ROSETTI MARINO

Consolidated Financial Statements

31 December 2016

Approved by the Board of Directors on 31/03/2017

INDEX

1. DIRECTORS' REPORT ON OPERATIONS,

ACCOMPANYING THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2016

Dear Shareholders,

The consolidated financial statements of the Group for 2016 report a net profit of Euro 1,755 thousand after depreciation and amortisation of Euro 4,885 thousand, writedowns of current assets of Euro 3,039 thousand and accruals to the income tax provision of Euro 1,120 thousand.

Considering the ongoing economic crisis that has stricken the global economy in the last few years and, in particular, the segments where the Group operates which have been hit by low oil prices, 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 Group's operating performance and details of foreseeable future developments.

OPERATING PERFORMANCE

The year ended 31 December 2016 was characterised by a decrease in gross internal product (GIP of Euro 213 million in 2016 against Euro 228 million in 2015) in the Energy and Process Plants segments which was only partially offset by an increase in the Shipbuilding segment; the Shipbuilding segment still recorded a value of production that was far short of satisfactory.

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 5,441 thousand (Euro 647 thousand in 2015) while just Euro 545 thousand was allocated to provisions for risks (against Euro 5,510 thousand in 2015). Without considering the above factors, the difference between intermediate profit margins for the two periods would have been far smaller (EBITDA of +5.61% in 2016 against +6.93% in 2015, EBIT of +3.32% in 2016 against +4.70% in 2015).

A selection of the key performance indicators is provided below:

	31.12.16	31.12.15
G.I.P. (in thousands of Euro)	213,011	227,625
(A1+A2+A3 of the income statement)		
EBITDA (in thousands of Euro)	12,597	21,212
(A+B-10-12-13 of the income statement)		
EBITDA/GIP	5.91%	9.32%
EBIT (in thousands of Euro)	2,202	15,594
(A+B of the income statement)		
EBIT / GIP	1.03%	6.85%
Profit before tax (in thousands of Euro)	2,875	3,519
(item 22 of the income statement)		
Profit before tax/GIP	1.35%	1.55%
Net profit (in thousands of Euro)	1,755	1,697
(item 23 of the income statement)		
Net profit / GIP	0.82%	0.75%
R.O.E	0.95%	0.91%
(Net profit / Opening Group Equity)		

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

Energy Business Unit

With gross internal product – as previously defined - of around Euro 151 million in 2016 (Euro 160 million in 2015), this sector was

confirmed as the Group's main operating segment.
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 Group, with the sole exception of Kazakhstan. In Kazakhstan, oil companies continued to invest and this benefited our subsidiaries which operate in that country. Indeed, subsidiary Rosetti Kazakhstan Llp and associated company Kazakhstan Caspian Offshore Industries Llp recorded excellent results in terms of both volumes and margins. In particular, we underline the fact that, thanks to the excellent results achieved in 2016, Kazakhstan Caspian Offshore Industries Llp managed to recover the heavy loss recorded in 2015 following the weakening of the local currency.
The Italian Group companies have suffered the effects of the market crisis, especially subsidiary Basis Engineering S.r.l. which recorded a sharp fall in revenues resulting in a loss for the year.
The Parent Company also recorded a fall in revenues (albeit a much smaller one than subsidiary Basis Engineering S.r.l.) in relation to the fact that it was impossible to acquire contracts for new oil platforms.
We have adopted three main courses of action in order to deal with the problems on the traditional market and they have enabled us to achieve positive results.
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 Group. 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.
Finally, we note that, in this segment, the Group has acquired contracts worth around Euro 101 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.

Process Plants Business Unit

This business segment is entirely handled by subsidiary Fores Engineering and its associated companies. In 2016, it generated value of production of around Euro 38 million against around Euro 55 million in 2015, while recording satisfactory profit levels.

The deterioration in results in this segment in 2016 is due to the following factors:

• late acquisition of projects because of unexpected delay of allocation of contracts by several Customers;

• several projects e.g. Zohr in Egypt had to be carried out in a very short period of time. In order to meet deadlines, we had to incur additional outsourcing costs that were not initially budgeted;

• postponed delivery of a major project regarding the Supply of a Telecommunications and Security System for the facility known as "TouatGaz Project - EPCC Process and production facilities" in Adrar - Algeria, for reasons attributable to the Client (Tecnicas Reunidas);

• Suspension of investments in geographical areas historically important to the Group business e.g. Brazil and Singapore.

The above mentioned situations meant that significant losses were incurred on several contracts. These losses together with the significantly lower value of production than in prior year contributed towards the deterioration compared to prior year.

CAPITAL EXPENDITURE

In 2016, the Group incurred capital expenditure totalling Euro 4,283 thousand with Euro 947 thousand invested in intangible assets and Euro 3,336 thousand in tangible assets.

The main investments in intangible assets regarded the purchase and implementation of software intended improve certain business processes, expenses incurred to arrange a medium-term loan and expenses incurred to transfer the offices of subsidiary Basis Engineering S.r.l. to its new headquarters in Assago.

Investments in tangible assets mainly regarded the Parent Company's three production sites and the Yard of associated company Kazakhstan Caspian Offshore Industries Ltd; the investments aimed to improve both production facilities and infrastructures.

The level of capital expenditure confirms the Group's commitment to becoming ever more competitive while operating safely and respecting the environment.

FINANCIAL SITUATION

For a more detailed analysis of cash flows during the year, please see the statement of cash flows included in an attachment to the consolidated financial statements.
At this point, we would highlight the fixed asset coverage ratio (amply financed through equity) and the positive net financial position which has improved compared to prior year.
Financial fixed assets mainly include a receivable of Euro 16,674 thousand from associated company Kazakhstan Caspian Offshore Industries LLp representing 50% of two loans in Euro made to that company (as a result of consolidation on a proportionate basis), in prior years, to provide it with the financial resources needed to finance the capital expenditure planned at the yard in Kazakhstan.
We note that, in the first few months of 2017, associated company Kazakhstan Caspian Offshore Industries Llp repaid in full to the Parent Company the loan totalling Euro 11,549 thousand arranged in 2013.

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

	31.12.16	31.12.15
Short-term NFP (in thousands of Euro) (CIII + CIV of Assets – D4 current of Liabilities)	100,497	80,219
Fixed asset coverage margin (in thousands of Euro) (M/L term liabilities + total equity – fixed assets)	141,922	136,754
Fixed asset coverage ratio (M/L term liabilities + total equity / fixed assets)	2.40	2.35
Financial independence index (Total equity / Total assets)	49.30%	52.88%
Ratio of financial income(expense) to GIP (Financial income and expenses / GIP)	0.35%	-4.74%

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

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

The Group is exposed to the exchange rate risk as a result of its operations on international markets. In order to protect itself against this risk, as in previous years, the Group has arranged exchange rate risk hedging transactions when it has acquired significant orders from clients in foreign currencies and issued significant orders to suppliers in foreign currencies.

It should be noted that when business is conducted in countries whose local currencies are not easily traded and are subject to significant fluctuation (e.g. Kazakhstan), it is not possible to perform effective exchange risk hedging.

PERSONNEL

For all of the Group companies – including the Parent Company – the skill and professionalism of personnel are viewed as extremely important intangible assets.

Therefore, during the year, the Group invested a lot of resources on training activities that involved many employees (for example, the Parent Company invested an amount equal to 1.34% of its personnel costs). This figure confirms the special attention that has been paid to the professional development of human resources as we believe that people represent an essential resource for the continued success and

development of the Group.
As at 31 December 2016, the headcount came to 1,062 employees, a net increase of 253 compared to 31 December 2015.
Some 411 employees were hired while 158 employees left the workforce due to natural turnover. In further detail, it should be noted that the number of executives decreased by 6 while white-collar workers and blue-collar workers increased by 117 and 142, respectively. Headcount increases were recorded by Kazakhstan Caspian Offshore Industries Llp (+170), Rosetti Kazakhstan Llp (+97) and Fores Engineering Algerie Eurl (+9) while there were decreases for parent company Rosetti Marino S.p.A. (-13), Fores Engineering S.r.l. (-8), Fores do Brasil LTDS (-1) and Rosetti doo (-1) following its liquidation.
We note that some of the employees who left the parent company were then hired by other Group companies.
Due to the type of business conducted, the risk of accidents, including potentially fatal accidents, is high. For this reason, the Group has always devoted particular attention to safety issues by adopting a series of internal procedures and educational measures aimed at preventing such events.
All production facilities have been certified compliant with the BS-OHSAS18001 standard.
Furthermore, we continue to promote initiatives aimed at further spreading a culture of safety among all internal and external workers who operate at our Italian and international production facilities.

OTHER INFORMATION ON OPERATIONS

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

Information on business risks

The inherent risks involved in the business activities of the Group companies are those typical of enterprises that operate in the plant engineering and shipbuilding segments.
The responsibilities resulting from the design and construction of our products and the risks associated with normal operating activity are

dealt with in advance by devoting adequate attention to such aspects when developing processes and implementing adequate organisational procedures, as well as by acquiring adequate insurance cover on a precautionary basis.
The potential risks pertaining to financial, environmental and workplace safety issues and an analysis of the uncertainties relating to the particular economic environment have been reviewed in advance and appropriate measures adopted, as described in the "Financial situation", "Information on the environment", "Personnel" and "Business outlook" paragraphs.

Activities relating to Legislative Decree 231/11 on administrative responsibility

For 2015, the Parent Company Supervisory Board has duly issued Six Monthly Reports on its activities in the first and second halves of the year. The Board of Directors has acknowledged these reports which do not contain any facts or issues worth of note.

Information on the environment

The Group constructs large metal structures 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 with such responsibility.
The attention paid to environmental issues is borne out by the fact that the Parent Company has been certified compliant with international standard ISO14001 for many years.

Research and development

Research and development is mainly carried out by the Parent Company's Business Development unit and by subsidiary Fores Engineering S.r.l. where we incurred costs totalling Euro 1,450 thousand. These activities have involved the study of new products and new technologies, relating in particular to the subsea segment, the wind segment and the shipbuilding segment. The main studies have included the floating wind power platform, the project for a new tugboat for ports, the Gainn project on a prototype for the storage and micro-liquefaction of LNG and study, research and realisation of an underwater control system for subsea plant and equipment.

These research activities could, potentially, produce significant benefits for the Group which might be able to conquer new market segments through these innovative projects.

Treasury share transactions

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

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

There have been no events between the reporting date and the date of writing that might have a significant impact on operating performance.

BUSINESS OUTLOOK

Energy Business Unit

The order backlog for this business unit stands at Euro 101 million, including Euro 54 million in the offshore segment, Euro 8 million in the subsea segment, Euro 10 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 Group 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 Kazakhstan Caspian Offshore Industries Llp 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, Kazakhstan Caspian Offshore Industries Llp will delegate the Parent 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 Kazakhstan Caspian Offshore Industries Llp recorded excellent performances in 2016, also thanks to important technical services. This technical service business made a decisive contribution to the Group'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 Group.
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 Group's Italian production facilities. For this reason and given the Group's determination to penetrate into new markets not influenced by the fluctuating state of the Oil&Gas market, in 2017, the Group 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 Group 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 Group 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 Group'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 Group'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 Group'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.

Process & Plant Business Unit

The Group operates in this segment through subsidiary Fores Engineering Srl and its associated companies. At the start of 2017, an order backlog in excess of Euro 24 million was carried forward from prior year. New orders of more than Euro 2 million were acquired in the first few months of 2017.
From a geographical perspective, in 2017, the areas of greatest commercial interest are, once more, the North Sea (for maintenance work only), the United Arab Emirates, other Gulf states, North Africa and the Congo (Brazzeville).
In terms of the expected order backlog in 2017, a variable workload is

expected in the first four months of the year but it should then stabilise thereafter.
Looking ahead to the remainder of 2017, ongoing commercial activities involve a higher volume and value of tenders than in the recent past and increased diversification of the geographical areas covered although there is a tendency towards project delays.
The highly competitive market environment leads to significant pressure on margins. In order to safeguard its profit margins, the subsidiary will take the action necessary to ensure that contracts are carefully managed, especially during the procurement phase for materials and services.

Dear Shareholders,
The activities carried out by the Group in 2016 have generated a net profit of Euro 1,755 thousand.
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 Vice President
Stefano Silvestroni

2. CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2016:

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

BALANCE SHEET (Amounts in thousands of Euro)

ASSETS	*2016*	*2015*
A) DUE FROM SHAREHOLDERS FOR SUBSCRIBED CAPITAL NOT YET PAID	**0**	**0**
B) FIXED ASSETS AND INVESTMENTS:		
I Intangible assets:		
4) concessions, licences, trademarks and similar rights	422	452
6) assets in progress and payments on account	62	46
7) other intangible assets	1,530	1,182
TOTAL INTANGIBLE ASSETS	2,014	1,680
II Tangible assets:		
1) land and buildings	69,307	70,534
2) plant and machinery	6,271	6,678
3) industrial and commercial equipment	1,319	903
4) other tangible assets	3,860	3,722
5) assets in progress and payments on account	880	103
TOTAL TANGIBLE ASSETS	81,637	81,940
III Financial assets:		
1) investments:		
a) in subsidiaries	55	61
b) in associated companies	778	851
d-bis) in other entities	143	145
Total investments	976	1,057
2) receivables:		
b) from associated companies		
due within a year	5,774	0
due after more than a year	10,900	16,674
TOTAL FINANCIAL ASSETS	17,650	17,731
TOTAL FIXED ASSETS AND INVESTMENTS	**101,301**	**101,351**
C) CURRENT ASSETS:		
I Inventory:		
1) raw, ancillary and consumable materials	638	360
3) contract work in progress	73,796	46,276
5) payments on account	4,047	10,695
TOTAL INVENTORY	78,481	57,331
II Receivables:		
1) due from clients (trade)		
due within a year	72,152	85,533
due after more than a year	2,800	0
3) due from associated companies	5,730	3,375
4) due from parent company	8	0
5bis) tax receivables	6,772	7,963
5ter) deferred tax assets	5,179	4,990
5quarter) other		
- due within a year	220	179
- due after more than a year	95	110
TOTAL RECEIVABLES	92,956	102,150
III Current financial assets:		
5) derivatives	4,167	0
6) other securities	37,379	36,941
TOTAL FINANCIAL ASSETS	41,546	36,941
IV Cash and cash equivalents:		
1) bank and post office accounts	62,423	49,498
3) cash and cash equivalents on hand	64	52
TOTAL CASH AND CASH EQUIVALENTS	62,487	49,550
TOTAL CURRENT ASSETS	**275,470**	**245,972**
D) PREPAID EXPENSES AND ACCRUED INCOME	**812**	**1,026**
TOTAL ASSETS	**377,583**	**348,349**

LIABILITIES AND SHAREHOLDERS' EQUITY		*2016*	*2015*
A)	**SHAREHOLDERS' EQUITY:**		
	I Share capital	4,000	4,000
	III Revaluation reserve	36,969	36,969
	IV Legal reserve	1,110	1,110
	VI Other reserves	149,240	148,004
	VII Cash flow hedge reserve	(481)	(437)
	VIII Retained earnings (Accumulated losses)	(132)	(137)
	IX Net profit for the year	1,755	1,697
	X Negative reserve for treasury shares held	(5,100)	(5,100)
	XI Consolidation reserve	23	23
	XII Translation reserve	(1,230)	(1,937)
	TOTAL EQUITY ATTRIBUTABLE TO THE GROUP	**186,154**	**184,192**
	Capital and reserves attributable to minorities	3	2
	TOTAL EQUITY ATTRIBUTABLE TO THE GROUP AND TO MINORITIES	**186,157**	**184,194**
B)	**PROVISIONS FOR RISKS AND CHARGES:**		
	1) Provisions for retirement benefits and similar	156	120
	2) Tax provisions	2,571	2,611
	3) Derivatives	481	437
	4) Other	7,657	3,371
	TOTAL PROVISIONS FOR RISKS AND CHARGES	**10,865**	**6,539**
C)	**T.F.R. /EMPLOYEE SEVERANCE INDEMNITY**	**3,464**	**3,601**
D)	**PAYABLES:**		
	4) bank borrowing:		
	- due within a year	3,536	6,272
	- due after more than a year	42,737	43,771
	6) payments on account	80,967	52,104
	7) due to suppliers (trade)	38,926	40,780
	9) due to subsidiaries	24	1
	10) due to associated companies	778	265
	12) tax payables	3,304	2,519
	13) social security payables	1,996	2,194
	14) other payables	4,691	5,962
	TOTAL PAYABLES	**176,959**	**153,868**
E)	**ACCRUED EXPENSES AND DEFERRED INCOME**	**138**	**147**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**377,583**	**348,349**

INCOME STATEMENT (AMOUNTS IN THOUSANDS OF EURO)	2016	2015
A) VALUE OF PRODUCTION:		
1) Revenues from sales and services	124,327	631,639
3) Change in contract work in progress	88,684	(404,014)
4) Increase in own work capitalised	180	37
5) Other revenues and income:		
a) operating grant income	297	114
b) other	1,678	6,621
TOTAL VALUE OF PRODUCTION	**215,166**	**234,397**
B) COST OF PRODUCTION:		
6) Raw materials, consumables and goods for resale	(75,131)	(90,433)
7) Services	(67,873)	(62,882)
8) Leases and rentals	(4,774)	(6,527)
9) Personnel:		
a) wages and salaries	(41,887)	(39,703)
b) social contributions	(9,903)	(9,986)
c) T.F.R./employee severance indemnity	(2,179)	(2,297)
e) other personnel costs	(380)	(394)
Total personnel costs	(54,349)	(52,380)
10) Amortisation, depreciation & writedowns:		
a) amortisation of intangible assets	(633)	(627)
b) depreciation of tangible assets	(4,252)	(4,446)
d) writedowns of current receivables and cash and cash equivalents	(3,039)	(545)
Total amortisation, depreciation & writedowns	(7,924)	(5,618)
11) Change in inventory of raw materials, consumables and goods for resale	277	(191)
12) Provisions for risks	(2,471)	0
14) Sundry operating expenses	(719)	(772)
TOTAL COST OF PRODUCTION	**(212,964)**	**(218,803)**
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A+B)	**2,202**	**15,594**
C) FINANCIAL INCOME AND EXPENSES:		
15) Income from equity investments:		
d) dividends and other income from other entities	1	1
16) Other financial income:		
c) from current securities other than equity investments	469	280
d) income other than the above		
- interest and fees from associated companies	339	396
- interest and fees from others and sundry income	899	931
17) Interest and other financial expenses:		
d) subsidiaries	(116)	0
d) associated companies	(49)	0
d) others	(862)	(1,694)
17bis) exchange gains and losses	61	(10,712)
TOTAL FINANCIAL INCOME AND EXPENSES	**742**	**(10,798)**
D) ADJUSTMENTS TO VALUE OF FINANCIAL ASSETS		
18) Revaluations:		
a) of equity investments	14	30
c) of current securities	3	3
d) of derivatives	128	0
19) Writedowns:		
a) of equity investments	(166)	(1,121)
b) of financial fixed assets other than equity investments	0	(123)
c) of current securities	(47)	(66)
c) of derivatives	(1)	0
TOTAL ADJUSTMENTS TO VALUE OF FINANCIAL ASSETS	**(69)**	**(1,277)**
PROFIT BEFORE TAXATION (A+B+C+D)	**2,875**	**3,519**
20) Taxes on income for the year	(1,120)	(1,833)
NET PROFIT FOR THE YEAR INCLUDING AMOUNT PERTAINING TO NON-CONTROLLING INTERESTS	**1,755**	**1,686**
(Profit) loss for year pertaining to non-controlling interests	0	11
NET PROFIT - GROUP	**1,755**	**1,697**

STATEMENT OF CASH FLOWS (thousands of Euro)	31/12/2016	31/12/2015
OPENING CASH AND CASH EQUIVALENTS	**49,550**	**103,075**
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) for the period	1,755	1,697
Taxes on income	1,120	1,833
1. Profit (loss) for the period before taxes on income	2,875	3,530
Adjustments for non-cash items with no impact on net working capital		
Allocations to provisions	9,362	2,843
Depreciation/Amortisation of non-current assets	4,885	5,073
Adjustments to value of financial assets and liabilities (derivative) not involving any cash flows	(44)	(131)
2. Cash flows before changes in NWC	17,078	11,315
Changes in net working capital		
(increase) decrease in inventory	(21,035)	(13,858)
(increase) decrease in current trade receivables	8,554	(698)
Increase (decrease) in trade payables and other payables	26,076	(16,927)
(increase) decrease in prepaid expenses and accrued income	214	(442)
Increase (decrease) in accrued expenses and deferred income	(9)	(124)
(increase) decrease in other working capital items	(2,784)	284
3. Cash flows after changes in NWC	28,094	(20,450)
Other adjustments		
(Taxes on income paid)	(335)	(2,381)
(Use of provisions)	(1,863)	(10,948)
CASH FLOWS FROM OPERATING ACTIVITIES (A)	**25,896**	**(33,781)**
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in:		
Intangible assets	(967)	(110)
Tangible assets	(3,949)	3,044
Financial assets	81	687
Current financial assets	(4,605)	(36,920)
CASH FLOWS FROM INVESTING ACTIVITIES (B)	**(9,440)**	**(33,299)**
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Debt		
Loans arranged	2,500	17,760
Loans repaid	(6,270)	(668)
Equity		
Dividends (and advances on dividends)paid	(456)	(3,800)
Revaluation/Realignment		
Translation reserve	707	263
CASH FLOWS FROM FINANCING ACTVITIES (C)	**(3,519)**	**13,555**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	**12,937**	**(53,525)**
CLOSING CASH AND CASH EQUIVALENTS	**62,487**	**49,550**

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

NOTES
STRUCTURE AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Information on events after the reporting date is provided in the attached Directors' Report.

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

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

In accordance with the accrual principle, the effect of transactions and other events has been accounted for an allocated to the period to which such transactions and events rate and not to the period when the related cash movements (collections and payments) occur. For accounting purposes, priority is given to the economic substance of the underlying transactions rather than to their legal form.

The consolidated financial statements as at 31 December 2016 have been prepared using the financial statements of the individual companies included within the scope of consolidation, as obtained from the statutory financial statements and consolidation packages prepared by the respective Boards of Directors. These financial statements have been appropriately adjusted, as necessary, to bring them into line with the accounting policies described below.

CONSOLIDATED REPORTING DATE

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

CONSOLIDATION PRINCIPLES

A) Consolidation methods

Subsidiaries are consolidated on a line-by-line basis. The primary criteria adopted for that method are as follows:

- the carrying amount of equity investments is eliminated against the related shareholders' equity; the difference between the acquisition cost and shareholders' equity of investees is allocated, where possible, to the asset and liability items of the companies within the scope of consolidation. Any residual amount, where negative, is recognised under a shareholders' equity item entitled "Consolidation reserve"; where positive, it is recognised under an asset item entitled "Consolidation difference" and amortised over five years where that amount represents future income-generating capacity;
- significant transactions between consolidated companies and payables, receivables and unrealised profits deriving from transactions between Group companies, net of any tax effect, are eliminated;
- non-controlling interests in shareholders' equity and net profit are disclosed under specific items in the consolidated balance sheet

and income statement;

- companies acquired during the year are consolidated with effect from the date on which a majority interest was obtained. If acquisition occurs during the final days of the year, the acquired company is consolidated with effect from the following reporting period.

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

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

When preparing the consolidated financial statements, the assets and liabilities of foreign subsidiaries with functional currencies other than the Euro are translated at the exchange rates in force at the reporting date. Income and expenses are translated at the average exchange rates for the period. Foreign exchange differences deriving from the translation of opening shareholders' equity at year-end exchange rates and the translation of the income statement at the average rates for the year are recognised in the shareholders' equity item "Translation reserve". This reserve is released to the income statement as income or expense in the period when the related subsidiary is sold.

SCOPE OF CONSOLIDATION

The consolidated financial statements as at 31 December 2016 include the financial statements of all companies directly and indirectly controlled by Rosetti Marino S.p.A. (the Parent Company) pursuant to Article 2359 of the Italian Civil Code, except for Rosetti Marino Mocambique Limitada and Basis Congo Sarl which were not included in the scope of consolidation because they were not yet operating at 31 December 2016.

Investments in associated companies have been included using the equity method. This is except for Kazakhstan Caspian Offshore Industries Llp which has been consolidated using the proportionate method and companies Rosetti Pivot Ltd, Rosetti Congo Sarl and Basis Pivot Ltd which have been excluded because they are non-operational.

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

Company name	Location	Share capital	% interest held
Subsidiaries			
FORES ENGINEERING S.r.l.	Forlì	1,000	100.0%
BASIS ENGINEERING S.r.l.	Milan	500	100.0%
ROSETTI GENERAL CON. Lda (1)	Portugal	50	100.0%
ROSETTI KAZAKHSTAN Llp (2)	Kazakhstan	198	100.0%
FORES ENG. ALGERIE Eurl (3)	Algeria	967	100.0%
FORES DO BRASIL LTDA (4)	Brazil	300	100.0%
ROSETTI MARINO UK Limited	United Kingdom	0	100.0%
ROSETTI MARINO MOZAMBIQUE Limitada (*)	Mozambique	1	96.0%
ROSETTI LYBIA Jsc	Libya	622	65.0%
BASIS CONGO Sarl (5)(*)	Congo	99	60.0%
Associated companies			
TECON S.r.l.	Milan	47	20.0%
K.C.O.I. Llp (6)	Kazakhstan	1,160	50.0%
ROSETTI PIVOT Ltd (*)	Nigeria	2,556	49.0%
ROSETTI CONGO Sarl (*)	Congo	152	50.0%
RIGROS S.r.l. (*)	Ravenna	100	50.0%
BASIS PIVOT Ltd (*)	Nigeria	46	45.0%

(1) Including 2% held indirectly through Basis Engineering S.r.l.
(2) Including 10% held indirectly through Fores Engineering S.r.l.
(3) Held indirectly through Fores Engineering S.r.l.
(4) Including 75% held indirectly through Fores Engineering S.r.l.
(5) Held indirectly through Basis Engineering Srl

(6) Including 40% held indirectly through Rosetti Kazakhstan Llp
(*) Company currently dormant/non-operational

During 2016, the following changes compared to prior year had an impact on the consolidated financial statements:
- Incorporation of associated company Rigros S.r.l. which is based in Ravenna and is 50% held by the Parent Company;
- Liquidation of subsidiary Rosetti Doo, a company based in Croatia and 100% held by the Parent Company;
- Liquidation of subsidiary Rosetti Marino Mexico S. de R.L., a company based in Mexico and held 90% by the Parent Company and 10% by Basis Engineering S.r.l.;
- Liquidation of subsidiary Alfaros S.r.l. which was based in Ravenna and 100% held by the Parent Company;
- Liquidation of associated company Unaros Fzc, a company based in the U.A.E. and 50% held by the Parent Company.

The subsidiaries and associated companies operate in the following sectors:
- Fores Engineering S.r.l., Fores Engineering Algèrie Eurl and Fores do Brasil LTDA: design, construction and maintenance of automation and control systems;
- Basis Engineering S.r.l., Tecon S.r.l.: multi-disciplinary design of oil and petrochemical facilities;
- Kazakhstan Caspian Offshore Industries Llp, Rosetti Lybia Jsc, Rosetti Kazakhstan Llp and Rosetti Marino UK Limited: construction of offshore and onshore oil facilities;
- Rosetti General Contracting Construcoes Serviços: ship charter and services and operating activities on foreign markets.

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

The following is the statement of reconciliation between the shareholders' equity and profit for the year reported in the financial statements of the Parent Company and the corresponding consolidated figures as at 31 December 2016:

	Share-holders' equity	Profit for the year
AMOUNTS REPORTED IN FINANCIAL STATEMENTS OF ROSETTI MARINO S.p.A. AT 31/12/16	162,251	2,462
Consolidation adjustments:		
a. Difference between the carrying amount of consolidated equity investments and the valuation of those equity methods according to the equity method	21,797	(1,067)
b. Effect of accounting for finance lease agreements for tangible assets in accordance with the finance lease method	2,336	(115)
c. Reversal of unrealised profits/losses resulting from transactions between Group companies	62	105
d. Reversal of unrealised profits resulting from distribution of dividends between Group companies	0	0
e. Allocation of deferred tax assets and liabilities pertaining to the tax effect (where applicable) of consolidation adjustments	(292)	370
AMOUNTS REPORTED IN THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016	186,154	1,755

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 State-ments at 31/12/15	**Reclassif-ications / Adjustments**	**Restated Financial State-ments at 31/12/15**
Balance Sheet Assets			
B.III. 4) Treasury shares	5,100	(5,100)	0
Balance Sheet Liabilities and Equity			
A.VI. Reserve for treasury shares held	5,100	(5,100)	0
A.VI. Other reserves, disclosed separately	142,904	5,100	148,004
A.VII. Reserve for cash flow hedges	0	(437)	(437)
A.X. Negative reserve for Treasury shares	0	(5,100)	(5,100)
B.3) Derivatives - Liabilities	0	437	437
Income Statement			
A.5) Other revenues and income	0	4	4
B14) Sundry operating expenses	0	3	3
20.B) Prior year taxation	0	2	2
E.20) Extraordinary income	4	(4)	0
E.21) Extraordinary expenses	5	(5)	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 Group companies to hedge the interest rate risk in relation to bank loans.

"Extraordinary income" related to sundry other revenues and income. It has been reclassified to "Other revenues and income".

"Extraordinary expenses" related partly to sundry other expenses and partly to prior year taxation. It has been reclassified partly to "Sundry other expenses" and partly to "Prior year taxation".

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.

Ordinary maintenance costs are expensed in their entirety to the income statement, whereas those that involve improvements are allocated to the relevant assets and depreciated on the basis of the residual useful life of the asset in question.

Assets held under finance leases

Tangible assets held under finance lease agreements are reported in accordance with International Accounting Standards (IAS 17) using the "finance lease method" which provides for:

- the recognition of an asset equal to the original amount of the assets acquired under finance lease agreements at the time of signature of such agreements;
- the recognition of the related principal element of the outstanding liability towards the leasing company;
- the allocation to the income statement, in place of lease instalments for the period, of depreciation charges and financial expenses for the period, as included in the finance lease instalments.

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

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

Inventory

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

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

Receivables

Receivables are reported using the amortised cost method, taking account of the time factor and estimated realisable amount. The amortised cost method is not applied when its effects would be irrelevant i.e. when transaction costs, commission paid between the parties and all other differences between initial amount and amount on maturity are immaterial or the receivables are short-term (i.e. due within a year).

Trade receivables due after more than a year from the time of initial recognition – without payment of interest or with interest significantly different than market rates – are initially recognised at the amount determined by discounting future cash flows at the market rate of interest. The difference between the initial recognised value of the receivable as so determined and terminal value is recorded in the income statement as financial income over the period of the receivable, using the effective interest rate method.

The value of receivables, determined as above, is adjusted, as necessary, by a specific provision for bad debts, as deducted directly from the receivables in order to bring them into line with their estimated realisable amount. The estimate of the provision for bad debts includes forecast losses due to credit risks that have already materialised or are considered probable as well as losses for other collection issues that have already emerged or which have not yet emerged but are considered probable.

Current financial assets

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

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

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

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

Provisions for risks and charges
Provisions for risks and contingencies are created to cover losses or liabilities that are certain or probable but whose amount and due date could not be determined at year end. The amounts provided represent the best possible estimate based on the information available. When measuring risks and contingencies, risks and losses that came to light between the reporting date and the date the consolidated financial statements were prepared were also taken into account.
Risks for which the emergence of a liability is merely possible are disclosed in the Note on provisions without making any accrual to a provision for risks and charges.

Derivative instruments
Derivative instruments are financial assets and liabilities measured at fair value and are mainly used as hedging instruments to manage the risk of exchange rate and interest rate fluctuation.
Derivatives are classified as hedging instruments only when, at the start of the hedge, there is a close, documented relationship between the item hedged and the financial instrument and the effectiveness of the hedge – as regularly tested - is high.
When the derivatives hedge the risk of changes in cash flow from the hedged instruments ("cash flow hedges"), the effective portion of the gains or losses on the derivative financial instrument is suspended under equity. Gains or losses relating to a in 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 for inflation based on indices. Note that the changes to TFR rules introduced by Law no 296 of 27 December 2006 ("Finance Act 2007") and by subsequent Decrees and implementation Regulations have amended the accounting methods applied to TFR entitlement accruing as at 31 December 2006 and to that accruing from 1 January 2007 onwards. Following the establishment of the "Fund for payment to private sector employees of the employee severance indemnity in terms of Article 2120 of the Italian Civil Code" (Treasury Fund managed by INPS on behalf of the State), employers with at least fifty employees are obliged to pay into said Treasury Fund portions of TFR entitlement accruing in favour of employees who have not opted to pay their entitlement into a supplementary pension fund. The TFR liability reported in the financial statements is stated net of amounts paid to said INPS Treasury Fund; this is except for subsidiary Basis Engineering S.r.l. which continues to make allocations to the TFR provision.

Payables

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

Revenues and costs

Costs and revenues are recognised in accordance with the prudence and accruals concepts required by Article 2423-*bis* of the Italian Civil Code. Pursuant to Article 2425-*bis* of the Italian Civil Code, costs and revenues are stated net of returns, discounts, allowances and premiums, as well as any taxes directly related to the purchase and sale of goods and the provision of services. Related party transactions take place on an arm's length basis.

Grants towards capital expenditure and operating expenses

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

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

Dividends

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

Income taxes for the year

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

Deferred tax assets and liabilities are also recognised on temporary differences between the reported result for the year and taxable income. They are calculated based on the rate of taxation expected to be applicable in the fiscal year that the differences will reverse, in application of the "liability method".
Deferred tax assets are recognised when it is reasonably certain that there will be sufficient future taxable income to ensure their recovery.

Translation into Euro of foreign currency items
Receivables and payables in foreign currency are originally accounted for at the exchange rates in effect when the transactions are recorded.
Exchange differences arising on the collection of receivables and settlement of payables in foreign currency are recognised in the income statement.
Receivables and payables in foreign currency for which exchange risk hedging transactions have been arranged are adjusted to the base exchange rate of the said hedging transactions.
At year-end, receivables and payables in foreign currency for which hedging transactions have not been arranged are translated on the basis of the exchange rate in force at the reporting date. Gains and losses arising from this translation are credited and debited to the income statement as financial income or expenses.
Any net gain arising after considering unrealised exchange gains and losses is allocated to a specific non-distributable reserve until it is realised.

OTHER INFORMATION

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

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

COMMENTS ON THE MAIN ASSET ITEMS

FIXED ASSETS

INTANGIBLE ASSETS

Concessions, licences, trademarks and similar rights

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

	Bal. 31/12/15	Incr.	Decr.	Exch. diff.	Bal. 31/12/16
Licences	19	0	(5)	0	14
Concession of land rights	433	0	(25)	0	408
Total concessions, licences, etc.	**452**	**0**	**(30)**	**0**	**422**

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

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

Intangible assets in progress

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

	Bal. 31/12/15	Incr.	Decr.	Bal. 31/12/16
Intangible assets in progress	46	23	(7)	62

"Intangible assets in progress" amounts to Euro 62 thousand and represents the value of work done until 31.12.2016 on internal projects not yet completed.

Other intangible assets

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

	Balance 31/12/15	Incr.	Decr.	Exch. Diff.	Balance 31/12/16
Loan arrangement expenses	264	0	(73)	0	191
Software	271	205	(237)	4	243
Leasehold improvements	647	742	(293)	0	1,096
Total other intangible assets	**1,182**	**947**	**(603)**	**4**	**1,530**

We note that, as specifically permitted, the Group has continued to classify arrangement expenses relating to loans signed prior to 01.01.2016 as "other intangible assets" and to amortise these expenses in accordance with the former accounting standard. However, expenses relating to loans arranged during 2016 have been recorded in the income statement for the year and treated as prepaid expenses over the period of the loan agreement. The amortised cost method has not been applied in this case as the effects would be immaterial, as confirmed by a specific calculation.

The increase in "Software" is mainly due, for the Parent Company, to: the development of the new company Intranet – Euro 29 thousand; the development of the new Timesheet software – Euro 19 thousand; the purchase of document management software – Euro 48 thousand; the purchase of Milemite licences for the management of project control activities – Euro 11 thousand; and to purchases of Microsoft user licences. For subsidiary Fores Engineering S.r.l., increases in "Software" included investment in software to manage Curriculum Vitae – around Euro 13 thousand; a program to management commercial relations – Euro 7 thousand; and licences of Microsoft Office – Euro 15 thousand.

The increase in "Leasehold improvements" includes Euro 63 thousand for improvements to the sewage network connected to a plot of land in respect of which the Parent Company has rights of usufruct. The remainder regards the capitalisation of the purchase cost of materials and services needed to set up subsidiary Basis Engineering S.r.l.'s new offices in Assago, bringing the leased property into line with

Group requirements.

Decreases included Euro 603 thousand of amortisation for the year and Euro 4 thousand of exchange differences. Amortisation is charged at different rates for the various types of capitalised cost, as follows:

- On a straight-line basis over three years for software;
- Over the period of the loan agreement for loan arrangement expenses;
- Over the period of the land rights and property lease agreements for capex in those areas.

TANGIBLE ASSETS

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

In 2016, ordinary depreciation charges were recognised at rates representing the useful lives of the tangible assets.

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

The Parent Company Directors prudently subjected the Parent Company's 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;

and even though the budget approved by the Company Board of Directors forecasts a result close to breakeven in 2017 and EBITDA in excess of Euro 2 million in the years to come.

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 ASSETS

Equity investments

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

	Interest Held %	Balance 31/12/15	Incr.	Decr.	Balance 31/12/16
Subsidiaries:					
Rosetti Marino Mocambique Ltd (*)	96%	1	0	0	1
Basis Congo Sarl (*)	60%	60	0	(6)	54
Total subsidiaries		**61**	**0**	**(6)**	**55**
Associated companies:					
Rosetti Congo Sarl (*)	50%	76	0	0	76
Rosetti Pivot Ltd (*)	49%	137	0	(137)	0
Rigros S.r.l. (*)	50%	0	50	0	50
Basis Pivot Ltd (*)	45%	21	0	0	21
Tecon S.r.l.	20%	617	14	0	631
Total associated companies		**851**	**64**	**(137)**	**778**
Other entities:					
SAPIR		3	0	0	3
CAAF Industrie		2	0	0	2
Consorzio Cura		1	0	0	1
Consorzio Destra Candiano		1	0	0	1
O.M.C.		0	20	0	20
Cassa Risparmio Ravenna		138	0	(22)	116
Total other entities		**145**	**20**	**(22)**	**143**

(*) Non-operational/Dormant company.

The carrying amounts of the investments in associated companies have been adjusted to bring them into line with the respective shareholders' equity amounts –the investment in Tecon S.r.l. has been increased by Euro 14 thousand as a result of the net profit for the year while the investment in Rosetti Pivotti Ltd has been written down by Euro 137 thousand, bringing it into line with equity, until such time as profits are generated – profits are expected when the contracts for which the company was incorporated get underway.

It should also be noted that, during the year, associated company Rigros S.r.l. was incorporated with the Parent Company subscribing 50% of its quota capital.
The portion of the investment in Offshore Mediterranea Conference previously included in financial assets that are not equity investments has been reclassified to equity investments in other entities. The carrying amount of the investment in Cassa di Risparmio di Ravenna S.p.A. has been brought into line with fair value at 31.12.2016 by writing down the investment by Euro 22 thousand.
Details of the carrying amount of the investments and a comparison with their equity value are provided in the attached table.

Figures from the latest available financial statements received from the associated companies carried at equity are set out below (in thousands of Euro):

	Total Assets	**Q/holders' equity**	**Value of production**	**Net profit for year**
Tecon S.r.l.	5,101	3,154	4,068	70

Tecon S.r.l. is an engineering company.

Receivables from associated companies

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

	Balance 31/12/15	**Incr.**	**Decr.**	**Balance 31/12/16**
Kazakhstan Caspian Offshore Ind.	16,674	0	0	16,674

This receivable consists 50% of two interest-bearing, medium-term loans granted to associated company Kazakhstan Caspian Offshore Industries Llp to enable it to construct and expand its own 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) while the second loan was disbursed in 2013 in the amount of Euro 11,549 thousand (it was repaid in full in the first few months of 2017). Both loans are unsecured and bear interest at a market based, arm's length rate. Based on expected cash flows from the contracts the associated company has acquired in future years and its probable future contract acquisitions, the Directors believe there is no risk that these receivables will not be collected. Nonetheless, as a result of a significant fluctuation in the local currency in Kazakhstan while the loans are expressed in Euro, the Directors have prudently decided to make an allocation to a provision for the counterparty/country risk in relation to payment of amounts which were very much higher for the associated company, solely as a result of the weakening of the local currency. The amount allocated has been recorded under a provision for risks and charges as it does not represent a specific provision for the loan receivable but, rather, reflects the exchange rate risk relating to the country in question which could have a different effect than to affect collection of the receivable.

CURRENT ASSETS

INVENTORY

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

	Balance 31/12/2016	**Balance 31/12/2015**
Raw materials	1,452	1,291
Less obsolescence provision	(814)	(931)
	638	360
Contract work in progress	220,194	131,530
Payments on account	(146,398)	(85,254)
	73,796	46,276
Advances to suppliers	4,047	10,695
Total inventory	**78,481**	**57,331**

Measurement of year-end inventory at weighted average purchase cost does not lead to any appreciable difference compared to a current cost measurement. The significant decrease in raw materials inventory and the accompanying obsolescence provision is largely due to the scrapping of slow moving items that could no longer be used. In order to bring inventory into line with its estimated realisable value, an obsolescence provision of Euro 814 thousand has been recorded.

Long-term contract work in progress is measured based on

consideration accruing with reasonable certainty (percentage completion method). It is stated net of payments on account received based on the state of completion of the works. The increase compared to prior year is mainly due to the different state of completion contracts in progress and, in particular, to the high percentage of completion of contracts that commenced at the end of the previous reporting period.
Advances to suppliers primarily consist of sums paid to various suppliers and sub-contractors upon placement of the related orders for purchases of materials and for sub-contract agreements.

RECEIVABLES

Due from clients (trade)

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

	Balance 31/12/16	Balance 31/12/15
Due from clients - Italy	15,816	12,683
Due from clients – Other EU	19,379	27,730
Due from clients – Non EU	44,220	46,158
Provision for bad debts	(4,463)	(1,038)
Total due from clients (trade)	**74,952**	**85,533**

The decrease in total trade receivables compared to prior year is due to different timing of collections.
Given the nature of the Group's business, trade receivables are highly concentrated with 51.89% (55.50% in prior year) of the total due from the five leading clients by outstanding balance.
The provision for bad debts, which has decreased by Euro 3,425 thousand compared to prior year, is considered reasonable in light of the collection risks relating to trade receivables. It has been determined on an overall basis taking account of collection risks relating to certain specific factors. The provision reflects a prudent assessment by the Directors of the collection risk regarding these receivables.
For trade receivables due within a year which are expected to be

collected within normal commercial payment periods, the Company has not used the amortised cost valuation method, in accordance with the provisions of OIC 15.

Trade receivables due after more than a year – a total of Euro 2.8 million – are subject to interest at a market rate. Therefore, these receivables have not been discounted.

Receivables from associated companies

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

	Balance 31/12/16			Bal.
	Trade	**Financial**	**Tot.**	**31/12/15**
Unaros Fzc	0	0	0	60
Rosetti Pivot Ltd	306	0	306	0
Kazakhstan Caspian Off. Ind.	5,269	155	5,424	3,315
TOTAL	**5,575**	**155**	**5,730**	**3,375**

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

Receivables from parent company

The receivables from parent company Rosfin S.p.A., amounting to Euro 8 thousand, are trade receivables. The related transactions were entered into on an arm's length basis and no provision has been made as the Directors believe the receivables will be collected in full.

Tax receivables

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

	Balance 31/12/16	Balance 31/12/15
VAT receivable	1,720	1,287
Customs duty receivable	32	26
Foreign tax receivable	29	0
IRAP/Regional tax receivable	835	1,132
IRES/Corporation tax receivable	4,156	5,518
Total	**6,772**	**7,963**

The VAT receivable mainly includes the annual VAT credit of Euro

1,502 thousand arising on ordinary commercial transactions and a VAT credit of Euro 218 thousand accruing in prior years for which a refund has been requested.

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

The IRES receivable is mainly due to the fact that income tax payments made on account in prior years exceeded the taxes actually due for 2016 and to refund requests made in relation to prior years.

Deferred tax assets

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

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.

Receivables from others

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

	Balance 31/12/16	**Balance 31/12/15**
Due within a year:		
Due from employees	73	130
Insurance refunds receivable	9	0
Sundry	138	49
TOTAL	**220**	**179**
Due after more than a year:		
Guarantee deposits	95	110
TOTAL	**95**	**110**

Sundry receivables mainly comprise a receivable for excess taxes paid to the Government of Norway on the income of personnel working in that country and a receivable for grant income relating to electricity generated by photovoltaic power plants installed at the head office in via Trieste and at the San Vitale yard in Ravenna and advances paid to service providers.
All of the above amounts are considered recoverable so no provision for bad debts has been recorded.
No receivables are due after more than five years.

CURRENT FINANCIAL ASSETS

Other Securities

The increase in current financial assets is entirely due to the temporary investment of cash in mutual fund units, insurance policies and other equities and bonds.
The following table shows changes in current financial assets:

	Balance 31/12/15	**Change**	**Balance 31/12/16**
Derivatives	0	4,167	4,167
Other current securities	36,941	438	37,379
Total other securities	**36,941**	**4,605**	**41,546**

Derivatives includes derivative instruments classified as held for trading as they do not satisfy hedge accounting requirements. Changes in fair value are recorded in the Balance Sheet and in the Income Statement under captions D18 d or D19 d.
Other Securities consists entirely in temporary investments 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

Bank and post office accounts

The balance of Euro 62,423 thousand at 31 December 2016 consisted entirely of funds held in bank accounts.

Cash and cash equivalents on hand

The balance at 31 December 2016 mainly consisted of cash on hand and amounted to Euro 64 thousand.

The change in cash and cash equivalents compared to prior year is explained in the attached statement of cash flows.

PREPAID EXPENSES AND ACCRUED INCOME

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

	Balance 31/12/16	**Balance 31/12/15**
Accrued interest income	0	199
Prepaid rental costs	241	5
Prepaid moveable asset rental costs	74	84
Other prepaid expenses	497	738
Total prepaid expenses and accrued income	**812**	**1,026**

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

COMMENTS ON THE MAIN LIABILITY ITEMS

SHAREHOLDERS' EQUITY

Movements on the items included in Shareholders' equity are shown in an attachment.

The main shareholders' equity items are commented on below:

SHARE CAPITAL

At 31 December 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.

REVALUATION RESERVE

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

LEGAL RESERVE

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

OTHER RESERVES

Extraordinary reserve

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

CASH FLOW HEDGE RESERVE

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

RETAINED EARNINGS (ACCUMULATED LOSSES)

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

NET PROFIT FOR THE YEAR

This includes the net profit for the year.

NEGATIVE RESERVE FOR TREASURY SHARES HELD

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

TRANSLATION RESERVE

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

PROVISIONS FOR RISKS AND CHARGES

Provision for retirement benefits and similar rights

This item includes amounts allocated for the leaving indemnity of a Director, as approved by the Shareholders' General Meeting. At 31.12.2016, it stood at Euro 156 thousand (Euro 120 thousand at 31.12.2015).

Tax provisions

This item includes deferred tax provisions of Euro 2,571 thousand (Euro 2,611 thousand at 31.12.2015), as calculated on all negative temporary differences.
Note that the theoretical tax effect of the temporary differences has been calculated based on current tax rates. The change in this item compared to prior year is shown in an attachment to these Notes.

Provision for derivatives

This caption, amounting to Euro 481 thousand (Euro 437 thousand at 31.12.2015), represents the contra-entry to the amount recorded under the "Cash flow hedge reserve" in shareholders' equity. The key features of the derivatives are listed below:

Hedging instrument
IRS Agreement Rosetti Marino S.p.A.
Notional amount Euro 30 million
Duration: 48 months
Period: 31.10.2014 – 31.10.2018
Rate: Euribor 3 months
Frequency: Quarterly instalments
MTM in Euro at 31.12.16 Euro (415) thousand

Hedging Instrument
IRS Agreement of Basis Engineering S.r.l.
Notional Amount Euro 2.5 million
Duration: 60 months
Period: 30.06.2016 – 30.06.2021
Rate: Euribor 3 months

Frequency: Quarterly instalments
MTM in Euro at 31.12.16 Euro (15) thousand

Hedging Instrument
IRS Agreement Fores Engineering S.r.l.
Notional Amount Euro10 million
Duration: 60 months
Period: 28.02.2017 – 30.11.2021
Rate: Euribor 3 months
Frequency: Quarterly instalments
MTM in Euro at 31.12.16 Euro (51) thousand

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

Other provisions
Movements on this item during 2016 were as follows (in thousands of Euro):

	Balance 31/12/15	**Incr.**	**Decr.**	**Exch. Diff.**	**Balance 31/12/16**
Provision for future risks	2,126	296	(39)	0	2,383
Provision for contractual risks	1,245	2,175	0	54	3,474
Provision for sundry risks	0	0	0	1,800	1,800
Total other	**3,371**	**2,471**	**(39)**	**1,853**	**7,657**

provisions

The provision for future risks represents the best possible estimate of probable liabilities arising from ongoing civil litigation with third parties. The decrease in this item compared to prior year is due to settlement of a number of disputes where the Group was found not to be liable.

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

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

T.F.R./EMPLOYEE SEVERANCE INDEMNITY PROVISION

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

Balance at 31-12-2015	3,601
Amount accruing and recorded in income statement	2,179
Utilisation	(2,316)
Balance at 31-12-2016	**3,464**

The TFR/employee severance indemnity provision at 31 December 2016 represents the indemnity accruing in favour of employees up to 31 December 2006. It will be settled through payments made when employees leave the Italian companies or through advance payments made in accordance with the law. Utilisation mainly consists of transfers to complementary pension funds in relation to amounts accruing during the year following changes introduced by Law no 296 of 27 December 2006 (Finance Act 2007).

PAYABLES

No payables are secured on Group assets.

No payables are due after more than five years.

A breakdown of payables is provided below together with movements on the various component items during the year:

Bank borrowing

This item includes:

- a loan of Euro 30 million arranged by the parent company with Unicredit Banca d'Impresa in 2014 which provides for repayment of the principal in a single instalment upon expiry of the loan which is scheduled for 2018. In order to hedge the interest rate risk relating to this loan, the Parent Company has arranged a derivative contract (Interest Rate Swap) which meets the accounting requirements to be treated as a hedging derivative, as previously described;
- a loan of Euro 3.8 million arranged by subsidiary Fores Engineering S.r.l. with Banca Popolare dell'Emilia Romagna on 06.10.2015 and expiring on 06.10.2019; Euro 1.2 million of this loan is due within a year;
- a loan of Euro 10 million from Cassa dei Risparmi di Forlì e della Romagna renegotiated by subsidiary Fores Engineering S.r.l. on 30.11.2016 and repayable in five years (final expiry date of 30.11.2021), including Euro 2 million due within a year. In order to hedge the interest rate risk relating to this loan, the company has arranged a derivative contract (Interest Rate Swap) which meets the accounting requirements to be treated as a hedging derivative, as previously described;
- a loan of Euro 2.5 million arranged by subsidiary Basis Engineering S.r.l. with Unicredit Banca d'Impresa in the first half of 2016, including Euro 0.3 million due within a year. In order to hedge the interest rate risk relating to this loan, the company has arranged a derivative contract (Interest Rate Swap) which meets the accounting requirements to be treated as a hedging derivative, as previously described.

In accordance with the new Italian Accounting Standards, the fair value of the above derivatives at 31.12.2016 (Euro 481 thousand) has been recorded in a specific equity reserve - caption A.VII "Cash flow hedge reserve" – while a specific provision has also been created - caption B.3 "Derivatives ".

The Group elected not to use the amortised cost method to value payables already in place at 31.12.2015 and will continue to classify arrangement costs relating to these loans under "other intangible assets" and to amortise these costs in accordance with the previous version of OIC 24.

Payments on account

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

	Balance 31/12/16	Balance 31/12/15
Advances from third party clients	80,967	52,104
TOTAL PAYMENTS ON ACCOUNT	**80,967**	**52,104**

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)

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

	Balance 31/12/16	Balance 31/12/15
Due to suppliers - Italy	25,806	27,068
Due to suppliers – Other EU	5,634	8,781
Due to suppliers – Non-EU	7,486	4,931
TOTAL	**38,926**	**40,780**

These payables relate to commercial transactions subject to normal market terms and conditions with payment due within a year. Accordingly, the Group has not discounted these payables in compliance with the possibility made available by OIC 19. The decrease is mainly due to the different timing of contracts.

Due to subsidiaries

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

	Balance 31/12/16	Balance 31/12/15
Rosetti Marino Mocambique Ltd	1	1
Basis Congo Sarl	23	0
TOTAL	**24**	**1**

This item represents a liability towards Rosetti Marino Mocambique

Limitada in respect of share capital subscribed but not yet paid and a payable for services provided by Basis Congo Sarl to subsidiary Basis Engineering S.r.l.. These transactions take place on an arm's length basis.

Due to associated companies

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

	Balance 31/12/16	Balance 31/12/15
Rosetti Pivot Ltd	0	73
Rigros S.r.l.	37	0
Basis Pivot Ltd	21	21
Tecon S.r.l.	720	171
TOTAL	**778**	**265**

The payables to Tecon S.r.l. were generated by commercial transactions that took place on an arm's length basis. The payables to Rosetti Pivot Ltd, Rigros S.r.l. and Basis Pivot Ltd regard the portion of share capital subscribed but not yet paid.

Tax payables

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

	Balance 31/12/16	Balance 31/12/15
Personal income tax deducted at source	1,960	2,324
Income taxes payable	6	148
Substitute tax on revaluation of TFR	3	4
VAT	1,181	18
Other taxes not on income	154	25
Total tax payables	**3,304**	**2,519**

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

Tax periods after 2011 have yet to be finalised and are still open to assessment.

Social security payables

This item includes employee and employer social security contributions payable to social security institutions. The balance is broadly in line with 31 December 2015.

Other payables

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

	Balance 31/12/16	**Balance 31/12/15**
Due to employees	4,123	5,122
Due to freelance contractors	27	26
Due to pension funds	407	416
Sundry payables	134	398
Total other payables	**4,691**	**5,962**

This item primarily consists of amounts due to employees.

ACCRUED EXPENSES AND DEFERRED INCOME

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

	Balance	**Balance**
Accrued expenses:	**31/12/16**	**31/12/15**
Accrued loan interest expenses	92	77
Accrued expenses re forward sales/ purchases	10	35
Other	32	31
	134	**143**
Deferred income:		
Other	4	4
	4	**4**
	138	**147**

Total accrued expenses and deferred income

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

COMMENTS ON THE MAIN INCOME STATEMENT ITEMS

VALUE OF PRODUCTION

REVENUES FROM SALES AND SERVICES

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

	2016	2015
Energy Business Unit	71,435	573,121
Shipbuilding Business Unit	18,667	5,559
Process Plants Business Unit	32,327	50,837
Sundry services	1,898	2,122
Total revenues from sales and services	**124,327**	**631,639**

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

	2016	2015
Revenues from Italian clients	29,651	28,076
Revenues from other EU clients	1,323	394,717
Revenues from non-EU clients	93,353	208,846
Total revenues from sales and services	**124,327**	**631,639**

Given the nature of the Company's business, revenues are fairly concentrated with around 46.90% of total revenues from sales and services generated by the five largest clients (85.15% in prior year).

CHANGE IN CONTRACT WORK IN PROGRESS

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

	2016	2015
Opening contract WIP at 01.01.16	(131.530)	(536.143)
Exchange difference	20	599
Closing contract WIP at 31.12.16	220.194	131.530
Total change in contract WIP	**88.684**	**(404.014)**

At 31 December 2016, contract work in progress included Euro 178,187 thousand relating to the Energy Business Unit, Euro 28,104 thousand relating to the Process Plants Business Unit and Euro

13,903 thousand relating to the Shipbuilding Business Unit.
Changes compared to prior year must be analysed considering together the changes in "Revenues from sales" and "Change in contract work in progress" as contracts are only reclassified to "Revenues from sales" upon completion.

INCREASES IN OWN WORK CAPITALISED

In 2016, the costs capitalised under this caption mainly regarded costs incurred by subsidiary Basis Engineering S.r.l. in relation to internal personnel working on the realisation of the project for the company's new offices in Assago.

OTHER REVENUES AND INCOME

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

	2016	2015
Grants towards operating expenses	297	114
Total "Grants towards operating expenses"	**297**	**114**
Recharge of expenses to third parties	518	823
Hires and rentals	53	58
Gains on asset disposals	29	7
Reversal of excess provisions for risks	647	5,441
Out of period income	47	55
Other	384	237
Total other revenues	**1,678**	**6,621**

"Grants towards operating expenses" includes Euro 82 thousand of grants towards the photovoltaic solar power systems installed by the Parent Company at the S. Vitale yard and at the Via Trieste site, as well as towards the solar power systems installed by subsidiary Fores Engineering S.r.l. at its premises in Forlì. The remainder includes grants received from Fondimpresa in partial reimbursement of costs incurred to run training program and grants received from the Ministry for Transport and Infrastructure in relation to the Parent Company's GAINN4CORE and ROSMANDITEN initiatives.
The reversal of excess provisions for risks regards provisions that were created in prior years but are no longer required.

COST OF PRODUCTION

PURCHASES

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

	2016	2015
Raw materials	72,027	87,660
Consumables	2,923	2,562
Other purchases	181	211
Total purchases	**75,131**	**90,433**

The decrease in this item compared to prior year is due to the different timing of activities for which materials have to be purchased.

COSTS FOR SERVICES

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

	2016	2015
Sub-contracting and outsourcing	45,260	40,581
Repairs and maintenance	1,290	1,124
Electricity, water, heating	952	814
Other production costs	5,837	6,579
Sundry personnel costs	5,636	4,462
Selling costs	3,292	1,814
Statutory auditors' fees	64	85
Directors' fees	486	472
External audit fees	156	177
General, administrative and insurance costs	4,900	6,774
Total costs for services	**67,873**	**62,882**

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

LEASE AND RENTAL COSTS

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

	2016	2015
Property rental	1,812	1,490
Hire/rental of moveable assets	2,638	4,555
Maintenance of leased/rented property	17	8
Concession fees	77	77
Software rental	230	397
Total lease and rental costs	**4,774**	**6,527**

The decrease in this item – especially with regard to the hire/rental of moveable assets – also reflects the different timing of operating activities in the two reporting periods.

PERSONNEL COSTS

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

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

	31/12/15	Increases	Decreases	31/12/16
Executives	48	3	(9)	42
White collar	582	242	(125)	699
Blue collar	179	166	(24)	321
Total	**809**	**411**	**(158)**	**1,062**

AMORTISATION, DEPRECIATION AND WRITEDOWNS

The breakdown required has been provided in the Income Statement. Details of depreciation charges on tangible assets are provided in a specific attachment.

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

CHANGE IN INVENTORY OF RAW MATERIALS

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

- Opening inventory at 01/01/16	1,291
- Accrual to (utilisation of) inventory obsol. provision	(116)
- Closing inventory at 31/12/16	(1,452)
Total	**(277)**

The change in the inventory obsolescence provision is entirely due to utilisation of the existing provision.

ALLOCATIONS TO PROVISIONS FOR RISKS

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

SUNDRY OPERATING EXPENSES

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

	2016	**2015**
Taxes and duties other than income tax	568	684
Losses on asset disposals	20	6
Out of period expenses	12	36
Other operating expenses	119	46
Total sundry operating expenses	**719**	**772**

FINANCIAL INCOME AND EXPENSES

INCOME FROM EQUITY INVESTMENTS

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

OTHER FINANCIAL INCOME

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

	2016	**2015**
c) Income from current securities other than equity investments:		
- dividends from securities management	51	15
- interest income from securities	205	111
- gains on disposals	213	154
Total	**469**	**280**
d) Income other than the above:		
- interest from associated companies	339	396
Total	**339**	**396**
Interest from others and sundry income:		
- bank interest income	104	193
- interest income from clients	353	508
- sundry interest income	442	230
Total	**899**	**931**

INTEREST AND OTHER FINANCIAL EXPENSES

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

	2016	2015
a) to subsidiaries		
- loss on liquidation	116	0
Total	**116**	**0**
b) to associated companies:		
- loss on liquidation	49	0
Total	**49**	**0**
d) other:		
- interest expense on current accounts	7	36
- interest expense on bank loans	586	528
- securities management commission	59	61
- losses on securities	110	621
- sundry interest expenses	100	448
Total	**862**	**1,694**

EXCHANGE GAINS AND LOSSES

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

	2016	2015
Exchange gains	1,311	4,304
Exchange gains - unrealised	1,715	1,634
Exchange losses	(1,194)	(5,066)
Exchange losses - unrealised	(1,771)	(11,584)
Total	**61**	**(10,712)**

ADJUSTMENTS TO VALUE OF FINANCIAL ASSETS

REVALUATIONS

This includes adjustment of Euro 14 thousand to the investment in Tecon S.r.l. to bring its carrying amount into line with the shareholders' equity of the company, an adjustment of Euro 3 thousand to increase the value of current securities and an adjustment of Euro 128 thousand to increase the value of derivatives. For more details, see the Equity Investments section.

WRITEDOWNS

This caption includes a Euro 47 thousand writedown of current securities, a Euro 1 thousand writedown of derivatives and writedowns of investments in Rosetti Pivot Ltd (Euro 137 thousand), Cassa di Cassa di Risparmio di Ravenna S.p.A. (Euro 23 thousand) and Basis Congo Sarl (Euro 6 thousand).

INCOME TAXES

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

	2016	2015
Current taxes	1,462	2,007
Prior year taxation	(48)	2
Deferred taxes	(97)	317
Deferred tax income	(197)	(493)
Total income taxes for the year	**1,120**	**1,833**

The effective tax rate is 38.96% (52.09% in 2015).

OFF BALANCE SHEET COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

Guarantees given

Sureties

This item consists of Euro 89,182 thousand of sureties given by insurers and banks to the Company's clients as guarantees of proper performance of works and to release amounts withheld for guarantee, as well as Euro 2,213 thousand of sureties granted to banks and/or third parties as security for commitments made by Group companies.

Other

The Parent 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.

ATTACHMENTS

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

The said information is contained in the following attachments:

- Statement of movements on shareholders' equity for the years ended 31 December 2016 and 31 December 2015;
- Detailed analysis of tangible assets at 31 December 2016;
- Temporary differences resulting in recognition of deferred tax assets and liabilities.

ROSETTI MARINO S.p.A.
STATEMENT OF MOVEMENTS ON CONSOLIDATED SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016
(in thousands of Euro)

	Share capital	Revaluation reserve	Legal reserve	Other reserves	Cash flow hedge reserve	Ret. Earnings (Accum. losses)	Neg. Reserve for treasury shares held	Translation reserve	Consolidation reserve	Net profit for year	Total	Equity of minority interests
BALANCE AT 31 DECEMBER 2014	4.000	36.969	1.110	149.755	(306)	(237)	(5.100)	(2.200)	23	2.149	186.163	14
Net profit for 2014:												
- to reserves	0	0	0	(1.751)	0	100	0	0	0	1.651	0	0
- dividends	0	0	0	0	0	0	0	0	0	(3.800)	(3.800)	0
Translation reserve	0	0	0	0	0	0	0	263	0	0	263	(1)
Cash flow hedge reserve	0	0	0	0	(131)	0	0	0	0	0	(131)	0
Net profit for 2015	0	0	0	0	0	0	0	0	0	1.697	1.697	(11)
BALANCE AT 31 DECEMBER 2015	4.000	36.969	1.110	148.004	(437)	(137)	(5.100)	(1.937)	23	1.697	184.192	2
Net profit for 2015:												
- to reserves	0	0	0	1.236	0	5	0	0	0	(1.241)	0	0
- dividends	0	0	0	0	0	0	0	0	0	(456)	(456)	0
Translation reserve	0	0	0	0	0	0	0	707	0	0	707	1
Cash flow hedge reserve	0	0	0	0	(44)	0	0	0	0	0	(44)	0
Net profit for 2016	0	0	0	0	0	0	0	0	0	1.755	1.755	0
BALANCE AT 31 DECEMBER 2016	4.000	36.969	1.110	149.240	(481)	(132)	(5.100)	(1.230)	23	1.755	186.154	3

STATEMENT OF MOVEMENTS ON TANGIBLE ASSETS
FOR THE YEAR ENDED 31 DECEMBER 2016
(in thousands of Euro)

	Opening situation			Movements during the year										Closing situation		
				Additions		Disposals			Change of category		Exch	Depreciation				
	Historical cost	Accum. Deprec'n	Balance 31/12/2015	Purchases	Int. Works	H/Cost	Revaluations	Acc Dep'n	Hist cost	Acc Dep'n	Diff	Rate	Ordinary	Historical cost	Accum. Deprec'n	Balance 31/12/2016
Yards and buildings:																
- land	34.831	(4.862)	29.969	0	0	0	0	0	0	0	16	0%	0	34.847	(4.862)	29.985
- yards and buildings	60.148	(20.333)	39.815	225	56	0	0	0	0	0	521	3%	(1.873)	60.950	(22.206)	38.744
- light constructions	5.892	(5.142)	750	18	0	(16)	0	10	0	0	0	10%	(184)	5.894	(5.316)	578
Plant and machinery:																
- plant	19.394	(13.352)	6.042	190	0	(2)	0	2	0	0	0	10%	(978)	19.582	(14.328)	5.254
- dry dock	7	(7)	0	0	0	0	0	0	0	0	0	10%	0	7	(7)	0
- treatment plant	238	(229)	9	0	0	0	0	0	0	0	0	15%	(8)	238	(237)	1
- machinery	6.573	(5.946)	627	593	0	(107)	(88)	195	0	0	0	16%	(204)	6.971	(5.955)	1.016
- electrical systems	26	(26)	0	0	0	0	0	0	0	0	0	10%	0	26	(26)	0
Industrial and commercial equipment	5.664	(4.761)	903	716	0	(29)	0	11	(4)	4	55	25%	(337)	6.402	(5.083)	1.319
Other tangible assets:																
- office furniture	1.116	(756)	360	509	0	(135)	0	118	(34)	(24)	5	12%	(99)	1.461	(761)	700
- IT equipment	2.703	(2.138)	565	236	0	(223)	0	210	38	20	8	20%	(229)	2.762	(2.137)	625
- commercial vehicles	510	(426)	84	72	0	(27)	0	27	0	0	0	20%	(47)	555	(446)	109
- automobiles	159	(71)	88	3	0	0	0	0	0	0	3	25%	(23)	165	(94)	71
- pontoon	3.707	(1.082)	2.625	0	0	0	0	0	0	0	0	8%	(270)	3.707	(1.352)	2.355
Assets under construction and payments on a/c	103	0	103	754	(36)	0	0	0	0	0	59	0%	0	880	0	880
Total	141.071	(59.131)	81.940	3.316	20	(539)	(88)	573	0	0	667		(4.252)	144.447	(62.810)	81.637

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

Description of temporary differences	*Def. Tax Assets at 31/12/2015*		*Decreases*		*Increases*		*Change of rate*	*Exch diff*	*Def. Tax Assets at 31/12/2016*	
Deductible differences	Taxable amount	Tax	Taxable amount	Tax	Taxable amount	Tax			Taxable amount	Tax
Provision for contractual risks	427	103	0	0	1.838	441	(1)	0	2.265	543
Bad debt provision	51	14	0	0	2.542	610	(2)	0	2.593	622
Provision for future risks	2.126	549	33	9	1.796	405	(39)	26	3.889	932
Unrealised foreign exchange losses	36	10	36	10	25	6	0	0	25	6
Depreciation of tangible assets	2.186	617	447	138	0	0	1	1	1.739	481
Directors' fees to be paid	140	35	69	19	0	0	2	0	71	18
Tax losses	12.759	2.576	11.455	2.291	1.208	290	(13)	(41)	2.512	521
Inventory obsolescence provision	923	230	108	28	5	1	(11)	0	820	194
Loss-making contracts	2.156	592	2.152	592	6.458	1.550	0	0	6.462	1.550
Other provisions	1.077	264	337	86	588	129	(1)	6	1.326	312
Total	21.881	4.990	14.637	3.171	14.458	3.432	(64)	(8)	21.702	5.179

Description of temporary differences	*Def. Taxes at 31/12/2015*		*Decreases*		*Increases*		*Change of rate*	*Exch diff*	*Deferred Taxes at 31/12/2016*	
Deductible differences	Taxable amount	Tax	Taxable amount	Tax	Taxable amount	Tax			Taxable amount	Tax
Unrealised exchange gains	1.012	279	1.011	279	71	17	0	0	72	17
Depreciation of tangible assets	8.015	1.603	0	0	400	80	0	92	8.415	1.775
Amortisation of intangible assets	15	3	0	0	0	0	0	0	15	3
Other provisions	11	3	11	3	517	124	0	0	517	124
Consolidation operations	2.190	688	150	36	0	0	0	0	2.040	652
Dividends not received	0	#RIF!	0	0	0	0			0	0
Total	11.243	2.576	1.172	318	988	221	0	92	11.059	2.571

3. EXTERNAL AUDITORS' REPORT

Deloitte

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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 Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Rosetti Marino S.p.A. and its subsidiaries (the "Rosetti Group"), which comprise the consolidated balance sheet as at December 31, 2016, the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements give a true and fair view of the financial position of Rosetti Group 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.

Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the report on operations with the consolidated 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 consolidated financial statements of Rosetti Group as at December 31, 2016. In our opinion the report on operations is consistent with the consolidated financial statements of Rosetti Group 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.