ROSETTI MARINO

Consolidated Financial Statements

31 December 2013

Approved by the Board of Directors on 31/03/14

I N D E X

1. DIRECTORS' REPORT ON OPERATIONS,

ACCOMPANYING THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2013

Dear Shareholders,
The consolidated financial statements of the Group for 2013 report a net profit of Euro 8,960 thousand after depreciation and amortisation of Euro 6,373 thousand, writedowns of current assets of Euro 188 thousand, accruals to provisions for contingent risks of Euro 2,114 thousand and accruals to the income tax provision of Euro 6,106 thousand.
Bearing in mind the crisis that has stricken the global economy in the last few 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 2013 was characterised by a value of production in line with prior year (Euro 392 million in 2013 against Euro 396 million in 2012) in all segments where the Group operates.
Once again in 2013, the highest value of production was recorded in the Oil&Gas sector where there was a large increase compared to prior year in the volume of activity carried out by the parent company and a corresponding decrease in activity on the Caspian Sea where margins are higher. Specifically, the volume of business was primarily generated by major contracts for the North Sea (above all West Franklin / Elgin for Total UK) and by the "Marlin" contract for Foxtrot (Ivory Coast).
Even though it was lower than in prior year, we note that, once more in 2013, activities carried out abroad made a significant contribution in terms of value of production and profitability.
Other factors which contributed towards the overall reduction in profit were market trends with increased competition and greater attention by clients to cost containment and also the time saving measures that were undertaken in order to respect the scheduled delivery dates for two important platforms.
A selection of the key performance indicators is provided below:

	31.12.13	31.12.12
G.I.P. (in thousands of Euro)	392,195	396,369
(A1+A2+A3 of the income statement)		
EBITDA (in thousands of Euro)	20,253	39,206
(A+B-10-12-13 of the income statement)		
EBITDA / GIP	5.16%	9.89%
EBIT (in thousands of Euro)	11,578	28,275
(A+B of the income statement)		
EBIT / GIP	2.95%	7.13%
Gross profit (in thousands of Euro)	15,051	26,297
(item 22 of the income statement)		
Gross profit / GIP	3.84%	6.63%
Net profit (in thousands of Euro)	8,960	19,291
(item 23 of the income statement)		
Net profit / GIP	2.28%	4.87%
R.O.E	4.77%	11.19%
(Net profit / Opening Group Shareholders' Equity)		

We note that in 2013, as in prior year, the fact that the timing of operating activities was different than planned meant that the Group had to extend major hedging agreements entered into after acquiring contracts in foreign currency. Consequently, it recorded significant forex gains and losses in the Income Statement (in 2013 gains of Euro 3,440 thousand and, in 2012, losses of Euro 3,746 thousand) with the result that key performance indicators were somewhat distorted. If said forex gains/losses had been recorded under value of production, both EBIT and EBITDA would have shown much smaller decreases compared to prior year.

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

Oil & Gas Business Unit

With gross internal product – as previous defined - of around Euro 300 million in 2013 (Euro 280 million in 2012, this sector was confirmed as the Group's main operating segment.

During 2013, the Group was strongly committed to work on the

completion of orders acquired in previous years, most of which have to be delivered during the coming year. It also commenced work on orders acquired during the year.
Specifically, during the year, the Group completed and delivered a gas treatment module and two jackets for the recovery of the Costa Concordia cruise line. It also completed revamping works on a platform off the Libyan coast and mechanical and electrical hook-up works on Island D in the Caspian Sea area.
During the year, the Group acquired contracts worth a total of Euro 102 million mainly regarding the production of two platforms to be installed on the Adriatic Sea and an EPMS (Engineering, Procurement, Management, Services) service contract which includes the conversion of a mobile drilling platform into an oil production platform.
At the reporting date, the order backlog was sizeable and stood at Euro 253 million (against Euro 374 million at 31.12.2012).
However, we must note that the level of new orders was unsatisfactory and fell short of budget. This was the result of lower investment by Oil Companies as triggered by a fall in consumption levels and, above all, a large increase in production costs.
The increased in production costs for the realisation of new products drove the Oil Companies to prefer Brown Field activities in relation to existing platforms this keeping production at a healthy level without the need for the same massive investment.
During the year, the Group was strongly committed to this type of activity as we believe it offers an interesting opportunity to diversify into a sector which offers healthy profit levels.

Shipbuilding Business Unit
Shipbuilding contributed value of production of around Euro 57 million in 2013 (Euro 82 million in 2012).
In 2013, the business unit completed work on several contracts (regarding three Supply Vessels) while work continued on the construction of a Supply Vessel and an Anchor Handling Supply Vessel, orders for which were acquired in prior years.
In 2013, we did not manage to increase our order backlog. The current period of difficulty for Italian shipping companies – for years,

our best clients – due to over exposure on struggling markets (other than the offshore industry), together with increasing difficulty in raising new finance, have led to the cancellation or postponement of their investment programs. For this reason, we have decided to invest in sales and marketing activities towards foreign shipping companies which continue to have interesting investment plans.

Process Plants Business Unit

This business segment is entirely handled by subsidiary Fores Engineering and its associated companies. In 2013, it generated value of production of around Euro 35 million against around Euro 34 million in 2012, while recording satisfactory profit levels.

CAPITAL EXPENDITURE

In 2013, the Group incurred capital expenditure totalling Euro 7,384 thousand with Euro 560 thousand invested in intangible assets and Euro 6,824 thousand in tangible assets.

The main investments in intangible assets regarded the purchase and implementation of software primarily intended to control and plan certain business processes and prevent the loss of archived electronic data. They also included licence purchases and leasehold improvements, mainly to leased premises at the San Vitale yard.

Investments in tangible assets mainly regarded all three Parent Company production sites with the purchase of a second 500 tonne Terex crawler crane, completion of a new office building at the Piomboni Yard and a new hydraulic trailer for the San Vitale yard. Significant capex was also incurred by associated company Kazakhstan Caspian Offshore Industries with construction work on a new building at the Yard in Kazakhstan.

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

FINANCIAL SITUATION

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

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

Financial fixed assets mainly include a receivable of Euro 13,150 thousand from associated company Kazakhstan Caspian Offshore Industries LLp representing 50% of the loan made to that company, in prior years, to provide it with the financial resources needed to finance the capital expenditure planned during the first and second phases of setting up a construction yard in Kazakhstan.

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

	31.12.13	31.12.12
Short-term NFP (in thousands of Euro)	64,237	46,192
(C.IV of Assets – D.4 current of Liabilities)		
Asset coverage margin (in thousands of Euro)	102,912	97,282
(M/L term liabilities + total equity – fixed assets)		
Asset coverage ratio	1.95	1.91
(M/L term liabilities + total equity / fixed assets)		
Financial independence index	47.37%	40.91%
(Total equity/ total assets)		
Ratio of financial income(expense) to GIP	0.86%	-0.81%
(Items 16+17+17bis of the income statement / 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. This means 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 any bank borrowing and has obtained a good rating from the banks with which it deals. Accordingly, there are

no difficulties in raising financial resources or risks associated with interest rate fluctuation.
The Group is exposed to the exchange rate risk as a result of its operations on international markets. In order to protect itself against this risk, as in previous years, the Group has arranged exchange rate risk hedging transactions when it has acquired significant orders from clients in foreign currencies and issued significant orders to suppliers in foreign currencies. As at 31 December 2013, the Group had GBP 10,059 thousand and USD 115,772 thousand of outstanding forward sale contracts with various banks as hedges for orders received from clients plus NOK 63,256 thousand and USD 105 thousand of outstanding forward purchase contracts as hedges for various purchase orders placed with suppliers. Most of the foreign exchange gains and losses recorded during the year are due to the need to extend hedging transactions after some contracts passed their scheduled completion date.

PERSONNEL

For all of the Group companies – as for the Parent Company – the skill and professionalism of personnel constitutes an extremely important intangible asset.
Therefore, during the year, the Group invested a lot of resources on training activities that involved many employees (for example, the Parent Company invested an amount equal to 2.40% of its personnel costs). This figure confirms the special attention that has been paid to the professional development of human resources as we believe that people represent an essential resource for the continued success and development of the Group.
As at 31 December 2013, the headcount came to 792 employees, a net increase of 45 compared to 31 December 2012.
Some 152 employees left the workforce due to natural turnover while 197 new employees were hired. In further detail, it should be noted that the number of executives and white-collar workers increased by 5 and 8, respectively, while blue-collar workers increased by 32. Headcount increases were recorded by parent company Rosetti Marino S.p.A. (+33 employees), by Fores Engineering Srl (+17), by Fores

Engineering Algerie Eurl (+12), by Rosetti Kazakhstan Llp (+12), by Basis Engineering Srl (+9) and by Fores do Brasil Ltd (+1) while there were decreases for Kazakhstan Caspian Offshore Industries Llp (-38) and Rosetti Egypt Sae (-1).

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

All production facilities have been certified compliant with the BS-OHSAS18001 standard.

Furthermore, we continue to promote initiatives aimed at further spreading a culture of safety among all internal and external workers who operate at our Italian and international production facilities.

OTHER INFORMATION ON OPERATIONS

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

Information on business risks

The inherent risks involved in the business activities of the Group companies are those typical of enterprises that operate in the plant engineering and shipbuilding segments.

The responsibilities resulting from the design and construction of our products and the risks associated with normal operating activity are dealt with in advance by devoting adequate attention to such aspects when developing processes and implementing adequate organisational procedures, as well as by acquiring adequate insurance cover on a precautionary basis.

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

Activities relating to Legislative Decree 231/11 on administrative responsibility

For 2013, the Parent Company Supervisory Board has duly issued Six Monthly Reports on its activities in the first and second halves of the year. The Board of Directors has acknowledged these reports which do not contain any facts or issues worth of note.

Information on the environment

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

Research and development

Research and development is carried out by the specific Business Development unit which incurred costs totalling Euro 628 thousand. These activities have involved the study of new products and new technologies, relating in particular to hydrogen production and a new project regarding a hybrid propulsion tugboat. These research activities 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

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

Significant events after the reporting period

Between the reporting date and the date of this Report, the Tenge (Kazakh currency) has been devalued by around 18.18% with a potential negative impact of around Euro 2.9 million on consolidated shareholders' equity.

BUSINESS OUTLOOK

The order backlog comprising orders acquired but not completed at 31 December 2013 stands at around Euro 307 million.

In terms of market trends and the main commercial and operational issues in the sectors in which the Group operates, we highlight the following:

Oil & Gas Business Unit

The order backlog for this business unit stands at Euro 253 million. This cannot yet be considered satisfactory even though it covers our production capacity for much of 2014. We will have to intensify our sales initiatives during the year to restore the backlog to its usual levels so that we can look forward with confidence to 2015.

Generally speaking, taking into account the existing order backlog and ongoing negotiations for work to be performed immediately, we believe that we can achieve our budget objectives in 2014, remaining broadly in line with the results for 2013. These results show a profit albeit not at an entirely satisfactory level.

Market indices for the Upstream Oil & Gas segment are generally healthy and confirm that oil companies' investment plans are set to grow at a rate of 3% per annum on a global level. Even though much of this investment will be concentrated in geographical areas and types of plant and equipment where we do not traditionally operate, the growth prospects for our business remain positive and this is also confirmed by the number of bids that have been submitted in recent months or which are currently being put together.

We must, however, highlight a general lengthening of the decision making process for practically all Oil Companies with regard to carrying out planned investment. We believe that this situation is due to the difficult economic situation in almost all western countries, leading to reduced energy consumption, but also to the geopolitical situation in a number of important hydrocarbon producing countries/areas. These countries are undergoing a period of great instability and the climate is not right for ever more costly projects.

We believe that the strong market positioning achieved in the North Sea with major oil companies like Shell, Conoco and Total offers us interesting opportunities in that part of the world. Consequently, also for commercial purposes, we have decided to maintain our presence in Aberdeen where we have set up a base of operations for hook-up works on the West Franklin and Elgin B platforms, as produced on behalf of Total. For operational purposes, we confirm the need to maintain collaboration agreements with a local yard so that we can service the area at competitive costs which our Ravenna yard is unable to offer because of the high level of transportation and logistics costs.

There are also a concrete possibility that we will be able to acquire important business from traditional clients like Edison – in the Italian offshore segment – and ENI from which we are waiting to receive the documentation for competitive tenders for several platform for offshore fields in the Congo.

In Kazakhstan, major investments approved last year are in progress with regard to preparation of the Aktau Yard to carry out important projects in that country. The most imminent of these is Project TCO for Chevron and our yard has been given approval by the client; the commercial phase should be completed during the year. We cannot make any premature assumptions but, in light of the level of commercial competition in the area and uncertainty over the amount of work to be carried out local, we consider TCO a target project. We expect further major projects in Kazakhstan in the relatively near future.

Furthermore, we must highlight the major effort made during the final months of last year and during the current year to internationalise the activities of the Company. Particular attention has been paid to a number of geographical areas where we plan to establish a commercial and strategic operational presence. In particular, we are currently evaluating several opportunities to enter into joint ventures with local partners in Ghana and in West Africa, in general. Mozambique remains a country of great interest, deserving of constant monitoring until the investment plans of Eni and Anadarko materialise in the wake of major gas deposits recently discovered.

We are also looking at opportunities that seem set to materialise in the near future in Mexico as a result of recent – but long expected –

legislative reform which liberalised the Oil & Gas sector clearing the way for new investment by international operators who were previously excluded.

The Company is also strongly committed to marketing activities and to entering the Onshore segment, especially in the North African market which offers the best opportunities for projects of interest to us. We believe a highly selective approach should be maintained in relation to this relatively new type of work. Such an approach should concentrate on identifying and carrying out projects whose size and characteristics do not expose us to unforeseen risks. However, despite the large number of bids and tenders which have been submitted, we are still waiting for responses for clients, precisely because of the aforementioned delayed implementation of investment programmes.

Shipbuilding Business Unit

This sector is suffering from a severe liquidity crisis which has affected the investment plans of most shipping companies. In particular, Italian shipping companies which have always been very important clients for the Company have suffered serious financial distress as a result of both a general reduction in the flow of credit from the banks and excessive investment – almost always debt financed – in sectors other than the offshore industry which did not produce adequate returns because of the negative economic situation in recent years.

In contrast, the offshore shipping market has confirmed the positive trend seen for some years now and this encourages us to look for new clients on international markets.

At the same time, we are continuing to offer the assistance required by our clients in their search for financing solutions which can support their investments.

At present, the best prospects regard the construction of support vessels for deep-water oil fields and for sub-sea activities.

In geographical terms, the markets of greatest interest for our products are the Brazilian offshore industry, the Persian Gulf and, naturally, our constant commercial presence on the North Sea which remains a particularly healthy market.

We have also planned certain investment necessary in order to bring the San Vitale production site into line with the technical characteristics of the vessels of the future. This regards, in particular, bigger ships which will require the expansion of the shipbuilding area and the installation of new equipment.
In the shipbuilding segment, too, we believe it is reasonable to expect a recovery during the current year even though the levels of activity seen in previous years might not be achieved.
It remains prudent for us to maintain a very flexible organisational structure for the time being with additional resources ready to be integrated into the production phase as necessary.

Process & Plant Business Unit

The Group operates in this segment through subsidiary Fores Engineering Srl and its associated companies. The market is particularly healthy. Orders taken during 2013 took our order backlog to Euro 29 million and further orders worth around Euro 11 million have been acquired in the first few months of 2014. This order backlog guarantees a sufficient workload for 2014.
From a geographical perspective, in 2014, the areas of greatest commercial interest are the North Sea, the United Arab Emirates, North Africa, West Africa, Kazakhstan, Brazil and South East Asia.
Ongoing commercial activities involve tenders whose quantity and value make it reasonable to expect that Budget 2014 objectives will be exceeded in terms of revenues and profitability in this segment, too.

Dear Shareholders,
The activities carried out by the Group in 2013 have generated a net profit of Euro 8,960 thousand.
Finally, we invite you to approve the consolidated financial statements, the accounting policies applied and the accompanying directors' report.
Ravenna 31/03/2014

For the Board of Directors
The Chairman
Medardo Ranieri

2. CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2013:

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

BALANCE SHEET (Amounts in thousands of Euro)

ASSETS		*2013*	*2012*
A)	**SUBSCRIBED CAPITAL NOT YET PAID**	**0**	**0**
B)	**FIXED ASSETS AND INVESTMENTS:**		
	I Intangible assets:		
	4) concessions, licences, trademarks and similar rights	506	507
	6) assets in progress and payments on account	14	0
	7) other intangible assets	1,614	1,737
	TOTAL INTANGIBLE ASSETS	2,134	2,244
	II Tangible assets:		
	1) land and buildings	72,295	77,066
	2) plant and machinery	7,320	5,158
	3) industrial and commercial equipment	1,315	1,558
	4) other tangible assets	2,922	2,794
	5) assets in progress and payments on account	2,032	202
	TOTAL TANGIBLE ASSETS	85,884	86,778
	III Financial assets:		
	1) investments:		
	a) in subsidiaries	1	1
	b) in associated companies	802	885
	d) in other entities	175	175
	2) receivables:		
	b) from associated companies	13,150	10,900
	d) from others	580	606
	TOTAL RECEIVABLES	13,730	11,506
	4) treasury shares	5,100	5,100
	TOTAL FINANCIAL ASSETS	19,808	17,667
	TOTAL FIXED ASSETS	**107,826**	**106,689**
C)	**CURRENT ASSETS:**		
	I Inventory:		
	1) raw, ancillary and consumable materials	857	1,893
	3) contract work in progress	96,638	155,283
	5) payments on account	8,754	11,288
	TOTAL INVENTORY	106,249	168,464
	II Receivables:		
	1) due from clients (trade)	105,430	102,336
	3) due from associated companies	1,469	15,673
	4bis) tax receivables	13,515	12,720
	4ter) deferred tax assets	5,579	5,075
	5) other		
	- due within a year	137	170
	- due after more than a year	458	370
	TOTAL RECEIVABLES	126,588	136,344
	III Current financial assets:		
	6) other securities	21	21
	TOTAL FINANCIAL ASSETS	21	21
	IV Cash and cash equivalents:		
	1) bank and post office accounts	64,188	46,311
	3) cash and cash equivalents on hand	49	74
	TOTAL CASH AND CASH EQUIVALENTS	64,237	46,385
	TOTAL CURRENT ASSETS	**297,095**	**351,214**
D)	**PREPAID EXPENSES AND ACCRUED INCOME**	**750**	**1,405**
TOTAL ASSETS		**405,671**	**459,308**

LIABILITIES AND SHAREHOLDERS' EQUITY		*2013*	*2012*
A)	**SHAREHOLDERS' EQUITY:**		
	I Share capital	4,000	4,000
	III Revaluation reserve	36,969	37,963
	IV Legal reserve	1,110	1,110
	VI Reserve for treasury shares held	5,100	5,100
	VII Other reserves	137,231	120,687
	VIII Retained earnings (Accumulated losses)	127	(77)
	IX Net profit for the year	8,960	19,291
	X Translation reserve	(1,352)	(210)
	XI Consolidation reserve	23	23
	TOTAL EUITY ATTRIBUTABLE TO THE GROUP	**192,168**	**187,887**
	Capital and reserves attributable to minorities	2	16
	TOTAL EQUITY ATTRIBUTABLE TO THE GROUP AND MINORITIES	**192,170**	**187,903**
B)	**PROVISIONS FOR RISKS AND CHARGES:**		
	1) Provisions for retirement benefits and similar	48	12
	2) Tax provisions	2,719	1,034
	3) Other provisions	12,031	10,842
	TOTAL PROVISIONS FOR RISKS AND CHARGES	**14,798**	**11,888**
C)	**T.F.R. / EMPLOYEE SEVERANCE INDEMNITY**	**3,678**	**3,533**
D)	**PAYABLES:**		
	4) due to banks:		
	- within a year	0	193
	5) due to other lenders		
	- within a year	555	685
	- after more than a year	92	647
	6) payments on account	113,905	151,811
	7) due to suppliers (trade)	67,687	89,995
	9) due to subsidiaries	1	1
	10) due to associated companies	818	295
	11) due to parent companies	8	14
	12) tax payables	3,420	5,220
	13) social security payables	2,643	2,165
	14) other payables	5,499	4,680
	TOTAL PAYABLES	**194,628**	**255,706**
E)	**ACCRUED EXPENSES AND DEFERRED INCOME**	**397**	**278**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**405,671**	**459,308**

MEMORANDUM ACCOUNTS	*2013*	*2012*
1. Guarantees given:		
a) Sureties issued in favour of:		
- associated companies	3,119	6,483
- other	137,196	124,198
TOTAL GUARANTEES GIVEN	**140,315**	**130,681**
3. Other commitments and risks:		
a) forward currency purchases	7,833	13,127
b) forward currency sales	98,103	152,387
TOTAL OTHER COMMITMENTS AND RISKS	**105,936**	**165,514**

INCOME STATEMENT (AMOUNTS IN THOUSANDS OF EURO)	*2013*	2012
A) VALUE OF PRODUCTION:		
1) Revenues from sales and services	168,102	318,421
3) Change in contract work in progress	224,093	77,948
4) Increase in own work capitalised	30	88
5) Other revenues and income:		
a) grants towards operating expenses	205	147
b) other	4,014	1,468
TOTAL VALUE OF PRODUCTION	**396,444**	**398,072**
B) COST OF PRODUCTION:		
6) Raw, ancillary and consumable materials and goods for resale	(108,510)	(114,387)
7) Services	(206,485)	(182,091)
8) Leases and rentals	(5,838)	(10,199)
9) Personnel costs:		
a) wages and salaries	(39,927)	(38,022)
b) social security contributions	(10,574)	(8,707)
c) T.F.R. /employee severance indemnity	(2,121)	(1,828)
e) other personnel costs	(853)	(898)
Total personnel costs	(53,475)	(49,455)
10) Amortisation, depreciation & writedowns:		
a) amortisation of intangible assets	(672)	(761)
b) depreciation of tangible assets	(5,701)	(5,523)
d) writedowns of current receivables and cash and cash equivalents	(188)	(1,114)
Total amortisation, depreciation & writedowns	(6,561)	(7,398)
11) Change in inventory of raw, ancillary and consumable materials and goods for resale	(1,037)	(1,940)
12) Provisions for risks	(2,114)	(3,533)
14) Sundry operating expenses	(846)	(794)
TOTAL COST OF PRODUCTION	**(384,866)**	**(369,797)**
DIFF. BETWEEN VALUE AND COST OF PRODUCTION (A+B)	**11,578**	**28,275**
C) FINANCIAL INCOME AND EXPENSES:		
15) Income from equity investments:		
a) dividends and other income from subsidiaries	38	0
d) dividends and other income from other entities	5	5
16) Other financial income:		
d) income other than the above		
- interest and fees from associated companies	332	449
- interest and fees from others and sundry income	1,195	1,420
17) Interest and other financial expenses:		
d) other	(1,017)	(390)
17bis) exchange gains and losses	2,835	(4,693)
TOTAL FINANCIAL INCOME AND EXPENSES	**3,388**	**(3,209)**
D) ADJUSTMENTS TO FINANCIAL ASSETS		
18) Revaluations:		
a) of equity investments	14	58
19) Writedowns:		
a) of equity investments	(22)	(163)
TOTAL ADJUSTMENTS TO FINANCIAL ASSETS	**(8)**	**(105)**
E) NON-RECURRING INCOME /(EXPENSES)		
20) Income:		
a) gains on disposals	35	7
b) other	126	1,408
21) Expenses:		
a) losses on disposals	(40)	(6)
b) prior year taxation	(20)	0
c) other	(8)	(73)
TOTAL NON-RECURRING INCOME /(EXPENSES), NET	**93**	**1,336**
PROFIT BEFORE TAXATION (A+B+C+D+E)	**15,051**	**26,297**
22) Taxes on income for the year	(6,106)	(7,040)
NET PROFIT FOR THE YEAR, INCLUDING AMOUNT PERTAINING TO MINORITY INTERESTS	**8,945**	**19,257**
Profit pertaining to minority interests	15	34
NET PROFIT ATTRIBUTABLE TO THE GROUP	**8,960**	**19,291**

NOTES

STRUCTURE AND CONTENT OF THE CONSOLIDATED 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 2013 have been prepared using the financial statements of the individual companies included within the scope of consolidation, as obtained from the statutory financial statements and consolidation packages prepared by the respective Boards of Directors. These financial statements have been appropriately adjusted, as necessary, to bring them into line with the accounting policies described below.

CONSOLIDATED REPORTING DATE

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

CONSOLIDATION PRINCIPLES

A) Consolidation methods

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

- the carrying amount of equity investments is eliminated against the related shareholders' equity; the difference between the acquisition cost and shareholders' equity of investees is allocated, where possible, to the asset and liability items of the companies within the scope of consolidation. Any residual amount, where negative, is recognised under a shareholders' equity item entitled "Consolidation reserve"; where positive, it is recognised under an asset item entitled "Consolidation difference" and amortised over five years where that amount represents future income-generating capacity;
- significant transactions between consolidated companies and payables, receivables and unrealised profits deriving from transactions between Group companies, net of any tax effect, are eliminated;
- 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 2013 include the financial statements of all companies directly and indirectly controlled by Rosetti Marino S.p.A. (the Parent Company) pursuant to Article 2359 of the Italian Civil Code, except for Rosetti Marino Mocambique Limitada and Roships Ltd which were not included in the scope of consolidation because they were not yet operating at 31 December 2013.

Investments in associated companies have been included according to the equity method. This is except for Kazakhstan Caspian Offshore Industries Llp which has been consolidated using the proportionate method and companies Unaros Fzc and Lenac – Rosetti Adria Doo which have been excluded because they are non-operational.

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

Company name	Location	Share capital	% interest held
Subsidiaries			
FORES ENGINEERING S.r.l.	Forlì	1,000	100.0%
BASIS ENGINEERING S.r.l.	Milan	500	100.0%
ROSETTI GENERAL CON. Lda (1)	Portugal	50	100.0%
ROSETTI KAZAKHSTAN Llp (2)	Kazakhstan	198	100.0%
ROSETTI Doo	Croatia	48	100.0%
FORES ENG. ALGERIE Eurl (3)	Algeria	437	100.0%
FORES DO BRASIL LTDA (4) (*)	Brazil	300	100.0%
ROSETTI EGYPT Sae (5) (**)	Egypt	32	90.0%

ROSETTI MARINO UK Limited	United Kingdom	0	100.0%
ROSETTI LYBIA Jsc (*)	Libya	622	65.0%
Associated companies			
TECON S.r.l.	Milan	47	20.0%
ROSETTI IMSTALCON Llp (**)	Kazakhstan	35	50.0%
K.C.O.I. Llp (6)	Kazakhstan	1,160	50.0%

(1) Including 2% held indirectly through Basis Engineering S.r.l.
(2) Including 10% held indirectly through Fores Engineering S.r.l.
(3) Held indirectly through Fores Engineering S.r.l.
(4) Including 75% held indirectly through Fores Engineering S.r.l.
(5) Including 30% held indirectly through Fores Engineering S.r.l. (15%) and Rosetti General Contracting Lda (15%)
(6) Including 40% held indirectly through Rosetti Kazakhstan Llp
(*) Companies currently dormant / non-operational
(**) In liquidation

During 2013, the following changes compared to prior year had an impact on the consolidated financial statements:

- Acquisition by Fores Engineering S.r.l. of 10% of Rosetti Kazakhstan Llp from the parent company;
- Incorporation of Rosetti Marino UK Ltd, 100% owned by the parent company;
- Incorporation of Fores do Brasil LTDA, a company established under Brazilian law and owned 25% directly and 75% indirectly through subsidiary Fores Engineering S.r.l.;
- Completion of the liquidation process of Rosetti Egypt for Trade Sae and Fores Engineering Kazakhstan Llp;
- Incorporation of Roships LTD, 100% owned by the parent company and not included in the consolidated financial statements because it is non-operating as yet.

The subsidiaries and associated companies operate in the following sectors:

- Fores Engineering S.r.l., Fores Engineering Algèrie Eurl and Fores do Brasil LTDA: design, construction and maintenance of automation and control systems;
- Basis Engineering S.r.l., Tecon S.r.l.: multi-disciplinary design of oil and petrochemical facilities;

- Rosetti Imstalcon Llp, Rosetti Doo, Rosetti Egypt Sae, Kazakhstan Caspian Offshore Industries Llp, Rosetti Libya Jsc, Rosetti Kazakhstan Llp, Rosetti Marino UK Limited, Unaros Fzc, Lenac Rosetti Adria Doo: construction of offshore and onshore oil facilities;
- Rosetti General Contracting Construcoes Serviços Lda, Roships Ltd: ship charter and services and operating activities on foreign 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 2013:

	Share-holders' equity	Net profit for the year
AMOUNTS REPORTED IN FINANCIAL STATEMENTS OF ROSETTI MARINO S.p.A. AT 31/12/13	156,280	9,898
Consolidation adjustments:		
a. Difference between the carrying amount of consolidated equity investments and the valuation of those equity methods according to the equity method	34,071	5,352
b. Effect of accounting for finance lease agreements for tangible assets in accordance with the finance lease method	2,495	489
c. Reversal of unrealised profits/losses resulting from transactions between Group companies	105	687
d. Reversal of unrealised profits resulting from distribution of dividends between Group companies	0	(7,164)
e. Allocation of deferred tax assets and	(783)	(302)

liabilities pertaining to the tax effect (where applicable) of consolidation adjustments		
AMOUNTS REPORTED IN THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2013	192,168	8,960

ACCOUNTING POLICIES

The key accounting policies adopted for the preparation of the consolidated financial statements at 31 December 2013 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

<u>Raw materials</u>:

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

Contract work-in-progress and revenue recognition:

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

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

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 foreseen by the contract 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.

Current financial assets

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

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

Cash and cash equivalents

Cash and cash equivalents are recognised at their nominal amount and include interest accruing as at the reporting date.

Prepaid expenses and accrued income, accrued expenses and deferred income

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

Provisions for risks and 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. When measuring risks and contingencies, risks and losses that came to light between the reporting date and the date the consolidated financial statements were prepared were also taken into account.

Risks for which the emergence of a liability is merely possible are disclosed in the Note on provisions without making any accrual to a provision for risks and 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; this is except for subsidiary Basis Engineering S.r.l. which continues to make allocations to the TFR provision.

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.

Revenues and costs
Revenues and costs are recognised in accordance with the prudence and accruals concepts required by Article 2423-*bis* of the Italian Civil Code, while recognising prepaid expenses and accrued income, accrued expenses and deferred income. 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 subsidies
Grants towards capital expenditure and operating expenses are recognised when they are collected.
In prior years, in order to take advantage of the suspension of taxation under tax rules in force until 31 December 1997, for the amount permitted by tax rules, part of the grants received was recorded under shareholders' equity item "other reserves".

Dividends

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

Income taxes for the year

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

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

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

Translation into Euro of foreign currency items

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

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

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

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

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

Accounting for contracts to hedge exchange risks

Forward contracts used to hedge the exchange risk relating to specific contractual commitments for the sale or purchase of goods that will be shipped (received or despatched) later are accounted for as follows:

- The purchase cost or sales revenue relating to the goods is booked at the spot exchange rate on the date of signature of the hedging agreement;
- Any difference between the foreign currency amount as translated at the predetermined exchange rate and the foreign currency amount as determined at the date of the hedging agreement shall be recorded in the income statement over the period of the hedging agreement, on an accrual basis, like interest.

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 31/12/12	Incr.	Decr.	Balance 31/12/13
Licences	2	25	(2)	25
Concessions of land rights	505	0	(24)	481
Total concessions, licences, etc	**507**	**25**	**(26)**	**506**

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

respectively.
Concessions of land rights consists of the residual amount of consideration paid to acquire those rights, which expire in 2017, 2018 and 2050, on land adjacent to the Piomboni yard.
The increases for the year mainly regard costs incurred by subsidiary Rosetti Kazakhstan Llp to acquire second level operating licences.

Intangible assets in progress

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

	Balance 31/12/12	Incr.	Decr.	Balance 31/12/13
Intangible assets in progress	0	14	0	14

The increase is due to development of software intended to implement a new planning and control method which will improve the engineering process and the interface between the various IT devices in use.

Other intangible assets

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

	Balance 31/12/12	Incr.	Decr.	Balance 31/12/13
Loan arrangement fees	1	0	(1)	0
Software	260	467	(282)	445
Leasehold improvements	1,476	54	(361)	1,169
Total other intangible assets	**1,737**	**521**	**(644)**	**1,614**

The increase in software is due to purchases of software licences and the purchase/implementation of software intended to control certain business processes, prevent the loss of archived electronic data, plan purchases and sub-contracting, manage documents requested by clients, contract stage of completion reports, the register of welding and, finally, support bidding/tendering activities.
Leasehold improvements include work on the building leased by subsidiary Basis Engineering S.r.l. to adapt it to meet the requirements of the business.

Decreases totalling Euro 644 thousand were due to amortisation which is calculated on a different basis for each type of capitalised cost, as follows:

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

TANGIBLE ASSETS

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

In 2013, ordinary depreciation charges were recognised at rates representing the useful lives of tangible assets.

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

	L.576/ 1975	**L.72/ 1983**	**L.413/ 1991**	**L.266/ 2005**	**L.2/ 2009**
Yards and Buildings	0	0	433	1,155	6,641
Light constructions	0	0	0	651	254
Equipment	0	0	0	1,259	0
Land	0	0	0	0	26,871
Machinery	7	163	0	636	0
TOTAL	**7**	**163**	**433**	**3,701**	**33,766**
Depreciation 2013	0	0	(19)	(70)	(551)
Accum. Deprec'n at 31/12/13	(7)	(163)	(343)	(2,774)	(4,411)
Net Book Value	**0**	**0**	**90**	**972**	**29,355**

"Assets under construction and payments on account" mainly consists of construction work on a new building at the Yard in Kazakhstan (Euro 1,951 thousand) associated company Kazakhstan Caspian Offshore Industries LLP. It also includes works not yet completed at the Piomboni and S. Vitale yards (Euro 15 thousand at Piomboni Yard in relation to an alarm/evacuation system and Euro 22 thousand at S. Vitale Yard for preliminary studies into the possible extension of the pre-fabrication yard) and work on the extension of the offices of Fores Engineering S.r.l. (Euro 43 thousand).

FINANCIAL ASSETS

Equity investments

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

	Interest held	Balance 31/12/12	Incr.	Decr.	Bal. 31/12/13
Subsidiaries:					
Rosetti Marino Mocambique Ltd	96%	1	0	0	1
Roships Ltd (*)	100%	0	0	0	0
Total subsidiaries		**1**	**0**	**0**	**1**
Associated companies:					
Rosetti Imstalcon Llp	50%	239	0	(99)	140
Lenac-Rosetti Adria Doo	50%	99	2	0	101
Unaros Fzc (**)	50%	0	0	0	0
Tecon S.r.l.	20%	547	14	0	561
Total associated companies		**885**	**16**	**(99)**	**802**
Other entities:					
SAPIR		3	0	0	3
CAAF Industrie		2	0	0	2
Consorzio Cura		1	0	0	1
Cassa Risparmio Ravenna		169	0	0	169
Total other entities		**175**	**0**	**0**	**175**

(*) Value of 0 as investment was subscribed for less than one thousand Euro.

(**) Value of 0 as the investment has been written down in full.

The carrying amounts of the investments in associated companies have been adjusted to bring them into line with the respective shareholders' equity amounts – the investment in Rosetti Imstalcon Llp has been reduced by Euro 99 thousand (including Euro 82 thousand due to dividends paid during 2013) while the investment in

Tecon S.r.l. has been increased by Euro 14 thousand as a result of the net profit for the year.
Figures from the latest available financial statements received from the associated companies carried at equity are set out below (in thousands of Euro):

	Total assets	Shareholders' equity	Value of production	Net profit / (loss)
Rosetti Imstalcon Llp	281	281	0	(15)
Tecon S.r.l.	5,175	2,804	5,181	71

Rosetti Imstalcon Llp is in liquidation and previously built large offshore installations and equipment. Tecon Srl is an engineering company.

Receivables from associated companies

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

	Balance 31/12/12	Incr.	Decr.	Balance 31/12/13
Kazakhstan Caspian Offshore Ind.	10,900	2,250	0	13,150

This receivable consists 50% of two medium-term loans granted to associated company Kazakhstan Caspian Offshore Industries Llp to enable it to construct and expand its own yard in Kazakhstan. The first loan was disbursed in several instalments commencing in 2009 (total outstanding amount of Euro 21,800 thousand at 31/12/2013). The second loan was approved during the year for a maximum amount of Euro 11,600 thousand (a total of Euro 4,500 thousand had been disbursed at 31/12/2013). Both loans are unsecured and bear interest at a market based, arm's length rate. Based on the Company's Business Plan, no bad debts are expected in relation to these loans in light of the cash flow expected from contracts that the associated company has acquired in recent years and from contracts it will probably acquire in future.
In light of the losses reported by associated company Unaros Fzc and the trouble encountered by it in acquiring the orders needed to launch its operating activities, the loan of USD 1,300 thousand made to it was written down in full in 2011.

Receivables from others

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

	Balance 31/12/12	Incr.	Decr.	Balance 31/12/13
Mart Machinery Plant	606	0	(26)	580

This receivable regards a loan of USD 800 thousand made to Mart Machinery Plant (a company that owns 20% of associated company Rosetti Imstalcon Llp in liquidation and 50% of indirect associated company Kazakhstan Caspian Offshore Industries Llp); based on the repayment plan, the final repayment is due on 31 December 2015. The decrease compared to prior year is due to restatement of the outstanding amount at the 31 December 2013 exchange rate. The loan is unsecured and bears interest at a market based, arm's length rate. No collection issues are expected in relation to this loan.

Treasury shares

This item, amounting to Euro 5,100 thousand, represents 200,000 treasury shares purchased in prior years at a price of Euro 25.50 each which is lower than the market price.

A specific, non-distributable "Reserve for treasury shares" of the same amount is recorded 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 31/12/2013	Balance 31/12/2012
Raw materials	2,698	3,712
Less obsolescence provision	(1,841)	(1,819)
	857	1,893
Contract work-in-progress	476,295	252,177
Payments on account	(379,657)	(96,894)
	96,638	155,283
Advances to suppliers	8,754	11,288

Total inventory	**106,249**	**168,464**

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 1,841 thousand has been recorded.

Long-term contract work in progress is measured based on consideration accruing with reasonable certainty (percentage completion method). It is stated net of payments on account received based on the state of completion of the works. The increase compared to prior year is mainly due to the gradual completion of major contracts already underway in prior years. Contract work in progress includes several contracts in relation to which losses to completion of around Euro 308 thousand have been estimated.

Advances to suppliers primarily consist of sums paid to various suppliers upon placement of the related orders for purchases of materials and for sub-contract agreements. The decrease compared to prior year is mainly due to completion of major purchase contracts in relation to which much of the advance payments made have been recovered.

RECEIVABLES

Due from clients (trade)

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

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

	Balance 31/12/13	**Balance 31/12/12**
Due from clients - Italy	38,280	20,056
Due from clients – other EU	31,568	40,534
Due from clients – non-EU	36,647	41,392
Provision for bad debts	(1,065)	(3,646)
Total due from clients (trade)	**105,430**	**102,336**

The increase in total trade receivables compared to prior year is due to the different timing of sales, in relation to the percentage completion of individual contracts and the acquisition of new contracts during the year.

Given the nature of the Group's business, trade receivables are highly concentrated with 71.46% (73.04% in prior year) of the total due from the five leading clients by outstanding balance.

The provision for bad debts is considered reasonable in light of the collection risks relating to trade receivables. It has been determined on an overall basis taking account of collection risks relating to certain specific factors.

The provision has been reduced by Euro 2,581 thousand as collection of certain doubtful receivables meant that it was excessive compared to the risk of default.

Receivables from associated companies

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

	Balance 31/12/13			Balance
	Trade	**Financial**	**Total**	**31/12/12**
Unaros Fzc	0	28	28	5
Lenac Rosetti Adria	1	0	1	0
Kazakhstan Caspian Off. Ind.	1,160	280	1,440	15,668
TOTAL	**1,161**	**308**	**1,469**	**15,673**

All trade and financial transactions with associated companies 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 31/12/13	Balance 31/12/12
VAT receivable	5,376	3,394
Customs duty receivable	51	1
Credit for substitute tax on revaluation of TFR	4	0
Foreign tax receivable	4	2
IRAP/Regional tax receivable	267	814
IRES/Corporation tax receivable	7,813	8,509
Total	**13,515**	**12,720**

The VAT receivable includes the annual VAT credit of Euro 3,404 thousand arising on ordinary commercial transactions, a quarterly VAT credit of Euro 63 thousand for which a refund was requested in 2007 but that has only been received in part and the annual VAT credit of Euro 1,909 thousand accruing at 31/12/2011 and 31/12/2012.

The IRAP receivable is due to the excess payments on account made in prior years compared to the tax actually due.

The IRES receivable is mainly due to the fact that income tax payments made on account in prior years exceeded the taxes actually due for 2013 and to refund requests made in relation to prior years which. In more detail, the refund requests refer to the following deductions:

- deduction of IRAP paid in accordance with Article 6 of Decree Law no 185 of 29 November 2008, transformed as amended by Law no 2 of 28 January 2009.
- deduction of IRAP paid on personnel and related costs in accordance with Article 2(1-iv) of Decree Law no 201 of 6 December 2011, transformed as amended by Law no 214 of 22 December 2011 and Article 4(12) of Decree Law no 16 of 2 March 2012, transformed as amended by Law no 44 of 26 April 2012.

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.

Deferred tax assets due to tax loss carryforwards have been recognised as the Company believes it is reasonably certain that it will generate sufficient taxable income in future against which to offset the tax loss carryforwards, within the period in which they are deductible under Italian tax law.

Receivables from others

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

	Balance 31/12/13	Balance 31/12/12
Due within a year:		
Due from employees	64	104
Insurance refunds receivable	1	1
Due from liquidated companies	0	18
Sundry	72	47
TOTAL	**137**	**170**
Due after more than a year:		
Guarantee deposits	458	370
TOTAL	**458**	**370**

Sundry receivables mainly comprise a receivable from the Government of the Congo for amounts unduly withheld, a receivable for grant income relating to electricity generated by photovoltaic power plants installed at the head office in via Trieste and at the San Vitale yard in Ravenna and advances paid to service providers.

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

CURRENT FINANCIAL ASSETS

Other Securities

This item regards the investment made in the joint venture relating to the OMC (Offshore Mediterranean Conference) 2015.

CASH AND CASH EQUIVALENTS

Bank and post office accounts

The balance of Euro 64,188 thousand at 31 December 2013 consisted entirely of funds held in bank accounts.

Cash and cash equivalents on hand

This balance consists entirely of cash on hand and amounts to Euro 49 thousand.

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

PREPAID EXPENSES AND ACCRUED INCOME

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

	Balance 31/12/13	**Balance 31/12/12**
Accrued income re forward sales / purchases	86	298
Accrued interest income	0	275
Prepaid rental costs	35	98
Prepaid leasing costs	8	26
Prepaid moveable asset rental costs	307	325
Other prepaid expenses	314	383
Total prepaid expenses & accrued income	**750**	**1,405**

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

COMMENTS ON THE MAIN LIABILITY ITEMS

SHAREHOLDERS' EQUITY

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

The main shareholders' equity items are commented on below:

SHARE CAPITAL

At 31 December 2013, share capital was wholly subscribed and paid and consisted of 4,000,000 ordinary shares with a par value of Euro 1.00 each.

REVALUATION RESERVE

This reserve was created in 2005 after the revaluation of fixed assets and the realignment of tax values and values for statutory reporting purposes under Law 266/05. It increased in 2008 as a result of the revaluation of fixed assets under Law 2/09. The decrease in 2013 was due to the reversal of the revaluation of the fixed assets of associated company Kazakhstan Caspian Offshore Industries Llp that was performed in 2012.

LEGAL RESERVE

This reserve includes portions of net profits allocated in prior years.

RESERVE FOR TREASURY SHARES HELD

This reserve was created in in prior years, using the extraordinary reserve, in relation to treasury shares purchased as previously described in the Note on Financial Assets.

OTHER RESERVES

Extraordinary reserve

This reserve consists of portions of annual earnings allocated in prior years. It increased by Euro 16,544 thousand in 2013 upon allocation of part of the net profit for 2012.

RETAINED EARNINGS (ACCUMULATED LOSSES)

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

NET PROFIT FOR THE YEAR

This includes the net profit for the year.

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.

We highlight the fact that Kazakh currency the Tenge has weakened by 18.18% against the Euro in 2014. This has a potential negative impact on consolidated shareholders' equity of around Euro 2.9 million.

PROVISIONS FOR RISKS AND CONTINGENCIES

Provision for retirement benefits and similar rights

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

Tax provisions

This item includes provisions for deferred taxes as calculated on temporary differences. We note that the theoretical tax effect of the temporary differences has been calculated based on current tax rates. The change in this item compared to prior year is shown in an attachment to these Notes.

Other provisions

Movements on this item during 2013 were as follows (in thousands of Euro):

	Balance 31/12/12	**Incr.**	**Decr.**	**Bal. 31/12/13**
Provision for future risks	1,335	1,365	(92)	2,608
Provision for contractual risks	9,507	776	(860)	9,423
Total other provisions	**10,842**	**2,141**	**(952)**	**12,031**

The provision for future risks represents the best possible estimate of probable liabilities arising from ongoing civil litigation with third parties. The provision for future risks has been utilised in relation to expenses incurred in relation to ongoing litigation and recorded under line items B7 "costs for services" (Euro 42 thousand) and B14 "sundry operating expenses" (Euro 50 thousand).

The provision for contractual risks has been created to cover the risk of probable work under warranty in application of contractual penalty clauses and the emergence of additional costs necessary to recover the delay accumulated on certain ongoing projects. The provision for contractual risks has been utilised in relation to the release of amounts allocated in prior years in relation to issues for which no provision is now required.

T.F.R./EMPLOYEE SEVERANCE INDEMNITY PROVISION

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

Balance at 31-12-2012	3,533
Amount accruing and recorded in income statement	2,121
Draw-downs	(1,976)
Balance at 31-12-2013	**3,678**

The TFR/employee severance indemnity provision at 31 December 2013 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

Details of the change in the net financial position are shown in the attached Statement of Cash Flows.

Amounts due to banks stood at zero at 31 December 2013 compared to Euro 193 thousand at 31 December 2012. This follows the repayment of the short-term finance granted to Fores Algeria at the end of 2012 for advances on invoices.

Due to other lenders

This item includes a subsidised loan of Euro 180 thousand from the Ministry of Industry to the parent company which is gradually repayable by 2015. It also includes a liability of Euro 467 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 31/12/13	Balance 31/12/12
Advances from third party clients	113,905	151,811
TOTAL PAYMENTS ON ACCOUNT	**113,905**	**151,811**

The decrease compared to prior year reflects the dynamics regarding contracts in progress at the reporting date. For further information, see the Note on contract work in progress.

Due to suppliers (trade)
This item may be broken down as follows (in thousands of Euro):

	Balance 31/12/13	Balance 31/12/12
Due to suppliers - Italy	42,610	53,331
Due to suppliers – other EU	8,214	19,511
Due to suppliers – non EU	16,863	17,153
TOTAL	**67,687**	**89,995**

The decrease is due to the different timing of contracts compared to 2012.

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

	Balance 31/12/13	Balance 31/12/12
Rosetti Marino Mocambique Ltd	1	1
TOTAL	**1**	**1**

This item consists entirely of an amount payable to Rosetti Marino Mocambique Limitada in relation to share capital subscribed but not yet paid.

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

	Balance 31/12/13	Balance 31/12/12
Tecon S.r.l.	818	295
TOTAL	**818**	**295**

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

Due to parent companies

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

	Balance 31/12/13	Balance 31/12/12
Rosfin S.p.A.	8	14
TOTAL	**8**	**14**

This item entirely consists of the payables to parent company Rosfin S.p.A. for fees due following the granting of a Parent Company Guarantee.

Tax payables

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

	Balance 31/12/13	Balance 31/12/12
Personal income tax deducted at source	2,199	2,582
Income taxes payable	465	38
Foreign income taxes payable	671	1,608
Other taxes not on income	31	110
VAT	54	882
Total tax payables	**3,420**	**5,220**

This item mainly consists of personal income tax deducted at source from the remuneration of employees and freelance workers, VAT payable and tax liabilities arising on income generated by the Tunisian Branch.

Tax periods after 2008 have yet to be finalised and are still open to assessment.

Social security payables

This item includes employee and employer social security contributions payable to social security institutions. The increase compared to 31 December 2012 is due to the headcount increase during the year.

Other payables

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

	Balance 31/12/13	**Balance 31/12/12**
Due to employees	4,762	3,955
Due to freelance contractors	35	26
Due to pension funds	317	285
Sundry payables	385	414
Total other payables	**5,499**	**4,680**

The increase in other payables compared to 31 December 2012 mainly reflects the increase in the number of employees over the year.

ACCRUED EXPENSES AND DEFERRED INCOME

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

	Balance	**Balance**
Accrued expenses:	**31/12/13**	**31/12/12**
Loan interest expense	6	9
Accrued expenses re forward sales/ purchases	388	267
Other	3	2
Total accrued expenses and deferred income	**397**	**278**

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

MEMORANDUM ACCOUNTS

Guarantees given

a. Sureties

This item mainly consists of Euro 137,196 thousand of sureties given by insurers and banks to the Company's clients as guarantees of proper performance of works and to release amounts withheld for guarantee, sureties granted by insurers and banks to the VAT authorities in relation to refunds requested. It also includes Euro 3,119 thousand of sureties issued by the Company to banks and/or third parties as security for commitments made by other Group companies.

OTHER COMMITMENTS AND RISKS:

a. Forward currency purchases

This item includes amounts of NOK 63,256 thousand and USD 105 thousand as per contracts arranged with banks to hedge various purchase orders relating to shipbuilding contracts and process plant contracts.

b. Forward currency sales

This item regards the amount of GBP 10,059 thousand as per the contracts arranged with a bank to hedge the contracts with Elf Exploration UK Limited and Foxtrot International Ldc.

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

Other

The Parent Company holds a 20% interest in Tecon S.r.l. and has granted a put option to the other quotaholders thus making a commitment to acquire the remaining quota capital. The other quotaholders may exercise this put option up until 22 November 2017.

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):

	2013	2012
Oil & Gas Business Unit	58,607	183,435
Shipbuilding Business Unit	72,668	104,904
Process Plants Business Unit	35,404	29,529
Sundry services	1,423	553
Total revenues from sales & services	**168,102**	**318,421**

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

	2013	2012
Revenues from Italian clients	61,691	121,298
Revenues from other EU clients	43,225	74,332
Revenues from non-EU clients	63,186	122,791
Total revenues from sales & services	**168,102**	**318,421**

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 68.92% of total revenues from sales and services generated by the five largest clients (77.72% 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 01.01.13	(252,177)
Closing contract work-in-progress at 31.12.13	476,270
Total change in contract work-in-progress	**224,093**

At 31 December 2012, contract work in progress included Euro 413,163 thousand relating to the Oil & Gas Business Unit, Euro 51,690 thousand to the Shipbuilding Business Unit and Euro 11,417 thousand to the Process Plants Business Unit.

INCREASES IN OWN WORK CAPITALISED

In 2013, the capitalised costs recorded under this item included the cost of leasehold improvements by the Parent Company at the San Vitale Yard (Euro 4 thousand – preliminary study into the extension of the prefabrication floor), the cost of work done at the Via Trieste facility (Euro 6 thousand – new internal turnstiles at the gatehouse to control entry to the premises), work at the Piomboni yard (Euro 9 thousand – fire prevention system at building 4, construction of new office blocks and extension of the canteen) and the cost of designing a new office building for subsidiary Fores Engineering S.r.l. (Euro 11 thousand).

OTHER REVENUES AND INCOME

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

	2013	**2012**
Grants towards operating expenses	205	147
Total "Grants towards operating expenses"	**205**	**147**
Recharge of expenses to third parties	454	429
Hires and rentals	119	49
Gains on asset disposals	28	102
Reversal of excessive provisions for risks	2,836	315
Out of period income	38	206
Other	539	367
Total other revenues	**4,014**	**1,468**

"Grants towards operating expenses" includes Euro 59 thousand of grants towards the photovoltaic solar power systems installed at the S. Vitale yard and the Via Trieste site, Euro 45 thousand of grants received from Fondimpresa in partial reimbursement of costs incurred to run two training programmes (to develop knowledge language and IT skills and provide an update on new technical and legal requirements on safety issues regarding machinery and equipment) and Euro 101 thousand of grants from Emilia Romagna Region for the Parent Company's research and development work in recent years. Specifically, these R&D grants relate to work on the development of a cold plasma system to separate carbon from natural gas before it is utilised and new catalytic technology to produce "renewable" hydrogen from bio-derivative organic compounds.

Reversal of excessive provisions for risks regards the restatement at the 31/12/2013 exchange rate of the writedown of the US Dollar loan granted to associated company Unaros Fzc and the reversal of excess bad debt provisions based on an updated review of doubtful debts also taking into account collection of a significant balance for which provision was made in prior years.

COST OF PRODUCTION

PURCHASES

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

	2013	2012
Raw materials	106,313	111,485
Consumables	2,027	2,437
Other purchases	170	465
Total purchases	**108,510**	**114,387**

The decrease compared to prior year is mainly due to business related purchasing dynamics.

COSTS FOR SERVICES

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

	2013	2012
Sub-contracting and outsourcing	161,180	148,057
Other production costs	25,841	13,816
Repairs and maintenance	1,551	1,368
Electricity, water, heating	1,612	1,496
Sundry personnel costs	5,105	4,573
Selling costs	1,838	2,628
Statutory auditors' fees	95	88
Directors' fees	719	1,783
Audit fees	230	203
General, administrative and insurance costs	8,314	8,079
Total costs for services	**206,485**	**182,091**

The increase compared to prior year is mainly due to the higher volume of production and to business related purchasing dynamics.

LEASE AND RENTAL COSTS

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

	2013	2012
Maintenance of leased/rented property	11	20
Concession fees	81	80
Rental of buildings	1,613	1,398
Hire/rental of moveable property	3,738	8,379
Software rental	395	322
Total lease and rental costs	**5,838**	**10,199**

The decrease 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:

	31/12/12	Increases	Decreases	31/12/13
Executives	41	7	(2)	46
White collar	604	141	(133)	612
Blue collar	102	49	(17)	134
Total	**747**	**197**	**(152)**	**792**

AMORTISATION, DEPRECIATION AND WRITEDOWNS

The breakdown required has been provided in the Income Statement.

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

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

CHANGE IN INVENTORY OF RAW MATERIALS

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

- Opening inventory at 01/01/13	(3,712)
- Accrual to (Utilisation of) inventory obsolescence provision	(23)
- Closing inventory at 31/12/13	2,698
Total	**(1,037)**

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):

	2013	2012
Taxes and duties other than income tax	508	490
Losses on disposals of assets	1	1
Out of period expenses	70	64
Other operating expenses	267	239
Total sundry operating expenses	**846**	**794**

FINANCIAL INCOME AND EXPENSES

INCOME FROM EQUITY INVESTMENTS
This item consists of dividends from liquidated company North Adriatic Offshore s.c.a.r.l. (Euro 1 thousand) and from the investments held in Cassa di Risparmio di Ravenna (Euro 4 thousand) and Sapir (Euro 1 thousand).
The difference is due to the effect of deconsolidation of the investment in Rosetti Egypt for Trade Sae upon completion of the liquidation process during the year.

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

	2013	2012
d) Income other than the above:		
Interest income from associated companies	332	449
Total Interest income from associated companies	**332**	**449**
Interest from others and sundry income:		
- bank interest income	951	868
- sundry interest income	243	548
- allowances received	1	4
Total other financial income	**1,195**	**1,420**

INTEREST AND OTHER FINANCIAL EXPENSES
This item may be broken down as follows (in thousands of Euro):

	2013	2012
Interest expenses on current accounts	2	5

Interest expenses on bank loans	7	9
Sundry interest expenses	1,008	376
Total interest & other financial expenses	**1,017**	**390**

FOREIGN EXCHANGE GAINS AND LOSSES

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

	2013	**2012**
Foreign exchange gains	6,668	5,424
Unrealised foreign exchange gains	84	104
Foreign exchange losses	(3,227)	(9,616)
Unrealised foreign exchange losses	(690)	(605)
Total	**2,835**	**(4,693)**

The significant variation in foreign exchange gains and losses is due to the need to extend hedging transactions after some contracts passed their scheduled completion date.

ADJUSTMENTS TO VALUE OF FINANCIAL ASSETS

REVALUATIONS

The adjustment of Euro 14 thousand to the investment in Tecon was made to bring its carrying amount into line with the shareholders' equity of the company. For more details, see the Equity Investments section.

WRITEDOWNS

This item includes the writedown of the investment in associated company Rosetti Imstalcom LLp by Euro 17 thousand and the effect of the deconsolidation of Fores Engineering Kazakhstan Llp upon completion of the liquidation process during the year. For more details, see the Equity Investments section.

NON-RECURRING INCOME AND EXPENSES

OTHER INCOME

This item mainly includes income and expenses relating to the disposal of assets primarily held by companies operating in Kazakhstan.

INCOME TAXES

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

	2013	2012
Current taxes	5,463	6,946
Deferred tax	1,200	283
Deferred tax income	(557)	(189)
Total income taxes for the year	**6,106**	**7,040**

The effective tax rate is 40.56% (26.77% in 2012).

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 2013 and 31 December 2012;
- Detailed analysis of tangible assets at 31 December 2013;
- Temporary differences resulting in recognition of deferred tax assets and liabilities.
- Statement of cash flows for the years ended 31 December 2013 and 31 December 2012.

ROSETTI MARINO S.p.A.
STATEMENT OF MOVEMENTS ON CONSOLIDATED SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013
(in thousands of Euro)

	Share capital	Revaluation reserve	Legal reserve	Reserve for Tr. Shares	Other reserves	Ret. Earnings (Accum. losses)	Transl. reserve	Consolid. reserve	Net profit for year	Total	Equity of minority interests
BALANCE AT 31 DECEMBER 2011	**4,000**	**36,969**	**1,110**	**5,100**	**110,882**	**(388)**	**701**	**23**	**13,898**	**172,295**	**49**
Net profit for 2011:											
- to reserves	0	0	0	0	9,787	311	0	0	(10,098)	0	0
- dividends	0	0	0	0	0	0	0	0	(3,800)	(3,800)	0
Elimination of intercompany dividends	0	0	0	0	0	0	0	0	0	0	0
Translation reserve	0	0	0	0	18	0	(911)	0	0	(893)	0
Revaluation reserve	0	994	0	0	0	0	0	0	0	994	0
Change in scope of consolidation	0	0	0	0	0	0	0	0	0	0	0
									0		
Net profit for 2012	0	0	0	0	0	0	0	0	19,291	19,291	(33)
BALANCE AT 31 DECEMBER 2012	**4,000**	**37,963**	**1,110**	**5,100**	**120,687**	**(77)**	**(210)**	**23**	**19,291**	**187,887**	**16**
Net profit for 2012:											
- to reserves	0	0	0	0	16,617	204	0	0	(16,821)	0	0
- dividends	0	0	0	0	0	0	0	0	(2,470)	(2,470)	0
Translation reserve	0	0	0	0	(73)	0	(1,142)	0	0	(1,215)	1
Revaluation reserve	0	(994)	0	0	0	0	0	0	0	(994)	0
Net profit for 2013	0	0	0	0	0	0	0	0	8,960	8,960	(15)
BALANCE AT 31 DECEMBER 2013	**4,000**	**36,969**	**1,110**	**5,100**	**137,231**	**127**	**(1,352)**	**23**	**8,960**	**192,168**	**2**

STATEMENT OF MOVEMENTS ON TANGIBLE ASSETS
FOR THE YEAR ENDED 31 DECEMBER 2013
(in thousands of Euro)

	Opening situation			Movements during the year							Closing situation		
	Historical cost	Accum. Deprec'n	Balance 31/12/2012	Additions: Purchases	Additions: Int. Works	Disposals: H/Cost	Disposals: Acc. Dep'n	Forex diff	Depreciation: Rate	Depreciation: Ordinary	Historical cost	Accum. Deprec'n	Balance 31/12/2013
Yards and buildings:													
- land	34,934	(4,862)	30,072	0	0	0	0	(37)	0%	0	34,897	(4,862)	30,035
- yards and buildings	59,446	(13,283)	46,163	9	0	(994)	1	(887)	3%	(3,144)	57,574	(16,426)	41,148
- light constructions	5,316	(4,484)	832	27	321	0	0	0	10%	(240)	5,836	(4,724)	1,112
Plant and machinery:													
- plant	15,233	(10,642)	4,591	2,996	15	(22)	23	0	10%	(845)	18,221	(11,464)	6,757
- dry dock	7	(7)	0	0	0	0	0	0	10%	0	7	(7)	0
- treatment furnaces	0	0	0	0	0	0	0	0	15%	0	0	0	0
- treatment plant	238	(192)	46	0	0	0	0	0	15%	(17)	238	(209)	29
- machinery	6,229	(5,708)	521	217	0	(186)	301	0	16%	(204)	6,145	(5,611)	534
- electrical systems	26	(26)	0	0	0	0	0	0	10%	0	26	(26)	0
Industrial and commercial equipment	4,791	(3,233)	1,558	481	0	(15)	10	(47)	25%	(672)	5,210	(3,895)	1,315
Other tangible assets:													
- office furniture	907	(534)	373	181	3	(6)	6	(7)	12%	(81)	1,078	(609)	469
- IT equipment	2,330	(1,552)	778	351	10	(215)	213	(2)	20%	(299)	2,474	(1,638)	836
- commercial vehicles	573	(532)	41	69	0	(10)	10	0	20%	(29)	632	(551)	81
- automobiles	100	(27)	73	142	0	(62)	27	(3)	25%	(15)	177	(15)	162
- pontoon	2,099	(570)	1,529	0	0	0	0	0	8%	(155)	2,099	(725)	1,374
Assets under construction and payments on a/c	201	0	201	1,965	37	0	0	1	0%	0	2,032	0	2,032
Total	**132,430**	**(45,652)**	**86,778**	**6,438**	**386**	**(1,510)**	**591**	**(982)**		**(5,701)**	**136,646**	**(50,762)**	**85,884**

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

Description of temporary differences	*Deferred Tax Assets at 31/12/12*			*Decreases*			*Increases*			*Deferred Tax Assets at 31/12/13*		
Deductible differences	**Taxable amount**	**Rate**	**Tax**	**Taxable amount**	**Rate**	**Tax**	**Taxable amount**	**Rate**	**Tax**	**Taxable amount**	**Rate**	**Tax**
Contracts valued in revenue	780	27.50%	215	780	27.50%	214	439	27.50%	122	439	27.50%	121
Provision for contractual risks	7,438	27.50%	2,045	0	27.50%	0	0	27.50%	0	7,438	27.50%	2,045
Bad debt provision	1,323	27.50%	364	1,314	27.50%	362	34	27.50%	9	43	27.50%	11
Provision for future risks	2,005	27.50%	551	92	27.50%	25	1,560	27.50%	428	3,473	27.50%	954
Unrealised foreign exchange losses	14	27.50%	4	14	27.50%	4	28	27.50%	8	28	27.50%	8
Amortisation of intangible assets	82	31.40%	24	40	31.40%	11	0	31.40%	0	42	31.40%	13
Depreciation of tangible assets	4,064	31.40%	1,269	613	31.40%	192	0	31.40%	0	3,451	31.40%	1,076
Directors' fees to be paid	353	27.50%	98	73	27.50%	20	0	27.50%	0	280	27.50%	78
Tax losses	0	27.50%	0	0	27.50%	0	3,447	27.50%	948	3,447	27.50%	948
Inventory obsolescence provision	1,200	27.50%	330	350	27.50%	96	174	27.50%	49	1,024	27.50%	282
Loss-making contracts	94	27.50%	26	94	27.50%	26	54	27.50%	15	54	27.50%	15
Other provisions	0	31.40%	0	0	31.40%	0	89	31.40%	28	89	31.40%	28
Consolidation operations	542	27.50%	149	542	27.50%	149	0	27.50%	0	0	27.50%	0
Total	**17,895**		**5,075**	**3,912**		**1,099**	**5,826**		**1,606**	**19,809**		**5,579**

Description of temporary differences	*Deferred Taxation at 31/12/12*			*Decreases*			*Increases*			*Deferred Taxation at 31/12/13*		
Deductible differences	**Taxable amount**	**Rate**	**Tax**	**Taxable amount**	**Rate**	**Tax**	**Taxable amount**	**Rate**	**Tax**	**Taxable amount**	**Rate**	**Tax**
Unrealised foreign exchange gains	100	27.50%	28	100	27.50%	27	67	27.50%	18	67	27.50%	18
Depreciation of tangible assets	2,328	31.40%	158	0	31.40%	0	5,589	31.40%	1,755	7,917	31.40%	1,913
Amortisation of intangible assets	0	31.40%	0	0	31.40%	0	16	31.40%	5	16	31.40%	5
Consolidation operations	1,784	31.40%	629	1,784	31.40%	629	2,494	31.40%	783	2,493	31.40%	783
Total	**4,212**		**815**	**1,884**		**656**	**8,166**		**2,561**	**10,493**		**2,719**

STATEMENT OF CASH FLOWS

(thousands of Euro)

	31/12/2013	31/12/2012
A. OPENING SHORT-TERM NET FINANCIAL POSITION	**46,192**	**46,595**
B. CASH FLOWS GENERATED (ABSORBED) BY OPERATING ACTIVITIES		
Net profit (loss) for the year	8,960	19,291
Depreciation and amortisation	6,373	6,284
Net change in provisions for risks and contingencies	2,910	3,066
Net change in TFR/employee severance indemnity provision	145	119
Profit (Loss) from operating activities before change in working capital	18,388	28,760
(Increase)Decrease in current receivables	9,756	(49,451)
(Increase) Decrease in inventory	62,215	(38,067)
Increase (Decrease) in trade payables and other payables	(60,330)	72,543
Increase (Decrease)in other working capital items	774	(244)
Change in payables to minority shareholders	(14)	(33)
	30,789	**13,508**
C. CASH FLOW GENERATED (ABSORBED) BY INVESTING ACTIVITIES		
Net change in non-current assets:		
- intangible	(562)	(316)
- tangible	(4,807)	(9,708)
- financial	(2,141)	497
	(7,510)	**(9,527)**
D. CASH FLOWS GENERATED (ABSORBED) BY FINANCING ACTIVITIES		
Revaluation	(994)	994
Translation reserve	(1,215)	(893)
Distribution of profits	(2,470)	(3,800)
Other changes in medium/long-term debt	(555)	(685)
	(5,234)	**(4,384)**
E. CASH FLOWS FOR THE YEAR (B+C+D)	**18,045**	**(403)**
CLOSING SHORT-TERM NET FINANCIAL POSITION (A+E)	**64,237**	**46,192**

3. EXTERNAL AUDITORS’ REPORT

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**AUDITORS' REPORT PURSUANT TO ARTICLE 14
OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 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, 2013. 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 8, 2013.

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, 2013, 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, 2013.

DELOITTE & TOUCHE S.p.A.

Signed by
Valeria Brambilla
Partner

Bologna, Italy
April 2, 2014

Translation from the Original Issued in Italy, from the Italian into English language solely for the convenience of international readers.