# Financial Statements at 31/12/2017

# I N D E X

Page

# *1. DIRECTORS' REPORT ON OPERATIONS, ACCOMPANYING THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017*

Dear Shareholders,

The financial statements hereby submitted for your review and approval provide a faithful representation of the Company’s current situation.
They report a net profit of Euro 1,128 thousand after depreciation and amortisation of Euro 3,118 thousand, accruals to the provision for bad debts of Euro 333 thousand and accruals to provisions for risks of Euro 1,549 thousand.
Considering the ongoing economic crisis that has stricken the global economy in the last few years and, in particular, the segments where the Company operates, we believe that the result achieved can still be considered satisfactory and reflects the dedication shown by the staff of all Group companies, who deserve our and your gratitude.

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

**OPERATING PERFORMANCE**

The year ended 31 December 2017 was characterised by a fairly low level of value of production, broadly in line with prior year (Euro 128 million in 2017 against Euro 130 million in 2016). The volume of business increased in the Energy segment and this helped offset the major slump in the Shipbuilding segment which touched an all-time low level of activity.
The low value of production is undoubtedly due to the fact that 2017 was the fourth consecutive year of severe crisis for the Oil&Gas industry. However, the year was characterised by a series of positive commercial signals that had not been seen during the previous three years. Although it is still too early to speak of a genuine recovery in the industry, we must highlight the fact that the commercial and business development strategies adopted by the Company in recent years have, at last, produced positive results not only from a qualitative perspective – as in the previous two years – but also in terms of volumes. Indeed, for the Company, the year 2017 was characterised by the start of work on important projects acquired during the year which will produce significant rewards – in terms of production and profit – in the years ahead. Consequently, value of production and profits are expected to grow in the years ahead. In light of these events, the Directors believe that the result achieved during the year – albeit characterised by a modest, unsatisfactory net profit level- must be considered positive. This is all the truer in light of the fact that the ongoing crisis in the industry – now the longest ever – has badly affected all companies operating in Oil&Gas but very few of them have managed to achieve such a strong recovery in orders in 2017 as that managed by the Company. We believe it is useful to highlight the fact that these results have been made possible thanks to a focused but decisive commercial policy that has concentrated on the geographical areas, products and services with growth potential and interest in the professional skills and operational flexibility which characterise Rosetti Marino SpA. This strategy has been rewarded by the market and, even though the return in terms of production did not bring great rewards during the year, it did enable the Company to record an order backlog of Euro 320 million at 31/12/17 (Euro 94 million at 31/12/2016) for the Energy segment alone – this lets us look ahead with a moderate degree of optimism.
Meanwhile, in the Shipbuilding Segment where the low value of production has not been followed by significant commercial successes, the most important event during the year was the incorporation of subsidiary Rosetti SuperYachts S.p.A. (hereinafter, also, “RSY”). The establishment of this company was a very important business diversification decision made by the Directors, as we will analyse in more detail below.
Finally, we note that the financial statements benefited significantly from dividends received from subsidiaries

(Euro 2,699 thousand in 2017 against Euro 123 thousand in 2016). These dividends were approved and distributed mainly by subsidiaries Rosetti Kazakhstan Llp (Euro 2,498 thousand) and Rosetti Marino UK Ltd (Euro 200 thousand).

A selection of the key performance indicators is provided below:

| | 31.12.17 | 31.12.16 |
|---|---|---|
| G.I.P. (in thousands of Euro) | 127,802 | 130,125 |
| (A1+A2+A3 of the income statement) | | |
| EBITDA (in thousands of Euro) | 3,319 | 4,989 |
| (A+B-10-12-13 of the income statement) | | |
| EBITDA / GIP | 2.60% | 3.83% |
| EBIT (in thousands of Euro) | (1,681) | (2,802) |
| (A+B of the income statement) | | |
| EBIT / GIP | (1.32%) | (2.15%) |
| Profit before tax (in thousands of Euro) | 1,840 | 1,656 |
| Profit before tax / GIP | 1.44% | 1.27% |
| Net profit (in thousands of Euro) | 1,128 | 2,462 |
| (Income Statement item 21) | | |
| Net profit / GIP | 0.88% | 1.89% |
| R.O.E. (Net profit / Opening equity) | 0.70% | 1.54% |

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

**Energy Segment**

With value of production of around Euro 122 million in 2017 (Euro 104 million in 2016), the energy segment was easily the Company's main operating segment.
In more detail, production activities were carried out in the Offshore Platform sector (Euro 74 million), the Subsea sector (Euro 14 million), the Technical Service sector (Euro 9 million) and the Onshore sector (Euro 25 million).
The year was again severely affected by extremely low oil prices and the resulting low level of investment by Oil Companies. Nonetheless, the volume of business in this segment did record a non-negligible increase and, especially, there was a clear improvement in new orders acquired compared to previous years. In the Offshore sector, the year 2017 was characterised by the start of work on Living Quarters for Qatar (to be built in the Middle East) and on a Production Platform to be built in Kazakhstan at the Yard of Group company KCOI. For both projects, Project Management, Engineering and Procurement activities have been launched. Moreover, towards the end of the year, the Company won an order for a very important project regarding Living Quarters destined for Denmark and to be built at the Piomboni Yard. In the Subsea sector, the Company delivered modules destined for Libya under an order acquired in prior years and work commenced on the pre-fabrication of underwater pipelines for the same oilfield, under an order picked by the Company during the year from a different Main Contractor. The year also recorded the satisfactory delivery of an important Onshore project for Italy and, finally, in the second half of the year a highly interesting Technical Services project got underway in Egypt and will probably continue into 2018.
We are pleased to underline the fact that, during 2017, the Company acquired Energy segment contracts worth around Euro 305 million (against Euro 73 million in 2016) and we await the outcome of several major tendering

processes that should be completed in the first half of 2018.

**Ship Building Segment**

Shipbuilding contributed value of production of around Euro 3 million in 2017 (Euro 24 million in 2016).
Unfortunately, the ongoing crisis in this segment has effectively wiped out demand for support vessels for offshore activities. Consequently, production activities in 2017 were essentially limited to completion of two tugboats that were in the order backlog at 31.12.2016.
The Directors found themselves faced with a crisis in the shipbuilding segment that was so severe and so long-lasting that it had no historical precedent. Therefore, they had to decide whether to suspend shipbuilding activities – at least temporarily – or to seek to convert capacity to other related segments with better Business prospects. As a result, the decision was taken to close the Shipbuilding Yard temporarily, to deploy operations personnel on Energy projects for several months and to transform at least part of the business as a builder of merchant ships into a leisure boats activity with the introduction of the Superyachts business. This important entrance onto a market completely different to the traditional one led to the creation of a new company – with mainly commercial objectives – and a new brand; as well as an entirely new approach to the client base. So it was that, in June 2017, new subsidiary Rosetti SuperYachts S.p.A. (hereinafter, also, "RSY") was set up with a new minority shareholder with significant experience of the sector. New design projects were carried out, a promotional campaign was undertaken in order to launch the brand and the products in the specialist channels and personnel was recruited. Consulting contracts were also entered into in order to secure the professional skills not present in the Company's organisation but which are indispensable for the new business. At present, the Company is providing RSY with a great deal of support with the preparation of detailed projects and the drafting of tenders. This is because, under the business model adopted, RSY is to win orders from clients, handling directly marketing, design and Luxury finishing aspects. Meanwhile, the construction of the yachts themselves is to be carried out by Rosetti Marino S.p.A.

**CAPITAL EXPENDITURE**

In 2017, the Company incurred capital expenditure totalling Euro 3,379 thousand with Euro 260 thousand invested in intangible assets, Euro 254 thousand in tangible assets and Euro 2,865 thousand in equity investments
The main investments in intangible assets regarded the purchase and implementation of software intended improve certain business processes.
Investments in tangible assets regarded all three production sites and aimed to improve both production facilities and infrastructures. The most significant capex regarded the purchase of machinery and equipment for the workshop in via Trieste (a dryer, an automatic and a pneumatic supercutter, a pipe cutter, two bolt-tightening machines and two pneumohydraulic pumps for testing), work on a new stretch of the sewage network at the San Vitale yard and an evacuation alarm system at the Piomboni yard.
Capital expenditure on equity investments related to the incorporation of Rosetti SuperYachts S.p.A. (90% owned) and the acquisition of a further 45% interest in Tecon S.r.l. enabling the Company to gain control of that entity.
The level of capital expenditure confirms the Company's commitment to becoming ever more competitive while operating safely and respecting the environment.
It should also be noted that the Company provided associated company Rigros S.r.l. with finance so that it could purchase a piece of industrial land next to the premises in via Trieste; this purchase took place at the end of 2017.

## EQUITY INVESTMENTS

Direct investments in subsidiaries and associated companies underwent the following changes in 2017:
- Incorporation of subsidiary Rosetti Superyachts S.p.A. – registered office in Ravenna – and subscription of 90% of share capital;
- Acquisition of a 65% controlling interest in Milan-based company Tecon S.r.l. through the acquisition of 45% of quota capital in addition to the 20% stake already held;

The subsidiaries and associated companies continue to operate on their respective markets, thus carrying out the mission assigned to them and continuing to integrate with the Company and with other Group companies when this is required by contracts for complex multi-purpose facilities. We would recall that the subsidiaries and associated companies (both direct and indirect) have operated in the following segments:
- Fores Engineering S.r.l., Fores Engineering Algerie Eurl and Fores Do Brasil Ltda: design, construction and maintenance of automation and control systems;
- Basis Engineering S.r.l., Basis Congo Sarl, Basis Pivot Ltd and Tecon S.r.l.: engineering companies mainly involved in multi-disciplinary design of oil and petrochemical facilities;
- Rosetti Libya Jsc, Kazakhstan Caspian Offshore Industries Llp, Rosetti Kazakhstan Llp, Rosetti Marino Mocambique Ltd, Rosetti Uk, Rosetti Pivot Ltd and Rosetti Congo Sarl: construction of offshore and onshore oil facilities;
- Rosetti General Contracting Lda: ship rental/charter;
- Rigros S.r.l.: management of a plot of land designated for industrial use.
- Rosetti SuperYachts S.p.A.: superyacht building.

## FINANCIAL SITUATION

For a more detailed analysis of cash flows during the year, please see the statement of cash flows included in an attachment to the financial statements.
At this point, we highlight the fixed asset coverage ratio (amply financed through equity) and the net financial position (including current financial assets) which remains clearly positive even though it takes account of the repayment of a loan of Euro 30 million scheduled for 2018; these figures confirm the Company's financial solidity.

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

| | 31.12.17 | 31.12.16 |
|---|---|---|
| Short-term NFP (in thousands of Euro) | 55,895 | 82,114 |
| (C.III + C.IV of Assets – D.4 current of Liabilities) | | |
| Fixed assets coverage margin (in thousands of Euro) | 91,492 | 105,641 |
| (M/L term liabilities + total equity – fixed assets) | | |
| Fixed assets coverage ratio | 2.12 | 2.11 |
| (M/L term liabilities + total equity / fixed assets) | | |
| Financial independence index | 55.98% | 56.93% |
| (Total equity / Total assets) | | |
| Ratio of financial income(expense) to GIP | +0.47% | +1.11% |
| (items 16+17+17bis of the income statement / GIP) | | |

Moving onto the financial risks relating to trade receivables, we note that the Company operates primarily with longstanding clients, including leading oil companies or their subsidiaries and leading Italian shipping companies. Given the longstanding relationships with clients and their financial soundness, no specific

guarantees are required for receivables from clients. Nonetheless, it should be noted that, as the Company tends to operate on a few, very large contracts, its receivables are highly concentrated on a small number of clients. Given this fact, it is common practice before acquiring an order, to conduct a thorough assessment of the financial impact of that order and a prior evaluation of the client's financial situation. The process continues during execution of the work with careful monitoring of outstanding receivables.
The Company has a healthy, positive net financial position and has obtained a good rating from the banks with which it deals. Accordingly, there are no difficulties in raising financial resources or risks associated with interest rate fluctuation.
The Company is exposed to the exchange rate risk as a result of its operations on international markets. In order to protect itself against this risk, as in previous years, the Company has arranged exchange rate risk hedging transactions when it has acquired significant orders from clients in foreign currencies and issued significant orders to suppliers in foreign currencies.

## PERSONNEL

The skill and professionalism of our personnel constitutes an extremely important intangible asset for the Company.
Therefore, during the year, the Company invested an amount equal to 1.93% of its personnel costs on training activities that involved many employees. This figure confirms the special attention that has always been paid to the professional development of all employees as we believe that people represent an essential resource for the continued success and development of the Company.
At 31 December 2017, the headcount stood at 320 employees (plus 20 employees currently seconded to foreign subsidiaries and associated companies), a 10 employee increase on prior year. In more detail, 26 employees left the workforce during the year due to natural turnover while 42 more left after their fixed-term employment contracts expired. 72 new employees were hired and while there was a six employee increase in the number of Italian employment contracts suspended to enable personnel to be hired by foreign subsidiaries and associated companies during temporary secondment periods.
Due to the type of business conducted, the risk of accidents, including potentially fatal accidents, is high. For this reason, the Company has always devoted particular attention to safety issues by adopting a series of internal procedures and educational measures aimed at preventing such events. All production facilities have been certified compliant with the BS-OHSAS18001 standard and we continue to promote initiatives aimed at further spreading a culture of safety among all internal and external workers who operate at our Italian and international production facilities.

## OTHER INFORMATION ON OPERATIONS

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

### Information on business risks

The inherent risks involved in the Company's business activities are those typical of enterprises that operate in the plant engineering and shipbuilding.
The responsibilities resulting from the design and construction of our products and the risks associated with normal operating activity are dealt with in advance by devoting adequate attention to such aspects when developing processes and implementing adequate organisational procedures, as well as by acquiring adequate insurance cover on a precautionary basis.

The potential risks pertaining to financial, environmental and workplace safety issues and an analysis of the uncertainties relating to the particular economic environment have been reviewed in advance and appropriate measures adopted, as described in the "Financial situation", "Information on the environment", "Personnel" and "Business outlook" paragraphs.

**Activities relating to Legislative Decree 231/11 on administrative responsibility**

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

**Information on the environment**

The Company constructs large metal structures whose manufacture involves limited environmental risks, mainly during the painting and sandblasting phases. Although these risks are limited, they are thoroughly assessed and evaluated by the unit responsible.
The attention paid to environmental issues is borne out by the fact that the Parent Company has been certified compliant with international standard ISO14001 for many years.

**Transactions in treasury shares**

No transactions in treasury shares were carried out during the year. Therefore, the number of treasury shares owned by the Company remained unchanged at 200,000 share with a nominal value of Euro 1.00 each i.e. 5.0% of share capital.

**Intra-Group relations**

As you are aware, the Company heads an industrial group including many companies, some of which (Fores Engineering Srl, Basis Engineering Srl, Rosetti Marino UK, Rosetti General Contracting Lda, Rosetti Kazakhstan Llp, Rosetti Marino Mocambique Ltd, Rosetti Libya Jsc, Rosetti SuperYachts S.p.A. and Tecon S.r.l.) are under the direct control and coordination of the Company.
The Group companies enter into industrial, commercial and financial transactions (exchanges of services, technical, commercial and administrative assistance plus the purchase and sale of materials, the rental of ships, short-term loans, etc.) between themselves. These transactions take place on an arm's length basis at normal market conditions.

The following table contains details of the income statement transactions (expressed in thousands of Euro) that took place in 2017 with subsidiaries, associated companies, parent companies and companies controlled by parent companies:

| Description | Value of production | Cost of production | Dividends | Financial income |
|---|---|---|---|---|
| Parent Company: | | | | |
| Rosfin | 0 | 15 | 0 | 0 |
| Subsidiaries: | | | | |
| Fores Engineering | 408 | 3,602 | 0 | 18 |
| Basis Engineering | 181 | 6,966 | 0 | 0 |
| Rosetti Kazakhstan | 279 | 66 | 2,498 | 11 |
| Rosetti UK | 0 | 0 | 200 | 0 |
| Tecon | 65 | 1,332 | 0 | 0 |
| Rosetti Superyachts | 422 | 0 | 0 | 0 |
| Rosetti General Contracting | 3 | 0 | 0 | 1 |
| Associated Companies: | | | | |
| KCOI | 3,642 | 110 | 0 | 395 |
| Rigros | 0 | 0 | 0 | 1 |
| Rosetti Pivot | 592 | 0 | 0 | 0 |

**Research and development**

Research and development is mainly carried out by the specific Business Development and Ship Technology and Development departments. In 2017, we incurred R&D costs totalling Euro 1,617 thousand.
These activities have regarded the following projects in particular:
- Project called Rosmanditen regarding the study, design and development of IT solutions for tugboat manoeuvrability simulations;
- Pre-competitive development to find technical and technological solutions to produce technological innovations for both the Shipbuilding Segment and the Oil & Gas Segment;
- Technical feasibility studies for innovative solutions for Energy applications;
- Technical feasibility studies for new shipbuilding and industrial projects.

These research activities could potentially produce significant rewards for the Company, helping it to conquer new areas of the market thanks to innovative projects.

**Other business locations**

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

**BUSINESS OUTLOOK**

The order backlog, comprising orders acquired but not completed at 31 December 2017, stands at around Euro 320 million.
In terms of market trends and the main commercial and operational issues in the sectors in which the Company operates, we highlight the following:

**Energy Business Unit**

The order backlog for this business unit stands at Euro 320 million, including Euro 292 million in the Offshore Platform segment, Euro 10 million in the Subsea segment, Euro 10 million in the Technical Service segment and Euro 8 million in the Onshore segment.
Therefore, the situation has greatly improved compared to recent years and it should be noted that the Company has also reached the final stages of more important tendering processes which – in the first few months of 2018 – could be translated into important, additional new orders for Offshore Platforms that would be built in Ravenna. The acquisition of these contracts – to be added to the recently launched project for Living Quarters in Denmark – would mark a clear restart for production activities at the Company's Italian yards, too. Early 2018 is also expected to see Nigerian subsidiary Rosetti Pivot Ltd start its operating activities – it recently acquired a long-term framework contract from a Major Oil Company operating in Nigeria. Finally, Kazakh company KCOI is expected to continue to have a health workload. In 2018, the Company will continue its commercial and business development efforts with the utmost determinations and the following main objectives in mind: consolidate position in Qatar, acquire contracts and commence operating activities in new geographical areas like the Congo and Russia and acquire first contracts in the Renewable Energy segment (offshore wind in particular), with a special attention paid to Europe.

**Ship Building Business Unit**

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

Dear Shareholders,

The activities carried out by the Company in 2017 have generated a net profit of Euro 1,128,133.69.
Given the improved market outlook and the highly positive financial position, we propose payment of a dividend of Euro 0.50 per share, utilising the entire net profit for the year of Euro 1,128,133.69 and Euro 771,866.31 from the extraordinary reserve.
We note that the conditions which led to the creation, in prior year, of a reserve for unrealised exchange gains in terms of Article 2426 (8bis) of the Italian Civil Code are no longer present. The reserve in question amounted to Euro 46,129.60 and it has now become available in full.
Finally, we invite you to approve the financial statements, the accounting policies applied and the accompanying directors' report.

Ravenna, 30/03/2018

For the Board of Directors
The Chief Executive Officer
Oscar Guerra

## ***2. FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017:***

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

# Balance Sheet

| | 31-12-2017 | 31-12-2016 |
|---|---|---|
| **Balance Sheet** | | |
| **Assets** | | |
| **B) Non-current assets** | | |
| I – Intangible assets | | |
| 4) concessions, licences, trademarks and similar rights | 390,424 | 407,902 |
| 6) assets in progress and payments on account | 21,181 | 62,237 |
| 7) other | 620,029 | 738,243 |
| Total intangible assets | 1,031,634 | 1,208,382 |
| II – Tangible assets | | |
| 1) land and buildings | 50,069,014 | 51,364,914 |
| 2) plant and machinery | 5,099,358 | 6,197,416 |
| 3) industrial and commercial equipment | 118,776 | 108,919 |
| 4) other tangible assets | 221,265 | 323,198 |
| 5) assets under construction and payments on account | 13,519 | 19,461 |
| Total tangible assets | 55,521,932 | 58,013,908 |
| III – Financial assets | | |
| 1) investments in | | |
| a) subsidiaries | 5,593,312 | 1,118,743 |
| b) associated companies | 422,073 | 1,020,557 |
| d) other entities | 153,163 | 143,171 |
| Total investments | 6,168,548 | 2,282,471 |
| 2) receivables | | |
| b) from associated companies | | |
| due within a year | 0 | 11,549,005 |
| due after more than a year | 19,050,000 | 21,800,000 |
| Total receivables from associated companies | 19,050,000 | 33,349,005 |
| d-bis) from others | | |
| due after more than a year | 150,000 | 0 |
| Total receivables from others | 150,000 | 0 |
| Total receivables | 19,200,000 | 33,349,005 |
| **Total financial assets** | 25,368,548 | 35,631,476 |
| **Total non-current assets (B)** | 81,922,114 | 94,853,766 |
| **C) Current assets** | | |

| | | |
|---|---|---|
| I - Inventory | | |
| 1) raw, ancillary and consumable materials | 269,556 | 219,791 |
| 3) contract work in progress | 38,375,914 | 45,075,919 |
| 5) payments on account | 6,668,290 | 2,631,059 |
| Total inventory | 45,313,760 | 47,926,769 |
| **II - Receivables** | | |
| 1) due from clients (trade) | | |
| due within a year | 50,303,010 | 42,244,681 |
| due after more than a year | 0 | 2,800,000 |
| Total receivables from clients (trade) | 50,303,010 | 45,044,681 |
| 2) due from subsidiaries | | |
| due within a year | 6,692,339 | 3,531,013 |
| Total receivables from subsidiaries | 6,692,339 | 3,531,013 |
| 3) due from associated companies | | |
| due within a year | 11,396,278 | 4,062,187 |
| Total receivables from associated companies | 11,396,278 | 4,062,187 |
| 4) due from parent companies | | |
| due within a year | 9,760 | 8,000 |
| Total receivables from parent companies | 9,760 | 8,000 |
| 5-bis) tax receivables | | |
| due within a year | 4,327,554 | 4,262,530 |
| Total tax receivables | 4,327,554 | 4,262,530 |
| 5-ter) deferred tax assets | 2,896,748 | 2,761,675 |
| 5-quater) receivables from others | | |
| due within a year | 37,671 | 140,978 |
| due after more than a year | 49,889 | 36,206 |
| Total receivables from others | 87,560 | 177,184 |
| Total receivables | 75,713,249 | 59,847,270 |
| III – Current financial assets | | |
| 5) derivatives – assets | 13,327,297 | 4,167,117 |
| 6) other securities | 43,529,212 | 37,378,507 |
| Total current financial assets | 56,856,509 | 41,545,624 |
| IV – Cash and cash equivalents | | |
| 1) bank and post office accounts | 29,994,307 | 40,535,401 |
| 2) cheques | 0 | 0 |
| 3) cash and cash equivalents on hand | 29,708 | 33,194 |

| | | |
|---|---|---|
| Total cash and cash equivalents | 30,024,015 | 40,568,595 |
| **Total current assets (C)** | 207,907,533 | 189,888,258 |
| D) Prepaid expenses and accrued income | 313,199 | 278,254 |
| **Total assets** | 290,142,846 | 285,020,278 |
| **Liabilities and shareholders' equity** | | |
| **A) Shareholders' equity** | | |
| I – Share capital | 4,000,000 | 4,000,000 |
| III – Revaluation reserves | 36,968,663 | 36,968,663 |
| IV – Legal reserve | 800,000 | 800,000 |
| VI – Other reserves, disclosed separately | | |
| Extraordinary reserve | 122,869,723 | 120,618,114 |
| Reserve for unrealised exchange gains | 46,130 | 975,972 |
| Sundry other reserves | 1,941,369 | 1,941,373 |
| Total other reserves | 124,857,222 | 123,535,459 |
| VII – Cash flow hedge reserve | (220,393) | (415,115) |
| IX – Profit (Loss) for the year | 1,128,134 | 2,461,766 |
| X – Negative reserve for treasury shares held | (5,100,000) | (5,100,000) |
| **Total shareholders' equity** | 162,433,626 | 162,250,773 |
| **B) Provisions for risks and charges** | | |
| 1) retirement benefits and similar obligations | 114,000 | 156,000 |
| 2) taxation, including deferred tax | 824,128 | 16,808 |
| 3) derivatives – liabilities | 220,393 | 415,115 |
| 4) other | 5,040,952 | 6,315,136 |
| **Total provisions for risks and charges** | 6,199,473 | 6,903,059 |
| **C) T.F.R. / Employee severance indemnity provision** | 1,255,144 | 1,340,484 |
| **D) Payables** | | |
| 4) bank borrowing | | |
| due within a year | 30,985,331 | 0 |
| due after more than a year | 3,525,609 | 30,000,000 |
| Total bank borrowing | 34,510,940 | 30,000,000 |
| 6) payments on account | | |
| due within a year | 54,915,199 | 58,816,005 |
| Total payments on account | 54,915,199 | 58,816,005 |
| 7) due to suppliers (trade) | | |
| due within a year | 21,249,664 | 17,325,985 |

| | | |
|---|---|---|
| Total payables to suppliers (trade) | 21,249,664 | 17,325,985 |
| 9) due to subsidiaries | | |
| due within a year | 4,191,426 | 2,354,535 |
| Total payables to subsidiaries | 4,191,426 | 2,354,535 |
| 10) due to associated companies | | |
| due within a year | 37,500 | 757,438 |
| Total payables to associated companies | 37,500 | 757,438 |
| 12) tax payables | | |
| due within a year | 1,319,081 | 1,071,834 |
| Total tax payables | 1,319,081 | 1,071,834 |
| 13) payables to social security and pensions institutions | | |
| due within a year | 1,169,521 | 1,184,313 |
| Total payables to social security and pensions institutions | 1,169,521 | 1,184,313 |
| 14) other payables | | |
| due within a year | 2,782,135 | 2,928,236 |
| Total other payables | 2,782,135 | 2,928,236 |
| **Total payables** | 120,175,466 | 114,438,346 |
| **E) Accrued expenses and deferred income** | 79,137 | 87,616 |
| **Total liabilities and shareholders' equity** | 290,142,846 | 285,020,278 |

# Income Statement

| | 31-12-2017 | 31-12-2016 |
|---|---|---|
| **Income Statement** | | |
| **A) Value of production** | | |
| 1) revenues from sales and services | 88,685,299 | 46,319,521 |
| 3) change in contract work in progress | 39,116,760 | 83,805,218 |
| 4) increase in tangible assets due to own work capitalised | 10,322 | 3,912 |
| 5) other revenues and income | | |
| grants towards operating expenses | 263,995 | 288,961 |
| other | 2,880,409 | 2,168,492 |
| Total other revenues and income | 3,144,404 | 2,457,453 |
| **Total value of production** | 130,956,785 | 132,586,104 |
| **B) Cost of production** | | |
| 6) raw materials, consumables and goods for resale | 20,998,691 | 50,247,085 |
| 7) services | 74,712,230 | 48,281,531 |
| 8) leases and rentals | 6,565,044 | 1,398,513 |
| 9) personnel costs: | | |
| a) wages and salaries | 18,502,184 | 20,628,104 |
| b) social contributions | 5,091,505 | 5,235,190 |
| c) TFR/Employee severance indemnity | 1,284,216 | 1,287,607 |
| e) other personnel costs | 191,051 | 158,306 |
| Total personnel costs | 25,068,956 | 27,309,207 |
| 10) depreciation, amortisation and writedowns | | |
| a) amortisation of intangible assets | 374,151 | 414,278 |
| b) depreciation of tangible assets | 2,743,691 | 2,852,269 |
| d) writedown of current receivables and cash and cash equivalents | 333,400 | 2,687,468 |
| Total depreciation, amortisation and writedowns | 3,451,242 | 5,954,015 |
| 11) change in inventory of raw materials, consumables and goods for resale | (49,765) | 51,006 |
| 12) provisions for risks | 1,548,913 | 1,836,544 |
| 14) sundry operating expenses | 342,388 | 310,020 |
| **Total cost of production** | 132,637,699 | 135,387,921 |
| **Difference between value and cost of production (A - B)** | (1,680,914) | (2,801,817) |
| **C) Financial income and expenses** | | |
| 15) income from investments | | |
| from subsidiaries | 2,697,949 | 122,055 |
| other | 993 | 1,123 |

| | | |
|---|---|---|
| Total income from investments | 2,698,942 | 123,178 |
| 16) other financial income | | |
| c) from current securities other than equity investments | 961,140 | 468,678 |
| d) income other than the above | | |
| from subsidiaries | 28,939 | 24,041 |
| from associated companies | 395,401 | 676,634 |
| other | 657,874 | 824,412 |
| Total income other than the above | 1,082,214 | 1,525,087 |
| Total other financial income | 2,043,354 | 1,993,765 |
| 17) interest and other financial expenses | | |
| other | 582,318 | 717,894 |
| Total interest and other financial expenses | 582,318 | 717,894 |
| 17-bis) exchange gains and losses | (862,462) | 170,858 |
| **Total financial income and expenses (15 + 16 - 17 + - 17-bis)** | 3,297,516 | 1,569,907 |
| **D) Adjustments to value of financial assets and liabilities** | | |
| 18) revaluations | | |
| a) of equity investments | 9,992 | 2,827,108 |
| c) of current securities other than equity investments | 74,185 | 3,222 |
| d) of derivatives | 389,333 | 128,084 |
| Total revaluations | 473,510 | 2,958,414 |
| 19) writedowns | | |
| a) of equity investments | 0 | 22,682 |
| c) of current securities other than equity investments | 77,888 | 47,223 |
| d) of derivatives | 172,170 | 622 |
| Total writedowns | 250,058 | 70,527 |
| **Total adjustments to value of financial assets and liabilities (18 - 19)** | 223,452 | 2,887,887 |
| Profit before taxation (A - B + - C + - D) | 1,840,054 | 1,655,977 |
| 20) Taxes on income – current, deferred and deferred tax income | | |
| Current taxes | 881,413 | 716,484 |
| Prior year taxes | (28,380) | (48,656) |
| Deferred tax (income) | (141,113) | (1,473,617) |
| **Total taxes on income – current, deferred and deferred tax income** | 711,920 | (805,789) |
| **21) Profit (loss) for the year** | 1,128,134 | 2,461,766 |

# Statement of cash flows, indirect method

| | 31-12-2017 | 31-12-2016 |
|---|---|---|
| Statement of cash flows, indirect method | | |
| **A) Cash flows from operating activities (indirect method)** | | |
| Profit (loss) for the year | 1,128,134 | 2,461,766 |
| Taxes on income | 711,920 | (805,789) |
| Interest expenses/(income) | (1,237,099) | (1,179,888) |
| (Dividends) | (2,701,253) | (173,652) |
| (Gains)/Losses from disposal of assets | (262,123) | (124,272) |
| 1) Profit (loss) for the year before taxes on income, interest and gains/losses on disposals | (2,360,421) | 178,165 |
| Adjustments for non-cash items with no impact on net working capital | | |
| Accruals to provisions | 3,246,528 | 5,716,619 |
| Depreciation/Amortisation of non-current assets | 3,117,842 | 3,266,547 |
| Impairment adjustments | 0 | 424,718 |
| Adjustments to value of financial assets and liabilities (derivatives) not involving cash flows | 194,722 | 21,732 |
| Other increases/(decreases) due to non-cash items | (1,093,291) | 1,134,199 |
| Total adjustments for non-cash items with no impact on net working capital | 5,465,801 | 10,563,815 |
| 2) Cash flows before changes in net working capital | 3,105,380 | 10,741,980 |
| Change in net working capital | | |
| Decrease/(Increase) in inventory | 2,533,008 | (15,390,539) |
| Decrease/(Increase) in trade receivables | (12,965,985) | 10,679,104 |
| Increase/(Decrease) in trade payables | 5,040,631 | (7,394,319) |
| Decrease/(Increase) in prepaid expenses and accrued income | (34,946) | 481,388 |
| Increase/(Decrease) in accrued expenses and deferred income | (8,479) | (24,698) |
| Other decreases/(Other increases) in net working capital | (7,527,959) | 19,445,571 |
| Total changes in net working capital | (12,963,730) | 7,796,507 |
| 3) Cash flows after changes in net working capital | (9,858,350) | 18,538,487 |
| Other adjustments | | |
| Interest received/(paid) | 1,237,099 | 1,179,888 |
| (Taxes on income paid) | 0 | 0 |
| Dividends received | 2,701,253 | 173,652 |
| (Use of provisions) | (3,994,973) | (5,019,632) |
| Other receipts/(payments) | 0 | 0 |
| Total other adjustments | (56,621) | (3,666,092) |
| Cash flows from operating activities (A) | (9,914,971) | 14,872,395 |
| **B) Cash flows from investing activities** | | |
| Tangible assets | | |
| (Investments) | (273,182) | (960,999) |
| Disposals | 43,110 | 110,136 |

| | | |
|---|---|---|
| Intangible assets | | |
| (Investments) | (259,640) | (207,703) |
| Disposals | 62,237 | 6,600 |
| Non-current financial assets | | |
| (Investments) | (3,015,134) | (50,000) |
| Disposals | 14,299,005 | 0 |
| Non-current financial assets | | |
| (Investments) | (27,745,177) | (26,611,246) |
| Disposals | 12,888,233 | 22,172,394 |
| (Acquisition of businesses net of cash and cash equivalents) | 0 | 0 |
| Disposal of businesses net of cash and cash equivalents | 0 | 0 |
| Cash flows from investing activities (B) | (4,000,548) | (5,540,818) |
| **C) Cash flows from financing activities** | | |
| Debt | | |
| Increase/(Decrease) in short-term bank borrowing | 0 | (2,760,186) |
| Loans arranged | 5,000,000 | 0 |
| (Loans repaid) | (489,061) | 0 |
| Equity | | |
| Paid share capital increases | 0 | 0 |
| (Reimbursement of capital) | 0 | 0 |
| Sale/(Purchase) of treasury shares | 0 | 0 |
| (Dividends and advances on dividends paid) | (1,140,000) | (456,000) |
| Cash flows from financing activities (C) | 3,370,939 | (3,216,186) |
| **Increase (decrease) in cash and cash equivalents (A ± B ± C)** | (10,544,580) | 6,115,391 |
| Opening cash and cash equivalents | | |
| Bank and post office accounts | 40,535,401 | 34,425,311 |
| Cheques | 0 | 0 |
| Cash and cash equivalents on hand | 33,194 | 27,893 |
| Total opening cash and cash equivalents | 40,568,595 | 34,453,204 |
| Of which not freely available for use | 0 | 0 |
| Closing cash and cash equivalents | | |
| Bank and post office accounts | 29,994,307 | 40,535,401 |
| Cheques | 0 | 0 |
| Cash and cash equivalents on hand | 29,708 | 33,194 |
| Total closing cash and cash equivalents | 30,024,015 | 40,568,595 |
| Of which not freely available for use | 0 | 0 |

# Notes to the Financial Statements as at 31-12-2017

## Notes to the Financial Statements, opening section

**NOTES TO THE FINANCIAL STATEMENTS**

**STRUCTURE AND CONTENT OF THE FINANCIAL STATEMENTS**

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

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

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

The items reported in the financial statements were measured based on the prudence and accruals principles. Application of the prudence principle meant that items included in each asset or liability caption were valued separately in order to avoid offsetting of losses that should have been recognised and profits that should not as they had not been realised.
In accordance with the accrual principle, the effect of transactions and other events has been accounted for an allocated to the period to which such transactions and events rate and not to the period when the related cash movements (collections and payments) occur. For accounting purposes, priority is given to the economic substance of the underlying transactions rather than to their legal form.

Amounts are stated in Euro, unless otherwise specified.

**ACCOUNTING POLICIES**

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

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

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

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

**Intangible assets**

Intangible assets are recognised at purchase or production cost, including related expenses. They are systematically amortised over their expected useful lives. When, irrespective of the amortisation already recorded, the value of an intangible asset is impaired, it is adjusted accordingly. If, in subsequent years, the grounds for an impairment loss cease to apply, the original amount is restored, except with regard to goodwill, consolidation difference and "Deferred expenses" in terms of Article 2426(5) of the Italian Civil Code.
Advertising and research costs are expensed in their entirety during the year in which they are incurred.

**Tangible assets**

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

**Assets held under finance leases**

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

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

Equity investments and debt securities classed as non-current assets are destined to form part of the Company's assets in the long-term. They are measured at cost, as adjusted for impairment.
The carrying amount is determined on the basis of the purchase or subscription price. Cost is then written down for impairment when the investee companies incur losses and it is not expected that the income earned in the immediate future will be sufficient to offset these losses. The original amount is restored in later years if the grounds for the impairment adjustment cease to apply.

**Inventory**

Raw Materials

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

Contract work-in-progress and revenue recognition

Contract work in progress with a duration of less than one year is measured at specific construction cost.
Contract work in progress spanning more than one year is measured at year-end on the basis of the consideration accruing with reasonable certainty (the percentage completion method). Consideration accruing is calculated by applying the completion percentage determined using the cost-to-cost method to estimate total revenues. This percentage is calculated as the ratio of costs incurred as at 31 December 2017 to estimated total costs. Additional consideration is included in contract revenues only when it is formally accepted by the client before the reporting date or, if there has been no formal acceptance, at the reporting date, it is highly probable that the request for additional consideration will be accepted based on the most recent information and historical experience.
Payments on account made by clients on a non-definitive basis while a project is ongoing, are recognised upon the completion of work as normally agreed in terms of "states of completion" by reducing the amount of contract work in progress, whereas advances received from clients at the outset of contract work and contractual milestone payments by clients are recognised under the item "Payments on account" on the liabilities side of the balance sheet. Contracts are considered completed when all costs have been incurred and the work has been accepted by the clients. Any losses on contracts that can be estimated with reasonable accuracy are deducted from the value of

contract work in progress in the period they come to light. If such losses exceed the value of the contract work in progress, the Company records a specific provision for risks for the excess amount.

**Receivables**

Receivables are reported using the amortised cost method, taking account of the time factor and estimated realisable amount. The amortised cost method is not applied when its effects would be irrelevant i.e. when transaction costs, commission paid between the parties and all other differences between initial amount and amount on maturity are immaterial or the receivables are short-term (i.e. due within a year). Trade receivables due after more than a year from the time of initial recognition – without payment of interest or with interest significantly different than market rates – are initially recognised at the amount determined by discounting future cash flows at the market rate of interest. The difference between the initial recognised value of the receivable as so determined and terminal value is recorded in the income statement as financial income over the period of the receivable, using the effective interest rate method.

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

**Current financial assets**

Current financial assets are recognised at the lower of purchase or subscription cost and realisable amount based on market performance.

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

**Cash and cash equivalents**

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

**Prepaid expenses and accrued income, accrued expenses and deferred income**

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

**Provisions for risks and charges**

Provisions for risks and charges are created to cover losses or liabilities that are certain or probable but whose amount and due date could not be determined at year end. The amounts provided represent the best possible estimate based on the information available.

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

**Derivative instruments**

Derivative instruments are financial assets and liabilities measured at fair value.

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

When the derivatives hedge the risk of changes in cash flow from the hedged instruments (“cash flow hedges”), the effective portion of the gains or losses on the derivative financial instrument is suspended under equity. Gains or losses relating to 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 each year in accordance with Article 2120 of the Italian Civil Code.

Note that the changes to TFR rules introduced by Law no 296 of 27 December 2006 ("Finance Act 2007") and by subsequent Decrees and implementation Regulations have amended the accounting methods applied to TFR entitlement accruing as at 31 December 2006 and to that accruing from 1 January 2007 onwards. Following the establishment of the "Fund for payment to private sector employees of the employee severance indemnity in terms of Article 2120 of the Italian Civil Code" (Treasury Fund managed by INPS on behalf of the State), employers with at least fifty employees are obliged to pay into said Treasury Fund portions of TFR entitlement accruing in favour of employees who have not opted to pay their entitlement into a supplementary pension fund. The TFR liability reported in the financial statements is stated net of amounts paid to said INPS Treasury Fund.

**Payables**

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

**Revenues and costs**

Costs and revenues are recognised in accordance with the prudence and accruals concepts required by Article 2423-bis of the Italian Civil Code. Pursuant to Article 2425-bis of the Italian Civil Code, costs and revenues are stated net of returns, discounts, allowances and premiums, as well as any taxes directly related to the purchase and sale of goods and the provision of services.

**Grants towards capital expenditure and operating expenses**

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

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

**Dividends**

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

**Taxes on income for the year**

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

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

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

**Translation into Euro of foreign currency items**

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

**OTHER INFORMATION**

**Exceptions pursuant to Article 2423(4) of the Italian Civil Code**

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

**Preparation of consolidated financial statements**

As it holds significant controlling investments, as defined by Article 2359 of the Italian Civil Code, the Company is obliged to prepare consolidated financial statements at 31 December 2017, in accordance with Legislative Decree 127/91. The Company has prepared such financial statements by the deadline required by Article 46(4) of the said Decree. They supplement these financial statements and are contained in a separate document.

Notes to the financial statements, assets

# Non-current assets

## Intangible assets

Intangible assets amount to Euro 1,032 thousand (Euro 1,308 thousand at 31.12.2016) and are analysed as follows:
- Concessions, licences, trademarks and similar rights, amounting to Euro 390 thousand, includes the net carrying amount of the consideration paid to acquire rights, expiring in 2018 and 2050, on land adjacent to the Piomboni Yard.
- “Assets in progress and payments on account”, amounting to Euro 21 thousand, represents the value of work performed up to 31.12.2017 on internal projects that have not yet been completed.
- “Other intangible assets” includes leasehold improvements of Euro 366 thousand (Euro 523 thousand at 31.12.2016), software of Euro 193 thousand (Euro 80 thousand at 31.12.2016) and Euro 61 thousand of expenses relating to a loan granted by Unicredit Banca d’Impresa in 2014 (Euro 135 thousand at 31.12.2016). The Company has applied the amortised cost method solely in relation to payables arising since the period commencing 1 January 2016, as specifically permitted, while continuing to classify loan related expenses under “Other intangible assets” and amortising them in accordance with the previous accounting standard.

## Movements on intangible assets

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

| | Concessions, licences, trademarks and similar rights | Intangible assets in progress and payments on account | Other intangible assets | Total intangible assets |
|---|---|---|---|---|
| **Opening amount** | | | | |
| Cost | 753,725 | 62,237 | 2,681,314 | 3,497,276 |
| Amortisation (Accumulated amortisation) | (345,823) | - | (1,943,071) | (2,288,894) |
| Net carrying amount | 407,902 | 62,237 | 738,243 | 1,208,382 |
| **Changes during year** | | | | |
| Increases due to purchases | - | 21,181 | 238,459 | 259,640 |
| Decreases due to disposals | - | 62,237 | - | 62,237 |
| Amortisation for the year | 17,478 | - | 356,673 | 374,151 |
| Total changes | (17,478) | (41,058) | (118,214) | (176,748) |
| **Closing amount** | | | | |
| Cost | 753,325 | 2,118,114 | 2,919,773 | 3,694,679 |
| Amortisation (Accumulated amortisation) | (363,301) | - | (2,299,774) | (2,663,045) |
| Net carrying amount | 390,424 | 21,181 | 620,029 | 1,031,634 |

Concessions, licences, trademarks and similar rights

This caption has decreased by Euro 17 thousand due to amortisation charged over the period of the land rights concession.

Intangible assets in progress and payments on account

The increase of Euro 21 thousand is due to work in progress on improvements to software for use in preparing the register of welding (Euro 14 thousand) and work on the reinforcement of the jetty at the San Vitale yard (Euro 7 thousand).

Decreases totalling Euro 62 thousand are due to completion of work on the development of software for the procurement process.

Other intangible assets

Increases to this item include: Euro 15 thousand relating to development of new CRM (Customer Relationship Management) software capable of managing the flow of information between the Tenders Department and the Sales Department; Euro 1 thousand for the purchase of software to calculate the best plan for the cutting of steel bars, pipes and profiles; Euro 11 thousand for the purchase of IMB software; Euro 62 thousand for the purchase of Microsoft software; Euro 22 thousand for the development of software to manage business trips and related expense claims; Euro 113 thousand for the development of software for the procurement process; and euro 14 thousand for the development of new software for the management of delivery notes and materials certificates. Decreases totalled Euro 357 thousand and related to amortisation which is charged at different rates for the various types of capitalised cost, as follows:

- on a straight-line basis over three years for software;
- over the period of the loan agreement for loan arrangement expenses;
- over the period of the land rights for capex in that area.

# Tangible assets

Tangible assets amount to Euro 55,522 thousand (Euro 58,014 thousand at 31.12.2016). The caption includes fixed assets forming part of the Company's permanent organisation. The long-term nature of the assets refers to their use rather than their inherent characteristics. Such assets are normally deployed for income generating purposes as part of ordinary activities and are not destined for sale or for transformation into products sold by the Company.

In 2017, ordinary depreciation, as shown in the specific table, was calculated based on rates reflecting the estimated useful lives of the tangible assets. The rates applied were as follows:
Buildings:
- Buildings 3.00%
- Lightweight construction 10.00%
- Plant and machinery:
- General and specific plant 10.00%
- Water treatment plant 15.00%
- Machinery 15.50%

Industrial and commercial equipment 25.00%
Other tangible assets:
- Office furniture and fittings 12.00%
- Electronic office equipment 20.00%
- Commercial vehicles 20%
- Automobiles 25.00%

Some categories of tangible assets include revaluations performed in prior years under Laws 576/1975, 72/1983, 413/1991, 266/2005 and 2/2009.

## Movements on tangible assets

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

| | Lands and buildings | Plant and machinery | Industrial and commercial equiment | Other tangible assets | Assets under construction and payments on account | Total tangible assets |
|---|---|---|---|---|---|---|
| **Opening amount** | | | | | | |
| Cost | 40,786,635 | 22,340,374 | 2,831,070 | 2,393,493 | 19,461 | 68,371,033 |
| Revaluations | 34,849,492 | 1,947,715 | | | | 36,797,207 |
| Depretiation (Accumulated depretiation) | (24,271,213) | (18,090,673) | (2,722,151) | (2,070,295) | | (47,154,332) |
| Net carrying amount | 51,364,914 | 6,197,416 | 108,919 | 323,198 | 19,461 | 58,013,908 |
| **Changes during year** | | | | | | |
| Increased due to additions | 79,755 | 84,427 | 81,537 | 13,945 | 13,519 | 273,183 |
| Decreases due to disposals (of carrying amount) | | 1,878,003 | 22,557 | | 19,461 | 1,920,021 |
| Depretiation (Accumulated depretiation) | 1,375,655 | 1,180,478 | 71,680 | 115,878 | | 2,743,691 |
| Other changes | | 1,875,996 | 22,557 | | | 1,898,553 |
| Total changes | (1,295,900) | (1,098,058) | 9,857 | (101,933) | (5,942) | (2,491,976) |
| **Closing amount** | | | | | | |
| Cost | 40,866,390 | 21,134,209 | 2,890,050 | 2,407,438 | 13,519 | 67,311,606 |
| Revaluations | 34,849,492 | 1,360,304 | | | | 36,209,796 |
| Depretiation (Accumulated depretiation) | (25,646,868) | (17,395,155) | (2,771,274) | (2,186,173) | | (47,999,470) |
| Net carrying amount | 50,069,014 | 5,099,358 | 118,776 | 221,265 | 13,519 | 55,521,932 |

The main additions for the year included:
- Land and buildings: completion of work at the S. Vitale yard on a new stretch of sewers in order to provide utilities (Euro 80 thousand).
- Plant and machinery: completion of work at the Piomboni yard on the evacuation alarm system (Euro 19 thousand), purchase of a dryer (Euro 14 thousand), an automatic supercutter (Euro 24 thousand), a pneumatic supercutter (Euro 11 thousand) and an aluminium pipe cutter (Euro 8 thousand).

- Industrial equipment: purchase of two bolt tightening units and two pneumo-hydraulic testing pumps (Euro 79 thousand)
- Other tangible assets: Purchase of twelve portable radio-transmitters (Euro 12 thousand)

Decreases mainly relate to the depreciation charge for the year and to the sale of plant, machinery and industrial equipment – in particular, two cranes that had been depreciated in full.

## Financial fixed assets

As at 31 December 2017, the Company has financial fixed assets totalling Euro 25,369 thousand (Euro 35,631 thousand at 31.12.2016).
This item includes investments in subsidiaries of Euro 5,593 thousand (Euro 1,119 thousand at 31.12.2016), investments in associated companies of Euro 422 thousand (Euro 1,021 thousand at 31.12.2016), investments in other entities of Euro 153 thousand (Euro 143 thousand at 31.12.2016) and non-current financial receivables of Euro 19,200 thousand (Euro 33,349 thousand at 31.12.2016).
Non-current receivables mainly include two medium term loans granted to associated companies Kazakhstan Caspian Offshore Industries Llp (Euro 17,500 thousand) and Rigros S.r.l. (Euro 1,550 thousand).
The loan to associated company Kazakhstan Caspian Offshore Industries Llp represents the outstanding amount of a loan disbursed in several stages from 2009 in order to enable that company it to build and then expand its yard in Kazakhstan. The Directors plan to finalise the extension of the loan of Euro 17,500 thousand falling due in 2018: for this reason, that loan has been classified under receivables due after more than a year.
The loan receivable from associated company Rigros S.r.l. was disbursed during the year in order to finance the purchase of a ploy of land next to the headquarters of Rosetti Marino S.p.A..
Both loans are interest bearing on arm’s length terms and are expected to be recoverable in full.

### Movements on financial fixed assets, other securities and derivatives

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

| | Investments in subsidiaries | Investments in associated companies | Investments in other entities | Total Investments |
|---|---|---|---|---|
| **Opening amount** | | | | |
| Cost | 1,501,745 | 2,251,705 | 228,295 | 3,981,745 |
| Impairment adjustments | (383,002) | (1,231,148) | (85,124) | (1,699,274) |
| Carrying amount | 1,118,743 | 1,020,557 | 143,171 | 2,282,471 |
| **Changes during the year** | | | | |
| Increases due to acquisitions | 2,865,134 | | | 2,865,134 |
| Reclassifications (of carrying amount) | 550,000 | (550,000) | | |
| Revaluations during the year | | | 9,992 | 9,992 |
| Impairment adjustments during the year | 940,565 | 1,484 | | 942,049 |
| Other changes | 2,000,000 | (47,000) | | 1,953,000 |
| Total changes | 4,474,569 | (598,484) | 9,992 | 3,886,077 |
| **Closing amount** | | | | |
| Cost | 6,916,879 | 1,654,705 | 228,295 | 8,799,879 |
| Impairment adjustments | (1,323,567) | (1,232,632) | (75,132) | (2,631,331) |
| Carrying amount | 5,593,312 | 422,073 | 153,163 | 6,168,548 |

The revaluation shown under “Other changes” regards the reversal of impairment adjustments made in prior years.

The following changes compared to prior year took place in 2017:
- Incorporation of subsidiary Rosetti Superyachts S.p.A. – based in Ravenna – and subscription of 90% of share capital of Euro 1,350 thousand, wholly paid;

- Payment of Euro 2,000 thousand to subsidiary Basis Engineering S.r.l., coverage of losses maturing in prior year and restatement of carrying amount of investment at relevant portion of equity by means of an impairment adjustment of Euro 940 thousand already reflected in the income statement of prior year;
- Acquisition of a further 45% of the quota capital of associated company Tecon S.r.l. (20% owned at 31.12.2016) for Euro 1,515 thousand and reclassification from investments in associated companies to investments in subsidiaries (at 31 December 2017, the investment represented 65% of the company’s quota capital) in the amount of Euro 550 thousand;
- Restatement of carrying amount at relevant portion of equity of subsidiary Rosetti Libya Jsc by means of an impairment adjustment of Euro 1 thousand already reflected in the prior year income statement;
- Reduction of the value of the investment in associated company Fores do Brasil Sistemas e Equipamentos Industriais Ltda following a share capital reduction and restatement of carrying amount at relevant portion of equity by means of an impairment adjustment of Euro 1 thousand already reflected in the prior year income statement;
- Restatement of carrying amount of shares in Cassa di Risparmio di Ravenna S.p.A. at market value at 31.12.2017 with a revaluation increasing carrying amount by Euro 10 thousand;

Investments in other entities, amounting to Euro 153 thousand (Euro 143 thousand at 31 December 2016), are analysed as follows:
- Cassa di Risparmio di Ravenna S.p.A. - Euro 126 thousand;
- Consorzio CURA - Euro 1 thousand;
- Porto Intermodale di Ravenna (SAPIR) - Euro 3 thousand;
- CAAF Industrie - Euro 2 thousand;
- Consorzio Destra Candiano - Euro 1 thousand.
- O.M.C. - Euro 20 thousand.

-

## Movements on financial fixed assets: receivables

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

| | Opening Amount | Changes during year | Closing Amount | Amount due after more than a year |
|---|---|---|---|---|
| Non-current receivables from associated companies | 33,349,005 | (14,299,005) | 19,050,000 | 19,050,000 |
| Non-current receivables from others | - | 150,000 | 150,000 | 150,000 |
| Total non-current receivables | 33,349,005 | (14,149,005) | 19,200,000 | 19,200,000 |

As previously stated, non-current receivables mainly include loans granted to associated companies Kazakhstan Caspian Offshore Industries Llp and Rigros S.r.l..
Changes in receivables from associated companies include a decrease of Euro 15,849 thousand (full repayment of loan of Euro 11,549 thousand and partial repayment of a loan of euro 4,300 thousand, both in relation to associated company Kazakhstan Caspian Offshore Industries Llp) and an increase of Euro 1,550 thousand (loan granted to associated company Rigros S.r.l.).

## Information on investments in subsidiaries

As at 31 December 2017, the Company had investments in subsidiaries totalling Euro 5,593 thousand (Euro 1,119 thousand as at 31.12.2016).
A detailed breakdown of investments in subsidiaries is provided in the following table.

| Name | City or State | Tax number (for Italian companies) | Capital in Euro | Profi (loss) for last reporting period in Euro | Equity in Euro | Interest held in Euro | % Interest held | Carrying amount or corresponding receivable |
|---|---|---|---|---|---|---|---|---|
| Fores Engineering Srl | Forlì | 02178650400 | 1,000,000 | (3,352,975) | 6,287,852 | 6,287,852 | 100% | 603,308 |
| Basis Engineering Srl | Milan | 11163980151 | 500,000 | (717,405) | 1,060,184 | 1,060,184 | 100% | 1,060,184 |
| Rosetti Superyachts SpA | Ravenna | 2586850394 | 1,500,000 | (501,424) | 998,573 | 898,716 | 90% | 1,350,000 |
| Rosetti General Contracting Lda | Portugal | | 49,880 | 27,848 | 2,243,606 | 2,198,734 | 98% | 51,390 |
| Rosetti Marino UK Ltd | Scotland | | 115 | (8,158) | 93,735 | 93,735 | 100% | 119 |
| Rosetti Marino Mocambique Ltd | Mozambique | | 1,301 | - | 1,301 | 1,249 | 96% | 1,230 |
| Rosetti Kazakhstan Llp | Kazakhstan | | 198,161 | (606,527) | 783,864 | 705,478 | 90% | 178,901 |
| Tecon Srl | Milan | 6503230150 | 46,500 | 181,125 | 3,335,278 | 2,167,931 | 65% | 2,065,134 |
| Rosetti Libya Jsc | Lybia | | 622,084 | (880) | 435,455 | 283,046 | 65% | 283,046 |
| **Total** | | | | | | | | **5,593,312** |

The subsidiaries operate in the following sectors:
- Fores Engineering Srl (which owns 100% of Fores Engineering Algèrie and 75% of Fores do Brasil Sistemas e Equipamentos Industriais Ltda which operate in the same segment, plus 10% of Rosetti Kazakhstan Llp): design, construction and maintenance of automation and control systems;
- Basis Engineering S.r.l. (which owns 45% of Basis Pivot Ltd and 60% of Basis Congo Sarl which operate in the same segment) and Tecon S.r.l.: multi-disciplinary design of oil and petrochemical facilities;
- Rosetti Marino UK Ltd, Rosetti Marino Mocambique Limitada, Rosetti Libya Jsc and Rosetti Kazakhstan Llp (which owns 40% of KCOI): construction of offshore and onshore oil facilities;
- Rosetti General Contracting Construcoes Serviços Lda: ship charter and services and operating activities on foreign markets.
- Rosetti Superyachts S.p.A.: construction of superyachts. As a start-up company, the Directors believe there is good reason to believe that the value of the investment can be recovered in the years ahead, specifically as break-even point will be achieved in the next two years. Therefore, the investment has not been adjusted for impairment.

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

## Information on investments in associated companies

As at 31 December 2017, the Company held investments in associated companies totalling Euro 422 thousand (Euro 1,021 thousand as at 31.12.2016).
Details of investments in associated companies are provided in the following table.

| Name | City or State | Tax Number(for Italian companies) | Capital in Euro | Profit (loss) for last reporting period in Euro | Equity in Euro | Interest held in Euro | % Interest held | Carrying amount or corresponding receivable |
|---|---|---|---|---|---|---|---|---|
| Kazakhstan Caspian Offshore Industries llp | Kazakhstan | | 1,159,735 | 1,243,884 | 12,348,653 | 1,234,865 | 100% | 295,502 |
| Fores Do Brasil Ltda | Brasile | | 111,687 | (11,226) | 1,384 | 346 | 25% | 346 |
| Rosetti Congo Sarl | Repubblica del Congo | | 152,448 | - | 152,448 | 76,225 | 50% | 76,225 |
| Rigros Srl | Italia | 2568990390 | 100,000 | (4,528) | 95,742 | 50,000 | 50% | 50,000 |
| Rosetti Pivot Ltd | Nigeria | | 2,817,869 | (613,334) | (251,168) | (123,072) | 49% | - |
| **Total** | | | | | | | | **422,073** |

The associated companies operate in the following sectors:
- Fores do Brasil Sistemas e Equipamentos Industriais Ltda: design, construction and maintenance of automation and control systems;
- Rosetti Congo Sarl, Rosetti Pivot Ltd and Kazakhstan Caspian Offshore Industries Llp: construction of offshore and onshore oil facilities.
- Rigros S.r.l.: management of a plot of land for industrial use.

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

# Current assets

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

# Inventory

Raw, ancillary and consumable materials

As at 31 December 2017, raw materials inventory amounted to Euro 270 thousand (Euro 220 thousand at 31.12.2016), after an obsolescence provision of Euro 520 thousand (Euro 440 thousand at 31.12.2016). This provision is considered appropriate to bring inventory into line with estimated realisable value.
Inventory includes stock held at the Company's production facilities and warehouses (excluding items received from third parties for various reasons, title to which remains with said third parties), stock owned by the Company but held by third parties and goods in transit property of which has already been transferred to the Company.
Raw materials inventory is valued under the weighted average cost method. Use of this method does not result in any appreciable differences compared to a current cost valuation.

Contract work-in-progress

This caption, amounting to Euro 38,376 thousand (Euro 45,076 thousand as at 31.12.2016) consists entirely of long-term contracts (valued using the percentage of completion method).

Advances to suppliers

Advances to suppliers primarily consist of sums paid to various suppliers and sub-contractors upon placement of the related orders for purchases of materials and for sub-contract agreements.

The net decrease of Euro 2,613 thousand compared to 31 December 2016 is mainly due to the decrease in “Contract work-in-progress” and the increase in “Advances to suppliers”.
The change is due to the different percentage of completion of contracts in progress.
Given the increase in raw materials inventory, the inventory obsolescence provision created in prior years to bring raw materials inventory into line with estimated realisable amount has also been increased by Euro 80 thousand.

## Receivables

As at 31 December 2017, receivables amount to Euro 75,713 thousand (Euro 59,847 thousand as at 31 December 2016).

All trade receivables are due within a year so the company has not used the amortised cost valuation method.

Receivables from clients (trade)

Receivables from clients relate to normal commercial transactions. Given the nature of the Company’s business, trade receivables are highly concentrated with around 67% (74% in prior year) of the total due from the five leading clients by outstanding balance. The decrease in the “Provision for bad debts” – Euro 3,279 thousand at 31 December 2017 against Euro 3,318 thousand at 31 December 2016 - is due to utilisation of Euro 39 thousand during the year. The provision for bad debts adjusts gross receivables to bring them into line with estimated realisable amount based on an overall assessment taking account of collection risks relating to certain specific factors. The amount provided reflects the prudent approach adopted by the Directors in relation to the receivables collection risk, also taking account of the amount of overdue receivables and any repayment agreements reached.

Receivables from subsidiaries

Receivables from subsidiaries include financial receivables of Euro 5,000 thousand and trade receivables of Euro 1,692 thousand.
Financial receivables entirely consist of a loan granted to Fores Engineering S.r.l.
Trade receivables include amounts due from Basis Engineering (Euro 98 thousand), Fores Engineering S.r.l. (Euro 905 thousand), Rosetti Kazakhstan Llp (Euro 228 thousand), Rosetti Superyachts S.p.A. (Euro 396 thousand) and Tecon S.r.l. (Euro 65 thousand).
All trade and financial transactions with subsidiaries take place on an arm’s length basis. The Directors consider all of these receivables to be recoverable in full so no provision for bad debts has been recorded.

Receivables from associated companies

Receivables from associated companies entirely consist of trade receivables due from Kazakhstan Caspian Offshore Industries Llp (Euro 10,496 thousand), Rigros S.r.l. (Euro 1 thousand) and Rosetti Pivot Ltd (Euro 899 thousand).
All trade transactions with associated companies take place on an arm’s length basis. The Directors believe these receivables are all recoverable so no provision for bad debts has been recorded.

Receivables from parent companies

Receivables from the parent company amount to Euro 10 thousand and consist entirely of trade receivables. The related transactions take place on an arm’s length basis. As the Directors believe these receivables are recoverable in full, no provision for bad debts has been recorded.

Tax receivables

Tax receivables amount to Euro 4,328 thousand as at 31 December 2017 (Euro 4,263 thousand as at 31.12.2016) and refer to the following categories:

- VAT receivable of Euro 872 thousand including Euro 654 thousand arising during the year on ordinary commercial transactions by the company and the branches and a VAT receivable of Euro 218 thousand arising in prior years for which a refund has been requested.
- IRES receivable of Euro 2,600 thousand due to the fact that income tax payments made on account in prior years exceeded the taxes actually due.
- IRES receivable of Euro 7 thousand due to withholding taxes applied by customers to other foreign taxes.
- IRAP credit of Euro 707 thousand of which Euro 424 thousand is due to the fact that payments made on account during the year exceeded the tax actually due and Euro 283 thousand regards credits arising in 2014 and in the current year 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 four years.

- Tax credit of Euro 142 thousand for research and development carried out in prior years.

Deferred tax assets

Deferred tax assets have been recognised on all positive temporary differences and calculated at the applicable tax rates.

Other receivables

Other receivables include guarantee deposits of Euro 50 thousand, receivables from employees of Euro 9 thousand and Euro 29 thousand of subsidies receivable for electricity generated by the solar power installations at the head office in Via Trieste and the Yard in San Vitale.
There are no receivables due after more than five years.

## Changes in and maturity of receivables classed as current assets

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

| | Opening Amount | Change during year | Closing Amount | Amount due within a year | Amount due after more than a year |
|---|---|---|---|---|---|
| Trade receivables | 45,044,681 | (5,258,329) | 50,303,010 | 50,303,010 | |
| Receivables from subsidiaries | 3,531,013 | (3,161,326) | 6,692,339 | 6,692,339 | |
| Receivables from associated companies | 4,062,187 | (7,334,091) | 11,396,278 | 11,396,278 | |
| Receivables from parent companies | 8,000 | (1,760) | 9,760 | 9,760 | |
| Tax receivables | 4,262,530 | (65,024) | 4,327,554 | 4,327,554 | |
| Deferred tax assets | 2,761,675 | (135,073) | 2,896,748 | | |
| Other receivables | 177,184 | 89,624 | 87,560 | 37,671 | 49,889 |
| Total current receivables | 59,847,270 | (15,865,979) | 75,713,249 | 72,766,612 | 49,889 |

The increase in receivables from subsidiaries is mainly due to the loan granted during the year to Fores Engineering S.r.l..
The increase in receivables from associated companies is mainly due to trade receivables from Kazakhstan Caspian Offshore Industries Llp following the acquisition of the EPC4 project during the year. The increase in tax receivables is mainly due to an increase in the VAT receivable arising on ordinary commercial transactions.
The overall increase in deferred tax assets is mainly due to the following changes:
- increase due to the tax loss for the period on which deferred tax assets of Euro 553 thousand were recognised
- increase due to the effect of unrealised exchange losses
- increase due to allocations to the inventory obsolescence provision
- decrease due to restatement of the non-deductible provision for bad debts
- decrease due to restatement of provisions for risks
- decrease due to the writedown of loss-making contracts

## Breakdown of receivables classed as current assets by geographical area

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

| Geographical Area | Italy | UE | Extra-UE | Total |
|---|---|---|---|---|
| Trade receivables | 23,437,282 | 6,339,294 | 20,526,434 | 50,303,010 |
| Receivables from subsidiaries | 6,464,396 | | 227,943 | 6,692,339 |
| Receivables from associated companies | 894 | | 11,395,384 | 11,396,278 |
| Receivalbes from parent companies | 9,760 | | | 9,760 |
| Tax receivables | 4,327,554 | | | 4,327,554 |
| Deferred tax assets | 2,896,748 | | | 2,896,748 |
| Other receivables | 87,560 | | | 87,560 |
| Total current receivables | 37,224,194 | 6,339,294 | 32,149,761 | 75,713,249 |

# Current financial assets

## Changes in current financial assets

The following table shows changes in current financial assets.

| | Opening Amount | Changes during year | Closing Amount |
|---|---|---|---|
| Derivatives - assets | 4,167,117 | 9,160,180 | 13,327,297 |
| Other current securities | 37,378,507 | 6,150,705 | 43,529,212 |
| Total current financial assets | 41,545,624 | 15,310,885 | 56,856,509 |

Derivatives – assets includes derivatives classified as held for trading as they do not fulfil hedge accounting requirements. Changes in fair value are recorded in the balance sheet and in the income statement under captions D18 d or D19 d.
Other current securities entirely consists of the temporary investment of cash, mainly in insurance policies (Euro 38 million), in mutual fund units and, to a minor extent, in other equities and bonds: changes in fair value are recorded in the balance sheet and in the income statement under captions D18 c or D19 c.

## Cash and cash equivalents

Cash and cash equivalents amount to Euro 30,024 thousand (Euro 40,569 thousand at 31.12.2016) and include bank current accounts of Euro 29,994 thousand and cash on hand of Euro 30 thousand.
Changes in cash and cash equivalents are shown in the following table.

| | Opening Amount | Changes during year | Closing Amount |
|---|---|---|---|
| Bank and post office accounts | 40,535,401 | (10,541,094) | 29,994,307 |
| Checks | - | - | - |
| Cash and cash equivalents on hand | 33,194 | (3,486) | 29,708 |
| Total cash and cash equivalents | 40,568,595 | (10,544,580) | 30,024,015 |

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

## Prepaid expenses and accrued income

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

| | Opening Amount | Changes during year | Closing Amount |
|---|---|---|---|
| Accrued Income | 278,254 | 34,945 | 313,199 |
| Total prepaid expenses and accured income | 278,254 | 34,945 | 313,199 |

Prepaid expenses include Euro 36 thousand of prepaid hire/rental costs for moveable assets, Euro 92 thousand of prepaid rental costs and Euro 185 thousand of sundry prepaid expenses.

# Notes to the Financial Statements – liabilities and shareholders' equity

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

## Shareholders' equity

Shareholders' equity includes the following items:

Share capital

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

Reserves

The Revaluation reserve was created in 2005 after the revaluation of fixed assets and the realignment of tax values and values for statutory reporting purposes under Law 266/05. It was increased by Euro 33,368 thousand in 2008 as a result of the revaluation of fixed assets under Law 2/2009.

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

During the year, the Extraordinary reserve increased by Euro 1,322 thousand due to allocation of part of the net profit for 2016 and by Euro 930 thousand due to the reclassification of the reserve for unrealised exchange gains. The reserve consists entirely of portions of net profits allocated in prior years.

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

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

The reserve for unrealised exchange gains was created from prior year earnings in respect of unrealised exchange gains. The decrease compared to prior year is due to reclassification to the extraordinary reserve.

Movements on the cash flow hedge reserve reflect the recognition of future cash flows under derivatives designated as "cash flow hedges". Movements during the year show a decrease of Euro 195 thousand in order to restate at 31.12.2017 fair value the derivative arranged in 2014 to hedge a variable rate loan.

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

Net profit for the year

A net profit of Euro 1,128 thousand is reported for 2017.

## Changes in shareholders' equity items

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

| | Share capital | Revaluation reserve | Legal reserve | Extra-ordinary reserve | Reserve under Leg. Decr 124/93 / Grants Reserve | Reserve for unrealised exchange gains | Cash flow hedge reserve | Net profit for the year | Negative reserve for treasury shares | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **BALANCE AT 31 DECEMBER 2015** | **4,000** | **36,969** | **800** | **119,167** | **1,941** | **0** | **(437)** | **2,883** | **(5,100)** | **160,223** |
| Allocation of net profit for 2015: | | | | | | | | | | |
| to extraordinary reserve | 0 | 0 | 0 | 1,451 | 0 | 0 | 0 | (1,451) | 0 | 0 |
| - Change in fair value of cash flow hedges | 0 | 0 | 0 | 0 | 0 | 976 | 0 | (976) | 0 | 0 |
| - dividends | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (456) | 0 | (456) |
| Change in fair value of cash flow hedges | 0 | 0 | 0 | 0 | 0 | 0 | 22 | 0 | 0 | 22 |
| Net profit for 2016 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,462 | 0 | 2,462 |
| **BALANCE AT 31 DECEMBER 2016** | **4,000** | **36,969** | **800** | **120,618** | **1,941** | **976** | **(415)** | **2,462** | **(5,100)** | **162,251** |
| Allocation of net profit for 2016 | | | | | | | | | | |
| - to extraordinary reserve | 0 | 0 | 0 | 1,322 | 0 | 0 | 0 | (1,322) | 0 | 0 |
| - dividends | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (1,140) | 0 | (1,140) |
| Change in fair value of cash flow hedges | 0 | 0 | 0 | 0 | 0 | 0 | 195 | 0 | 0 | 195 |
| Reclassification of reserve for unrealised exchange gains | 0 | 0 | 0 | 930 | 0 | (930) | 0 | 0 | 0 | 0 |
| Net profit for 2017 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,128 | 0 | 1,128 |
| **BALANCE AT 31 DECEMBER 2017** | **4,000** | **36,969** | **800** | **122,870** | **1,941** | **46** | **(220)** | **1,128** | **(5,100)** | **162,434** |
| Possible utilisation | B; C or D | A;B;D | A;B | A;B;C | A;B;D | E | E | | E | |

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

# Provisions for risks and charges

As at 31.12.2016, provisions for risks and charges amount to Euro 6,199 thousand (Euro 6,903 thousand as at 31.12.2016) and are analysed as follows:

| | Provision for retirement benefits and similar obligations | Tax provision including deferred tax | Passive financial derivative instruments | Other provisions | Total provisions for risks and charges |
|---|---|---|---|---|---|
| Opening Amount | 156,000 | 16,808 | 415,115 | 6,315,136 | 6,903,059 |
| **Changes during year** | | | | | |
| Allocated during year | 36,000 | 813,359 | | 1,548,913 | 2,398,272 |
| Utilised during year | 78,000 | 6,039 | 194,722 | 2,702,048 | 2,980,809 |
| Other changes | | | | (121,049) | (121,049) |
| Total changes | (42,000) | 807,320 | (194,722) | (1,274,184) | (703,586) |
| Closing Amount | 114,000 | 824,128 | 220,393 | 5,040,952 | 6,199,473 |

Provision for retirement benefits

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

Tax provision

This item includes the deferred tax provision of Euro 11 thousand created in relation to unrealised profits which will be subject to taxation in future periods and the tax provision of Euro 813 thousand created to cover the risk of non-utilisation, as a tax credit, of foreign taxes relating to the period that will be paid in subsequent years.

Provisions for derivatives

This caption, amounting to Euro 220 thousand, includes the Mark to Market valuation of the following hedging instrument:

Type: IRS Agreement

Notional amount Euro: 30,000,000

Duration: 48 months

Period: 31/10/2014 - 31/10/2018

Rate: Euribor 3 months

Frequency: Quarterly instalments

Other provisions

This item includes a provision for contractual risks of Euro 2,052 thousand (Euro 2,263 thousand at 31.12.2016), a provision for future charges of Euro 895 thousand (Euro 1,016 thousand at 31.12.2016) and a provision for coverage of losses and future capitalisation of Euro 2,093 (Euro 3,036 thousand at 31.12.2016) to cover the expected losses of Group companies. No impairment adjustments to investments affected the income statement during the year as the provision was created in prior years. Utilisation of the provision during the year totalled Euro 943 thousand, as indicated in the Note on Investments, mainly in relation to the investment in Basis Engineering S.r.l. (Euro 942 thousand).

The provision for contractual risks has been created to cover the probable risk of warranty costs and the risk regarding litigation with a customer.

The provision for future charges has been created to cover risks relating to ongoing litigation.

# TFR / Employee severance indemnity provision

The employee severance indemnity provision of Euro 1,255 thousand (Euro 1,340 thousand at 31.12.2016) has been determined in accordance with Article 2120 of the Italian Civil Code. Movements during the year were as follows:

| | TFR/Employee severance indemnity provision |
|---|---|
| Opening Amount | 1,340,484 |
| **Changes during year** | |
| Allocated during year | 1,284,216 |
| Utilised during year | 1,369,556 |
| Other changes | |
| Total changes | (85,340) |
| Closing Amount | 1,255,144 |

The TFR/employee severance indemnity provision at 31 December 2017 represents the indemnity in favour of employees up to 31 December 2006 which will be settled through payments made when employees leave the Italian companies or through advance payments made in accordance with the law. Utilisation during the year consists of transfers of Euro 537 thousand to complementary pension funds, the transfer of Euro 539 thousand to the INPS treasury fund, payment of indemnities and advances totalling Euro 204 thousand, TFR/employee severance indemnity paid monthly to employees totalling Euro 2 thousand and payment of personal income tax and social security contributions of Euro 87 thousand on behalf of employees. The balance at 31 December 2017 is stated net of advances paid.

# Payables

No payables are secured on Company assets.

## Changes in and maturity of payables

There are no payables due after more than five years.

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

| | Opening Amount | Change during year | Closing Amount | Amount due within a year | Amount due after more than a year |
|---|---|---|---|---|---|
| Bank borrowing | 30,000,000 | 4,510,940 | 34,510,940 | 30,985,331 | 3,525,609 |
| Payments on account | 58,816,005 | (3,900,806) | 54,915,199 | 54,915,199 | - |
| Due to suppliers (trade( | 17,325,985 | 3,923,679 | 21,249,664 | 21,249,664 | - |
| Due to subsidiaries | 2,354,535 | 1,836,891 | 4,191,426 | 4,191,426 | - |
| Due to associated companies | 757,438 | (719,938) | 37,500 | 37,500 | - |
| Tax payables | 1,071,834 | 247,247 | 1,319,081 | 1,319,081 | - |
| Social security payables | 1,184,313 | (14,792) | 1,169,521 | 1,169,521 | - |
| Other payables | 2,928,236 | (146,101) | 2,782,135 | 2,782,135 | - |
| Total payables | 114,438,346 | 5,737,120 | 120,175,466 | 116,649,857 | 3,525,609 |

Bank borrowing

This item includes Euro 30,000 regarding a loan granted in 2014 by Unicredit Banca d'Impresa and Euro 4,511 thousand for a loan granted during the year by Banco BPM.

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

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

The loan from Banco BPM is subject to a fixed rate of interest of 0.98%. The loan principal is repayable in several instalments until the final maturity date in 2022.

The Company has elected not to value the liability at amortised cost as application of said method would have no material effect.

Payments on account

This item includes advances already received from clients and milestone payments for contracts in progress. The decrease compared to prior year reflects the contract work in progress trend at the reporting date. For further information, see the specific note on Contract work in progress.

Due to suppliers (trade)

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

Payables to subsidiaries

These payables mainly refer to commercial transactions entered into on an arm's length basis and include Euro 1,756 thousand due to Basis Engineering S.r.l., Euro 1,478 thousand due to Fores Engineering S.r.l. and Euro 675 thousand due to Tecon S.r.l.

As these payables are due within a year, the company has not discounted them. The remaining amount regards capital subscribed but not yet paid in relation to Rosetti Marino Mocambique Limitada and Rosetti Libya Jsc.

Payables to associated companies

These payables entirely consist of capital subscribed but not yet paid in relation to Rigros S.r.l.

Tax payables

This item mainly consists of personal income tax deducted at source from the remuneration of employees and freelance workers and direct and indirect taxes due by the foreign branches.

Social security payables

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

Other payables

This item mainly includes payables to employees of Euro 2,429 thousand and payables to Pension funds of Euro 231 thousand.

## Breakdown of payables by geographical area

The following table provides a breakdown of payables by geographical area at 31.12.2017:

| Geographical Area | Italy | UE | Extra-UE | Total |
|---|---|---|---|---|
| Bank borrowing | 34,510,940 | | | 34,510,940 |
| Payments on account | 16,785,063 | 12,128,161 | 26,001,975 | 54,915,199 |
| Due to suppliers (trade) | 15,721,887 | 2,380,170 | 3,147,607 | 21,249,664 |
| Due to subsidiaries | 3,909,176 | | 282,250 | 4,191,426 |
| Due to associated companies | 37,500 | | | 37,500 |
| Tax payables | 1,072,675 | | 246,406 | 1,319,081 |
| Social security payables | 1,169,521 | | | 1,169,521 |
| Other payables | 2,782,135 | | | 2,782,135 |
| Total payables | 75,988,897 | 14,508,331 | 29,678,238 | 120,175,466 |

# Accrued expenses and deferred income

Accrued expenses and deferred income entirely consist of portions of expenses relating to the year that will arise in subsequent reporting periods. Specifically, they include Euro 1 thousand of accrued financial expenses relating to forward currency transactions maturing after 31/12/2017 and Euro 78 thousand of accrued interest expenses on loans.

| | Opening Amount | Changes during year | Closing Amount |
|---|---|---|---|
| Accrued expenses | 87,616 | (8,479) | 79,137 |
| Total accrued expenses and deferred income | 87,616 | (8,479) | 79,137 |

The decrease compared to 31 December 2016 is mainly due to a reduction in forward currency transactions.

# Notes to the Financial Statements, Income Statement

# Value of production

Value of production amounts to Euro 130,957 thousand (Euro 132,586 thousand in 2016).

Revenues from sales and services

Revenues from sales and services, amounting to Euro 88,685 thousand (Euro 46,320 thousand in 2016), entirely refer to contracts completed during the year. Given the nature of the Company’s business, revenues are highly concentrated with around 90% of the total (80% in prior year) generated by the five leading clients. Changes compared to prior year must be analysed considering together the changes in “Revenues from sales” and “Change in contract work in progress” as contracts are only reclassified to “Revenues from sales” upon completion. See the specific table for a breakdown of this item by business segment.

Change in contract work in progress

This item, which shows a positive balance of Euro 39,117 thousand (positive balance of Euro 83,805 thousand at 31.12.2016), represents the difference between the valuation of contract work in progress at 31.12.2017 and the valuation of contract work in progress at 31.12.2016. It includes a positive change of Euro 53,021 thousand relating to the Energy Business Unit and a negative change of Euro 13,904 thousand relating to the Shipbuilding Business Unit. For details of the valuation method adopted, see the accounting policies described at the start of these Notes.

Increases in own work capitalised

Increases in own work capitalised, amounting to Euro 10 thousand (Euro 4 thousand in 2016), includes capitalised costs which led to increases in Balance Sheet captions “Intangible assets” and “Tangible assets”. They mainly include the cost of works performed at the S. Vitale Yard to build a new stretch of the sewage network.

Other revenues and income

This item, amounting to Euro 3,144 thousand (Euro 2,457 thousand in 2016) includes Euro 264 thousand of grants towards operating expenses and Euro 2,880 thousand of other revenues.
“Grants towards operating expenses” includes Euro 93 thousand of grants towards the photovoltaic solar power systems installed at the S. Vitale yard and the Via Trieste site, Euro 29 thousand of grants received from Fondimpresa in partial reimbursement of costs incurred to run a training programme and Euro 142 thousand of subsidies resulting from the tax credit for research and development activities carried out in prior years. Other revenues mainly comprise Euro 1,332 thousand from the secondment of employees to Group companies and third party companies, Euro 454 thousand from the reversal of provisions for other receivables and the provision for risks and charges after the conditions which led to their creation in prior years ceased to apply, Euro 217 thousand of costs recharged for third party use of utilities and industrial gases, Euro 89 thousand of chargebacks to employees for the use of company cars, Euro 75 thousand of rental and hire income and Euro 449 thousand of out of period income.

## Breakdown of revenues from sales and services by business segment

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

| Business segment | Amount in 2017 |
|---|---|
| Energy | 68,804,276 |
| Shipbuilding | 16,357,902 |
| Sundry services | 3,523,121 |
| Total | 88,685,299 |

## Breakdown of revenues from sales and services by geographical area

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

| Geographical area | Amount in 2017 |
|---|---|
| Italy | 17,852,755 |
| EU | 39,570,312 |
| Non-EU | 31,262,232 |
| Total | 88,685,299 |

# Cost of production

Cost of production amounts to Euro 132,638 thousand (Euro 135,388 thousand in 2016).

Purchases of raw, ancillary and consumable materials and goods

This caption, amounting to Euro 20,999 thousand (Euro 50,247 thousand in 2016), includes Euro 20,405 thousand of purchases of raw materials, Euro 584 thousand of purchases of ancillary and consumable materials and Euro 10 thousand of purchases of sundry materials. The decrease compared to prior year is due to the fact that several important contracts reached an advanced stage of completion and purchases of materials for these contracts decreased significantly as a result.

Services

This item, amounting to Euro 74,712 thousand (Euro 48,282 thousand in 2016), includes the cost of services purchased during ordinary operating activities and consists of the following:
- sub-contracting of Euro 51,091 thousand (Euro 34,522 thousand at 31.12.2016);
- electricity, water and heating of Euro 706 thousand (Euro 811 thousand at 31.12.2016);
- general, administrative and insurance costs of Euro 3,619 thousand (Euro 3,018 thousand at 31.12.2016).

- repairs and maintenance of Euro 876 thousand (Euro 966 thousand at 31.12.2016);
- sundry personnel costs of Euro 2,448 thousand (Euro 2,515 thousand at 31.12.2016);
- selling costs of Euro 2,735 thousand (Euro 2,351 thousand at 31.12.2016);
- other external production costs of Euro 12,696 (Euro 3,569 thousand at 31.12.2016);
- audit fees of Euro 78 thousand (Euro 77 thousand at 31.12.2016);
- statutory auditors' fees of Euro 41 thousand (Euro 39 thousand at 31.12.2016);
- directors' fees of Euro 422 thousand (Euro 414 thousand at 31.12.2016);

The increase in costs for services mainly relates to sub-contract costs and external production costs. This increase is due to the fact that, during the year, several important contracts reached an advanced stage of completion and many production activities were outsourced to third parties.

Lease and rental costs

Lease and rental costs amount to Euro 6,565 thousand (Euro 1,399 thousand in 2016) and include lease and rental costs regarding tangible and intangible assets as follows:
- concession fees of Euro 78 thousand (Euro 77 thousand in 2016);
- rental of property of Euro 412 thousand (Euro 241 thousand in 2016);
- software rental of Euro 35 thousand (Euro 90 thousand in 2016);
- hire/rental of moveable property of Euro 6,040 thousand (Euro 991 thousand at 31.12.2016).

The increase in this caption is mainly due to the charter cost of ships used for the installation of a jacket on the open seas.

Personnel

Personnel expenses of Euro 25,069 thousand (Euro 27,309 thousand in 2016) includes costs incurred for employees during the year.

In more detail, "Wages and salaries" includes employee remuneration, comprising amounts accruing but not paid for additional months' salaries and annual leave, before deductions at source for taxes and social security contributions borne by employees. "Social security contributions" includes such expenses as borne by the Company. "Employee severance indemnity" includes amounts allocated during the year for the "TFR/Employee severance indemnity" and, finally, "Other personnel expenses" includes allocations to supplementary pension funds other than the TFR and the cost of performance related bonuses.

Depreciation, amortisation and writedowns

"Depreciation, amortisation and writedowns", amounting to Euro 3,451 thousand (Euro 5,954 thousand in 2016), includes depreciation and amortisation of tangible and intangible assets and writedowns of current trade receivables.

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

This caption has a negative balance of Euro 50 thousand (positive balance of Euro 51 thousand in 2016) and includes the change in value of raw materials inventory (opening inventory of Euro 660 thousand and closing inventory of Euro 790 thousand) less the Euro 80 thousand allocation to the Inventory provision during the year.

Provisions for risks

This item amounts to Euro 1,549 thousand (Euro 1,837 thousand in 2016) and includes amounts allocated during the year to bring the provision into line with operating risks.

Sundry operating expenses

"Sundry operating expenses", amounting to Euro 342 thousand (Euro 310 thousand in 2016), mainly includes sundry taxes paid for the year and including IMU/local property tax, chamber of commerce duty, authentication of company books, contribution of Clean-up Consortium, local tax on advertising, excise duty and rights on electricity licence, tax for occupation of public land and refuse tax.

# Financial income and expenses

There was net financial income of Euro 3,298 thousand in the year ended 31 December 2017 (Euro 1,570 thousand in 2016). It includes all of the Company's financial income and expenses.

Income from equity investments

Income from equity investments amounts to Euro 2,699 thousand (Euro 123 thousand in 2016) and includes the following dividends:

- dividends from subsidiaries of Euro 2,698 thousand, as distributed by Rosetti Kazakhstan Llp (Euro 2,498 thousand) and Rosetti Marino UK Ltd (Euro 200 thousand)
- dividends from other companies of Euro 1 thousand, as distributed by Porto Intermodale Ravenna S.p.A. (S.A.P.I.R.).

Other financial income

"Other financial income" of Euro 2,043 thousand (Euro 1,994 thousand in 2016) mainly includes the following items:

- financial income from cash investments – Euro 1,395 thousand;
- bank interest income - Euro 40 thousand;
- interest income on extended payment terms granted to clients - Euro 131 thousand;
- interest income on loans to subsidiaries Fores Engineering S.r.l. (Euro 18 thousand), Rosetti General Contracting Construcoes Serviços Lda (Euro 1 thousand) and Rosetti Kazakhstan Llp (Euro 10 thousand);
- interest income on loans granted to associated companies Kazakhstan Caspian Offshore Industries Llp (Euro 394 thousand) and Rigros S.r.l. (Euro 1 thousand);
- swaps on forward currency sale transactions – Euro 51 thousand.

Breakdown of interest and other financial expenses by type of debt

Other financial expenses amount to Euro 582 thousand (Euro 718 thousand in 31.12.2016) and mainly include: interest expenses on loans from two banks (Euro 501 thousand), financial expenses on forward currency sale transactions (Euro 35 thousand) and financial expenses relating to cash investments (Euro 46 thousand).

Breakdown of exchange gains and losses

"Exchange gains and losses" includes Euro 221 thousand of realised losses i.e. resulting from the translation into Euro of foreign currency assets and liabilities settled (i.e. collected or paid) during the year and Euro 641 thousand of unrealised exchange losses, resulting from the translation into Euro of foreign currency assets and liabilities not yet settled at the reporting date. Compared to prior year (Euro 125 thousand of realised exchange gains and Euro 46 thousand of unrealised exchange gains), the exchange losses in 2017 are mainly due to the weakening of the US Dollar and the Norwegian Kronor.

# Adjustments to value of financial assets and liabilities

"Adjustments to value of financial assets" is positive by Euro 223 thousand (positive by Euro 2,888 thousand in 2016) and includes the following adjustments:

- revaluation of investment in Cassa di Risparmio di Ravenna S.p.A. by Euro 10 thousand;
- revaluation of current securities by Euro 74 thousand;
- revaluation of derivative instruments by Euro 389 thousand;
- writedown of current securities by Euro 78 thousand;
- writedown of derivative instruments by Euro 172 thousand;

# Taxes on income – current, deferred and deferred tax income

Income taxes have been calculated in accordance with applicable tax laws and regulations and represent the tax expense for the reporting period.
They amount to a total of Euro 712 thousand (negative amount of Euro 806 thousand in 2016) and include:
a) current taxes due on taxable income for the period;
b) current taxes relating to prior periods;
c) deferred taxation and deferred tax income.
The main temporary differences that led to the recognition of deferred taxation are shown in the following table, together with the related effects.

## Recognition of deferred taxation and deferred tax income

| | IRES | IRAP |
|---|---|---|
| **A) Temporary differences** | | |
| **Total deductible temporary differences** | 11,830,265 | 1,473,961 |
| **Total taxable temporary differences** | 44,869 | - |
| **Net temporary differences** | (11,785,396) | (1,473,961) |
| **B) Tax effects** | | |
| **Deferred tax provision (assets) at start of year** | (2,679,683) | (65,184) |
| **Deferred tax (income) for the year** | (148,812) | 7,700 |
| **Deferred tax provision (assets) at end of year** | (2,828,495) | (57,484) |

## Details of deductible temporary differences

| Description | Amount at prior year end | Change during year | Amount at 31/12/2017 | IRES rate | IRES tax effect | IRAP rate | IRAP tax effect |
|---|---|---|---|---|---|---|---|
| Inventory provision | 440,000 | 80,000 | 520,000 | 24.00% | 19,200 | | |
| Provision for contractual risks | 2263477 | (211,087) | 2052390 | 24.00% | (50,661) | | |
| Provision for future risks | 1,016,386 | (121,049) | 895,337 | 24.00% | (29,052) | | |
| Taxed provision for bad debts | 2,323,898 | (333,419) | 1,990,479 | 24.00% | (80,021) | | |
| Unrealised exchange losses | 23,903 | 662,188 | 686,091 | 24.00% | 158,925 | | |
| Contracts in progress | 3,377,868 | (1,510,923) | 1,866,945 | 24.00% | (362,621) | | |
| Directors’ fees payable | 70,000 | (70,000) | 0 | 24.00% | (16,800) | | |
| Writedown of shares | 48,472 | (9,638) | 38,834 | 24.00% | (2,313) | | |
| Depreciation of tanigle assets | 1,671,375 | (197,414) | 1,473,961 | 24.00% | (47,379) | 3.90% | (7,700) |
| Tax loss | | 2,306,228 | 2,306,228 | 24.00% | 553,495 | | |
| Total | 11,235,379 | 594,886 | 11,830,265 | | 142,773 | | (7,700) |

## Details of taxable temporary differences

| Description | Amount at 31.12.2016 | Change during the year | Amount at 31.12.2017 | IRES rate | Tax effect IRES |
|---|---|---|---|---|---|
| Unrealised exchange gains | 70,033 | (25,164) | 44,869 | 24.00% | (6,039) |
| Total | 70,033 | (25,164) | 44,869 | - | (6,039) |

The Company has made a tax loss for 2017. Therefore, the Directors have recognised deferred tax assets on said loss. We note that the forecasts contained in the business plan 2018-2020 approved by the Board of Directors indicate that, in the next three years, the Company will generate sufficient taxable income to enable these accumulated tax losses to be utilised.

As previously stated, the Company has signed an agreement electing for consolidated taxation with several other Group companies as follows:
• Basis Engineering S.r.l.
• Fores Engineering S.r.l.
• Rosetti Superyachts S.p.A.
The agreement is effective from the 2017 tax period for three years. It enables consolidating entity Rosetti Marino S.p.A. to utilise the tax losses recorded by the consolidated entities while obliging it to recognise a credit in favour of said entities, at the time and in the amount that the losses are utilised.

# Notes to the Financial Statements, other information

## Workforce details

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

| | Average number |
|---|---|
| Managers | 26 |
| Junior managers | 43 |
| White collar | 214 |
| Blue collar | 38 |
| Total Employees | 321 |

## Off-balance sheet commitments, guarantees and contingent liabilities

GUARANTEES GIVEN BY THE COMPANY

Sureties
This item consists of sureties given by insurers and banks to the Company’s clients (Euro 50,738 thousand) and to clients of Group companies (Euro 2,509 thousand) as guarantees of proper performance of works and to release amounts withheld for performance purposes.
The Company has also granted sureties to the banks (Euro 141,000 thousand) as security for the granting of loans and/or the issue of bank guarantees in favour of Group companies.

## Significant events after the reporting date

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

## Proposed allocation of net profit or coverage of net loss

We propose the distribution of a dividend of Euro 0.50 per share using the entire profit for the period of Euro 1,128,134 and Euro 771,866 from the extraordinary reserve

# Notes to the Financial Statements, closing section

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

# *3. BOARD OF STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS AS AT 31/12/2017*

To the Shareholders' General Meeting of Rosetti Marino SpA

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

On 30 March 2018, the Board of Directors approved and made available the financial statements for the year ended 31 December 2017, including the notes to the financial statements, the Directors' Report and the statement of cash flows.

During the year ended 31/12/17, our work was performed in accordance with the Code of Conduct for Statutory Auditors as recommended by the Italian Accounting Profession ("*Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*").

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

- The Company's ordinary operating activities did not change during 2017 and are consistent with its corporate objectives;
- The organisational structure and IT structure have remained broadly unchanged;
- At present, there is no uncertainty over the Company's ability to continue to operate as a going concern.

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

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

In more detail:

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

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

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

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

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

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

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

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

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

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

We have reviewed the financial statements for the year ended 31/12/17, comprising the balance sheet, the income statement, the statement of cash flows and the notes, which report a net profit of Euro 1,128,134 and note the following.

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

We note that:

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

When preparing the financial statements, the Directors did not deviate from statutory reporting requirements in terms of Article 2423(4) of the Italian Civil Code.

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

In consideration of the above and based on work done by external auditors Deloitte & Touche S.p.A., the results of which are contained in a report that accompanies these financial statements, we unanimously recommend approval of the financial statements for the year ended 31 December 2017, as prepared by the Board of Directors."

Ravenna, 05 April 2018

For the Board of Statutory Auditors
The President
Gian Luigi Facchini

# *4. EXTERNAL AUDITORS' REPORT*

Deloitte.

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

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

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

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

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

### Basis for Opinion

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

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

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

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

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

Deloitte.



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

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

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

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

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

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

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

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

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

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

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

Deloitte.



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

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

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

DELOITTE & TOUCHE S.p.A.

Signed by
**Valeria Brambilla**
Partner

Parma, Italy
April 5, 2018

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

# ***5. MINUTES OF SHAREHOLDERS’ GENERAL MEETING HELD TO APPROVE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017***

The Shareholders' General Meeting of Rosetti Marino S.p.A. – registered office in Via Trieste, 230, Ravenna, Ravenna Register of Companies, Tax Number and VAT Number 00082100397 and wholly paid Share Capital of € 4,000,000 – met at the Company's registered office at 1100 hours on **27 April 2018**.
The General Meeting was convened for this day, at the designated time and place, through an announcement published in the **Official Gazette** of the Italian Republic – Announcements Page no **41** of **07/04/2018** and through announcements published on 11/04/2018 in the AIM Italy – Alternative Capital Market section of the web site of Borsa Italiana **www.borsaitaliana.it** and in the Investor Relations Section of company web site **www.rosetti.it** in order to discuss and decide upon the following

Order of Business

1) Review and approval of the Statutory Financial Statements for the year ended 31/12/2017, accompanied by the Directors' Report, the Board of Statutory Auditors' Report and the External Auditors' Report. Related business and resulting resolutions.
2) Omissis.
3) Omissis.
4) Omissis.
5) Omissis.

<u>The following were present</u>

- the **Board of Directors**, as follows
  - Oscar Guerra – Chief Executive Officer;
  - Stefano Silvestroni – Deputy Chairman and Managing Director;
  - Luca Barchiesi – Deputy Chairman and Managing Director;
  - Giuliano Corsi – Director;
  - Giorgio Zuffa – Director;
  - Hugh James O'Donnell – Director,

Meanwhile, Chairman Medardo Ranieri and Directors Mario Rossi Ganzer and Vincenzo Maselli Campagna had duly explained their absence;

- the **Board of Statutory Auditors**, as follows
  - Gian Luigi Facchini – President;
  - Massimo Luigi Roberto Invernizzi – Statutory Auditor,

while Statutory Auditor Renzo Galeotti had duly explained his absence.

<u>Preliminary matters</u>

In accordance with Article 14 of the Articles of Association, in the absence of the Chairman Medardo Ranieri and as proposed by **Gianfranco Magnani** as representative of shareholder ROSFIN SpA and agreed by all the other shareholders present, , the General Meeting was chaired by the elder of the two Deputy Chairmen, Stefano Silvestroni.
Mr Silvestroni confirmed that the General Meeting was properly constituted to decide upon the matters included in the Order of Business as the following five Shareholders, owners of a total of 3,991,500 shares equal to 99.79% of the Share Capital, were present, either in person or by proxy:

- **ROSFIN S.p.A.,** owner of **2,241,500** (two million, two hundred and forty-one thousand, five hundred) shares, equal to **56.04 %** of Share Capital, represented by **Gianfranco Magnani** under the powers granted to him by a Board of Directors' Meeting of said company on 11/04/2017;

- **SAIPEM S.A.,** owner of **800,000** (eight hundred thousand) shares, equal to **20%** of Share Capital, represented by Grazia Lapenna, on the basis of a proxy filed with the Company and issued by Legal Representative Stefano Porcari on 20/04/2018;
- **COSMI HOLDING S.p.A.,** owner of **700,000** (seven hundred thousand) shares, equal to **17.5 %** of Share Capital; represented by Davide Veronesi, on the basis of a proxy filed with the Company and issued by the company's Sole Director and Legal Representative Sonia Resca on 12/04/2018;
- **LA CASSA DI RAVENNA S.p.A.,** owner of **50,000** (fifty thousand) shares, equal to **1.25 %** of Share Capital; represented by Roberto Budassi**,** on the basis of a proxy filed with the Company and issued by the company's Legal Representative Antonio Patuelli on 16/04/2018;
- **ROSETTI MARINO S.p.A.,** owner of **200,000** (two hundred thousand) shares, equal to **5%** of Share Capital, in relation to which, given their status as treasury shares held by the Company, the Chairman duly notes that voting rights are suspended in terms of Article 2357-ter (2) of the Italian Civil Code and that, under the same legal provision, any earnings pertaining to these shares shall be allocated on a proportionate basis to the other shares; said company was represented by its Managing Director and Legal Representative **Oscar Guerra**;

The Chairman declared the meeting open and recalled that:

- the current Share Capital of Rosetti Marino S.p.A. is wholly paid and amounts to € 4,000,000.00, comprising 4,000,000 shares with a nominal value of € 1.00 each;
- since 06/12/2012, the Company has been listed on the AIM Italy – Alternative Capital Market managed by Borsa Italiana and, therefore, in compliance with the applicable Rules, on 11/04/2018, a notice calling the General Meeting was published on the Borsa Italiana web site in the specific section on the AIM Italy – Alternative Capital Market and on the Company's own web site;
- checks on compliance with deadlines laid down by law and by the Articles of Association for legitimation of exercise of rights relating to the shares have been performed;
- voting is public and it is proposed that votes should be expressed by a show of hands.

As proposed by the Chairman, the General Meeting nominated Alfonso Levote to act as Secretary and he accepted.
The Meeting then moved on to deal with the Order of Business.

**1) Review and approval of the Statutory Financial Statements for the year ended 31/12/2017, accompanied by the Directors' Report, the Board of Statutory Auditors' Report and the External Auditors' Report. Related and resulting resolutions**

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

- in accordance with the law, copies of the Financial Statements were made available at the Company's Registered Office in the 15 days prior to the General Meeting;
- the Shareholders present today have been issued with a file called "ROSETTI MARINO – Statutory Financial Statements as at 31 December 2017" containing:
  - Directors' Report on Operations;
  - Board of Statutory Auditors' Report;
  - The Financial Statements;
  - Notes to the Financial Statements;
  - Attachments to the Financial Statements;
  - External Auditors' Report;
- since 11/04/2018, the Financial Statements have also been available online, having been published on

the web sites of Borsa Italiana and the Company itself;

- the file containing the Consolidated Financial Statements for 2017, as approved by the Board of Directors on 30/03/2018 and containing the “Directors’ Report on operations accompanying the Consolidated Financial Statements as at 31 December 2017”, the “Consolidated Financial Statements as at 31 December 2017” and the “External Auditors’ Report on the Consolidated Financial Statements” has been made available on the internet sites of Borsa Italiana and the Company itself with a printed copy having been issued to all those taking part in today’s General Meeting.

At the invitation of the Chairman, Chief Executive Officer **Oscar Guerra** read out the **Directors’ Report on Operations** and highlighted the following points:

- value of production for the year was low, in line with prior year (around Euro 130 million in 2017 and in 2016). The increase recorded by the Energy Business Unit offset the sharp fall recorded by the Shipbuilding Segment;
- the low value of production was due to the fact that 2017 was the fourth consecutive year of a severe crisis for the Oil&Gas industry. However, after almost four years, the final quarter of 2017 saw the return of significant new orders for the Company. The Company’s commercial strategy – concentrating on geographical areas, products and services with growth potential – enabled Rosetti to build up a notable order backlog of Euro 320 million at 31/12/2017 in the Energy segment alone (Euro 94 million at 31/12/2016). This means we can look ahead with confidence, safe in the knowledge that a healthy workload has already been acquired for the coming years;
- given the continuing market crisis in the “service ship” building segment, in June 2017, the Company incorporated a new subsidiary Rosetti SuperYachts SpA, together with a minority shareholder with strong experience of superyacht construction and sale. The objective is to acquire constructs to build superyachts and leisure vessels of 50-100 m and longer for which the Company will be able to use most of its existing shipyard infrastructures;
- in December 2017, the Company acquired control of Tecon Srl, an structural engineering and design company specialising in offshore and civil and port engineering projects. Tecon is based in Assago (MI) and Rosetti Marino already held a 20% interest. The acquisition will enable the Rosetti Group further to strengthen its position in the high value added engineering services field.

As the Chief Executive Officer had finished reading the Directors’ Report on Operations, the Meeting Chairman invited Deputy Chairman and CFO **Luca Barchiesi** to read out the **Balance Sheet, the Income Statement and the audit report of external auditors Deloitte & Touche**.

Mr Barchiesi highlighted the following matters from said documents:

- the important financial investments involved in the incorporation of Rosetti SuperYachts SpA, with the subscription and payment of the 90% stake of share capital of Euro 1,350,000 owned by Rosetti Marino SpA and the acquisition for Euro 1,515,000 of a controlling interest in Tecon Srl (previously 20% owned).
- the payment of Euro 1,550,000 to 50% owned company RIGROS Srl, as a quotaholder’s loan, in order to enable that company to acquire from ENI in December 2017 a 101,077 sqm plot of land next to Rosetti’s headquarters in Ravenna with access from Via Trieste, 268;
- a significant increase in the dividends received by the Company in 2017 – almost entirely from subsidiaries Rosetti Kazakhstan (Euro 2,498 thousand) and Rosetti Marino UK Ltd (Euro 200 thousand);
- the highly positive Net Financial Position even though it has decreased compared to 12 months ago due to the scheduled repayment, in the current year, of a bank loan of Euro 30 million with a bullet repayment

due in October 2018.

At the request of one Shareholder and with the approval of the General Meeting, the Notes to the Financial Statements were not read out.
The Chairman recalled the following highlights from the Financial Statements at 31 December 2017, as expressed in Euro:

| | |
|---|---|
| BALANCE SHEET | |
| Assets | € 290,142,846 |
| Liabilities | € 127,709,220 |
| Share capital + reserves | € 161,305,492 |
| Net profit for the year | € 1,128,134 |
| | |
| INCOME STATEMENT | |
| Value of Production | € 130,956,785 |
| Costs and Taxes | € 129,828,651 |
| Net profit for the year | € 1,128,134 |

The Chairman then read the resolution proposed by the Board of Directors to allocate the entire **net profit for the year of € 1,128,134**, plus € 771,866 from the Extraordinary Reserve, a total of **€ 1,900,000** to pay a dividend of **0.50 €/share** to each of the 3,800,000 shares with dividend rights, with a coupon date of 14 May 2018 and a payment date of 16 May 2018.

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

The Chairman declared open the discussion of the first matter on the Order of Business.
**Gianfranco Magnani** addressed the meeting as representative of Rosfin SpA. He congratulated the CEO and the Company's entire Management team for the positive results achieved once more in 2017, notwithstanding the ongoing difficult situation on the Oil&Gas market in 2017.
Mr Magnani went on to state that the results enable the Company to look to the future with confidence, in light of the tangible signs of recovery that the market has begun to show since the end of last year.
The representatives of shareholders Saipem SA, Cosmi Holding SpA and La Cassa di Ravenna SpA also addressed the Meeting and joined Mr Magnani in expressing their contentment and satisfaction, not only for the proposed dividend and the positive results achieved in 2017, but, especially, for the significant increase in the order backlog at 31 December 2017 compared to prior year.

At the end of the discussion, the Chairman thanked those present and proceeded with a vote on the Financial Statements of Rosetti Marino S.p.A. as at 31 December 2017 (Financial Statements, Notes and Attachments), as accompanied by the Directors' Report on Operations, the Board of Statutory Auditors' Report and the External Auditors' Report, together with the proposed allocation of the net profit for the year, as recommended by the Directors in the closing section of the Report on Operations and as indicated in the Notes. He called upon the General Meeting to vote by a show of hands.

Four shareholders with voting rights– owners of a total of 3,791,500 shares, equal to 94.79% of Share Capital

– were present either in person or by proxy.
Having completed the voting process, the Chairman declared that the General Meeting of the Company, with the unanimous support of all Shareholders entitled to vote

RESOLVED

1.a) to **approve** the **Financial Statements** for the year ended 31 December **2017**;

1.b) to allocate the entire net profit for the year of € 1,128,134, plus € 771,866 from the Extraordinary Reserve, a total of **€ 1,900,000**, to pay a dividend of **0.50 €/share** to each of the 3,800,000 shares with dividend rights, with a coupon date of 14 May 2018 and a **payment date of 16 May 2018**.
The Extraordinary Reserve to be partially distributed consists of earnings from prior to 31/12/2007.

The General Meeting the proceeded to deal with the next point on the Order of Business.

**2)** Omissis.
**3)** Omissis.
**4)** Omissis.
**5)** Omissis.

Before concluding the work of the General Meeting, the Chairman noted that all of those present had declared that they had received a copy of the file containing the Group Consolidated Financial Statements at 31/12/2017, together with the related accompanying documents, as approved by the Board of Directors of Rosetti Marino S.p.A. on 30/03/2018.
As there was no other business, the Chairman declared the General Meeting over at 1220 hours.

| | |
|---|---|
| THE SECRETARY | THE CHAIRMAN |
| Alfonso Levote | Stefano Silvestroni |