alongside these financial statements.

Treasury share transactions

There were no treasury share transactions during the year ended 31 December 2016. Therefore, the Company still holds 200,000 treasury shares or 5.0% of its share capital.

BUSINESS OUTLOOK

The order backlog, comprising orders acquired but not completed at 31 December 2016, stands at around Euro 94 million.
In terms of market trends and the main commercial and operational issues in the sectors in which the Company

operates, we highlight the following:

Energy Business Unit

The order backlog for this business unit stands at Euro 92 million, including Euro 54 million in the offshore segment, Euro 8 million in the subsea segment, Euro 1 million in the technical service segment and Euro 29 million in the onshore segment.
This situation is unsatisfactory and remains almost entirely related to the state of the Oil&Gas industry. There is, however, greater diversification of products and services than in the past.
The Company has well-founded hopes of acquiring in the short-term several important projects for the Middle East and the Mediterranean Area with the outcome of competitive tendering processes expected by the end of the first half of 2017. It should be noted that the projects for the Middle East, as in the case of the jacket destined for Iran, will involve construction in the United Arab Emirates and will have no positive impact on the Italian production sites. Obviously, the same does not apply to the outstanding tenders for projects in destined for the Mediterranean Sea, However, these projects involve a lower level of construction activities, also because of greater "local content" requirements, especially in Egypt.
Still with regard to projects involving construction in other countries, we highlight the fact that associated company KCOI has strong hopes that it will soon acquire its first EPC project destined for Kazakhstan. As the company is not equipped to handle the Engineering and Procurement phases, if its tender is successful, KCOI will delegate the Company to carry out these activities under a major sub-contract agreement.
With regard to Kazakhstan, it should also be recalled that associated companies Rosetti Kazakhstan and KCOI recorded excellent performances in 2016, also thanks to the technical services provided by the Company given that these companies mainly focus on local construction. This technical service business made a decisive contribution to the Company's volume of business and margins in 2016 and, as a result of projects recently acquired and other projects expected to be acquired very soon, in 2017, too, this business is expected to produce important benefits for the Company.
Despite these positive signs, it must be stressed that the situation remains critical in terms of the prospects of developing a satisfactory workload for the Company's Italian production facilities. For this reason and given the Company's determination to penetrate into new markets not influenced by the fluctuating state of the Oil&Gas market, in 2017, the Company will continue with its commercial and business development activities in the offshore wind power segment; these activities were launched in prior years but have not yet yielded any successes. The experience gained by the Company with the tenders submitted in 2016 will enable it to approach future tendering processes with greater technical ability and competitiveness. This segment is still expected to grow even though low oil prices have slowed down somewhat the rush towards renewable/alternative energy.
In this field and other fields such as the subsea segment and improvements to existing facilities (brownfield activities), the Company is establishing commercial relations with important potential partners which have complementary technical/technological capabilities. These potential partnerships could produce significant competitive benefits in the medium term.

Shipbuilding Business Unit

The order backlog of the Shipbuilding business unit amounts to Euro 2 million and regards the completion of two tugboats.
Market problems have affected all shipowners which form the Company's traditional client base. This is clearly reflected in the results of the Shipbuilding Business Unit. Upon completion and delivery of the last two tugboats, the Business Unit will see a major reduction in its workload. This is to be managed by providing services to Italy's largest shipbuilder which has a healthy order backlog for cruise ships. Through our collaboration with this partner,

we are seeking to portray the Company's ability to produce ships destined for markets very different than those traditionally served. In particular, we aim to enter the military market and the market for support vessels for Mega Yachts. We are also establishing certain contacts to assess the possibility of entering the Mega Yacht sector, vessels with a client base and finishings very different than those that have formed part of the Company's past experience. Despite the distance between this market and our traditional activities, we are discovering that a shipyard's reputation and history are considered key components in breaking into this segment which would – apparently – lead to rapid access to the market. Therefore, in 2017, we will dedicate a lot of attention and concentrate our commercial efforts on these new types of business with a view to greater diversification.
In terms of our more traditional products, as well as taking part in tendering processes where we have been – and will be – invited, we shall continue to promote the sale of our "Giano" class tugboats. This is a highly innovative tugboat which can perform manoeuvres that cannot be carried out with the various types of traditional tugboat. We have an exclusive agreement with the project owner in relation to the market areas reachable by our shipyard.

Dear Shareholders,

The activities carried out by the Company in 2016 have generated a net profit of Euro 2,461,765.66.
We propose using the net profit for the year to pay a dividend of Euro 0.30 per share and taking the remainder to the extraordinary reserve.
We note that the conditions which led to the creation, in prior year, of a reserve for unrealised exchange gains in terms of Article 2426(8bis) of the Italian Civil Code are no longer present. The reserve in question amounted to Euro 975,972.48 and it has now become available in the amount of Euro 929,842.88.
Finally, we invite you to approve the financial statements, the accounting policies applied and the accompanying directors' report.

Ravenna, 31/03/2017

For the Board of Directors
The Chairman
Medardo Ranieri

2. FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016:

- ***Balance Sheet***
- ***Income Statement***
- ***Notes to the Financial Statements***

Balance sheet

	31-12-2016	31-12-2015
Balance sheet		
Assets		
B) Non-current assets		
I – Intangible assets		
4) concessions, licences, trademarks and similar rights	407,902	432,106
6) assets in progress and payments on account	62,237	46,258
7) other	738,243	943,194
Total intangible assets	1,208,382	1,421,558
II – Tangible assets		
1) land and buildings	51,364,914	52,743,739
2) plant and machinery	6,197,416	6,599,066
3) industrial and commercial equipment	108,919	200,639
4) other tangible assets	323,198	370,208
5) assets under construction and payments on account	19,461	80,748
Total tangible assets	58,013,908	59,994,400
III – Financial assets		
1) investments in		
a) subsidiaries	1,118,743	1,444,645
b) associated companies	1,020,557	790,734
d) other entities	143,171	145,195
Total investments	2,282,471	2,380,574
2) receivables		
b) from associated companies		
due within a year	11,549,005	0
due after more than a year	21,800,000	33,349,005
Total receivables from associated companies	33,349,005	33,349,005
Total receivables	33,349,005	33,349,005
Total financial assets	35,631,476	35,729,579
Total non-current assets (B)	94,853,766	97,145,537
C) Current assets		
I - Inventory		
1) raw, ancillary and consumable materials	219,791	270,797
3) contract work in progress	45,075,919	23,055,178
5) payments on account	2,631,059	9,100,254

Total inventory	47,926,769	32,426,229
II - Receivables		
1) due from clients (trade)		
due within a year	42,244,681	58,592,498
due after more than a year	2,800,000	0
Total receivables from clients (trade)	45,044,681	58,592,498
2) receivables from subsidiaries		
due within a year	3,531,013	1,897,299
Total receivables from subsidiaries	3,531,013	1,897,299
3) receivables from associated companies		
due within a year	4,062,187	6,263,338
Total receivables from associated companies	4,062,187	6,263,338
4) receivables from parent companies		
due within a year	8,000	0
Total receivables from parent companies	8,000	0
5-bis) tax receivables		
due within a year	4,262,530	5,820,149
Total tax receivables	4,262,530	5,820,149
5-ter) deferred tax assets	2,761,675	1,549,521
5-quater) other		
due within a year	140,978	76,646
due after more than a year	36,206	51,504
Total receivables from others	177,184	128,150
Total receivables	59,847,270	74,250,955
III –Current financial assets		
5) derivatives – assets	4,167,117	0
6) other securities	37,378,507	36,940,611
Total current financial assets	41,545,624	36,940,611
IV – Cash and cash equivalents		
1) bank and post office accounts	40,535,401	34,425,311
2) cheques	0	0
3) cash and cash equivalents on hand	33,194	27,893
Total cash and cash equivalents	40,568,595	34,453,204
Total current assets (C)	189,888,258	178,070,999
D) Prepaid expenses and accrued income	278,254	759,642
Total assets	285,020,278	275,976,178

Liabilities and shareholders’ equity		
A) Shareholders’ equity		
I – Share capital	4,000,000	4,000,000
III – Revaluation reserves	36,968,663	36,968,663
IV – Legal reserve	800,000	800,000
VI – Other reserves, disclosed separately		
Extraordinary reserve	120,618,114	119,167,208
Reserve for unrealised exchange gains	975,972	0
Sundry other reserves	1,941,373	1,941,373
Total other reserves	123,535,459	121,108,581
VII – Cash flow hedge reserve	(415,115)	(436,848)
IX – Profit (loss) for the year	2,461,766	2,882,879
X – Negative reserve for treasury shares held	(5,100,000)	(5,100,000)
Total shareholders’ equity	162,250,773	160,223,275
B) Provisions for risks and charges		
1) retirement benefits and similar obligations	156,000	120,000
2) taxation, including deferred tax	16,808	313,158
3) derivatives – liabilities	415,115	436,848
4) other	6,315,136	7,443,318
Total provisions for risks and charges	6,903,059	8,313,324
C) T.F.R. / Employee severance indemnity provision	1,340,484	1,651,382
D) Payables		
4) bank borrowing		
due within a year	0	2,760,186
due after more than a year	30,000,000	30,000,000
Total bank borrowing	30,000,000	32,760,186
6) payments on account		
due within a year	58,816,005	38,067,556
Total payments on account	58,816,005	38,067,556
7) due to suppliers (trade)		
due within a year	17,325,985	21,499,252
Total payables to suppliers (trade)	17,325,985	21,499,252
9) due to subsidiaries		
due within a year	2,354,535	6,124,598
Total payables to subsidiaries	2,354,535	6,124,598
10) due to associated companies		

due within a year	757,438	243,574
Total payables to associated companies	757,438	243,574
12) tax payables		
due within a year	1,071,834	1,499,381
Total tax payables	1,071,834	1,499,381
13) payables to social security and pensions institutions		
due within a year	1,184,313	1,281,789
Total payables to social security and pensions institutions	1,184,313	1,281,789
14) other payables		
due within a year	2,928,236	4,199,546
Total other payables	2,928,236	4,199,546
Total payables	114,438,346	105,675,882
E) Accrued expenses and deferred income	87,616	112,315
Total liabilities and shareholders’ equity	285,020,278	275,976,178

Income statement

	31-12-2016	31-12-2015
Income statement		
A) Value of production		
1) revenues from sales and services	46,319,521	566,433,676
3) change in contract work in progress	83,805,218	(408,031,490)
4) increase in own work capitalised	3,912	15,854
5) other revenues and income		
grants towards operating expenses	288,961	101,564
other	2,168,492	5,685,011
Total other revenues and income	2,457,453	5,786,575
Total value of production	132,586,104	164,204,615
B) Cost of production		
6) raw materials, consumables and goods for resale	50,247,085	60,158,963
7) services	48,281,531	55,745,131
8) leases and rentals	1,398,513	3,919,371
9) personnel costs:		
a) wages and salaries	20,628,104	22,773,041
b) social contributions	5,235,190	5,861,395
c) TFR/Employee severance indemnity	1,287,607	1,422,253
e) other personnel costs	158,306	177,746
Total personnel costs	27,309,207	30,234,435
10) depreciation, amortisation and writedowns		
a) amortisation of intangible assets	414,278	470,194
b) depreciation of tangible assets	2,852,269	2,914,410
d) writedown of current receivables and cash and cash equivalents	2,687,468	321,965
Total depreciation, amortisation and writedowns	5,954,015	3,706,569
11) change in inventory of raw materials, consumables and goods for resale	51,006	(71,300)
12) provisions for risks	1,836,544	0
14) sundry operating expenses	310,020	306,221
Total cost of production	135,387,921	153,999,390
Difference between value and cost of production (A - B)	(2,801,817)	10,205,225
C) Financial income and expenses		
15) income from equity investments		
from subsidiaries	122,055	2,158,489
from associated companies	1,123	1,129
Total income from equity investments	123,178	2,159,618

16) other financial income		
c) from current securities other than equity investments	468,678	280,313
d) income other than the above		
from subsidiaries	24,041	51,600
from associated companies	676,634	792,612
other	824,412	893,544
Total income other than the above	1,525,087	1,737,756
Total other financial income	1,993,765	2,018,069
17) interest and other financial expenses		
to associated companies	0	3,361
other	717,894	1,600,057
Total interest and other financial expenses	717,894	1,603,418
17-bis) exchange gains and losses	170,858	698,204
Total financial income and expenses (15 + 16 - 17 + - 17-bis)	1,569,907	3,272,473
D) Adjustments to value of financial assets		
18) revaluations		
a) of equity investments	2,827,108	0
c) of current securities other than equity investments	3,222	3,010
d) of derivatives	128,084	0
Total revaluations	2,958,414	3,010
19) writedowns		
a) of equity investments	22,682	7,445,388
b) of non-current financial assets other than equity investments	-	123,333
c) of current securities other than equity investments	47,223	65,270
d) of derivatives	622	0
Total writedowns	70,527	7,633,991
Total adjustments to value of financial assets and liabilities (18 - 19)	2,887,887	(7,630,981)
Profit before taxation (A - B + - C + - D)	1,655,977	5,846,717
20) Profit before taxation		
current taxes	716,484	1,284,196
prior year taxes	(48,656)	(3,949)
deferred tax assets and liabilities	(1,473,617)	1,683,591
Total taxes on income – current, deferred and deferred tax income	(805,789)	2,963,838
21) Profit (loss) for the year	2,461,766	2,882,879

Statement of cash flows, indirect method

	31-12-2016	31-12-2015
Statement of cash flows, indirect method		
A) Cash flows from operating activities (indirect method)		
Profit (loss) for the year	2,461,766	2,882,879
Taxes on income	(805,789)	2,963,838
Interest expenses/(income)	(1,179,888)	(930,665)
(Dividends)	(173,652)	(2,174,573)
(Gains)/Losses from disposal of assets	(124,272)	478,683
1) Profit (loss) for the year before taxes on income, interest and gains/losses on disposals	178,165	3,220,162
Adjustments for non-cash items with no impact on net working capital		
Accruals to provisions	5,716,619	7,894,218
Depreciation/Amortisation of non-current assets	3,266,547	3,384,604
Impairment adjustments	424,718	1,445,388
Adjustments to value of financial assets and liabilities (derivatives) not involving cash flows	21,732	(131,028)
Other increases/(decreases) due to non-cash items	1,134,199	(1,621,332)
Total adjustments for non-cash items with no impact on net working capital	10,563,815	10,971,850
2) Cash flows before changes in net working capital	10,741,980	14,192,012
Change in net working capital		
Decrease/(Increase) in inventory	(15,390,539)	(10,678,651)
Decrease/(Increase) in trade receivables	10,679,104	(281,481)
Increase/(Decrease) in trade payables	(7,394,319)	(7,951,980)
Decrease/(Increase) in prepaid expenses and accrued income	481,388	(483,688)
Increase/(Decrease) in accrued expenses and deferred income	(24,698)	(149,312)
Other decreases/(Other increases) in net working capital	19,445,571	(4,509,196)
Total changes in net working capital	7,796,507	(24,054,308)
3) Cash flows after changes in net working capital	18,538,487	(9,862,296)
Other adjustments		
Interest received/(paid)	1,179,888	930,665
(Taxes on income paid)	0	(249,647)
Dividends received	173,652	2,174,573
(Use of provisions)	(5,019,632)	(5,741,816)
Other receipts/(payments)	0	0
Total other adjustments	(3,666,092)	(2,886,225)
Cash flows from operating activities (A)	14,872,395	(12,748,521)
B) Cash flows from investing activities		
Tangible assets		
(Investments)	(960,999)	(2,951,859)
Disposals	110,136	1,941,445
Intangible assets		

(Investments)	(207,703)	(68,652)
Disposals	6,600	0
Non-current financial assets		
(Investments)	(50,000)	(547,986)
Disposals	0	0
Current financial assets		
(Investments)	(26,611,246)	(109,386,929)
Disposals	22,172,394	71,937,676
(Acquisition of businesses net of cash and cash equivalents)	0	0
Disposal of businesses net of cash and cash equivalents	0	0
Cash flows from investing activities (B)	(5,540,818)	(39,076,305)
C) Cash flows from financing activities		
Debt		
Increase/(Decrease) in short-term bank borrowing	(2,760,186)	2,760,186
Loans arranged	0	0
(Loans repaid)	0	(91,685)
Equity		
Paid share capital increases	0	0
(Share capital reimbursed)	0	0
Sale/(Purchase) of treasury shares	0	0
(Dividends and advances on dividends paid)	(456,000)	(3,800,000)
Cash flows from financing activities (C)	(3,216,186)	(1,131,499)
Increase (decrease) in cash and cash equivalents (A ± B ± C)	6,115,391	(52,956,325)
Cash and cash equivalents at start of year		
Bank and post office accounts	34,425,311	87,362,797
Cheques	0	0
Cash and cash equivalents on hand	27,893	46,732
Total cash and cash equivalents at start of year	34,453,204	87,409,529
Of which not freely available	0	0
Cash and cash equivalents at end of year		
Bank and post office accounts	40,535,401	34,425,311
Cheques	0	0
Cash and cash equivalents on hand	33,194	27,893
Total cash and cash equivalents at end of year	40,568,595	34,453,204
Of which not freely available	0	0

Information at foot of statement of cash flows

The interest recorded is broadly equal to that received/paid

Investments had essentially been paid for at the date of preparation of the financial statements

Proceeds from disposals had essentially been collected at the date of preparation of the financial statements

Notes to the Financial Statements as at 31-12-2016

Notes to the Financial Statements, first section

NOTES TO THE FINANCIAL STATEMENTS

STRUCTURE AND CONTENT OF THE FINANCIAL STATEMENTS

The financial statements comprise the balance sheet, the income statement, the statement of cash flows (prepared in the formats required, respectively, by Articles 2424, 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) and by the standards issued by the International Accounting Board (IASB), insofar as the latter are consistent with Italian law.

The financial statements have been prepared on a going concern basis as there is no uncertainty in that regard.

The items reported in the financial statements were measured based on the prudence and accruals principles. 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.

Amounts are stated in Euro, unless otherwise specified.

ACCOUNTING POLICIES

The accounting policies described below have been updated to reflect the amendments, improvements and other changes introduced to the requirements of the Italian Civil Code by Legislative Decree 139/2015 which implemented EU Directive 34/2013/EU in Italy. Specifically, the Italian Accounting Standards Board / OIC issued new versions of Italian Accounting Standards on 22 December 2016.
The note which follows sets out the effect of applying the new standards on balance sheet items and shareholders' equity at 1 January 2016 and on the balance sheet, income statement and statement of cash flows for 2015, as presented for comparative purposes.

	Approved Financial Statements at 31/12/15	Reclassif-ications / Adjustments	Restated Financial Statements at 31/12/15
Balance Sheet Assets			
B.III. 4) Treasury shares	5,100,000	(5,100,000)	0
Balance Sheet Liabilities and Equity			
A.VI. Reserve for treasury shares held	5,100,000	(5,100,000)	0
A.VI. Other reserves, disclosed separately	116,008,579	5,100,000	121,108,579
A.VII. Reserve for cash flow hedges	0	(436,848)	(436,848)
A.X. Negative reserve for Treasury shares	0	5,100,000	5,100,000
B.3) Derivatives - Liabilities	0	436,848	436,848
Income Statement			
C17) Interest and other financial charges	0	3,361	3,361
20.B) Prior year taxation	0	3,949	3,949
E.20) Extraordinary income	3,949	(3,949)	0
E.21) Extraordinary expenses	3,361	(3,361)	0

“Treasury share”, as classified under financial fixed assets, included the value of the treasury shares acquired by the Company in prior years. This caption and the related “Reserve for treasury shares held”, as classified under shareholders’ equity, have been eliminated.
Under the new Italian Accounting Standards, the acquisition of treasury shares must be accounted for by reducing shareholders’ equity. Therefore, the “Extraordinary Reserve” has been increased through elimination of the “Reserve for treasury shares held” by an amount equal to the value of the treasury shares and, at the same time, a “Negative reserve for treasury shares” has been created in the same amount.
“Reserve for cash flow hedges” and “Derivatives – liabilities” are captions introduced by the new Accounting Standards. They reflect the fair value of derivative hedges entered into by the Company in 2014 to hedge the interest rate risk in relation to a bank loans.
“Extraordinary income” referred to prior year taxes and has been reclassified to caption 20.b “Prior year taxes”.
“Extraordinary expenses” related partly to losses arising on the liquidation of an associated company and has been reclassified to caption C.17 “interest and other financial expenses”.

The most significant accounting policies applied when preparing the financial statements at 31 December 2016 are consistent with the requirements of Article 2426 of the Italian Civil Code and the aforementioned accounting standards and 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, as adjusted for depreciation only.

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 financial leases

Assets held under finance leases are accounted for in accordance with Italian GAAP which requires lease instalments to be recognised as period costs with advance payments treated as prepaid expenses and the asset recorded in the balance sheet in the year when the final purchase option is exercised..
During the lease period, the final purchase option amount and the outstanding commitment for lease repayments is disclosed in the memorandum accounts.

Equity investments and securities (classed as non-current assets)

Equity investments and debt securities classed as non-current assets are destined to form part of the Company's assets in the long-term. They are measured at cost, as adjusted for impairment.

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 with a duration of less than one year is measured at specific construction cost.

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 estimate total revenues.

This percentage is calculated as the ratio of costs incurred as at 31 December 2016 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.

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 payments on account and 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 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, in accordance with the accrual basis of accounting.

Provisions for risks and charges

Provisions for risks and charges 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.

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.

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 an effective 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 each year in accordance with Article 2120 of the Italian Civil Code.

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.

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.

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.

Deferred tax assets and liabilities are calculated on temporary differences between the value of assets and liabilities for statutory reporting purposes and the corresponding amounts for tax purposes. They are measured taking account of the tax rate the Company is expected to incur in the year in which such differences will form a part of taxable income, considering rates in force or already announced at the reporting date. They are recorded, respectively, under “deferred tax provision” on the Liabilities side under 4 ter) of provisions for risks and charges and under “Deferred tax assets”. Deferred tax assets are recognised for all deductible temporary differences in compliance with the prudence principle if it is reasonably certain that, in the years they will reverse, there will be taxable income of not less than the differences arising. Meanwhile, deferred tax liabilities are recognised in relation to all taxable temporary differences.

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.

Preparation of consolidated financial statements

As it holds significant controlling investments, as defined by Article 2359 of the Italian Civil Code, the Company is obliged to prepare consolidated financial statements at 31 December 2016, in accordance with Legislative Decree 127/91. The Company has prepared such financial statements by the deadline required by Article 46(4) of the said Decree. They supplement these financial statements and are contained in a separate document.

Notes to the financial statements, assets

NON-CURRENT ASSETS

Intangible assets

Intangible assets amount to Euro 1,208 thousand (Euro 1,422 thousand at 31.12.2015) and are analysed as follows:

- Concessions, licences, trademarks and similar rights, amounting to Euro 408 thousand, includes the net carrying amount of the consideration paid to acquire rights, expiring in 2017, 2018 and 2050, on land adjacent to the Piomboni Yard.
- “Assets in progress and payments on account”, amounting to Euro 62 thousand, represents the value of work performed up to 31.12.2016 on internal projects that have not yet been completed.
- “Other intangible assets” includes leasehold improvements of Euro 523 thousand (Euro 641 thousand at 31.12.2015), software and licences of Euro 80 thousand (Euro 94 thousand at 31.12.2015) and Euro 135 thousand of expenses relating to a loan granted by Unicredit Banca d’Impresa in 2014 (Euro 208 thousand at 31.12.2015). The Company has applied the amortised cost method solely in relation to payables arising since the period commencing 1 January 2016, as specifically permitted, while continuing to classify loan related expenses under “Other intangible assets” and amortising them in accordance with the previous accounting standard.

Movements on intangible assets

Details of intangible assets and movements thereon are provided in the table below:

	Concessions, licences, trademarks and similar rights	Intangible assets in progress and payments on account	Other intangible assets	Total intangible assets
Opening amount				
Cost	954,999	46,258	3,243,741	4,244,998
Amortisation (Accumulated amortisation)	-522,893		-2,300,547	-2,823,440
Net carrying amount	432,106	46,258	943,194	1,421,558
Changes during year				
Increases due to purchases		22,579	185,124	207,703
Decreases due to disposals		6,600		6,600
Amortisation for the year	24,204		390,075	414,279
Total changes	-24,204	15,979	-204,951	-213,176
Closing amount				
Cost	954,999	62,237	3,428,865	4,446,101
Amortisation (Accumulated amortisation)	-547,097		-2,690,622	-3,237,719
Net carrying amount	407,902	62,237	738,243	1,208,382

Concessions, licences, trademarks and similar rights

This caption has decreased by Euro 24 thousand due to amortisation charged over the period of the land rights concession.

Intangible assets in progress and payments on account

The increase of Euro 23 thousand is due to work in progress on the development of dedicated software for the procurement area.

Decreases totalling Euro 7 thousand are due to completion of work on the development of the new Intranet.

Other intangible assets

The increase in this caption includes Euro 63 thousand due to improvements to the sewage network connected to a plot of land in respect of which the Company has rights of usufruct, Euro 29 thousand regarding the development of the new company Intranet, Euro 19 thousand regarding the development of the new Timesheet software, Euro 48 thousand for the purchase of licences to document management software, Euro 11 thousand for the purchase of Milemite licences to manage project control activities and Euro 15 thousand for Microsoft user licences.
Decreases totalled Euro 390 thousand and related to amortisation which 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 for capex in that area.

Tangible assets

Tangible assets amount to Euro 58,014 thousand (Euro 59,994 thousand at 31.12.2015). The caption includes fixed assets forming part of the Company's permanent organisation. The long-term nature of the assets refers to their use rather than their inherent characteristics. Such assets are normally deployed for income generating purposes as part of ordinary activities and are not destined for sale or for transformation into products sold by the Company.
In 2016, ordinary depreciation, as shown in the specific table, was calculated based on rates reflecting the estimated useful lives of the tangible assets. The rates applied were as follows:
Buildings:
- Buildings 3.00%
- Lightweight construction 10.00%
Plant and machinery:
- General and specific plant 10.00%
- Water treatment plant 15.00%
- Machinery 15.50%
Industrial and commercial equipment 25.00%
Other tangible assets:
- Office furniture and fittings 12.00%
- Electronic office equipment 20.00%
- Commercial vehicles 20%
- Automobiles 25,00%
Some categories of tangible assets include revaluations performed in prior years under Laws 576/1975, 72/1983, 413/1991, 266/2005 and 2/2009.

Movements on tangible assets

Details of tangible assets and movements thereon during the year are shown in the following table:

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible assets	Assets under construction and payments on account	Total tangible assets
Opening amount						
Cost	40,730,246	21,681,015	2,828,390	2,333,092	80,748	67,653,491
Revaluations	34,849,492	2,035,360				36,884,852
Depreciation (Accumulated depreciation)	-22,835,999	-17,117,309	-2,627,751	-1,962,884		-44,543,943
Net carrying amount	52,743,739	6,599,066	200,639	370,208	80,748	59,994,400
Changes during year						
Increased due to additions	56,389	766,621	30,370	107,504	115	960,999
Decreases due to disposals (of carrying amount)		194,907	27,690	47,103	61,402	331,102
Depreciation for the period	1,435,214	1,168,271	104,784	144,000		2,852,269
Other changes		194,907	10,384	36,589		241,880
Total changes	-1,378,825	-401,650	-91,720	-47,010	-61,287	-1,980,492
Closing amount						
Cost	40,786,635	22,340,374	2,831,070	2,393,493	19,461	68,371,033
Revaluations	34,849,492	1,947,715				36,797,207
Depreciation (Accumulated depreciation)	-24,271,213	-18,090,673	-2,722,151	-2,070,295		-47,154,332
Net carrying amount	51,364,914	6,197,416	108,919	323,198	19,461	58,013,908

The main additions for the year included:
- Land and buildings: completion of work on a landscaped pedestrian area at the Piomboni yard – Euro 56 thousand.
- Plant and machinery: purchase of a “Ship Caisson” used to close the dry dock at the S. Vitale yard (Euro 170 thousand) and purchase of a new pipe cutting machine (Euro 590 thousand).
- Other tangible assets: Purchase of a new forklift truck (Euro 60 thousand)

Decreases mainly relate to depreciation for the year.

Even though there were no specific indicators of impairment, the Directors prudently subjected tangible and intangible assets to impairment tests, in light of the following factors:
- the significant decrease in revenues during the year;
- the market crisis, especially in the Oil&Gas segment, which has been ongoing for some years now, even though the budget approved by the Company Board of Directors forecasts a break-even result in 2017 and EBITDA in excess of Euro 2 million in the years ahead.

The Discounted Cash Flow Methods was used with a WACC of 8.67%.
The Company performed the test using the Business Plan 2017-2019 approved by the Board of Directors.
The test did not identify the need for any impairment adjustments.

Financial fixed assets

As at 31 December 2016, the Company has financial fixed assets totalling Euro 35,631 thousand (Euro 35,730 thousand at 31.12.2015).
This item includes investments in subsidiaries of Euro 1,119 thousand (Euro 1,445 thousand at 31.12.2015), investments in associated companies of Euro 1,021 thousand (Euro 791 thousand at 31.12.2015), investments in other entities of Euro 143 thousand (Euro 145 thousand at 31.12.2015) and non-current financial receivables of Euro 33,349 thousand (Euro 33,349 thousand at 31.12.2015).
Non-current receivables include two medium term loans granted to associated company Kazakhstan Caspian Offshore Industries Llp in order to enable it to build and then expand its yard in Kazakhstan. The first loan was disbursed in several instalments commencing in 2009 (total outstanding amount of Euro 21,800 thousand at 31/12/2016). The second loan was approved in 2013 (a total of Euro 11,549 thousand had been disbursed at 31/12/2016) and has been repaid in full.
Both loans are interest bearing on arm’s length terms. Considering expected orders and work from the associated companies, the receivables are expected to be recoverable in full.

Movements on financial fixed assets: equity investments, other securities, treasury shares

The most significant changes during the year in relation to investments in subsidiaries, associated companies, other entities and securities are shown in the following table:

	Investments in subsidiaries	Investments in associated companies	Investments in other entities	Total Investments
Opening amount				
Cost	1,564,997	2,216,468	207,637	3,989,102
Revaluations		10,350		10,350
Impairment adjustments	-120,352	-1,436,084	-62,442	-1,618,878
Carrying amount	1,444,645	790,734	145,195	2,380,574
Changes during the year				
Increases due to acquisitions		50,000		50,000
Reclassifications (of carrying amount)			20,658	20,658
Decreases due to disposals (of carrying amount)	63,252	14,763		78,015
Revaluations during the year		315,878		315,878
Impairment adjustments during the year	265,982	136,055	22,682	424,719
Other changes	3,332	14,763		18,095
Total changes	-325,902	229,823	-2,024	-98,103
Closing amount				
Cost	1,501,745	2,251,705	228,295	3,981,745
Revaluations		326,228		326,228
Impairment adjustments	-383,002	-1,557,376	-85,124	-2,025,502
Carrying amount	1,118,743	1,020,557	143,171	2,282,471

“Decreases due to disposals” and “Other changes” also reflect changes due to the liquidation procedures carried out during the period (“Decreases due to disposals” includes historical purchase cost while “Other changes” includes any writedowns/impairment adjustments made in prior years).

The following changes compared to prior year took place in 2016:

- Liquidation of subsidiary Alfaros Srl;
- Liquidation of subsidiary Rosetti Doo;
- Writedown of the entire investment in subsidiary Basis Engineering Srl (Euro 265 thousand). Volatile oil prices have discouraged investment in the industry with extremely negative effects for all companies operating in it. Basis Engineering has suffered badly from the consequences of this situation. The cancellation of projects and/or the cutting of available budgets by clients led to a significant loss for the year of around Euro 2.7 million, leaving the company with negative equity of Euro 0.2 million. Given the strategic importance of the associated company the Directors of Rosetti S.p.A. declared themselves willing to reschedule the equity deficit created by the loss for the year and to recapitalise the company. Accordingly, in addition to the Euro 265 thousand writedown of the investment, at 31/12/2016, a provision for risks of around Euro 2 million has been created for the coverage of accumulated losses and the recapitalisation of the associated company;
- Carrying amount of subsidiary Rosetti Libya JSC brought into line with relevant share of equity through a further impairment adjustment of Euro 1 thousand;
- Liquidation of associated company Unaros Fzc Ltd;
- Carrying amount of investment in associated company Kazakhstan Caspian Industries Ltd brought back into line with historical cost through reversal of Euro 296 thousand writedown made the previous year;
- Writedown in full of the investment in associated company Rosetti Pivot Ltd through a further adjustment of Euro 136 thousand, while also creating a provision for risks for the coverage of losses and recapitalisation of the company in the amount of Euro 0.6 million. In accordance with the prudence principle, the cost value of the investment has been brought into line with the equity value until profits are generated – provision has also been made for the expected losses

that Rosetti Marino SpA will have to cover; profits are expected when the contracts for which the Company was incorporated get underway;
- Carrying amount of associated company Fores do Brasil Sistemas e Equipamentos Industrais Ltda brought into line with relevant share of equity through a revaluation of Euro 20 thousand;
- Incorporation of associated company Rigros Srl with its registered office in Ravenna and subscription of 50% of quota capital, equal to Euro 50 thousand partially paid;
- Reclassification of Euro 21 thousand of the investment in the joint venture for the OMC 2017 event (previously included in current financial assets).
- Restatement at fair value at 31.12.2016 of shares held in Cassa di Risparmio di Ravenna S.p.A. by means of a further writedown of Euro 23 thousand;

Investments in other entities, amounting to Euro 143 thousand (Euro 145 thousand at 31 December 2015) are analysed as follows:
- Cassa di Risparmio di Ravenna S.p.A. - Euro 116 thousand;
- Consorzio CURA - Euro 1 thousand;
- Porto Intermodale di Ravenna – SAPIR - Euro 3 thousand;
- CAAF Industrie - Euro 2 thousand;
- Consorzio Destra Candiano -Euro 1 thousand.
- O.M.C. - Euro 20 thousand.

Movements on financial fixed assets: receivables

The most significant changes during the year are shown in the following table:

	Opening amount	Changes during year	Closing amount	Amount due within a year	Amount due after more than a year
Non-current receivables from associated companies	33,349,005	-	33,349,005	11,549,005	21,800,000
Total non-current receivables	33,349,005	-	33,349,005	11,549,005	21,800,000

As previously stated, the loans granted to associated company Kazakhstan Caspian Offshore Industries Llp are interest-bearing at arm’s length rates of interest.
In light of the orders and work expected from the associated company, said company’s total assets and the results achieved by it during the year – as well as the repayment of Euro 11,459 thousand received in February 2017 – the Directors consider the receivables recoverable in full.

Information on investments in subsidiaries

As at 31 December 2016, the Company had investments in subsidiaries totalling Euro 1,119 thousand (Euro 1,445 thousand as at 31.12.2015).
A detailed breakdown of investments in subsidiaries is provided in the following table.

	Name; City or State	Tax number (for Italian companies)	Capital in Euro	Profit (loss) for last reporting period in Euro	Equity in Euro	Interest held in Euro	% interest held	Carrying amount or corresponding receivable
Fores Engineering Srl	Forlì	02178650400	1,000,000	(4,455,152)	9,611,934	9,611,934	100%	603,308
Basis Engineering Srl	Milano	11163980151	500,000	(2,714,579)	(230,190)	(230,190)	100%	-
Rosetti Marino UK Ltd	Scozia		115	(87,079)	302,253	302,253	100%	119
Rosetti General Contracting Lda	Portogallo		49,880	(223,959)	2,215,758	2,171,443	98%	51,390
Rosetti Kazakhstan Llp	Kazakhstan		198,161	2,523,160	4,171,820	3,754,638	90%	178,901
Rosetti Marino Mocambique Ltd	Mozambico		1,301	-	1,301	1,249	96%	1,230
Rosetti Libya Jsc	Libia		622,084	(962)	436,607	283,795	65%	283,795
Totale								**1,118,743**

The subsidiaries operate in the following sectors:

- Fores Engineering Srl (which owns 100% of Fores Engineering Algèrie and 75% of Fores do Brasil Sistemas e Equipamentos Industriais Ltda which operate in the same segment, plus 10% of Rosetti Kazakhstan Llp): design, construction and maintenance of automation and control systems;
- Basis Engineering S.r.l. (which owns 45% of Basis Pivot Ltd and 60% of Basis Congo Sarl which operate in the same segment): multi-disciplinary design of oil and petrochemical facilities;
- Rosetti Marino UK Ltd, Rosetti Marino Mocambique Limitada, Rosetti Libya Jsc and Rosetti Kazakhstan Llp (which owns 40% of KCOI): construction of offshore and onshore oil facilities;
- Rosetti General Contracting Construcoes Serviços Lda: ship charter and services and operating activities on foreign markets.

Rosetti Marino Mocambique Limitada, Rosetti Marino UK Ltd and Rosetti Libya Jsc are currently non-operating/dormant.

Information on investments in associated companies

As at 31 December 2016, the Company held investments in associated companies totalling Euro 1,021 thousand (Euro 791 thousand as at 31.12.2015).

Details of investments in associated companies are provided in the following table.

	Name; City or State	Tax number (for Italian companies)	Capital in Euro	Profit (loss) for last reporting period in Euro	Equity in Euro	Interest held in Euro	% interest held	Carrying amount or corresponding receivable
Fores do Brasil Ltda	Brasile		300,000	46,495	195,319	48,830	25%	48,830
Rosetti Congo Sarl	Repubblica del Congo		152,448	-	152,448	76,224	50%	76,224
Rigros Srl	Italia	2668990390	100,000	-	100,000	50,000	50%	50,000
Kazakhstan Caspian Offshore Industries llp	Kazakhstan		1,159,735	15,567,709	9,794,592	979,459	10%	295,502
Rosetti Pivot Ltd	Nigeria		2,555,984	(1,462,829)	220,330	107,962	49%	-
Tecon Srl	Milano		46,500	70,159	3,154,154	630,831	20%	550,000
Totale								**1,020,556**

The associated companies operate in the following sectors:

- Fores do Brasil Sistemas e Equipamentos Industriais Ltda: design, construction and maintenance of automation and control systems;
- Tecon S.r.l.: multi-disciplinary design of oil and petrochemical facilities;
- Rosetti Congo Sarl, Rosetti Pivot Ltd and Kazakhstan Caspian Offshore Industries Llp: construction of offshore and onshore oil facilities.
- Rigros S.r.l.: management of activities regarding the future purchase of a plot of land for industrial use.

Rosetti Congo Sarl, Fores do Brasil Sistemas e Equipamentos Industriais Ltda, Rosetti Pivot Ltd and Rigros S.r.l. are currently non-operating / dormant.

CURRENT ASSETS

Detailed tables have been prepared for current assets showing the nature of the individual line items and movements thereon during the year.

Inventory

Raw materials, consumables and goods for resale
As at 31 December 2016, raw materials inventory amounted to Euro 220 thousand (Euro 271 thousand at 31.12.2015), after an obsolescence provision of Euro 440 thousand (Euro 550 thousand at 31.12.2015). This provision is considered appropriate to bring inventory into line with estimated realisable value.
Inventory includes stock held at the Company's production facilities and warehouses (excluding items received from third parties for various reasons, title to which remains with said third parties), stock owned by the Company but held by third parties and goods in transit property of which has already been transferred to the Company.
Raw materials inventory is valued under the weighted average cost method. Use of this method does not result in any appreciable differences compared to a current cost valuation.

Contract work-in-progress
This caption, amounting to Euro 45,076 thousand (Euro 23,055 thousand as at 31.12.2015), includes Euro 7,127 thousand relating to contracts lasting less than a year and Euro 37,949 thousand regarding long-term contracts (valued using the percentage of completion method).

Advances to suppliers
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.

	Opening amount	Change during year	Closing amount
Raw materials, consumables and goods for resale	270,797	- 51,006	219,791
Contract work in progress	23,055,178	22,020,741	45,075,919
Payments on account	9,100,254	- 6,469,195	2,631,059
Total inventories	**32,426,229**	**15,500,540**	**47,926,769**

The increase of Euro 15,501 thousand compared to prior year represents the net difference between the increase in "Contract work-in-progress" and the decrease in "Advances to suppliers".
The change is due to the different percentage of completion of contracts in progress.
Given the decrease in raw materials inventory, the inventory obsolescence provision has also been proportionately reduced, by Euro 110 thousand, in order to bring raw materials inventory into line with estimated realisable amount.

Receivables

As at 31 December 2016, receivables amount to Euro 59,847 thousand (Euro 74,251 thousand as at 31.12.2015).

The company has not applied the amortised cost method to value trade receivables due within a year which are expected to be collected in accordance with normal terms of trade.

Trade receivables due after more than a year – Euro 2.8 million – are subject to interest at market rates so they have not been discounted.

Receivables from clients (trade)

Receivables from clients relate to normal commercial transactions. Given the nature of the Group's business, trade receivables are highly concentrated with around 74% (80% in prior year) of the total due from the five leading clients by outstanding balance. The increase in the "Provision for bad debts" – Euro 3,318 thousand at 31 December 2016 against Euro 790 thousand at 31 December 2015 - - is due to the amount of Euro 2,528 thousand allocated during the year to bring gross receivables into line with estimated realisable amount based on an overall assessment taking account of collection risks relating to certain specific factors. The amount provided reflects the prudent approach adopted by the Directors in relation to the receivables collection risk.

Receivables from subsidiaries

Receivables from subsidiaries include financial receivables of Euro 2,250 thousand and trade receivables of Euro 1,281 thousand.

Financial receivables include loans granted to Rosetti General Contracting Construcoes Serviços Lda (Euro 250 thousand) and Tosetti Kazakhstan Llp (Euro 2,000 thousand). Meanwhile, the trade receivables are due from Basis Engineering Srl (Euro 124 thousand), Fores Engineering S.r.l. (Euro 488 thousand), Rosetti General Contracting Construcoes Serviços Lda (Euro 23 thousand) and Rosetti Kazakhstan Llp (Euro 646 thousand).

All trade and financial transactions with subsidiaries take place on an arm's length basis. The Directors consider all of these receivables to be recoverable in full so no provision for bad debts has been recorded.

Receivables from associated companies

Receivables from associated companies entirely consist of trade receivables due from Kazakhstan Caspian Offshore Industries Llp (Euro 3,756 thousand) and Rosetti Pivot Ltd (Euro 306 thousand).

All trade transactions with associated companies take place on an arm's length basis. The Directors believe these receivables are all recoverable so no provision for bad debts has been recorded.

Receivables from parent companies

Receivables from the parent company amount to Euro 8 thousand consist entirely of trade receivables. The related transactions take place on an arm's length basis. As the Directors believe these receivables are recoverable in full, no provision for bad debts has been recorded.

Tax receivables

Tax receivables amount to Euro 4,263 thousand as at 31 December 2016 (Euro 5,820 thousand as at 31.12.2015) and mainly refer to the following:

- VAT receivable of Euro 486 thousand including Euro 268 thousand arising during the year on ordinary commercial transactions by the company and the branches and a VAT receivable of Euro 218 thousand arising in prior years for which a refund has been requested.
- IRES receivable of Euro 3,104 thousand due to the fact that income tax payments made on account in prior years exceeded the taxes actually due.
- IRES receivable of Euro 76 thousand due to withholding taxes applied by customers to other foreign taxes.
- IRAP credit of Euro 535 thousand of which Euro 370 thousand is due to the fact that payments made on account during the year exceeded the tax actually due and Euro 165 thousand regards 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 amount. The amount represents the remaining credit that may be used in the next three years.
- Tax credit of Euro 29 thousand for payments made on account in excess of taxes actually due by foreign branches.

Deferred tax assets

Deferred tax assets have been recognised on all positive temporary differences. We note that the Government Budget for 2016 (published in the Official Gazette no 302 of 30 December 2015 as Law no 208 of 28 December 2015) reduced the IRES rate from 27.5% to 24% with effect from tax periods after the one in progress at 31 December 2016. Consequently, the theoretical tax effects on temporary differences have been calculated taking account of the reduction in the IRES rate for items with a tax impact in 2017 and later years.

Other receivables

Other receivables include guarantee deposits of Euro 36 thousand, receivables from employees of Euro 14 thousand, Euro 2 thousand of insurance pay-outs receivable, Euro 18 thousand of subsidies receivable for electricity generated by the solar power installations at the head office in Via Trieste and the Yard in San Vitale and Euro 107 thousand in the form of a receivable for excess taxes paid to the Government of Norway on the income of personnel working in that country. There are no receivables due after more than five years.

Changes in and maturity of receivables classed as current assets

The most significant changes during the year in receivables classed as current assets are shown in the following table:

	Opening amount	Change during year	Closing amount	Amount due within a year	Amount due after more than a year
Trade receivables	58,592,498	- 13,547,817	45,044,681	42,244,681	2,800,000
Receivables from subsidiaries	1,897,299	1,633,714	3,531,013	3,531,013	
Receivables from associated companies	6,263,338	- 2,201,151	4,062,187	4,062,187	
Receivables from parent companies	-	8,000	8,000	8,000	
Tax receivables	5,820,149	- 1,557,619	4,262,530	4,262,530	
Deferred tax assets	1,549,521	1,212,154	2,761,675		
Other receivables	128,150	49,034	177,184	140,978	36,206
Total current receivables	74,250,955	- 14,403,685	59,847,270	54,249,389	2,836,206

The increase in receivables from subsidiaries is mainly due to the loans granted during the year to Rosetti Kazakhstan Llp and Rosetti General Contracting Construcoes Serviços Lda.

The decrease in receivables from associated companies is mainly due repayment of the short-term loan granted in prior year to Kazakhstan Caspian Offshore Industries Llp.

The decrease in tax receivables is mainly due to offsetting against taxes due for the year and to receipt of tax refunds applied for in prior years..

The overall increase in deferred tax assets is mainly due to the following changes:

- an increase due to allocations to the Tax provision for bad debts
- an increase due to allocations for Provisions for risks
- an increase due to the effect of valuation of loss-making contracts
- a decrease due to the effect of recovery of revaluations of fixed assets in prior years.

Breakdown of receivables classed as current assets by geographical area

The following table contains a breakdown of receivables classed as current assets by geographical area.

	Italy	UE	Extra UE	Total
Trade receivables	9,545,461	15,935,317	19,563,903	45,044,681
Receivables from subsidiaries	612,751	272,698	2,645,564	3,531,013
Receivables from associated companies	-	-	4,062,187	4,062,187
Receivables from parent companies	8,000	-	-	8,000
Tax receivables	4,056,321	-	206,209	4,262,530
Deferred tax assets	2,761,675	-	-	2,761,675
Other receivables	177,184	-	-	177,184
Total current receivables	17,161,392	16,208,015	26,477,863	59,847,270

Current financial assets

Changes in current financial assets

The following table shows changes in current financial assets.

	Opening amount	Change during year	Closing amount
Derivatives – assets	-	4,167,117	4,167,117
Other current securities	36,940,611	437,896	37,378,507
Total current financial assets	36,940,611	4,605,013	41,545,624

Derivatives – assets includes derivatives classified as held for trading as they do not fulfil 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.
Other current securities entirely consists of the temporary investment of cash in mutual fund units, insurance policies and other equities and bonds: changes in fair value are recorded in the balance sheet and in the income statement under captions D18 c or D19 c.

Cash and cash equivalents

Cash and cash equivalents amount to Euro 40,569 thousand (Euro 34,453 thousand at 31.12.2015) and include bank current accounts of Euro 40,536 thousand and cash on hand of Euro 33 thousand.

Changes in cash and cash equivalents are shown in the following table.

	Opening amount	Change during year	Closing amount
Bank and post office accounts	34,425,311	6,110,090	40,535,401
Checks	-	-	-
Cash and cash equivalents on hand	27,893	5,301	33,194
Total cash and cash equivalents	34,453,204	6,115,391	40,568,595

For more details of the change in cash and cash equivalents compared to prior year, see the statement of cash flows.

PREPAID EXPENSES AND ACCRUED INCOME

Details of prepaid expenses and accrued income are provided in the following table:

	Opening amount	Change during year	Closing amount
Accrued income	198,851	- 198,851	-
Other prepaid expenses	560,791	- 282,537	278,254
Total prepaid expenses and accrued income	759,642	- 481,388	278,254

Prepaid expenses include Euro 74 thousand of prepaid hire/rental costs for moveable assets, Euro 19 thousand of prepaid rental costs and Euro 185 thousand of sundry prepaid expenses.

Notes to the Financial Statements – liabilities and shareholders' equity

Comments on the main Liabilities and Shareholders' Equity items are presented below.

SHAREHOLDERS' EQUITY

Shareholders' equity includes the following items:

Share capital
At 31 December 2016, share capital was wholly subscribed and paid and consisted of 4,000,000 ordinary shares with a par value of Euro 1.00 each.

Reserves

The Revaluation 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 was increased by Euro 33,368 thousand in 2008 as a result of the revaluation of fixed assets under Law 2/2009.

The legal reserve includes portions of net profits allocated in prior years.

During the year, the Extraordinary reserve increased by Euro 1,451 thousand due to allocation of part of the net profit for 2015. The reserve consists entirely of portions of net profits allocated in prior years.

The Legislative Decree 124/93 reserve consists of amounts allocated in prior years in accordance with said legislative decree.

The Reserve for grants under Art. 55 DPR 917/1986 regards grants received in prior years for shipbuilding activities in terms of Law 599/1982, Law 361/1982 and Law 234/1989.

The reserve for unrealised exchange gains was created from prior year earnings in respect of unrealised exchange gains.

Movements on the cash flow hedge reserve reflect the recognition of future cash flows under derivatives designated as "cash flow hedges". Movements during the year show a decrease of Euro 22 thousand in order to restate at 31.12.2016 fair value the derivative arranged in 2014 to hedge a variable rate loan.

The negative reserve for treasury shares represents 200,000 treasury shares with a nominal amount of Euro 25.50 each, as acquired in prior years.

Net profit for the year

A net profit of Euro 2,462 thousand is reported for 2016.

Changes in shareholders' equity items

Movements on shareholders' equity in the past three years and details of possible utilisation and availability for distribution are provided below.

	Share capital	Revaluation reserve	Legal reserve	Extra-ordinary reserve	Reserve under Leg. Decr 124/93 / Grants Reserve	Reserve for unrealised exchange gains	Cash flow hedge reserve	Net profit for the year	Negative reserve for treasury shares	Total
BALANCE AT 31 DECEMBER 2014	**4,000**	**36,969**	**800**	**110,631**	**1,941**	**39**	**(306)**	**12,297**	**(5,100)**	**161,271**
Allocation of net profit for 2014:										
- to extraordinary reserve	0	0	0	8,497		0	0	(8,497)	0	0
- dividends	0	0	0	0	0	0	0	(3,800)	0	(3,800)
Change in fair value of cash flow hedges	0	0	0	0	0	0	(131)	0	0	(131)
Reclass of reserve for unrealised exchange gains	0	0	0	39	0	(39)	0	0	0	0
Net profit for 2015	0	0	0	0	0	0	0	2,883	0	2,883
BALANCE AT 31 DECEMBER 2015	**4,000**	**36,969**	**800**	**119,167**	**1,941**	**0**	**(437)**	**2,883**	**(5,100)**	**160,223**
Allocation of net profit for 2015:										
to extraordinary reserve	0	0	0	1,451	0	0	0	(1,451)	0	0
- Change in fair value of cash flow hedges	0	0	0	0	0	976	0	(976)	0	0
- dividends	0	0	0	0	0	0	0	(456)	0	(456)
Change in fair value of cash flow hedges	0	0	0	0	0	0	22	0	0	22
Net profit for 2016	0	0	0	0	0	0	0	2,462	0	2,462
BALANCE AT 31 DECEMBER 2016	**4,000**	**36,969**	**800**	**120,618**	**1,941**	**976**	**(415)**	**2,462**	**(5,100)**	**162,251**
Possible utilisation	B; C or D	A;B;D	A;B	A;B;C	A;B;D	E	E		E	

Some Euro 832 thousand of share capital would be taxable if distributed to the shareholders.
Utilisation of the reserve for government grants for any purpose other than to cover losses would be taxable.
The reserve for unrealised exchange gains has become available in full.
Legend:
A) Reserve available for share capital increases
B) Reserve available to cover losses
C) Reserve available for distribution to shareholders
D) Reserve available for distribution to shareholders but taxable upon distribution

E) Reserve not available

PROVISIONS FOR RISKS AND CHARGES

As at 31.12.2016, provisions for risks and charges amount to Euro 6,903 thousand (Euro 8,313 thousand as at 31.12.2015) and are analysed as follows:

	Provision for retirement benefits and similar obligations	Tax provision, including deferred tax	Passive derivative financial instruments	Other provisions	Total provisions for risks and charges
Opening amount	120,000	313,158	436,848	7,443,318	8,313,324
Changes during the year					
Allocated during year	36,000			1,836,544	1,872,544
Utilised during year		296,350	21,733	453,496	771,579
Other changes				(2,511,230)	(2,511,230)
Total changes	36,000	(296,350)	(21,733)	(1,128,182)	(1,410,265)
Closing amount	156,000	16,808	415,115	6,315,136	6,903,059

<u>Provision for retirement benefits</u>

This item includes amounts allocated for the leaving indemnity of a Director, as approved by the Shareholders' General Meeting.

<u>Tax provision</u>
This item includes the deferred tax provision created in relation to unrealised profits which will be subject to taxation in future periods.

<u>Provisions for derivatives</u>
This caption, amounting to Euro 415 thousand, includes the Mark to Market valuation of the following hedging instrument:
Type: IRS Agreement
Notional amount Euro: 30,000,000
Duration: 48 months
Period: 31/10/2014 - 31/10/2018
Rate: Euribor 3 months
Frequency: Quarterly instalments

See the policy prepared by the Company which aims to guarantee that exposure to the financial risk changes in interest rates directly or indirectly related to ordinary operating activities is identified, measured and minimised using the most efficient and effective methods.

Other provisions

This item includes a provision for contractual risks of Euro 2,263 thousand (Euro 427 thousand at 31.12.2015), a provision for future charges of Euro 1,016 thousand (Euro 1,016 thousand at 31.12.2015) and a provision for coverage of losses and future capitalisation of Euro 3,036 (Euro 6,000 thousand at 31.12.2015) mainly in relation to subsidiaries Basis Engineering S.r.l. and Rosetti Pivot Ltd, as previously indicated.

The provision for contractual risks has been created to cover the probable risk of warranty costs and the risk regarding litigation with a customer. The increase compared to prior year is mainly regards the creation of the provision for the litigation risk.

The provision for future charges has been created to cover risks relating to ongoing litigation and is unchanged compared to prior year.

TFR / EMPLOYEE SEVERANCE INDEMNITY PROVISION

The employee severance indemnity provision of Euro 1,340 thousand (Euro 1,651 thousand at 31.12.2015) has been determined in accordance with Article 2120 of the Italian Civil Code. Movements during the year were as follows:

	TFR/Employee severance indemnity provision
Opening amount	1,651,382
Changes during year	
Allocated during year	1,287,607
Utilised during year	1,598,505
Total changes	(310,898)
Closing amount	1,340,484

The TFR/employee severance indemnity provision at 31 December 2016 represents the indemnity in favour of employees up to 31 December 2006 which will be settled through payments made when employees leave the Italian companies or through advance payments made in accordance with the law. Utilisation during the year consists of transfers of Euro 536 thousand to complementary pension funds, the transfer of Euro 613 thousand to the INPS treasury fund, payment of indemnities and advances totalling Euro 355 thousand, TFR/employee severance indemnity paid monthly to employees totalling Euro 2 thousand and payment of personal income tax and social security contributions of Euro 92 thousand on behalf of employees. The balance at 31 December 2016 is stated net of advances paid.

PAYABLES

Payables are stated at nominal amount. No payables are secured on Company assets.

Changes in and maturity of payables

There are no payables due after more than five years.

Details of payables and movements thereon are provided in the following table:

	Opening amount	Change during year	Closing amount	Amount due within a year	Amount due after more than a year
Bank borrowing	32,760,186	(2,760,186)	30,000,000	-	30,000,000
Payments on account	38,067,556	20,748,449	58,816,005	58,816,005	-
Due to suppliers (trade)	21,499,252	(4,173,267)	17,325,985	17,325,985	-
Due to subsidiaries	6,124,598	(3,770,063)	2,354,535	2,354,535	-
Due to associated companies	243,574	513,864	757,438	757,438	-
Tax payables	1,499,381	(427,547)	1,071,834	1,071,834	-
Social security payables	1,281,789	(97,476)	1,184,313	1,184,313	-
Other payables	4,199,546	(1,271,310)	2,928,236	2,928,236	-
Total payables	105,675,882	8,762,464	114,438,346	84,438,346	30,000,000

Bank borrowing

This item entirely refers to a loan granted in 2014 by Unicredit Banca d'Impresa. The loan is subject to a variable rate of interest (Euribor 3 month), amounts to Euro 30,000 thousand and the loan principal is due in a single, bullet repayment scheduled for 2018. The Company has entered into a derivative agreement (Interest Rate Swap) in relation to the interest rate risk regarding the loan; said derivative fulfils hedge accounting requirements as stated above.

The Company has elected not to value the liability at amortised cost as it was already in place at 31.12.2015. Loan related expenses will continue to be classified as "Other intangible assets" and will be amortised in accordance with the previous version of OIC 24, as previously indicated.

Payments on account

This item includes order advances and milestone payments received from clients in relation to ongoing contract work. The increase 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)

These payables relate to commercial transactions entered into on an arm's length basis. The company has not discounted these payables. The decrease mainly regards the different timing of contracts.

Due to subsidiaries

These payables mainly refer to commercial transactions entered into on an arm's length basis and include Euro 1,252 thousand due to Basis Engineering S.r.l. and Euro 820 thousand due to Fores Engineering S.r.l.. As these payables are due within a year, the company has not discounted them. The remaining amount regards capital subscribed but not yet paid in relation to Rosetti Marino Mocambique Limitada and Rosetti Libya Jsc.

Due to associated companies

These payables include Euro 720 thousand for commercial transactions entered into on an arm's length basis with Tecon S.r.l. The payables are due within a year so the company has not discounted them.
The remaining amount regards capital subscribed but not yet paid in relation to Rigros S.r.l.

Tax payables

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

Social security payables

This item includes employee and employer social security contributions payable to social security institutions.

Other payables

This item mainly includes payables to employees of Euro 2,506 thousand, payables to Pension funds of Euro 238 thousand and payables to the Directors of Euro 75 thousand.

Breakdown of payables by geographical area

The following table provides a breakdown of payables by geographical area at 31/12/2016:

	Italy	UE	Extra UE	Total
Bank borrowing	30,000,000			30,000,000
Payments on account	17,752,531	18,186,208	22,877,266	58,816,005
Due to suppliers (trade)	11,865,774	3,735,548	1,724,663	17,325,985
Due to subsidiaries	2,072,285		282,250	2,354,535
Due to associated companies	757,438			757,438
Tax payables	1,071,834			1,071,834
Social security payables	1,184,313			1,184,313
Other payables	2,928,236			2,928,236
Total payables	67,632,411	21,921,756	24,884,179	114,438,346

ACCRUED EXPENSES AND DEFERRED INCOME

Accrued expenses and deferred income entirely consist of portions of expenses relating to the year that will arise in subsequent reporting periods. Specifically, they include Euro 10 thousand of accrued financial expenses relating to forward currency transactions maturing after 31/12/2016 and Euro 78 thousand of accrued interest expenses on loans.

	Opening amount	Change during year	Closing amount
Accrued expenses	112,315	(24,699)	87,616
Total accrued expenses and deferred income	112,315	(24,699)	87,616

The decrease compared to 31 December 2015 is mainly due to a reduction in forward currency transactions.

Notes to the Financial Statements – income statement

VALUE OF PRODUCTION

Value of production amounts to Euro 132,586 thousand (Euro 164,205 thousand in 2015).

Revenues from sales and services

Revenues from sales and services, amounting to Euro 46,320 thousand (Euro 566,434 thousand in 2015), entirely refer to contracts completed during the year. Given the nature of the Company's business, revenues are highly concentrated with around 80% of the total (95% in prior year) generated by the five leading clients. 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.

Change in contract work in progress

This item, which shows a positive balance of Euro 83,805 thousand (negative balance of Euro 408,031 thousand at 31.12.2015), represents the difference between the valuation of contract work in progress at 31.12.2016 and the valuation of contract work in progress at 31.12.2015. It includes Euro 5,486 thousand relating to the Shipbuilding Business Unit and Euro 78,319 thousand relating to the Energy Business Unit.

For details of the valuation method used, see the Accounting Policies described at the beginning of these Notes.

Increases in own work capitalised

Increases in own work capitalised, amounting to Euro 4 thousand (Euro 16 thousand in 2015), includes capitalised costs which led to increases in Balance Sheet captions “Intangible assets” and “Tangible assets”. They include the cost of works performed at the Piomboni Yard (Euro 2 thousand – construction of a landscaped pedestrian area and Euro 2 thousand of improvements to the sewage network).

Other revenues and income

This item, amounting to Euro 2,457 thousand (Euro 5,787 thousand in 2015) includes Euro 289 thousand of grants towards operating expenses and Euro 2,168 thousand of other revenues.

“Grants towards operating expenses” includes Euro 81 thousand of grants towards the photovoltaic solar power systems installed at the S. Vitale yard and the Via Trieste site, Euro 35 thousand of grants received from Fondimpresa in partial reimbursement of costs incurred to run a training programme and Euro 173 thousand of grants received from the Ministry of Infrastructures and Transport towards the following initiatives:

- GAINN4CORE initiative, an initiative sponsored and directed by the Ministry of Infrastructures and Transport which aims to develop a series of LNG distribution projects in Italy (Euro 78 thousand);
- ROSMANDITEN initiative, in collaboration with the Department of Naval, Electrical, Electronic Engineering and Telecommunications of the University of Genoa with a view to the development of a mathematic algorithm capable of forecasting the manoeuvrability of a tugboat without conducting sea trials (Euro 95 thousand).

Other revenues mainly comprise Euro 1,086 thousand from the secondment of employees to subsidiaries Fores Engineering S.r.l. and Rosetti Kazakhstan Llp and to associated company Kazakhstan Caspian Offshore Industries Llp, Euro 444 thousand from the reversal of provisions for other receivables after the conditions which led to their creation in prior years ceased to apply, Euro 252 thousand of costs recharged for third party use of utilities and industrial gases, Euro 83 thousand of chargebacks to employees for the use of company cars and Euro 52 thousand of rental and hire income.

Breakdown of revenues from sales and services by business segment

The following table contains a breakdown of revenues by business segment:

Business segment	Amount in 2016
Energy	25,941,042
Shipbuilding	18,480,897
Sundry services	1,897,582
Total	46,319,521

Breakdown of revenues from sales and services by geographical area

The following table contains a breakdown of revenues by geographical area:

Geographical area	Amount in 2016
Italy	26,569,943
EU	359,519
Non-EU	19,390,059
Total	46,319,521

COST OF PRODUCTION

Cost of production amounts to Euro 135,388 thousand (Euro 153,999 thousand in 2015).

Purchases of raw materials, consumables and good for resale

“Purchases of raw materials, consumables and goods for resale”, amounting to Euro 50,247 thousand (Euro 60,159 thousand in 2015), includes Euro 49,415 thousand of purchases of raw materials, Euro 815 thousand of purchases of consumables and Euro 17 thousand of purchases of sundry materials.

Costs for Services

This item, amounting to Euro 48,282 thousand (Euro 55,745 thousand in 2015) includes the cost of services purchased during ordinary operating activities and consists of the following:

- sub-contracting and outsourcing of Euro 34,522 thousand (Euro 40,922 thousand at 31.12.2015);
- other external production costs of Euro 3,569 (Euro 5,182 thousand at 31.12.2015);
- repairs and maintenance of Euro 966 thousand (Euro 935 thousand at 31.12.2015);
- electricity, water and heating of Euro 811 thousand (Euro 659 thousand at 31.12.2015);
- sundry personnel costs of Euro 2,515 thousand (Euro 2,715 thousand at 31.12.2015);
- selling costs of Euro 2,351 thousand (Euro 1,097 thousand at 31.12.2015);
- statutory auditors' fees of Euro 39 thousand (Euro 40 thousand at 31.12.2015);
- directors' fees of Euro 414 thousand (Euro 395 thousand at 31.12.2015);
- audit fees of Euro 77 thousand (Euro 79 thousand at 31.12.2015);
- general, administrative and insurance costs of Euro 3,018 thousand (Euro 3,721 thousand at 31.12.2015).

The decrease compared to prior year reflects the lower value of production and the fact that, given the weaker market conditions, the Company preferred to use internal resources rather than sub-contracting and outsourcing.

Lease and rental costs

Lease and rental costs amount to Euro 1,399 thousand (Euro 3,919 thousand in 2015) and include lease and rental costs regarding tangible and intangible assets as follows:

- concession fees of Euro 77 thousand (Euro 77 thousand in 2015);
- rental of property of Euro 241 thousand (Euro 342 thousand in 2015);
- software rental of Euro 90 thousand (Euro 37 thousand in 2015);
- hire/rental of moveable property of Euro 988 thousand (Euro 3,458 thousand in 2015).
- lease instalments of Euro 3 thousand (Euro 5 thousand in 2015);

The reduction in value of production has also affected the variable portion of this caption, especially with regard to the hire/rental of moveable property.

Personnel

Personnel expenses of Euro 27,309 thousand (Euro 30,234 thousand in 2015) includes costs incurred for employees during the year.

In more detail, "Wages and salaries" includes employee remuneration, comprising amounts accruing but not paid for additional months' salaries and annual leave, before deductions at source for taxes and social security contributions borne by employees. "Social security contributions" includes such expenses as borne by the Company. "Employee severance indemnity" includes amounts allocated during the year for the "TFR/Employee severance indemnity" and, finally, "Other personnel expenses" includes allocations to supplementary pension funds other than the TFR and the cost of performance related bonuses. The reduction is due to the reduction in value of production even though the Company has sought as far as possible to maintain the existing internal workforce.

Depreciation, amortisation and writedowns

"Depreciation, amortisation and writedowns", amounting to Euro 5,954 thousand (Euro 3,707 thousand in 2015), includes depreciation and amortisation of tangible and intangible assets and writedowns of current trade receivables.

Change in inventory of raw materials, consumables and goods for resale

"Change in inventory of raw materials, consumables and goods for resale", amounting to Euro 51 thousand (Euro 71 thousand in 2015), includes the change in value of raw materials inventory (opening inventory of Euro 821 thousand and closing inventory of Euro 660 thousand) less the Euro 110 thousand allocation to the Inventory provision during the year.

Provision for risks

This item amounts to Euro 1,837 thousand and includes amounts allocated during the year to bring the provision into line with operating risks.

Sundry operating expenses

"Sundry operating expenses", amounting to Euro 310 thousand (Euro 306 thousand in 2015) mainly includes sundry taxes paid for the year and including IMU/local property tax, chamber of commerce duty, authentication of company books, contribution of Clean-up Consortium, local tax on advertising, excise duty and rights on electricity licence, tax for occupation of public land and refuse tax.

FINANCIAL INCOME AND EXPENSES

There was net financial income of Euro 1,570 thousand in the year ended 31 December 2016 (Euro 3,272 thousand in 2015). It includes all of the Company's financial income and expenses.

Income from equity investments

Income from equity investments amounts to Euro 123 thousand (Euro 2,160 thousand in 2015) and includes the following dividends:

- dividends from subsidiaries of Euro 122 thousand, as paid by Rosetti Doo;
- 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

"Other financial income" of Euro 1,994 thousand (Euro 2,018 thousand in 2015) mainly includes the following items:

- financial income from cash investments - Euro 845 thousand;
- bank interest income - Euro 32 thousand;
- interest income on extended payment terms granted to clients - Euro 353 thousand;
- interest income on loans to subsidiaries Fores Engineering S.r.l. (Euro 3 thousand), Rosetti General Contracting Construcoes Serviços Lda (Euro 4 thousand) and Rosetti Kazakhstan Llp (Euro 17 thousand);
- interest income on loans granted to associated company Kazakhstan Caspian Offshore Industries Lllp (Euro 677 thousand).

Interest and other financial expenses

Other financial expenses for the year ended 31.12.2016 amounted to Euro 718 thousand (Euro 1,603 thousand in 2015) and mainly consisted of interest expenses on the loan from Unicredit Banca d'Impresa (Euro 463 thousand), financial expenses from forward contracts for the sale and purchase of currency (Euro 84 thousand) and interest expenses relating to cash investment operations (Euro 169 thousand).

Exchange gains and losses

"Exchange gains and losses" includes Euro 125 thousand of net realised exchange gains and losses i.e. resulting from the translation into Euro of foreign currency assets and liabilities settled (i.e. collected or paid) during the year and Euro 46 thousand of net unrealised exchange gains, resulting from the translation into Euro of foreign currency assets and liabilities not yet settled at the reporting date.

ADJUSTMENTS TO VALUE OF FINANCIAL ASSETS

"Adjustments to value of financial assets" is positive by Euro 2,888 thousand (negative by Euro 7,631 thousand in 2015) and includes the following adjustments:

- revaluation of investments in associated companies Kazakhstan Caspian Offshore Industries Llp (Euro 296 thousand) and Fores do Brasil Ltda (Euro 20 thousand);
- reversal of an excess "provision for rescheduling of losses and future recapitalisation" – Euro 2,511 thousand;
- revaluation of current securities by Euro 131 thousand;
- writedown of current securities by Euro 48 thousand;
- writedown of investment in Cassa di Risparmio di Ravenna S.p.A. by Euro 23 thousand;

CURRENT TAXATION, DEFERRED TAXATION AND DEFERRED TAX INCOME

Income taxes have been calculated in accordance with applicable tax laws and regulations and represent the tax expense for the reporting period.
They amount to a total of Euro (806) thousand (Euro 2,964 thousand in 2015) and include:
a) current taxes due on taxable income for the period;
b) current taxes relating to prior periods;
c) deferred taxation and deferred tax income.
The main temporary differences that led to the recognition of deferred taxation are shown in the following table, together with the related effects.

Recognition of deferred taxation and deferred tax income

	IRES	IRAP
A) Temporary differences		
Total deductible temporary differences	11,235,379	1,671,375
Total taxable temporary differences	70,033	-
Net temporary differences	(11,165,346)	(1,671,375)
B) Tax effects		
Deferred tax provision (assets) at start of year	(1,189,500)	(81,750)
Deferred tax (assets) recognised in year	(1,490,183)	16,566
Deferred tax provision (assets) at end of year	(2,679,683)	(65,184)

Details of deductible temporary differences

	Amount at prior year end	Change during year	Amount at year end	IRES tax effect	IRAP tax effect
Inventory provision	550,000	(110,000)	440,000	(26,400)	
Provision for contractual risks	426,932	1,836,545	2,263,477	440,771	
Provision for future risks	1,016,386	-	1,016,386	-	
Taxed provision for bad debts	-	2,323,898	2,323,898	557,736	
Unrealised exchange losses	35,892	(11,989)	23,903	(4,134)	
Contracts in progress	1,547,338	1,830,530	3,377,868	385,171	
Directors’ fees payable	140,000	(70,000)	70,000	(19,250)	
Writedown of shares	-	48,472	48,472	11,633	
Depreciation of tangible assets	2,096,134	(424,759)	1,671,375	(116,807)	(16,566)
Total	5,812,682	5,422,697	11,235,379	1,228,720	(16,566)

Details of taxable temporary differences

Description	Amount at 31/12/2015	Change during the year	Amount at 31/12/2016	IRES tax effect
Unrealised exchange gains	1,011,894	(941,861)	70,033	(261,463)
Total	1,011,894	(941,861)	70,033	(261,463)

"Current taxation" includes taxes on income generated abroad that cannot be used as tax credits. It is stated net of the IRAP tax credit arising in terms of Article 19(1)(B) of Decree Law no 91/2014 ("Competitiveness decree"); see "Tax receivables" for details.

The difference between the reported negative tax charge for 2016 of Euro 806 thousand and the theoretical tax charge of Euro 520 thousand, determined based on current theoretical tax rates, is due to the following items:

- lower IRES charge due to reduced taxation of dividends and gains on disposal of investments – Euro 45 thousand
- Other lesser taxes for IRES - Euro 1,519 thousand
- Foreign taxes - Euro 21 thousand
- Additional taxes for IRAP - Euro 217 thousand

Therefore, the effective tax rate is zero (50.73% in 2015) against a theoretical tax rate of 31.40%.

Notes to the financial statements, other information

Income statement transactions in 2016 with subsidiaries, associated companies and related parties are shown in the following table.

The following transactions took place at arm's length.

	SUBSIDIARIES				ASSOCIATED COMPANIES			
	Fores Engineering	Basis Engineering	Rosetti Kazakhstan	Rosetti General Contracting	KCOI	Tecon	Rosetti Pivot LTD	Total
Revenues	881,675	195,957	4,439,603	32,000	7,031,845	-	439,597	**13,020,677**
Other revenue	459,635	67,917	121,470	-	576,971	-	-	**1,225,993**
Raw materials	(407,000)	-	-	-	-	-	-	**(407,000)**
Services	(1,090,229)	(5,063,521)	-	-	-	(1,073,673)	-	**(7,227,423)**
Personnel costs	-	-	(145,494)	-	(98,289)	-	-	**(243,783)**
Financial income	2,550	-	17,054	4,437	676,634	-	-	**700,675**

There were no related party transactions other than the above transactions with Subsidiaries and Associated Companies.

Employment details

The average headcount by employee category is shown in the following table.

	Average number
Managers	28
Junior managers	42
White collar	213
Blue collar	39
Total Employees	322

Off balance sheet commitments, guarantees and contingent liabilities

GUARANTEES GIVEN BY THE COMPANY

Sureties
This item mainly consists of sureties given by insurers and banks to the Company's clients (Euro 51,506 thousand) and to clients of Group companies (Euro 10,420 thousand) as guarantees of proper performance of works and to release amounts withheld for performance purposes.

COMMITMENTS MADE BY THE COMPANY

Other
The Company holds a 20% interest in Tecon S.r.l. and has granted a put option to the other quotaholders thus making a commitment (currently estimated at Euro 2,694 thousand) to acquire the remaining quota capital. The other quotaholders may exercise this put option up until 22 November 2017.

	Amount
Commitments	7,393,513
Of which towards associeated companies	2,693,572

	Amount
Guarantees	61,926,008

Notes to the financial statements, closing section

The financial statements, comprising the Balance Sheet, the Income Statement and these Notes, present a true and fair view of the balance sheet and financial situation and the result for the year. They reflect the contents of the accounting records.

3. BOARD OF STATUTORY AUDITORS' REPORT
ON THE FINANCIAL STATEMENTS
AS AT 31/12/2016

"To the Shareholders' General Meeting of Marino Spa

This report has been approved by the Board of Statutory Auditors in time to be made available at the Company's registered office in the fifteen days prior to the first date of calling of the General Meeting scheduled to approve the financial statements.

On 31 March 2017, the Board of Directors approved and made available the financial statements for the year ended 31 December 2016, including the notes to the financial statements, the Directors' Report and the statement of cash flows.

During the year ended 31/12/16, our work was performed in accordance with the Code of Conduct for Statutory Auditors as recommended by the Italian Accounting Profession ("*Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*").

The Board of Statutory Auditors can confirm the following with regard to the activities carried out by the Company and its organisational and accounting structure:

- The Company's ordinary operating activities did not change during 2016 and are consistent with its corporate objectives;
- The organisational structure and IT structure have remained broadly unchanged;
- The workforce has been and continues to be reduced as a result of the severe crisis in the industry, in line with value of production.

This report summarises the activities regarding information required by Article 2429(2) of the Italian Civil Code with regard to:

- the results for the year;
- activities performed in compliance with regulatory duties;
- observations and proposals regarding the financial statements, with particular reference to Article 2423 of the Italian Civil Code;
- reports made in terms of Article 2408 and 2409 of the Italian Civil Code.

In more detail:

The Board of Statutory Auditors checked observance of the law and the articles of association and compliance with principles of proper business management.

We attended one Shareholders' General Meeting, three Meetings of the Board of Directors and twelve Executive Committee Meetings (one or more statutory auditors were present) which were held in accordance with the articles of association and legal rules governing their functioning and can provide reasonable assurance that the resolutions approved were in accordance with the law and the articles of association, were not clearly imprudent or risky, did not involve a conflict of interests and were not such as to threaten the integrity of the Company's assets.

During the meetings held in accordance with Article 2404 of the Italian Civil Code, we obtained from the Directors information on the general operating performance and on the business outlook as well as details of the most significant transactions – in terms of size or characteristics – carried out by the Company and its subsidiaries. We can be reasonably certain that the operations and transactions carried out were in accordance with the law and the articles of association, were not clearly imprudent or risky, did not involve a potential conflict of interests or violation of a General Meeting resolution and were not such as to threaten the integrity of the Company's assets; we did not identify any unusual transactions with Group companies, third parties or related parties.

We had a meeting with the external auditors and no significant data and information requiring disclosure in this Report came to our attention. We also had a meeting with the Supervisory Board and acquired information on organisational activities for the purposes of compliance with Legislative Decree no 231/2001, as subsequently supplemented and amended.

We gathered information on and checked the adequacy of the organisational structure, also by gathering information from persons in charge of the various functions. We have no comments to make in this regard.

We verified the adequacy of the administrative and accounting system with regard to its reliability in reporting accurately on operating activities. Based on the work done, by obtaining information from the divisional heads and the external auditors and reviewing Company documents, we have no comments to make in this regard.

No reports in terms of Article 2408 of the Italian Civil Code were received.

No reports in terms of Article 2409 of the Italian Civil Code were made.

During the year, the Board of Statutory Auditors did not issue any opinions provided for by law.

During our supervisory work, as described above, we did not identify any other significant events requiring to be mentioned in this Report.

We have reviewed the financial statements for the year ended 31/12/16 which report a net profit of Euro 2,461,766 and note the following:

We have confirmed the financial statements' conformity with legal requirements in terms of its general form and structure and have no comments to make in this regard.

We note that:

- the accounting policies applied to the assets and liabilities were checked and were not significantly different from those adopted in prior years, in compliance with Article 2426 of the Italian Civil Code;
- we checked that the Directors' Report complied with relevant requirements;
- the Directors have prudently performed impairment tests on the value of tangible and intangible assets and have excluded the possibility of any impairment of value; see the notes to the financial statements for further details of their analysis and conclusions.
- when preparing the financial statements, the Directors did not deviate from statutory reporting requirements in terms of Article 2423(4) of the Italian Civil Code.

We have checked that the financial statements reflect the facts and information that have come to our attention in the course of our work and have no matters to report in this regard.

In consideration of the above and based on work done by external auditors Deloitte & Touche S.p.A., the results of which are contained in a report that accompanies these financial statements, we unanimously recommend approval of the financial statements for the year ended 31 December 2016, as prepared by the Board of Directors."

Ravenna, 12 April 2017

For the Board of Statutory Auditors
The President
Gian Luigi Facchini

4. EXTERNAL AUDITORS' REPORT

Deloitte.

Deloitte & Touche S.p.A.
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INDEPENDENT AUDITORS' 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 Financial Statements

We have audited the accompanying financial statements of Rosetti Marino S.p.A., which comprise the balance sheet as at December 31, 2016, the statement of income and statement of cash flows for the year then ended and the explanatory notes.

Management's Responsibility for the Financial Statements

The Company's Directors are responsible for the preparation of these financial statements that give a true and fair view in accordance with the Italian law governing financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11 of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Rosetti Marino S.p.A. as at December 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with the Italian law governing financial statements.

Deloitte.

Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the report on operations with the financial statements

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations, which is the responsibility of the Directors of Rosetti Marino S.p.A. , with the financial statements of Rosetti Marino S.p.A. as at December 31, 2016. In our opinion the report on operations is consistent with the financial statements of Rosetti Marino S.p.A. as at December 31, 2016.

DELOITTE & TOUCHE S.p.A.

Signed by
Valeria Brambilla
Partner

Parma, Italy
April 12, 2017

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

5. MINUTES OF SHAREHOLDERS’ GENERAL MEETING HELD TO APPROVE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

The Shareholders' General Meeting of Rosetti Marino S.p.A. – registered office in Via Trieste, 230, Ravenna, Ravenna Register of Companies, Tax Number and VAT Number 00082100397 and wholly paid Share Capital of € 4,000,000 – met at the Company's registered office at **11.00 hours** on **28 April 2017**.
The General Meeting was convened for this day, at the designated time and place, through an announcement published in the **Official Gazette** of the Italian Republic – Announcements Page no **41** of **06/04/2017** and through announcements published on 10/04/2017 in the AIM Italy – Alternative Capital Market section of the web site of Borsa Italiana **www.borsaitaliana.it** and in the Investor Relations Section of company web site **www.rosetti.it** in order to discuss and decide upon the following.

Order of Business

1) Review and approval of the Statutory Financial Statements for the year ended 31/12/2016, accompanied by the Directors' Report, the Board of Statutory Auditors' Report and the External Auditors' Report. Related business and resulting resolutions.

<u>The following were present</u>

- the Board of Directors, as follows:
  - Stefano Silvestroni – Deputy Chairman and Managing Director;
  - Oscar Guerra – Chief Executive Officer;
  - Luca Barchiesi – Managing Director;
  - Giuliano Corsi – Deputy Chairman;
  - Giorgio Zuffa – Director.
- the Board of Statutory Auditors, as represented by its President Gian Luigi Facchini.

<u>Preliminary matters</u>

In accordance with Article 14 of the Articles of Association, in the absence of the Chairman of the Board of Directors and as proposed by the Deputy Chairman Giuliano Corsi and approved by those present, the General Meeting was chaired by the other Deputy Chairman, Stefano Silvestroni.
The Chairman of the General Meeting confirmed that the General Meeting was properly constituted to decide upon the matters included in the Order of Business as the following five Shareholders, owners of a total of 3,991,500 shares equal to 99.79% of the Share Capital, were present, either in person or by proxy:

- **ROSFIN S.p.A.,** owner of **2,241,500** (two million, two hundred and forty-one thousand, five hundred) shares, equal to **56.04 %** of Share Capital, represented by **Gianfranco Magnani** under the powers granted to him by a Board of Directors' Meeting of said company on 11/04/2017;
- **SAIPEM S.A.,** owner of **800,000** (eight hundred thousand) shares, equal to **20%** of Share Capital, represented by **Sandra Romani,** on the basis of a proxy filed with the Company and issued by Legal Representative Fabio Pallavicini on 27/04/2017;
- **COSMI HOLDING S.p.A.,** owner of **700,000** (seven hundred thousand) shares, equal to **17.5 %** of Share Capital; represented by **Gianprimo Ghilardini,** on the basis of a proxy filed with the Company and issued by the company's Sole Director and Legal Representative Sonia Resca on 19/04/2017;

- **ROSETTI MARINO S.p.A.,** owner of **200,000** (two hundred thousand) shares, equal to **5%** of Share Capital, in relation to which, given their status as treasury shares held by the Company, the Chairman duly notes that voting rights are suspended in terms of Article 2357-ter (2) of the Italian Civil Code; under powers conferred its Board of Directors on 19/06/2015, said company was represented by its Managing Director **Oscar Guerra**;
- **ARGENTARIO S.p.A.,** owner of **50,000** (fifty thousand) shares, equal to **1.25 %** of Share Capital; represented by **Sandra Romani**, on the basis of a proxy filed with the Company and issued by Legal Representative Antonio Patuelli on 26/04/2017.

The Chairman declared the meeting open and recalled that:

- the current Share Capital of Rosetti Marino S.p.A. is wholly paid and amounts to € 4,000,000.00, comprising 4,000,000 shares with a nominal value of € 1.00 each;
- since 06/12/2012, the Company has been listed on the AIM Italy – Alternative Capital Market managed by Borsa Italiana and, therefore, in compliance with the applicable Rules, on 10/04/2017, a notice calling the General Meeting was published on the Borsa Italiana web site in the specific section on the AIM Italy – Alternative Capital Market and on the Company's own web site;
- checks on compliance with deadlines laid down by law and by the Articles of Association for legitimation of exercise of rights relating to the shares have been performed;
- voting is public and it is proposed that votes should be expressed by a show of hands.

In accordance with Article 16 of the Articles of Association, the Chairman of the General Meeting nominated Luca Barchiesi to act as Secretary.
The Meeting then moved on to deal with the Order of Business.

1) Review and approval of the Statutory Financial Statements for the year ended 31/12/2016, accompanied by the Directors' Report, the Board of Statutory Auditors' Report and the External Auditors' Report. Related and resulting resolutions.

With regard to the sole matter on the Order of Business, the Chairman recalls that:

- in accordance with the law, copies of the Financial Statements were made available at the Company's Registered Office in the 15 days prior to the General Meeting;
- the Shareholders present today have been issued with a file called "ROSETTI MARINO – Statutory Financial Statements as at 31 December 2016" containing:
  - Directors' Report on Operations;
  - Board of Statutory Auditors' Report;
  - The Financial Statements;
  - Notes to the Financial Statements;
  - Attachments to the Financial Statements;
  - External Auditors' Report;
- since 13/04/2017, the Financial Statements have also been available online, having been published on the web sites of Borsa Italiana and the Company itself;

  - the file containing the Consolidated Financial Statements for 2016, as approved by the Board of Directors on 31/03/2017 and containing the "Directors' Report on operations accompanying the Consolidated Financial Statements as at 31 December 2016", the "Consolidated Financial Statements as at 31 December 2016" and the "External Auditors' Report on the Consolidated Financial Statements" has been made available on the internet sites of Borsa Italiana and the Company itself with a printed copy having been issued to all those taking part in today's General Meeting.

At the invitation of the Chairman, Chief Executive Officer Oscar Guerra read out the Directors' Report on Operations while Director and CFO Luca Barchiesi read out the Balance Sheet, the Income Statement and the Report of External Auditors Deloitte & Touche on the Financial Statements, together with their opinion thereon.
At the request of one Shareholder and with the approval of the General Meeting, the Notes to the Financial Statements were not read out.
The Chairman recalled the following highlights from the Financial Statements, as expressed in Euro:

BALANCE SHEET	
Assets	€ 285,020,278
Liabilities	€ 122,769,505
Share capital + reserves	€ 159,789,007
Net profit for the year	€ 2,461,766

INCOME STATEMENT	
Value of production	€ 132,586,104
Costs and Taxes	€ 130,124,338
Net profit for the year	€ 2,461,766

The Chairman then read the resolution proposed by the Board of Directors for approval of the Financial Statements and allocation of the **net profit for the year of € 2,461,765.66** as follows:
- **€ 1,321,765.66** to the **Extraordinary Reserve**;
- **€ 1,140,000.00** as **Remuneration of Share Capital**, in the amount of **0.30 €** per each of the 3,800,000 shares with dividend rights, with a validity date of 15 May 2017 and a payment date of 17 May 2017.

At the invitation of the Chairman of the Board of Directors, the Chairman of the Board of Statutory Auditors addressed the meeting and read out the Statutory Auditors' Report in terms of Article 2429 of the Italian Civil Code.

The Chairman declared open the discussion of the sole matter on the Order of Business.
Gianfranco Magnani addressed the meeting as representative of Rosfin SpA. He congratulated the Directors and, in particular, CEO Oscar Guerra as representative of the Company's Senior Management for the positive results achieved once more in 2016, notwithstanding the ongoing very difficult situation throughout 2016 on the markets where Rosetti Marino SpA operates.

Representatives of shareholders Cosmi Holding SpA and Argentario SpA also addressed the Meeting and joined Mr Magnani in praising the positive results achieved in 2016. They expressed their appreciation towards the Company Directors for the positive results achieved despite the well-publicised problems that have affected the Company's markets for some years now.

At the end of the discussion, the Chairman thanked those present and before proceeding with a vote referred, in particular, to:
- the Board of Statutory Auditors' Report and the conclusions contained therein;
- the External Auditors' Report on the Financial Statements.

The Chairman then put to a vote approval of the Statutory Financial Statements of Rosetti Marino S.p.A. as at 31 December 2016, accompanied by the Directors' Report on Operations and the Board of Statutory Auditors' Report, together with the proposed allocation of the net profit for the year; he invited the General Meeting to vote by a show of hands.

Four shareholders with voting rights– owners of a total of 3,791,500 shares, equal to 94.79% of Share Capital – were present either in person or by proxy.

Having completed the voting process, the Chairman declared that the Ordinary General Meeting of the Company, with the unanimous support of all Shareholders entitled to vote

RESOLVED

1.a) to approve the Statutory Financial Statements as at 31 December 2016 with the proposed allocation of the net profit for the year and distribution of a dividend of **€0.30** per each of the 3,800,000 shares with dividend rights – validity date 15/05/2017 and **payment date 17/05/2017**.

As there was no other business, the Chairman declared the General Meeting over at 11.40 hours.

THE SECRETARY	THE CHAIRMAN
Luca Barchiesi	Stefano Silvestroni