ROSETTI MARINO

Consolidated Financial Statements

31 December 2010

Approved by the Board of Directors on 31/03/11

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1. DIRECTORS' REPORT ON OPERATIONS,

ACCOMPANYING THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2010

Dear Shareholders,

The consolidated financial statements of the Group for 2010 report a net profit of Euro 19,621 thousand after depreciation and amortisation of Euro 5,341 thousand, accruals to the bad debt provision of Euro 2,238 thousand, accruals to provisions for contingent risks of Euro 4,051 thousand and accruals to the income tax provision of Euro 8,369 thousand.

Bearing in mind the crisis that has stricken the global economy in the last two years, we believe that the result achieved can only be considered satisfactory and reflects the dedication shown by the staff of all Group companies, who deserve our and your gratitude.

We provide below an overview of the Group's operating performance and details of foreseeable future developments.

OPERATING PERFORMANCE

The year ended 31 December 2010 was characterised by a significant fall in value of production (Euro 294 million in 2010 against Euro 393 million in 2009). This decrease mainly occurred in the Oil & Gas sector while the Shipbuilding sector remained buoyant and the Process Plants sector achieved an increase.

The lower volume of production in the Oil & Gas sector was due to the worldwide economic downturn that led to a marked drop in demand from the end of 2008 and continuing throughout 2009. This prevented the Group from acquiring new contracts in 2009 and the consequences were seen in 2010.

It should be noted that a significant, constantly increasing amount of our production takes place at our yards outside Italy (especially on the Caspian Sea). This is especially important as it confirms that our policy of internationalisation, which has intensified in recent years, is yielding positive results. It also confirms our ability to manage and complete major projects in other countries with highly satisfactory economic returns.

Furthermore, higher levels of consumption leading to higher prices for commodities – especially, oil – have resulted in a strong recovery

in demand with new investment taking off once more. As a result, the Group has won several major new contracts in both the Oil & Gas sector and the Shipbuilding sector, assuring us of a decent workload until Spring 2012.
We also note that, despite the lower volume of business, margins have remained at good levels, albeit lower than the exceptional ones seen in prior years. This has enabled the Company to achieve results that must be considered extremely satisfactory as they have matured in a difficult international environment, characterised by a sharp increase in competition and much greater cost awareness on the part of Clients.

A selection of the most significant earnings indicators is shown below:

	31.12.10	**31.12.09**
G.I.P. (in thousands of Euro)	292,875	392,151
(A1+A2+A3 of the income statement)		
EBITDA (in thousands of Euro)	38,952	78,486
(A+B-10-12-13 of the income statement)		
EBITDA / GIP	13.30%	20.01%
EBIT (in thousands of Euro)	27,301	72,588
(A+B of the income statement)		
EBIT / GIP	9.32%	18.51%
Gross profit (in thousands of Euro)	27,982	70,388
(item 22 of the income statement)		
Gross profit / GIP	9.55%	17.95%
Net profit (in thousands of Euro)	19,621	48,146
(item 23 of the income statement)		
Net profit / GIP	6.70%	12.28%
R.O.E	12.91%	43.61%
(Net profit / Opening Shareholders' Equity attributable to the Group)		

An analysis of the various business segments in which the Group operates is provided below. Please refer to the Notes to the

Consolidated Financial Statements for more detailed analysis of the numbers themselves:

Oil & Gas Business Unit

With gross internal product of around Euro 189 million in 2010 (Euro 268 million in 2009), this was confirmed as the Group's number one business unit.

During 2010, the Group worked on the completion of orders already in progress at 31.12.2009 and commenced work on orders acquired during the year.

As already stated, a recovery in demand meant the Group was able to acquire an order backlog of Euro 200 million in 2010. This was significant as the amount involved guarantees a sufficient workload until Spring 2012 and because the orders acquired saw the Group extend its usual client base.

The main orders acquired were as follows:

- production of three jackets and related parts and equipment, for the North Sea, for a total amount of Euro 109 million with the first one to be delivered in the next few months and the other two at the start of 2012;
- revamping of four platforms off the coast of Tunisia for a total amount of Euro 16 million;
- construction of a drilling platform for the North Sea for a total amount of Euro 29 million with delivery due in 2012; in the first few months of 2011, this contract was extended to include detailed engineering works with the contractual amount increased by Euro 13 million.
- the construction and supply of offshore equipment for installation in the Caspian Sea for a total amount of Euro 22 million (the Group's share amounts to 50%) with consignment due at the end of 2011; this order is particularly important as it is the first order acquired by our associate K.C.O.I. Llp and will be carried out at the new yard in Kazakhstan, work on which is close to completion.

We note that negotiations are ongoing with the client over a number of claims and extra works relating to a project that was completed and handed over at the end of 2009. The matter involves issues amounting to several million Euro on which no agreement has yet been reached. Given the lengthy negotiations, on the basis of information currently available, the estimated revenues accounted for in the previous year have been revised in these financial statements with the creation of a prudent provision for contingent risks of Euro 2.4 million.

Shipbuilding Business unit

Shipbuilding contributed value of production of around Euro 63 million in 2010 (Euro 71 million in 2009). In 2010, the business unit completed several projects, including a tug and two supply vessels. It also proceeded with work on five supply vessels, orders for which were received in prior years.

During the year, a new order was acquired to build a 19,000 horsepower Anchor Handling Supply Vessel (AHSV) (with an option for a twin sister ship) for an amount of Euro 52.8 million and consignment in 2012.

Process Plants business unit

In 2010, this business sector contributed value of production of around Euro 40 million, against around Euro 30 million in 2009.

Our subsidiary Fores Engineering Srl traditionally operates in this segment but, during the year, parent company Rosetti Marino S.p.A. began to operate in it once more and set itself the objective of expanding in the sector (growth has been held back in recent years by the large amount of work being carried out in the Oil & Gas segment). The plan is to focus commercial efforts on products related to alternative energy sources while exploiting synergies available from Group resources as much as possible. The first fruits of this renewed commitment to the segment were borne during the year with the acquisition of several orders worth a total of Euro 12.5 million by the parent company alone.

CAPITAL EXPENDITURE

In 2010, the Group incurred capital expenditure totalling Euro 8,189 thousand with Euro 1,394 thousand invested in intangible assets and Euro 6,659 thousand in tangible assets.

The main investment in tangible assets, financed by the Parent Company, regarded the establishment of a construction yard in Kazakhstan by Kazakhstan Caspian Offshore Industries Llp, a company in which an indirect interest of 50% is held. Work on the construction yard began in 2009 and it is expected to start operating midway through 2011. It is of strategic importance as it will make it possible to build offshore equipment for the Caspian Sea locally, as requested by the end customer.

The other main investments in tangible assets were made by parent company Rosetti Marino S.p.A. They were made at all three production sites in order to improve production facilities and infrastructure. In particular, we highlight the construction of a new warehouse at the workshop in via Trieste and, at the same site, the start of work on a new office building, scheduled for completion in the first few months of 2012.

The main investments in intangible assets have regarded software (purchase and development of new software to manage project documentation and perform feasibility studies plus completion of the SAP management information system) and leasehold improvements (strengthening of the dock used under a concession at the Piomboni yard, work on leased buildings at the San Vitale yard and work on new changing rooms at a rented building on the Via Trieste site).

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

FINANCIAL SITUATION

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

At this point, we would highlight, the fixed asset coverage ratio (amply financed through equity) and the positive net financial position.

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

	31.12.10	31.12.09
Short-term NFP (in thousands of Euro)	39,122	25,496
(C.IV of Assets – D.4 current of Liabilities)		
Asset coverage margin (in thousands of Euro)	94,027	98,353
(M/L term liabilities + total equity – fixed assets)		
Asset coverage ratio	2.09	2.26
(M/L term liabilities + total equity / fixed assets)		
Financial independence index	48.41%	44.82%
(Total equity / total assets)		
Ratio of financial income(expense) to GIP	(0.11%)	(0.60%)
(Financial income and expense / GIP)		

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

The Group does not have a high level of bank borrowing and has obtained a strong rating from the banks with which it deals. Accordingly, there are no difficulties in raising financial resources or risks associated with interest rate fluctuation.

The Group is exposed to the exchange rate risk as a result of its operations on international markets. In order to protect itself against this risk, as in previous years, the Group has arranged exchange rate risk hedging transactions when it has acquired significant orders from clients in foreign currencies and issued significant orders to suppliers in foreign currencies. As at 31 December 2010, the Group had USD 9,273 thousand of outstanding forward sale contracts with various banks and USD 3,705 thousand of outstanding forward purchase contracts as hedges for orders received from clients or placed with suppliers plus NOK 159,604 thousand of outstanding forward purchase contracts as hedges for various purchase orders placed with suppliers.

PERSONNEL

As at 31 December 2010, the headcount came to 747, a net increase of 14 compared to 31 December 2009.

Some 112 employees left the workforce due to natural turnover while 126 new employees were hired. In further detail, it should be noted that the number of executives and white-collar workers decreased by 3 and 9, respectively, whereas blue-collar workers increased by 26. Headcount increases were recorded by Rosetti Kazakhstan Llp (+4), Fores Engineering Srl (+6), Basis Engineering Srl (+3), Fores Engineering Algerie Eurl (+9), Kazakhstan Caspian Offshore Industries Llp (+9) and parent company Rosetti Marino S.p.A. (+25) while decreases were recorded by Rosetti Ooo (-41), due to termination of a project, and Rosetti Doo (-1).

Furthermore, during the year, resources equal to 4.14% of total personnel costs were allocated to training activities, involving many employees, by the parent company alone. This confirms the special attention that has always been paid to staff training.

Due to the type of business conducted, the risk of accidents, including potentially fatal accidents, is high. For this reason, the Group has always devoted particular attention to safety issues by adopting a series of internal procedures and educational measures aimed at preventing such events.

All production facilities owned by the Group have been certified compliant with the BS-OHSAS18001 standard.
We continue to promote initiatives aimed at further spreading a culture of safety among all internal and external workers who operate at our Italian and international production facilities.

OTHER INFORMATION ON OPERATIONS

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

Information on business risks

The inherent risks involved in the business activities of the Group companies are those typical of enterprises that operate in the plant engineering and shipbuilding segments.
The responsibilities resulting from the design and construction of our products and the risks associated with normal operating activity are dealt with in advance by devoting adequate attention to such aspects when developing processes and implementing adequate organisational procedures, as well as by acquiring adequate insurance cover on a precautionary basis.
The potential risks pertaining to financial, environmental and workplace safety issues and an analysis of the uncertainties relating to the particular economic environment have been reviewed in advance and appropriate measures adopted, as described in the “Financial situation”, “Information on the environment”, “Personnel” and “Business outlook” paragraphs.

Information on the environment

The Group constructs large metal structures whose manufacture involves limited environmental risks, mainly during the painting and sandblasting phases. Although these risks are limited, they are thoroughly assessed and evaluated by the unit responsible.
The attention paid to environmental issues is borne out by the fact

that the Parent Company has been certified compliant with international standard ISO14001 for many years.

Research and development

Research and development is carried out by the specific Business Development unit. These activities have involved the study of new products and new technologies, relating in particular to hydrogen production. This research activity could produce significant benefits for the Group which may enjoy the opportunity of entering new areas of the market by studying innovative processes and developing new operating methods.

Treasury share transactions

In 2009, the Parent Company purchased 200,000 treasury shares (5.0% of share capital) at a price of Euro 25.50 per share for a total cost of Euro 5,100 thousand. These share are still all held by the Parent Company.

Listing on the M.A.C

Since 12 March 2010, the Parent Company’s shares have been admitted by Borsa Italiana to listing on the M.A.C. (Alternative Capital Market). The institutional offering consisted of 200,000 shares, representing 5% of share capital, placed for sale by a minority shareholder. During the placement phase, the price was set at Euro 30 per share for a total offering of Euro 6 million and a capitalisation of Euro 120 million.

Significant events after the reporting period

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

BUSINESS OUTLOOK

The order backlog comprising orders acquired but not completed at 31 December 2010 – many of which will be completed in 2011 – and new orders acquired in the first few months of the current year stands at around Euro 275 million.

It is our belief that the current level of the order backlog is satisfactory though it is certainly not comparable with the levels recorded in prior years (2007-2009) which were, however, the result of a series of events unlikely to be repeated.

Taking into account the current order backlog and the prospects for the market as they appear at present – including interesting prospects regarding growth in offshore investment in the North Sea and in the Caspian Sea that should materialise in the coming months – we believe that value of production for 2011 should reach an average level with good profitability thanks to the margins expected on the current order backlog.

We note that the Parent Company recently adopted a Business Unit based organisational model, designed to give greater impetus to the policy of diversification of our activities and to better focus our objectives for growth and results. This new organisation has involved the creation of new, high profile professional roles with the duty and responsibility of managing and developing the business units.

Finally, it is important to note that the Group is currently implementing strategies with a view to entering the highly important Iraqi market which is obviously extremely difficult but undoubtedly of great interest.

A more detailed review of the outlook for each Business Unit in 2011 is set out below:

Oil & Gas Business Unit

The order backlog currently stands at around Euro 167 million, guaranteeing a sufficient workload for 2011.

We report that, on 19 January 2011, associated company

Kazakhstan Caspian Offshore Industries LLp acquired a contract with Agip KCO for commissioning services to be carried out in the Caspian Sea in the Kashagan oil field. The contract is worth around Euro 18 million over three years.

Turning to future prospects, the outlook for the offshore and onshore market remains positive in the medium term given the continuing dependence of the world economy on petroleum derivative products.

The first positive signs from the global economy and a recovery in oil prices have encouraged our major clients to relaunch, albeit with some caution, the investment plans that were momentarily postponed in 2009. A certain degree of recovery in terms of investment in this sector has also been confirmed not only by recent acquisitions of new contracts but also by a considerable increase in new calls for tenders for major projects.

It should, however, be noted that the current crisis situation that is affecting almost all countries in North Africa could lead to a slowdown in investment in the Mediterranean area. This should not cause us any major problems so long as the crisis is resolved relatively swiftly.

The situation is somewhat different on the Kazakh market which has seen no fall in demand notwithstanding the ongoing global economic crisis. In order to serve this market as well as possible and guarantee the local content requested by the client, the Group continues to invest in the establishment of a construction yard through Kazakhstan Caspian Offshore Industries Llp, a company in which it holds a 50% interest. It thus hopes to be able to continue to acquire directly important new projects to carry out locally.

Shipbuilding Business Unit

During 2011, this Business Unit will continue to work on orders acquired in prior years which assure the Company a sufficient workload until midway through 2012. This means we can look forward calmly to the future despite the sharp fall in demand in the sector as a result of the crisis in sea transport. We will continue to operate with great attention on the market, also internationally, in order to take advantage of any opportunities that might appear and which are compatible with the current workload.

Process Packages Business Unit

Particular attention is being paid to developing this sector (development in recent years has been held back by the considerable volume of business done in the Oil & Gas segment). Continuing our policy of product diversification, we will seek to improve our position on this market, focusing our efforts on products related to alternative energy sources and making the most of synergies deriving from the Group's resources.

Dear Shareholders,

The activities carried out by the Group in 2010 have generated a net profit of Euro 19,621 thousand.

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

Ravenna 31/03/2011

For the Board of Directors
The Chairman
Gianfranco Magnani

2. CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2010:

- ***Balance Sheet***
- ***Income Statement***
- ***Notes***

BALANCE SHEET (Amounts in thousands of Euro)

ASSETS	2010	2009
A) SUBSCRIBED CAPITAL, UNPAID	**0**	**0**
B) FIXED ASSETS AND INVESTMENTS:		
I Intangible assets:		
4) concessions, licenses, trademarks and similar rights	558	589
7) other intangible assets	2,727	2,825
8) consolidation difference	140	211
TOTAL INTANGIBLE ASSETS	3,425	3,625
II Tangible assets:		
1) land and buildings	56,577	58,474
2) plant and machinery	3,024	3,510
3) industrial and commercial equipment	1,208	589
4) other tangible assets	2,847	2,960
5) assets in progress and payments on account	5,087	680
TOTAL TANGIBLE ASSETS	68,743	66,213
III Long-term investments:		
1) equity investments:		
a) in subsidiaries	6	0
b) in associates	1,506	515
d) in other entities	143	152
TOTAL EQUITY INVESTMENTS	1,655	667
2) receivables:		
b) from associates	6,200	1,750
d) from others	748	695
TOTAL RECEIVABLES	6,948	2,445
4) treasury shares	5,100	5,100
TOTAL LONG-TERM INVESTMENTS	13,703	8,212
TOTAL FIXED ASSETS AND INVESTMENTS	**85,871**	**78,050**
C) CURRENT ASSETS:		
I Inventory:		
1) raw materials and consumables	1,427	1,269
3) contract work in progress	112,583	87,444
5) payments on account	6,764	6,542
TOTAL INVENTORY	120,774	95,255
II Receivables:		
1) due from clients (trade)	76,663	114,388
3) due from associates	479	5,108
4bis) tax receivables	10,552	2,407
4ter) deferred tax assets	4,480	16,678
5) due from other parties		
- within a year	402	442
- after more than a year	364	352
TOTAL RECEIVABLES	92,940	139,375
III Short-term investments:		
6) other securities	21	21
TOTAL SHORT-TERM INVESTMENTS	21	21
IV Cash and cash equivalents:		
1) bank and post office accounts	39,395	25,867
3) cash and cash equivalents on hand	85	23
TOTAL CASH AND CASH EQUIVALENTS	39,480	25,890
TOTAL CURRENT ASSETS	**253,215**	**260,541**
D) PREPAID EXPENSES AND ACCRUED INCOME	**809**	**742**
TOTAL ASSETS	**339,895**	**339,333**

LIABILITIES AND SHAREHOLDERS' EQUITY	***2010***	***2009***
A) SHAREHOLDERS' EQUITY:		
I Share capital	4,000	4,000
III Revaluation reserve	36,969	36,969
IV Legal reserve	1,110	1,031
VI Reserve for treasury shares held	5,100	5,100
VII Other reserves	97,583	57,038
VIII Retained earnings (Accumulated losses)	(60)	0
IX Net profit for the year	19,621	48,146
X Translation reserve	149	(354)
XI Consolidation reserve	23	23
TOTAL EQUITY ATTRIBUTABLE TO THE GROUP	**164,495**	**151,953**
Capital and reserves attributable to minorities	56	125
TOTAL EQUITY ATTRIBUTABLE TO THE GROUP AND MINORITIES	**164,551**	**152,078**
B) PROVISIONS FOR RISKS AND CONTINGENCIES:		
2) tax provisions	1,053	12,872
3) other provisions	8,115	4,249
TOTAL PROVISIONS FOR RISKS AND CONTINGENCIES	**9,168**	**17,121**
C) T.F.R./EMPLOYEE SEVERANCE INDEMNITY PROVISION	**3,657**	**3,758**
D) PAYABLES:		
4) due to banks:		
- within a year	358	394
- after more than a year	499	857
5) due to other lenders		
- within a year	565	575
- after more than a year	2,023	2,589
6) payments on account	101,237	95,011
7) due to suppliers	47,296	50,684
10) due to associates	265	114
12) tax payables	2,970	9,464
13) social security payables	2,142	1,847
14) other payables	5,149	4,797
TOTAL PAYABLES	**162,504**	**166,332**
E) ACCRUED EXPENSES AND DEFERRED INCOME	**15**	**44**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**339,895**	**339,333**

MEMORANDUM ACCOUNTS	***2010***	***2009***
1. Guarantees given:		
a) Sureties given in the interest of:		
- other parties	91,269	81,860
TOTAL GUARANTEES GIVEN	**91,269**	**81,860**
3, Other commitments and risks:		
a) forward currency purchases	22,394	18,874
b) forward currency sales	6,978	64,406
d) credit facilities	635	925
TOTAL OTHER COMMITMENTS AND RISKS	**30,007**	**84,205**

INCOME STATEMENT (Amounts in thousands of Euro)	2010	2009
A) VALUE OF PRODUCTION:		
1) Revenues from sales and services	476,393	299,057
3) Change in contract work in progress	(183,518)	93,094
4) Increase in own work capitalised	127	26
5) Other revenues and income:		
a) grants towards operating expenses	329	0
b) other	723	852
TOTAL VALUE OF PRODUCTION	**294,054**	**393,029**
B) COST OF PRODUCTION:		
6) Raw materials, consumables and goods for resale	(67,745)	(126,049)
7) Services	(132,852)	(135,974)
8) Leases and rentals	(14,069)	(11,608)
9) Personnel costs:		
a) wages and salaries	(29,460)	(28,775)
b) social security contributions	(7,492)	(7,202)
c) TFR/employee severance indemnity	(1,644)	(1,558)
e) other personnel costs	(1,287)	(1,197)
Total personnel costs	(39,883)	(38,732)
10) Amortisation, depreciation and writedowns:		
a) amortisation of intangible assets	(1,594)	(1,182)
b) depreciation of tangible assets	(3,747)	(3,579)
c) other writedowns of fixed assets	(21)	0
d) writedowns of current receivables and cash and cash equivalents	(2,238)	(587)
Total amortisation, depreciation and writedowns	(7,600)	(5,348)
11) Change in inventory of raw materials, consumables and goods for resale	158	(1,044)
12) Provisions for risks	(4,051)	(500)
13) Other provisions	0	(50)
14) Sundry operating costs	(711)	(1,136)
TOTAL COST OF PRODUCTION	**(266,753)**	**(320,441)**
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A+B)	**27,301**	**72,588**
C) FINANCIAL INCOME AND (EXPENSES):		
15) Income from equity investments:		
d) dividends and other income from other entities	4	5
16) Other financial income:		
d) Income other than the above:		
- interest and fees from associates	122	20
- interest and fees from others and sundry income	366	636
17) Interest and other financial expenses:		
d) other	(390)	(471)
17bis) Foreign exchange gains and losses	(432)	(2,545)
TOTAL FINANCIAL INCOME AND (EXPENSES)	**(330)**	**(2,355)**
D) ADJUSTMENTS TO FINANCIAL ASSETS		
18) Revaluations:		
a) of equity investments	990	159
19) Writedowns:		
a) of equity investments	(9)	0
TOTAL ADJUSTMENTS TO FINANCIAL ASSETS	**981**	**159**
E) NON-RECURRING INCOME AND (EXPENSES)		
20) Income:		
a) gains on disposals	2	0
b) other	44	0
21) Expenses:		
a) losses on disposals	(2)	0
b) prior year taxes	(14)	0
c) other	0	(4)
TOTAL NON-RECURRING ITEMS	**30**	**(4)**
PROFIT BEFORE TAXATION (A+B+C+D+E)	**27,982**	**70,388**
22) Income taxes for the year	(8,369)	(22,245)
NET PROFIT FOR THE YEAR, INCLUDING AMOUNT PERTAINING TO MINORITY INTERESTS	**19,613**	**48,143**
Profit pertaining to minority interests	8	3
NET PROFIT ATTRIBUTABLE TO THE GROUP	**19,621**	**48,146**

NOTES

PRESENTATION AND CONTENT OF THE FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with Legislative Decree No. 127/91 and consist of the balance sheet, income statement (prepared in the format required by Articles 2424 and 2425 of the Italian Civil Code, modified as appropriate pursuant to Article 32 of Legislative Decree No 127/91) and these notes. 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, as revised by the Italian Accounting Board following the corporate law reform enacted by lawmakers through Legislative Decree No 6 of 17 January 2003, as amended.
The notes illustrate, analyse and, in some cases, supplement the figures reported in the financial statements. They contain the information required by Article 38 of Legislative Decree no 127/91 and other legal provisions. In addition, while not specifically required by law, full complementary information about all matters deemed necessary to give a true and fair view is also provided.
The consolidated financial statements as at 31 December 2010 have been prepared using the financial statements of the individual companies included within the scope of consolidation, as obtained from the statutory financial statements and consolidation packages prepared by the respective Boards of Directors. These financial statements have been appropriately adjusted, as necessary, to bring them into line with the accounting policies described below.

CONSOLIDATED REPORTING DATE

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

CONSOLIDATION PRINCIPLES

A) Consolidation methods

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

- the carrying amount of equity investments is eliminated against the associated shareholders' equity; the difference between the acquisition cost and shareholders' equity of investees is allocated, where possible, to the asset and liability items of the companies within the scope of consolidation. Any residual amount, where negative, is recognised under a shareholders' equity item entitled "Consolidation reserve"; where positive, it is recognised under an asset item entitled "Consolidation difference" and amortised over five years where that amount represents future income-generating capacity;
- significant transactions between consolidated companies and payables, receivables and unrealised profits deriving from transactions between Group companies, net of any tax effect, are eliminated;
- minority interests in shareholders' equity and net profit are disclosed under specific items in the consolidated balance sheet and income statement;
- companies acquired during the year are consolidated with effect from the date on which a majority interest was obtained. If acquisition occurs during the final days of the year, only the balance sheet of the acquired company is consolidated.

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

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

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

SCOPE OF CONSOLIDATION

The consolidated financial statements as at 31 December 2010 include the financial statements of all companies directly and indirectly controlled by Rosetti Marino S.p.A. (the Parent Company) pursuant to Article 2359 of the Italian Civil Code.
Equity investments in associates have been presented according to the equity method, except for Kazakhstan Caspian Offshore Llp which has been consolidated using the proportionate method.
A list of equity investments in subsidiaries and associates included in the scope of consolidation is provided below (in thousands of Euro):

Company name	Location	Share capital	% interest
Subsidiaries			
FORES ENGINEERING Srl	Forlì	1,000	100.0%
BASIS ENGINEERING Srl	Milano	500	100.0%
ROSETTI GENERAL CON. Lda (1)	Portugal	50	100.0%
ROSETTI KAZAKHSTAN Llp	Kazakhstan	198	100.0%
ROSETTI Doo (*)	Croatia	48	100.0%
ROSETTI Ooo (*)	Russia	44	100.0%
FORES ENG. ALGERIE EURL (2)	Algeria	156	100.0%
FORES ENG. KAZ. Llp (3) (*)	Kazakhstan	10	100.0%
ROSETTI EGYPT SAE (4)	Egypt	32	90.0%
ROSETTI LIBYA JSC (*)	Libya	622	65.0%
Associates			
TECON Srl	Milan	47	20.0%
ROSETTI IMSTALCON Llp (*)	Kazakhstan	35	50.0%
ROSBAR Scrl (6)	Ravenna	11	50.0%
K.C.O.I. Llp (7)	Kazakhstan	1,160	50.0%

(1) Including 2% held indirectly through Basis Engineering srl.
(2) Held indirectly through Fores Engineering Srl
(3) Held indirectly through Fores Engineering Srl (50%) and Rosetti Kazakhstan Llp (50%).
(4) Including 30% held indirectly through Fores Engineering Srl (15%) and Rosetti General Contracting Lda (15%).
(6) Held indirectly through Rosetti General Contracting Lda.
(7) Held indirectly through Rosetti Kazakhstan Llp.
(*) Currently dormant companies.

The following changes compared to prior year took place in 2010:

- payment of 30% of the portion of share capital subscribed during the incorporation of Rosetti Libya Jsc, a 65% owned company based in Tripoli (Libya);
- subscription and payment of the share capital of newly incorporated company Fores Engineering Kazakhstan Llp, with registered office in Aktau (Kazakhstan), held indirectly through subsidiaries Fores Engineering Srl (50%) and Rosetti Kazakhstan Llp (50%).
- incorporation of a second company in Egypt, Rosetti Egypt for Trade and Import Llc, 99.8% indirectly owned by Rosetti Egypt Sae but not included in the scope of consolidation as it is dormant.
- liquidation and cancellation of North Adriatic Offshore Scrl from the register of companies;

The subsidiaries and associates operate in the following segments:

- Fores Engineering Srl, Fores Engineering Algèrie Eurl, Fores Kazakhstan Llp: design, construction and maintenance of automation and control systems;
- Basis Engineering Srl, Tecon Srl.: multi-disciplinary design of oil and petrochemical facilities;
- Rosbar Scrl, Rosetti Imstalcon Llp, Rosetti Doo, Rosetti Egypt Sae, Kazakhstan Caspian Offshore Industries Llp, Rosetti Libya Jsc, Rosetti Egypt for Trade Llc: construction of offshore and onshore oil facilities;
- Rosetti General Contracting Construcoes Serviços Lda, Rosetti Kazakhstan Llp, Rosetti Ooo: services and operating activities on international markets.

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

The following is the statement of reconciliation between the shareholders' equity and profit for the year reported in the financial statements of the Parent Company and the corresponding consolidated figures as at 31 December 2010:

	Share-holders' equity	Net profit for the year
FIGURES REPORTED IN THE FINANCIAL STATEMENTS OF ROSETTI MARINO S.p.A. AS AT 31/12/10 Consolidation adjustments:	128,193	32,725
a. Difference between the carrying amount of consolidated equity investments and the valuation of those equity methods according to the equity method	35,553	14,535
b. Effect of accounting for finance lease agreements for tangible assets in accordance with the finance lease method	1,132	388
c. Reversal of unrealised profits resulting from transactions between Group companies	(28)	(919)
d. Effect of applying the same method to measure contract work in progress	0	(39,339)
e. Allocation of deferred tax assets and liabilities pertaining to the tax effect (where applicable) of consolidation adjustments	(355)	12,231
AMOUNTS REPORTED IN THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2010	164,495	19,621

ACCOUNTING POLICIES

The key accounting policies adopted for the preparation of the consolidated financial statements at 31 December 2010 in accordance with Article 2426 of the Italian Civil Code are set out below:

Intangible assets

Intangible assets are recognised at purchase or production cost, including related expenses but net of any grants towards capital expenditure. They are systematically amortised over their expected useful lives.

Intangible assets are written down if they become impaired, irrespective of the amount of previously recorded amortisation charges. If the grounds for an impairment loss cease to apply in later years, the original amount is restored, except with regard to goodwill and consolidation difference.

Advertising and research and development costs are expensed in their entirety during the year in which they are incurred.

Tangible assets

Tangible assets are recognised at purchase or production cost, net of any grants towards capital expenditure and adjusted for certain assets in application of specific revaluation laws. Cost includes related expenses and direct and indirect costs to the extent reasonably attributable to the asset.

Tangible assets are systematically depreciated each year on a straight-line basis using rates of depreciation determined in relation to the residual useful lives of the assets. The rates applied are presented on the section of the notes containing comments on assets. Tangible assets are written down when impaired, irrespective of previously recognised depreciation charges. If the grounds for an impairment loss cease to apply in later years, the original amount is restored.

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

Assets held under finance leases

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

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

Equity investments and securities (carried as long-term investments)

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

Inventory

Raw materials:

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

Contract work in progress and revenue recognition:

Contract work in progress spanning more than one year is measured at year-end on the basis of the consideration accruing with reasonable certainty (the percentage completion method). Consideration accruing is calculated by applying the completion percentage determined using the cost-to-cost method to estimated total revenues.

This percentage is calculated as the ratio of costs incurred as at 31 December 2010 to estimated total costs.

Contract work in progress of a duration of less than one year is measured at specific production cost (completed contract method).

Payments on account made by clients on a non-definitive basis while a project is ongoing, are recognised upon the completion of work as normally agreed in terms of “states of advancement” by reducing the amount of contract work in progress, whereas payments on account and milestone payments by clients are recognised under the item” Payments on account” on the liabilities side of the balance sheet.

Contracts are considered completed when all costs have been incurred and the work has been accepted by the clients. Any losses on contract work in progress are provided for in their entirety during the year in which they are expected.

Receivables

Receivables are recognised at estimated realisable value. For trade receivables, estimated realisable value is obtained by subtracting the bad debt provision from their nominal amount. The bad debt provision includes accruals made for non-payment risks.

Short-term financial assets

Short-term financial assets are recognised at the lower of purchase or subscription cost, including directly attributable auxiliary expenses, and realisable amount based on market performance. Realisable amount is determined as follows:

- for securities listed on regulated markets: market price calculated as the arithmetic average of listed prices in the month of December or the selling price of securities sold in the first few months of the following year;
- for securities not listed on regulated markets: market price on the basis of the market performance of securities with similar characteristics that are listed on regulated markets.

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

Cash and cash equivalents

Cash and cash equivalents are recognised at their nominal amount.

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 contingencies

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

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 contingencies.

Derivative financial instruments

Derivative financial instruments are employed solely for hedging purposes with the aim of managing the risks deriving from exchange rate fluctuation. They are recognised in the memorandum accounts at nominal amount upon signature of the contract.

The cost or income (calculated as the difference between the value of the instrument at the spot exchange rate when the contract is entered into and its value at the forward exchange rate) is recognised in the income statement on an accruals basis and in such a way as to offset the effects of the hedged cash flows.

If the instrument does not meet all of the requirements for hedge accounting, the profit or loss deriving from its measurement at fair value is immediately recorded in the income statement.

TFR/Employee severance indemnity provision

The employee severance indemnity provision covers the full liability accruing up to 31 December 2006 towards employees under applicable legislation, collective labour agreements and supplementary company agreements. The liability is adjusted for inflation based on indices.

Under the new rules introduced by Law No 296/2006, employee severance indemnity entitlement accruing after 1 January 2007 is paid, as decided by the employee, into the treasury fund administered by state social security and pensions body INPS or into a complementary pension plan.

Payables

Payables are recognised at their nominal amount.

Risks, commitments and guarantees

Commitments and guarantees are stated at their contractual amount. Secured guarantees on assets owned by the Group are disclosed in these Notes.

Costs and revenues

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.

Income taxes for the year

Income taxes are recorded on the basis of estimated taxable income in accordance with current tax rules, taking account of applicable exemptions and tax credits due. Deferred tax assets and liabilities are also recognised on temporary differences between the reported result for the year and taxable income. Deferred tax assets are recognised when it is reasonably certain that there will be sufficient future taxable income to ensure their recovery.

Translation into Euro of foreign currency items

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

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

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

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

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

OTHER INFORMATION

Comparison and presentation of figures

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

COMMENTS ON THE MAIN ASSET ITEMS

FIXED ASSETS

INTANGIBLE ASSETS

Concessions, licenses, trademarks and similar rights

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

	Balance 31/12/09	**Incr.**	**Decr.**	**Balance 31/12/10**
Licenses	12	3	(10)	5
Concessions of surface rights	577	0	(24)	553
Total concessions and licenses	**589**	**3**	**(34)**	**558**

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

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

Other intangible assets

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

	Balance 31/12/09	**Incr**	**Decr**	**Balance 31/12/10**
Mortgage arrangement fees	5	0	(1)	4
Software	985	467	(700)	752
Leasehold improvements	1,835	927	(791)	1,971
Total other intangible assets	**2,825**	**1,394**	**(1,492)**	**2,727**

The increase in “Software” was due to purchases of new software licenses, the development of new software to manage project documentation and feasibility studies and completion of the new SAP business management software.

Leasehold improvements mainly regarded work on the dock held under a concession at the Piombini yard and improvements involving the installation of changing rooms at rented premises adjacent to the property in Via Trieste.

Decreases totalling Euro 1,492 thousand were due to amortisation which is calculated on a different basis for each type of capitalised costs, as follows:

- on a straight-line basis over three years for software;
- over the duration of surface rights and the term of real estate lease agreements for improvements to such assets.

Consolidation difference

This item regards the positive differences between the cost paid by the Parent Company to acquire equity interests in Group companies and the corresponding portions of shareholders’ equity of those companies at the date of acquisition. Specifically, this item consists of the original difference of Euro 318 thousand deriving from the acquisition in 2007 of 20% of Tecon Srl (residual amount of Euro 126 thousand at 31 December 2010) and Euro 37 thousand deriving from the acquisition in 2008 of 10% of Basis Engineering Srl (residual amount of Euro 14 thousand at 31 December 2010). These differences are being amortised over five years.

TANGIBLE ASSETS

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

In 2010, ordinary depreciation charges were recognised at rates representing the useful lives of the tangible assets in question.

Some categories of tangible assets include the following revaluations applied in prior years by the Parent Company (in thousands of Euro):

	Law No. 576/75	Law No. 72/83	Law. No. 413/91	Law No. 266/05	Law No. 2/09
Yards and Buildings	0	0	433	0	6,642
Light constructions	0	0	0	654	254
Equipment	0	0	0	1392	0
Land	0	0	0	0	26,871
Processing furnaces	0	0	0	200	0
Machinery	8	226	0	781	0
TOTAL	**8**	**226**	**450**	**3,027**	**33,767**
Depreciation ‘10	0	0	(11)	0	(975)
Accumulated depreciation 31.12	(8)	(226)	(268)	(3,027)	(2,056)
Net Book Value	**0**	**0**	**165**	**0**	**31,711**

“Assets in progress and payments on account” includes work to extend the sandblasting and paintshop facilities at the Piomboni yard, construction work on the new offices in Via Trieste and, above all, construction work on a new yard in Kazakhstan by associated company Kazakhstan Caspian Offshore Industries LLP.

LONG-TERM INVESTMENTS

Equity investments

This item was subject to the following changes in 2010 compared to prior year:

- incorporation of a second company in Egypt, Rosetti Egypt for Trade and Import Llc, indirectly 99.8% owned by Rosetti Egypt Sae and not included in the scope of consolidation as it is dormant.

A detailed breakdown of investments in subsidiaries, associates and other entities is provided below (in thousands of Euro):

	% interest held	Balance 31/12/10	Balance 31/12/09
Subsidiaries:			
Rosetti Egypt for Trade Llc	99.8%	6	0
Total subsidiaries		**6**	**0**
Associates:			
RosBar Scrl		5	5
Rosetti Imstalcon Llp	50%	1,018	98
Tecon Scrl	20%	483	412
Total subsidiaries		**1,506**	**515**
Other entities:			
SAPIR		3	3
CAAF Industrie		2	2
Libian Joint Co.		0	9
Consorzio Cura		1	1
Cassa Risparmio Ravenna		137	137
Total other entities		**143**	**152**

The carrying amounts of the investments in associates have been revalued to bring them into line with the respective shareholders' equity amounts – the investment in Rosetti Imstalcon Llp has been stepped up by Euro 920 thousand and the investment in Tecon Srl by Euro 71 thousand.

Figures from the latest approved 2010 financial statements of the associates carried at equity are set out below (in thousands of Euro):

	Total assets	Shareholders' equity	Value of production	Net profit
Rosetti Imstalcon Llp	3,865	2,035	25,194	1,838
RosBar Scrl	12	11	1	0
Tecon Srl	4,806	2,415	5,901	356

RosBar Scrl and Rosetti Imstalcon Llp build large offshore facilities and equipment while Tecon Srl is an engineering company.

Receivables from associates

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

	Balance 31/12/10	**Balance 31/12/09**
Kazakhstan Caspian Offshore Ind.	6,200	1,750

This receivable consists of a medium-term loan granted to associate Kazakhstan Caspian Offshore Industries Llp to enable it to construct its own yard in Kazakhstan. The loan was disbursed in several instalments over two years. It is unsecured and bears interest at a market based, arm's length rate.

Based on the Company's Business Plan, no bad debts are expected in relation to this loan in light of the cash flow expected from contracts that the associate believes it will acquire in the years to come. In 2010, the associate acquired its first contract which was worth a total of Euro 22,000 thousand.

Receivables from others

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

	Balance 31/12/10	**Balance 31/12/09**
Mart Machinery Plant	748	695

This receivable regards a loan of USD 1,000 thousand made to Mart Machinery Plant (a company that owns 20% and 50%, respectively, of associate Rosetti Imstalcon Llp and indirect associate Kazakhstan Caspian Offshore Industries Llp); based on the repayment plan, the final repayment is due on 31 December 2015. The increase compared to prior year is entirely due to restatement at the 31 December 2010 exchange rate. The loan is unsecured and bears interest at a market based, arm's length rate.

An agreement was reached to postpone the repayments falling due in 2009 and 2010 to next year. No bad debt issues are expected in relation to this loan.

Treasury shares

In 2009, the Group purchased 200,000 treasury shares at a total cost of Euro 5,100,000.00 (Euro 25.50 per share); all of the treasury shares are currently held by parent company Rosetti Marino S.p.A.

A specific, non-distributable “Reserve for treasury shares” of the same amount was recorded at the same time under Shareholders’ equity, in accordance with Article 2359 of the Italian Civil Code.

CURRENT ASSETS

INVENTORY

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

	Balance 31/12/2010	Balance 31/12/2009
Raw materials	2,527	2,369
Less obsolescence provision	(1,100)	(1,100)
	1,427	1,269
Contract work in progress	151,208	314,096
Payments on account	(38,625)	(226,652)
	112,583	87,444
Advances to suppliers	6,764	6,542
Total inventory	**120,774**	**95,255**

Measurement of year end inventory at weighted average purchase cost does not lead to any appreciable difference compared to a current cost measurement. In order to bring inventory into line with its estimated realisable value, an obsolescence provision of Euro 1,100 thousand has been recorded; the obsolescence provision has not changed compared to prior year.

Contract work in progress is measured based on consideration accruing with reasonable certainty (percentage completion method). It is stated net of payments on account received based on the state of completion of the works.

The significant decrease in contract work in progress compared to prior year is due to completion of many contracts, including many opened in years prior to 2009. Contract work in progress includes several contracts in relation to which provision has been made for operating losses totalling around Euro 764 thousand.

Advances to suppliers primarily consist of sums paid to various suppliers upon placement of the related orders for purchases of materials.

RECEIVABLES

Due from clients

This item includes receivables from clients arising as a result of normal commercial transactions.

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

	Balance 31/12/10	Balance 31/12/09
Due from clients - Italy	19,350	16,940
Due from clients – other EU	33,936	11,973
Due from clients – non-EU	28,387	88,250
Provision for bad debts under Art 71 DPR 917/86	(5,010)	(2,775)
Total	**76,663**	**114,388**

The provision for bad debts is considered adequate to cover possible impairment losses on receivables. It has been determined on an overall basis taking account of collection risks relating to certain specific factors. These risks have increased compared to prior year, largely as a result of the political instability that has hit North Africa.

The decrease in total trade receivables compared to prior year is due to completion of many contracts and to a different sales trend over the year.

Given the nature of the Company’s business, trade receivables are highly concentrated with 61.93% (73.46% in prior year) of the total due from the five leading clients by outstanding balance.

Due from associates

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

	Balance 31/12/10			Balance
	Trade	Finan..	Tot.	31/12/09
Rosbar Scrl	1	0	1	1
Kazakhstan Caspian Off. Ind.	478	0	478	285

Rosetti Imstalcon LLP	0	0	0	4,822
Total	**479**	**0**	**479**	**5,108**

All trade and financial transactions with associates take place on an arm's length basis. These receivables are all recoverable so no provision for bad debts has been recorded.

Tax receivables

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

	Balance 31/12/10	**Balance 31/12/09**
VAT receivable	1,443	2,106
Foreign tax receivables	7	0
Substitute tax credit re TFR reval'n	0	1
Income tax receivable	9,102	300
Total tax receivable	**10,552**	**2,407**

The VAT receivable includes the annual VAT credit of Euro 1,048 thousand arising on ordinary commercial transactions, a quarterly VAT credit of Euro 242 thousand for which a refund was requested in 2008 but that has only been received in part and an automobile VAT credit of Euro 153 thousand, for which a refund has been requested, which accrued following retroactive changes to the rules on the deductibility of VAT applied to purchases of automobiles and associated expenses (refund application made in terms of Decree Law no 258 of 15 September 2006).

The income tax receivable is mainly due to the difference between payments on account made and the taxes actually due for 2010.

Deferred tax assets

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

Receivables from others

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

	Balance 31/12/10	Balance 31/12/09
Due within a year:		
Due from employees	212	231
Insurance pay-outs receivable	0	120
Due from liquidated companies	21	3
Sundry receivables	169	88
Total	**402**	**442**
Due after more than a year:		
Guarantee deposits	358	350
Sundry receivables	6	2
Total	**364**	**352**

The amounts due from liquidated companies refer to receivables from Rosbos Scrl and North Adriatic Offshore Scrl following the completion of their respective liquidation procedures. Sundry receivables mainly comprise a receivable from the Government of the Congo for amounts unduly withheld.

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

SHORT-TERM INVESTMENTS

Other securities

This item regards the investment made in the joint venture relating to the OMC (Offshore Mediterranean Conference) 2011.

CASH AND CASH EQUIVALENTS

Bank and post office accounts

The amount of Euro 39,395 thousand at 31 December 2010 consisted entirely of funds held in bank accounts. The change compared to prior year is explained by the attached cash flow statement.

Cash and cash equivalents on hand

This balance consists entirely of cash on hand and amounts to Euro 85 thousand.

ACCRUED INCOME AND PREPAID EXPENSES

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

	Balance 31/12/10	Balance 31/12/09
Accrued income re forward sale swaps	194	346
Other accrued income	1	3
Prepaid surety fees	0	2
Prepaid rental costs	32	0
Prepaid moveable property rent/lease costs	179	215
Other prepaid expenses	403	176
Total accrued income and prepaid expenses	**809**	**742**

COMMENTS ON THE MAIN LIABILITY ITEMS

SHAREHOLDERS' EQUITY

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

The main shareholders' equity items are commented on below:

SHARE CAPITAL

At 31 December 2010, share capital was wholly subscribed and paid and consisted of 4,000,000 ordinary shares with a par value of Euro 1.00 each.

REVALUATION RESERVE

This reserve was created in 2005 after the revaluation of fixed assets and the realignment of tax values and values for statutory reporting purposes under Law 266/05. It increased by Euro 33,368 thousand in 2008 as a result of the revaluation of fixed assets under Law 2/09.

LEGAL RESERVE

This reserve amounts to Euro 1,110 thousand and increased by Euro 79 thousand during the year as a result of allocation of part of the net profit for 2009.

RESERVE FOR TREASURY SHARES

This reserve was created in 2009, using the extraordinary reserve, in relation to treasury shares purchased as previously described.

OTHER RESERVES

Extraordinary reserve

This reserve consists of portions of annual earnings allocated in prior years. It increased by Euro 40,545 thousand in 2010 upon allocation of part of the net profit for 2009.

NET PROFIT FOR THE YEAR

This includes the net profit for the year.

TRANSLATION RESERVE

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

PROVISIONS FOR RISKS AND CONTINGENCIES

Tax provisions

This item includes Euro 374 thousand of provisions for deferred taxes (movements on this item are shown in a specific attachment) and Euro 679 thousand representing a provision for prior year taxes.

Other provisions

Movements on this item during 2010 were as follows (in thousands of Euro):

	Balance 31/12/09	**Incr.**	**Decr.**	**Balance 31/12/10**
Provision for future risks	2,672	376	(655)	2,393
Provision for contractual risks	1,577	4,145	(0)	5,722
Total other provisions	**4,249**	**4,521**	**(655)**	**8,115**

The provision for contractual risks has been created to cover the risk of probable work under warranty in application of contractual penalty clauses and adjustments to amounts accounted for last year in relation to negotiations that took place during the year.

The provision has been increased by Euro 585 thousand due to reclassification of part of the amount allocated to the provision for future risks, by Euro 1,184 thousand to cover the estimated cost of work under warranty on projects consigned to clients and by Euro 2,376 thousand to cover possible adjustments to contractual amounts already accounted for but still being finalised with the client as a result of new events taking place during the year.
The provision for future risks represents the best possible estimate of probable liabilities arising from ongoing civil litigation with third parties.

T.F.R./EMPLOYEE SEVERANCE INDEMNITY PROVISION

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

Balance at 31-12-2009	**3,758**
Amount accruing and recorded in the income statement	1,361
Draw-downs	(1,462)
Balance at 31-12-2010	**3,657**

The TFR/employee severance indemnity provision at 31 December 2010 represents the indemnity in favour of employees up to 31 December 2006. It will be settled through payments made when employees leave the Italian companies or through advance payments made in accordance with the law. Draw-downs consist of transfers to complementary pension funds in relation to amounts accruing during the year following changes introduced by Law no 296 of 27 December 2006 (Finance Act 2007).

PAYABLES

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

Due to banks

Amounts due to banks include the following (in thousands of Euro):

	Balance	Balance
Due within a year:	31/12/10	31/12/09
Loans	358	394
Due after more than a year		
Loans	499	857
Total amounts due to banks	**857**	**1,251**

Details of the change in the net financial position are provided in the attached cash flow statement.

Mortgage loans includes loans arranged by subsidiary Fores Engineering S.r.l. They include an unsecured loan with an outstanding balance of Euro 419 thousand and two mortgage loans with total outstanding balances of Euro 438 thousand for a total of Euro 857 thousand. The total includes Euro 358 thousand due within a year and Euro 499 thousand due after more than a year.

The key features of the loan are analysed in detail below:

- a long term loan arranged in 2002 and secured on real estate property. As at 31 December 2010, the outstanding amount was Euro 106 thousand including Euro 42 thousand due within a year. The last repayment is due on 25 June 2013;
- a long term loan arranged in 1998 and secured on real estate property. As at 31 December 2010, the outstanding amount was Euro 332 thousand including Euro 108 thousand due within a year. The last repayment is due on 31 December 2013;
- an unsecured long term loan arranged in 2007. As at 31 December 2010, the outstanding amount was Euro 419 thousand including Euro 208 thousand due within a year. The last repayment is due on 31 December 2012.

Due to other lenders

This item includes a subsidised loan of Euro 428 thousand from the Ministry of Industry which is gradually repayable by 2015. It also includes a liability of Euro 2,160 thousand towards leasing companies in the form of principal included in outstanding lease payments relating to land with warehouses and offices adjacent to the San Vitale yard.

Payments on account

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

	Balance 31/12/10	Balance 31/12/09
Advances from third party clients	100,912	94,429
Advances from associates	325	582
Total payments on account	**101,237**	**95,011**

Due to suppliers

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

	Balance 31/12/10	Balance 31/12/09
Due to suppliers - Italy	33,050	35,035
Due to suppliers – other EU	6,910	6,734
Due to suppliers – non EU	7,336	8,915
Total	**47,296**	**50,684**

Due to associates

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

	Balance 31/12/10	Balance 31/12/09
Tecon Srl	265	110
KCOI Llp	0	4
Total	**265**	**114**

The above payables were generated by commercial transactions that took place on an arm's length basis.

Tax payables

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

	Balance 31/12/10	Balance 31/12/09
Personal income tax deducted at source	1,594	1,349
Income taxes payable	1,369	7,264

Substitute tax on realignment	0	76
Other taxes not on income	7	0
VAT	0	775
Total tax payables	**2,970**	**9,464**

The decrease in this item mainly regards income taxes payable. The significant increase in profit in 2009 led to a large increase in income tax payables that year and in the payments on account due in 2010 with the result that the 2010 year end liability was lower.
Tax periods after 2005 have yet to be finalised and are still open to assessment.

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

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

	Balance 31/12/10	**Balance 31/12/09**
Due to employees	4,758	4,413
Due to insurance companies/brokers	0	0
Due to independent contractors	62	21
Due to pension funds	261	220
Sundry payables	68	143
Total other payables	**5,149**	**4,797**

ACCRUED EXPENSES AND DEFERRED INCOME
This item may be broken down as follows (in thousands of Euro):

	Balance	**Balance**
Accrued expenses:	**31/12/10**	**31/12/09**
Interest expenses on loans	14	21
Interest expenses on lease payments	0	19
Forward sale swaps	1	1
Deferred income :		
Other	0	3
Total	**15**	**44**

MEMORANDUM ACCOUNTS

GUARANTEES GIVEN

a. Sureties

This item mainly consists of sureties given by insurers and banks to the Company's clients as guarantees of proper performance of works and to release amounts withhold for performance purposes. It also includes sureties granted by insurers and banks to the VAT authorities in relation to refunds requested and sureties issued by the Company as security for commitments made by other Group companies.

OTHER COMMITMENTS AND RISKS:

a. Forward currency purchases

This item includes the amount of NOK 159,604 thousand as per contracts arranged with banks to hedge various purchase orders relating to shipbuilding contracts, the amount of USD 3,119 thousand relating to forward sale contracts for the same amount and the amount of USD 586 thousand per contracts arranged with the banks to hedge various purchase orders placed with suppliers.

b. Forward currency sales

This item regards the amount of USD 9,273 thousand as per the contracts arranged with banks to hedge sales contracts with clients.

From a management perspective, these contracts are intended to manage the interest rate risk and satisfy the conditions laid down by the applicable accounting standards to be treated as hedges.

Just one hedging contract, with a notional amount of USD 1,900 thousand, does not satisfy the said conditions for treatment as a hedge even though it is intended to manage the interest rate risk. This is because it relates to claims not yet finalised with the client.

Accordingly, this contract has been stated at its fair value at 31 December 2010.

d. Credit facilities

This figure refers to the credit facilities granted by financial institutions to our foreign suppliers to secure orders for purchases of raw materials.

COMMENTS ON THE MAIN INCOME STATEMENT ITEMS

VALUE OF PRODUCTION

REVENUES FROM SALES AND SERVICES

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

	2010	2009
Oil & Gas Business Unit	406,103	213,839
Shipbuilding Business Unit	42,416	51,578
Process Plants Business Unit	27,213	32,954
Sundry services	661	686
Total revenues from sales and services	**476,393**	**299,057**

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

	2010	2009
Revenues from Italian clients	61,726	94,203
Revenues from other EU clients	40,893	35,150
Revenues from non-EU clients	373,774	169,704
Total revenues from sales and services	**476,393**	**299,057**

Comments on the operating performance for the year are set out in the Directors' Report.

Given the nature of the Company's business, revenues are highly concentrated with around 68.39% of total revenues from sales and services generated by the five largest clients (75.8% in prior year).

CHANGE IN CONTRACT WORK IN PROGRESS

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

Opening contract work in progress at 01.01.10	(335,185)
Closing contract work in progress at 31.12.10	151,667
Total change in contract work in progress	**(183,518)**

At 31 December 2010, contract work in progress included Euro 47,294 thousand relating to the Oil & Gas Business Unit, Euro 82,852 thousand to the Shipbuilding Business Unit and Euro 21,521 thousand to the Process Plants Business Unit.

INCREASES IN OWN WORK CAPITALISED

In 2010, the capitalised costs included in this item included the cost of work done by the Parent Company at the San Vitale Yard (Euro 5 thousand – modernisation of compressed air equipment), the cost of work done at the Via Trieste facility (Euro 50 thousand – installation of a new heating system, creation of a new warehouse for consumable raw materials, implementation of an autoclave system, installation of a container with toilet facilities, construction of new offices), work at the Piombini facility (Euro 19 thousand – conversion of a garage into offices, extension of a sandblasting and paintshop building, new waste water treatment system) and leasehold improvements of Euro 53 thousand.

OTHER REVENUES AND INCOME

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

	2010	**2009**
Grants towards operating expenses	329	43
Total "Grants towards operating expenses"	**329**	**43**
Recharge of expenses to third parties	378	492
Hires and rentals	34	36
Gains on disposals of assets	14	0
Reversal of excessive provisions for risks	62	74
Out of period income	75	95
Other	160	155
Total other revenues	**723**	**852**

“Grants towards operating expenses” includes Euro 18 thousand of grants towards training courses, Euro 77 thousand towards the photovoltaic solar power system installed in 2008 on the roof of a building at the S. Vitale yard and Euro 234 thousand of grants from the Ministry for Business Activities towards improvements at the Via Trieste facility and at the S.Vitale and Piomboni yards (Law 488/92).

COST OF PRODUCTION

PURCHASES

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

	2010	2009
Raw materials	65,258	122,688
Consumables	2,349	3,247
Other purchases	138	114
Total purchases	**67,745**	**126,049**

The decrease in this item compared to prior year is mainly due to the lower volume of production activities.

COSTS FOR SERVICES

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

	2010	2009
Subcontracting and outsourcing	102,392	105,352
Repairs and maintenance	1,097	852
Electricity, water and heat	1,130	1,108
Other manufacturing costs	8,000	8,786
Auxiliary personnel costs	7,622	6,990
Selling costs	2,742	5,088
Directors/statutory auditors fees	1,117	1,110
Audit fees	133	120
General and administrative costs	8,619	6,568
Total costs for services	**132,852**	**35,974**

The decrease in this item compared to prior year was mainly due to the lower volume of production.

LEASE AND RENTAL COSTS
This item includes (in thousands of Euro):

	2010	2009
Maintenance of rented property	2	5
Concession fees	79	79
Rental of buildings	1,782	1,091
Hire/rental of moveable property	12,133	10,419
Software rental	73	14
Total lease and rental costs	**14,069**	**11,608**

The increase in this item compared to prior year is due to the different distribution over the year of activities requiring the use of rented and leased assets.

PERSONNEL COSTS
The income statement contains a breakdown of these costs.
The following table shows changes in the workforce by category during the year:

	31/12/09	Increases	Decreases	31/12/10
Executives	37	6	(9)	34
White collar	513	84	(93)	504
Blue collar	183	36	(10)	209
Total	**733**	**126**	**(112)**	**747**

AMORTISATION, DEPRECIATION AND WRITEDOWNS
The breakdown required has been provided in the Income Statement.
Details of depreciation charges on tangible assets are provided in a specific attachment.
“Writedowns of current receivables” represents the accrual made for the year to ensure that the bad debt provision covers the credit risk regarding outstanding receivables. The accrual was required mainly as a result of the current period of political instability that is affecting countries in North Africa, leading to an increased credit risk in relation to Egyptian customers.

CHANGE IN INVENTORY OF RAW MATERIALS

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

- Opening inventory at 01/01/10	(2,369)
- Closing inventory at 31/12/10	2,527
Total	**158**

PROVISIONS FOR RISKS

This item includes the provisions commented upon under “Provisions for risks and contingencies”.

SUNDRY OPERATING EXPENSES

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

	2010	**2009**
Taxes and duties other than income tax	182	176
Losses on disposals of assets	315	6
Out of period expenses	12	669
Other operating expenses	202	285
Total sundry operating expenses	**711**	**1,136**

Losses on disposals of assets mainly relate to the partial demolition of old offices and buildings used as workshops and warehouses in order to make space for the construction of a new office building at the Ravenna facility. Work on the new office building began during the year.

FINANCIAL INCOME AND EXPENSES

INCOME FROM EQUITY INVESTMENTS

This item consists of dividends arising from the investments held in Cassa di Risparmio di Ravenna (Euro 3 thousand) and Sapir (Euro 1 thousand).

OTHER FINANCIAL INCOME

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

	2010	2009
d) Income other than the above:		
Interest income from associates	122	20
Total interest income from associates	**122**	**20**
Interest from others and sundry income:		
- bank interest income	93	164
- sundry interest income	271	465
- allowances received	2	7
Total other financial income	**366**	**636**

INTEREST AND OTHER FINANCIAL EXPENSES

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

	2010	2009
Interest expenses on current accounts	48	57
Interest expenses on bank loans	34	95
Interest expenses on leases	142	318
Interest expenses on forward currency transactions	138	0
Interest expenses on third party loans	27	1
Allowances given	1	0
Total interest and other financial expenses	**390**	**471**

FOREIGN EXCHANGE GAINS AND LOSSES

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

	2010	2009
Foreign exchange gains	4,794	3,756
Unrealised foreign exchange gains	112	185
Foreign exchange losses	(5,324)	(5,837)
Unrealised foreign exchange losses	(14)	(649)
Total	**(432)**	**(2,545)**

ADJUSTMENTS TO VALUE OF FINANCIAL ASSETS

REVALUATIONS

These adjustments to investments in associates were made to bring carrying amount into line with the shareholders' equity of the associates. The adjustments stepped up the value of the investments by Euro 990 thousand.

WRITEDOWNS

This item includes the writedown of the investment in Libyan Italian Joint Company, (Euro 9 thousand), as a result of the delicate political situation in Libya.

NON RECURRING INCOME AND EXPENSES

OTHER INCOME

This item refers to out of period tax related income following an adjustment to the tax computation made after closing the financial statements at 31 December 2009.

OTHER EXPENSES

This item regards the allocation made during the year to the Provision for prior year taxation in order to ensure that it covers all amounts contested following tax inspections and yet to be agreed.

INCOME TAXES

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

	2010	**2009**
Current taxation	8,226	28,917
Deferred tax	(12,539)	1,478
Deferred tax income	12,682	(8,150)
Total income taxes	**8,369**	**22,245**

The effective tax rate is 29.9% (31.6% in 2009).

ATTACHMENTS

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

The said information is contained in the following attachments:

- Statement of movements on shareholders' equity for the years ended 31 December 2010 and 31 December 2009;
- Detailed analysis of tangible assets at 31 December 2010;
- Temporary differences resulting in recognition of deferred tax assets and liabilities.
- Statement of cash flows for the years ended 31 December 2010 and 31 December 2009.

ROSETTI MARINO S.p.A.
VARIATIONS OF THE CONSOLIDATED SHAREHOLDERS' EQUITY
FOR THE YEAR 2010
(in thousands of euro)

	Share Capital dutu	Revaluation reserve	legale reserve	Reserve for treasury shares held	Other riserve	Profit (loss carried forward)	Translation riserve olida	̀Consolidatio reserve	Net profit of the year	Total	Minority interest
Balance at 31/12/2008	**4.000**	**36.969**	**917**	**0**	**32.439**	**(13)**	**(22)**	**23**	**36.100**	**110.413**	**128**
Net profit of the year 2008											
- in riserve	0	0	114	0	29.539	13	(1)	0	(29.665)	0	0
-in dividends	0	0	0	0	160	0	0	0	(6.435)	(6.275)	0
Reserve for treasury shares held	0	0	0	5.100	(5.100)	0	0	0	0	0	0
Translation reserve	0	0	0	0	0	0	(331)	0	0	(331)	0
Variation consolidation area	0	0	0	0	0	0	0	0	0	0	0
Net profit of the year 2009	0	0	0	0	0	0	0	0	48.146	48.146	(3)
Balance at 31/12/2009	**4.000**	**36.969**	**1.031**	**5.100**	**57.038**	**0**	**(354)**	**23**	**48.146**	**151.953**	**125**
Net profit of the year 2009											
- in riserve	0	0	79	0	40.328	(60)	(1)	0	(40.346)	0	0
-in dividends	0	0	0	0	200	0	0	0	(7.800)	(7.600)	0
Translation riserve	0	0	0	0	17	0	504	0	0	521	0
Variation consolidation area	0	0	0	0	0	0	0	0	0	0	(61)
Net profit of the year 2010	0	0	0	0	0	0	0	0	19.621	19.621	(8)
Balance at 31/12/2010	**4.000**	**36.969**	**1.110**	**5.100**	**97.583**	**(60)**	**149**	**23**	**19.621**	**164.495**	**56**

STATEMENT OF CHANGES IN PROPERTY PLANT AND EQUIPMENT
FROM 1/1/2010 TO 31/12/2010

(in thousands of euro)

	Initial Situation			Movement of the year									Final Situation		
	Historical Cost	Depreciation Fund	Balance 31.12.2009	Addition		Disposal		Changing Cathegory		delta	Depreciation		Historical Cost	Depreciation fund	Balance 31/12/2010
				Acquisitions	Inter.Work.	Historical	Fund	Historical	Fund	change convers	Aliq.	Ordinary			
Yards and buildings															
-lands	33.233	(1.430)	31.803	0	0	0	0			24	0%	(1.650)	33.257	(3.080)	30.177
-yards and buildings	35.033	(9.597)	25.436	15	250	(379)	125			75	3%	(203)	34.994	(9.675)	25.319
-light constructions	4.932	(3.688)	1.244	16	178	(72)	9			6	10%	(300)	5.060	(3.980)	1.080
Plant and machinery:															
-plant	12.232	(9.566)	2.666	291	224	(270)	59				10%	(515)	12.477	(10.022)	2.455
-dry dock	7	(7)	0	0	0	0	0				10%		7	(7)	0
-processing furnaces	599	(599)	0	0	0	0	0				15%		599	(599)	0
-treatment plants	189	(122)	67	0	54	(5)	5				15%	(29)	238	(146)	92
-machinery	6.558	(5.781)	777	19	0	(82)	81	(230)	55		15,5%	(145)	6.267	(5.790)	477
-electronic equipment	26	(26)	0	0	0						10%		26	(26)	0
Industrial and commercial equipment	2.639	(2.050)	589	794	16	(39)	30	238	(58)	54	25%	(416)	3.702	(2.494)	1.208
Other tangibles:															
-office forniture	735	(499)	236	35	0	(1)	1	(9)	1	2	12%	(51)	762	(548)	214
-office machinery	1.653	(1.048)	605	383	0	(101)	28	(10)	1	6	20%	(219)	1.932	(1.238)	693
-vehicles for transport	515	(435)	80	13	0	0	0				20%	(61)	528	(496)	32
-car	64	(12)	52	20	0	0	0			6	25%	(2)	90	(14)	76
-pontoon	2.082	(104)	1.978	0	0	0	0	10	(1)		8%	(155)	2.092	(260)	1.832
Asset in progress and advances:	680	0	680	3.859	492	0	0			55	0	0	5.087	0	5.087
delta exchange conversion															0
Total	**101.177**	**(34.964)**	**66.213**	**5.445**	**1.214**	**(949)**	**338**	**(0)**	**(1)**	**228**		**(3.747)**	**107.117**	**(38.374)**	**68.743**

DEFERRED TAXES (TEMPORARY DIFFERENCES)
point 14 art. 2.427 cc

Description of temporary differences	*Deferred tax assets 31/12/2009*			*Decrease*			*Increase*			*Deferred tax assets 31/12/2010*		
Deductible differences	**Taxable Income**	**Rate**	**Tax**	**Taxable Income**	**Rate**	**Tax**	**Taxable Income**	**Rate**	**Tax**	**Taxable Income**	**Rate**	**Tax**
Entertainment expenses	45	31,40%	14	29	31,40%	9	0	31,40%	0	16	31,40%	5
Contracts valued at proceeds	52.371	27,50%	14.402	52.033	27,50%	14.309	2.524	27,50%	694	2.862	27,50%	787
Previous years' losses	0	20,00%	0	0	20,00%	0	0	20,00%	0	0	20,00%	0
Fund contractuals risk	1.577	27,50%	433	0	27,50%	0	4.145	27,50%	1.141	5.722	27,50%	1.574
Fund credit devaluation	0	27,50%	0	0	27,50%	0	1.862	27,50%	512	1.862	27,50%	512
Risk fund for future expenses	2.488	27,50%	683	646	27,50%	178	70	27,50%	19	1.912	27,50%	524
Foreign exchange losses not realized	171	27,50%	47	171	27,50%	47	10	27,50%	3	10	27,50%	3
Depreciation intangibles assets	203	31,40%	63	40	31,40%	13	0	31,40%	0	163	31,40%	50
Depreciation tangibles assets	2.204	31,40%	693	973	31,40%	306	975	31,40%	306	2.206	31,40%	693
Fund inventory obsolescence	1.195	27,50%	329	0	27,50%	0	0	27,50%	0	1.195	27,50%	329
Committed at a loss	35	31,40%	11	35	31,40%	11	0	31,40%	0	0	31,40%	0
Consolidation operations	10	31,40%	3	0	31,40%	0	0	31,40%	0	10	31,40%	3
Losses ires	0	27,50%	0	0	27,50%	0	0	27,50%	0	0	27,50%	0
Total	60.299		16.678	53.927		14.873	9.586		2.675	15.958		4.480

Description of temporary differences	*Deferred tax assets 31/12/2009*			*Decrease*			*Increase*			*Deferred tax assets 31/12/2010*		
Deductible differences	**Imponibile**	**Aliquota**	**Imposta**	**Imponibile**	**Aliquota**	**Imposta**	**Imponibile**	**Aliquota**	**Imposta**	**Imponibile**	**Aliquota**	**Imposta**
Accelerated depreciation	1	31,40%	0	0	31,40%	0	0	31,40%	0	1	31,40%	0
Contributions l.132 capital account art.55	0	31,40%	0	0	31,40%	0	0	31,40%	0	0	31,40%	0
Foreign exchange gains not realized	149	27,50%	41	149	27,50%	41	70	27,50%	19	70	27,50%	19
Consolidation operations	40.142	31,40%	12.605	40.142	31,40%	12.605	1.131	31,40%	355	1.131	31,40%	355
Dividends not collected	0	27,50%	0	0	27,50%	0	0	27,50%	0	0	27,50%	0
Total	40.292		12.646	40.291		12.646	1.201		374	1.202		374

Statement of cash flows for the year ended 31 December 2010

CASH FLOW STATEMENT

(thousands of Euro)

	31/12/2010	31/12/2009
A. OPENING SHORT-TERM NET FINANCIAL POSITION	**25,496**	**10,861**
B. CASH FLOW GENERATED (ABSORBED) BY OPERATING ACTIVITIES		
Net profit (loss) for the year	19,621	48,146
Depreciation and amortisation	5,341	4,761
Net change in provisions for risks and contingencies	(7,953)	2,371
Net change in TFR/employee severance indemnity provision	(101)	(45)
Profit (Loss) from operating activities before change in working capital	**16,908**	**55,233**
(Increase)Decrease in current receivables	46,446	13,917
(Increase) Decrease in inventory	(25,519)	9,726
(Increase) Decrease in trade payables and other payables	(2,868)	(44,250)
Increase (Decrease)in other working capital items	(96)	(132)
Change in payables to minority shareholders	(69)	(3)
	34,802	**34,491**
C. CASH FLOW GENERATED (ABSORBED) BY INVESTING ACTIVITIES		
Net change in fixed assets:		
- intangible	(1,394)	(1,152)
- tangible	(6,277)	(3,725)
- financial	(5,502)	(7,391)
	(13,173)	**(12,268)**
D. CASH FLOW GENERATED (ABSORBED) BY FINANCING ACTIVITIES		
Allocations to Reserves	587	(3)
Translation reserve	(66)	(332)
Distribution of profits	(7,600)	(6,271)
Other changes in medium/long term debt	(924)	(982)
	(8,003)	**(7,588)**
E. CASH FLOW FOR THE YEAR (B+C+D)	**13,626**	**14,635**
F. CLOSING SHORT-TERM NET FINANCIAL POSITION (A+E)	**39,122**	**25,496**

3. EXTERNAL AUDITORS’ REPORT

AUDITORS' REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND AND ALTERNATIVE CAPITAL MARKET REGULATION

(Translation from the Original Issued in Italian)

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

1. We have audited the consolidated financial statements of Rosetti Marino S.p.A. and its subsidiaries ("Rosetti Group") as of December 31, 2010. These consolidated financial statements prepared in accordance with the Italian law governing financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with Auditing Standards issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's consolidated financial statements, the balances of which are presented for comparative purposes as required by law, reference should be made to our auditors' report issued on April 12, 2010.

3. In our opinion, the consolidated financial statements of Rosetti Group give a true and fair view of the financial position of Rosetti Group as of December 31, 2010, and of the results of its operations for the year then ended in accordance with the Italian law governing financial statements.

4. The Directors of Rosetti Marino S.p.A. are responsible for the preparation of the Consolidated Report on Operations in accordance with the applicable law. Our responsibility is to express an opinion on the consistency of the Consolidated Report on Operations with the consolidated financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC). In our opinion the Consolidated Report on Operations is consistent with the consolidated financial statements of Rosetti Group as of December 31, 2010.

DELOITTE & TOUCHE S.p.A.

Signed by
Angelo Castelli
Partner

Bologna, Italy
April 11, 2011