

***Half-Year
Consolidated
Financial
Statements***

June 30, 2012

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1. DIRECTORS' REPORT ON OPERATIONS
ACCOMPANYING THE
CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2012

Dear Shareholders,

The consolidated half-year financial statements as at 30 June 2012 that we hereby submit for your approval closed with a net profit of Euro 8,577 thousand, after recognising Euro 2,898 thousand in depreciation and amortisation, Euro 252 thousand for risk provisions and income taxes of Euro 3,550 thousand.

Considering the crisis that has stricken the global economy, it is our opinion that the result achieved can be considered satisfactory and derives from the dedication shown by the staff at all the Group companies, who we believe deserve your and our gratitude.

The following is a presentation of the Group's situation and the foreseeable course of its future development.

OPERATING PERFORMANCE

The six months in review were characterized by an increase in business volumes (Euro 182 million in the first six months of 2012 compared to Euro 135 million in the first six months of 2011).

In detail, there was an increase in the turnover in the Oil & Gas segment (+76%), whereas business in the naval segment (-7%) and the Process Plants sector (-40%) dropped. The considerable increase in the turnover in the Oil & Gas sector is mainly due to the performance of the Mechanical and Electrical Hook up activities in the Caspian Sea area in Kazakhstan, while the significant drop reported in the Process Plants sector was the direct consequence of the exit of the Parent Company from this sector which therefore will only be followed by the subsidiary Fores Engineering.

Despite the decrease in the volume of activities in the Naval and Process Plants sectors, the Group, during the period under review, in any event reported economic results which were up with respect to the same period in 2011 and which we believe can be considered as more than satisfactory, especially since they have been achieved in a period of international economic crisis which has lasted for several accounting periods now.

The following is a selection of the earnings ratios deemed most significant:

	<u>30.06.12</u>	<u>30.06.11</u>
GDP (in thousands of Euro)	182,306	135,189
(A1+A2+A3 of the income statement)		
Ebitda (in thousands of Euro)	18,386	8,832
(A+B-10-12-13 of the income statement)		
Ebitda / GDP	10.09%	6.53%
Ebit (in thousands of Euro)	14,912	6,276
(A+B of the income statement)		
Ebit / GDP	8.18%	4.64%
Gross profit (in thousands of Euro)	12,114	6,388
(item 22 of the income statement)		
Gross profit / GDP	6.64%	4.73%
Net profit (in thousands of Euro)	8,577	3,623
(item 23 of the income statement)		
Net profit / GDP	4.70%	2.68%
R.O.E	4.98%	2.20%
(Net profit / opening shareholders' equity attributable to the Group)		

The following is a discussion of the various business segments in which the Group operates. For further numerical data, the reader is referred to the Notes.

Oil & Gas segment

This segment, which yielded a gross domestic product of approximately Euro 130 million during the six months (Euro 74 million in the first half of 2011), remained the Group's primary segment.

You are hereby informed that, as occurred in 2011, the majority of the activities carried out during the period were contracted out by companies not belonging to the Eni Group, bearing witness to the fact that the Group is increasingly less dependent on customers belonging to the national oil company.

During the period, we have been engaged in carrying on work underway as of 31 December 2011, some of which has been completed. In detail, two jackets were delivered, destined to be installed in the North Sea.

The Parent Company was heavily involved in the continuation of work for the construction of two important platforms destined for the North Sea, which should be delivered during 2013.

The activities carried out by the investee companies in Kazakhstan were particularly significant, continuing the Mechanical and Electrical Hook up work on island D, in the Caspian Sea area (the overall estimated value of the two contracts amounts to around US\$ 171 million).

Naval Segment

Naval business, conducted primarily by the Parent Company (ship building) and Rosetti General Contracting Lda (ship chartering) contributed approximately Euro 43 million (Euro 46 million in the first half of 2011) to the value of production.

Projects involving two supply vessels begun in previous years were completed in the first six months of 2012 and work continued for the accomplishment of a further four supply vessels and an anchor handling supply tug.

In detail, mention should be made of the importance of the construction of the first anchor handling supply tug which we believe may represent the future for activities in this sector. This vessel was delivered during the first few days of September to the complete satisfaction of the Client.

Process Plants segment

This business segment contributed approximately Euro 9 million to the reported value of production (Euro 15 million in the first half of 2011).

As mentioned previously, after the exit of the Parent Company, this segment is followed by the subsidiary Fores Engineering which, despite the crisis, was able to keep up an acceptable turnover during the half-year period, even if it was slightly lower than the first half of 2011.

INVESTMENTS

During the first six months of 2012, investments in intangible assets came to Euro 105 thousand and investments in technical assets to

Euro 4,994 thousand, for a grand total of Euro 5,099 thousand.

The primary investment, financed by the Parent Company, pertains to the completion of the first phase of the establishment of a worksite in Aktau, Kazakhstan by Kazakhstan Caspian Offshore Industries LLP, in which the Group holds a 50% interest. The investment is of strategic importance in that it will allow us to construct the offshore facilities intended for the Caspian Sea onsite, as requested by the end Client.

The investment situation confirms the Group's attention to constantly increasing its level of competitiveness, safety and respect for the environment.

FINANCIAL SITUATION

For a more in-depth analysis of cash flows during the period, the reader is referred to the cash flow statement attached to the Group's consolidated financial statements.

At this juncture, mention should be made of the fixed-asset coverage ratio (amply financed through equity) and the positive net financial position.

The following is a selection of the financial and equity ratios deemed most significant:

	<u>30.06.12</u>	<u>30.06.11</u>
Short-term net fin. pos. (in thousands of Euro)	+42,239	+46,473
(C.IV on assets side – D.4 short-term on liabilities side)		
Asset coverage margin (in thousands of Euro)	+82,467	+80,652
(M/L-term liabilities + total equity - fixed assets)		
Asset coverage ratio	1.76	1.86
(M/L-term liabilities + total equity / fixed assets)		
Financial independence index	44.78%	50.16%
(Total equity / total assets)		
Ratio of income (expenses) to GDP	(1.52%)	0.15%
(Financial income and expenses / GDP)		

With regard to the financial risks on trade receivables, we inform you that the Group mainly works with return customers with a high degree of client loyalty, especially primary oil companies or companies they invest in directly and leading Italian ship-owners. Given the

longstanding relationships with clients and their financial solidity, no particular guarantees are required on the related receivables. It should nonetheless be noted that receivables are highly concentrated with a few entities, since the Company's orders are few in number and large in amount. 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 capacity and to continue to monitor outstanding receivables thoroughly during the execution of the work.

The Group does not have a high level of borrowings from financial institutions and has obtained a strong rating from the banks with which it deals. Accordingly, there are no difficulties in procuring financial resources nor risks associated with the fluctuation of interest rates to be reported.

The Group is exposed to exchange rate risk due to its operations on international markets. To protect itself against that risk, as in previous years, the Group undertook exchange-rate risk hedging transactions when it acquired significant orders from clients in foreign currencies and issued significant orders to suppliers in foreign currencies. In further detail, as at 30 June 2012 the Group had outstanding forward purchase contracts with various financial institutions for Nok 111,840 thousand and GBP 3,948 thousand hedging supply contracts on naval contracts, and forward sale transactions for GBP 169,434 thousand hedging the contract outstanding with the customer Elf Exploration Uk Limited.

PERSONNEL

The headcount came to 778 as at 30 June 2012, disclosing an increase of 52 compared to the same period of the previous year.

In further detail, it should be noted that the number of executives and white-collar workers increased respectively by 5 and 57, whereas blue-collar workers decreased by 10. In detail, the increase was mainly attributable to the associated company KCOI Llp.

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 the occurrence of such events.

All production facilities owned by the Parent company and the subsidiary Fores Engineering S.r.l. have been certified as compliant with the standard BS-OHSAS 18100.

It should be noted that we are continuing to promote initiatives aimed at spreading a culture of safety even further among all internal and external workers who operate within our Italian and international production facilities.

OTHER INFORMATION ON OPERATIONS

With regard to the disclosure expressly required by Article 2428 of the Italian Civil Code, we report the following, while referring the reader to the notes for the specifically numerical part:

Information on business risks

The physiological risks deriving from the businesses conducted by Group companies are those typical of enterprises that operate in the plant engineering and shipbuilding segments.

The responsibilities deriving from designing and constructing our products and the risks associated with normal operating activities are reviewed in advance by devoting adequate attention to such aspects when developing processes and implementing adequate organizational procedures, as well as by acquiring adequate insurance coverage 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 situation have been reviewed in advance and the appropriate measures implemented accordingly, as described in the respective paragraphs "Financial situation," "Information on the environment," "Personnel" and "Business outlook."

Information on the environment

Your Group creates large metal constructions and the related productive activities present a low impact on the environment mainly limited to the painting phases and sand-blasting phases. Such risks,

through reduced, are thoroughly assessed by the responsible unit. The focus on environmental issues is borne out by the fact that the Parent Company has been certified compliant with the international standard ISO14001 for many years.

Research and development

Research and development involved the study of new products and new technologies, relating in particular to hydrogen production. This research activity could offer significant benefits for the Group, which may enjoy the opportunity to enter new areas of the market by studying innovative processes and developing new operating methods.

Treasury share transactions

There were no treasury share transactions during the half-year period under review. Accordingly, the number of treasury shares held by the Company remained unchanged at 200,000 shares, representing 5.0% of share capital.

Significant subsequent events

In the period between the date of closure of the accounting period and the current date, no significant events that could have a significant impact on operations occurred.

BUSINESS OUTLOOK

In our opinion, the current order backlog, equal to Euro 464 million, should be considered satisfactory, because it was acquired despite the period of crisis which the global economy has suffered.

The following is a more detailed review of the prospects of the individual business segments.

Oil & Gas segment

The order backlog to-date amounts to around Euro 322 million and guarantees a good workload until the second half of 2013.

We report that the Parent Company acquired an important order (for a total value of approximately Euro 45 million) for the construction of a living quarters platform to be installed in the North Sea. With regard to

prospects for the future, after a period of slowdown linked to the international economic crisis, we have registered a satisfactory recovery in demand especially in our traditional markets (West Africa, the North Sea) even if the market remains characterised by strong competition. This recovery allows us to look to the near future with confidence.

By contrast, in the Caspian Sea area, once the outstanding contracts have been completed (mid 2013), we expect a momentary slowdown in offshore activities linked to the postponement of the start up of phase two of the investments scheduled by the Oil Companies.

Shipbuilding Segment

During the next six months, we will concentrate our efforts in this segment on completing previously acquired projects. Furthermore, we hereby reveal that, in July, we received an order for the construction of another Anchor Handling Tug Vessel to be delivered in 2014. This second order confirms that vessels of this type may represent the future for this sector.

By means of acquiring this contract, the order backlog for the naval segment amounted to Euro 117 million.

Processes, Packages and Plants Segment

The orders which we have acquired to-date, via our subsidiary company Fores Engineering Srl, have permitted us to obtain a satisfactory order backlog amounting to Euro 25 million. The recent acquisitions and the numerous offer requests received confirm a certain pick up in demand in this sector which allows us to be confident with regard to the future.

Ravenna, 28 September 2012

On behalf of the Board of Directors
The Chairman
Mr. Medardo Ranieri

2. CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2012:

- *Balance sheet*
- *Income statement*
- *Notes*

BALANCE SHEET (amounts in thousands of Euro)				
ASSETS	30/06/12	31/12/11	30/06/11	
A) SUBSCRIBED CAPITAL,				
UNPAID	0	0	0	
B) FIXED ASSETS:				
I Intangible assets:				
4) Concessions, licenses, trademarks and similar rights	520	533	545	
6) Assets in progress and payments on account	33	36	70	
7) Other intangible assets	1,831	2,050	2,232	
8) Consolidation difference	34	70	104	
TOTAL INTANGIBLE ASSETS	2,418	2,689	2,951	
II Tangible assets:				
1) Land and buildings	77,330	67,474	55,446	
2) Plant and machinery	2,726	2,562	2,766	
3) Industrial and commercial equipment	1,920	1,495	1,001	
4) Other tangible assets	2,921	2,752	2,692	
5) Assets in progress and payments on account	435	8,310	11,158	
TOTAL TANGIBLE ASSETS	85,332	82,593	73,063	
III Long-term financial assets:				
1) Equity investments:				
b) in associated companies	1,051	1,021	1,082	
d) in other companies	175	175	176	
TOTAL EQUITY INVESTMENTS	1,226	1,196	1,258	
2) Receivables:				
b) due from associated companies	13,400	11,250	11,250	
c) due from others	635	618	692	
TOTAL RECEIVABLES	14,035	11,868	11,942	
4) Treasury shares	5,100	5,100	5,100	
TOTAL LONG-TERM FINANCIAL ASSETS	20,361	18,164	18,300	
TOTAL FIXED ASSETS	108,111	103,446	94,314	
C) CURRENT ASSETS:				
I Inventories:				
1) Raw materials and consumables	2,127	3,835	1,180	
3) Contract work in progress	140,978	116,221	94,942	
5) Payments on account	16,575	10,341	4,272	
TOTAL INVENTORIES	159,680	130,397	100,394	
II Receivables:				
1) due from customers	60,045	64,121	59,442	
3) due from associated companies	7,868	5,378	1,790	
4bis) tax receivables	11,066	11,794	11,651	
4ter) prepaid taxes	5,812	4,891	5,159	
5) due from third parties				
- within one year	216	345	466	
- beyond one year	365	364	360	
TOTAL RECEIVABLES	85,372	86,893	78,868	
III Short-term financial assets:				
6) Other securities	21	21	21	
TOTAL SHORT-TERM FINANCIAL ASSETS	21	21	21	
IV Cash and cash equivalents:				
1) Bank and postal deposits	42,178	46,535	46,409	
3) Cash and cash equivalents on hand	61	60	64	
TOTAL CASH AND EQUIVALENTS	42,239	46,595	46,473	
TOTAL CURRENT ASSETS	287,312	263,906	225,756	
D) ACCRUED INCOME AND PREPAID EXPENSES	1,100	904	1,015	
TOTAL ASSETS	396,523	368,256	321,085	

LIABILITIES AND SHAREHOLDERS' EQUITY	30/06/12	31/12/11	30/06/11
A) SHAREHOLDERS' EQUITY:			
I Share capital	4,000	4,000	4,000
III Revaluation reserve	36,969	36,969	36,969
IV Legal reserve	1,110	1,110	1,110
VI Treasury share reserve	5,100	5,100	5,100
VII Other reserves	119,773	110,882	111,340
VIII Retained earnings (losses carried forward)	684	(388)	(888)
IX Profit for the period	8,577	13,898	3,623
X Translation reserve	1,270	701	(275)
XI Consolidation reserve	23	23	23
TOTAL GROUP SHAREHOLDERS' EQUITY	177,506	172,295	161,002
Capital and reserves attributable to minority interests	38	49	47
TOTAL GROUP SHAREHOLDERS' EQUITY AND MINORITY INTERESTS	177,544	172,344	161,049
B) PROVISIONS FOR RISKS AND CONTINGENCIES			
2) Provisions for taxes	871	845	684
3) Other	7,760	7,977	8,079
TOTAL PROVISIONS FOR RISKS AND CONTINGENCIES	8,631	8,822	8,763
C) EMPLOYEES' SEVERANCE INDEMNITY PROVISION	3,452	3,414	3,536
D) PAYABLES:			
5) Due to other lenders			
- within one year	667	646	630
- beyond one year	951	1,332	1,618
6) Payments on account	116,043	122,953	87,364
7) Due to suppliers	78,670	50,062	47,397
10) Due to associated companies	223	282	777
12) Tax payables	2,799	2,532	2,404
13) Due to social security and welfare institutions	1,935	1,929	1,771
14) Other payables	5,536	3,919	5,759
TOTAL PAYABLES	206,824	183,655	147,720
E) ACCRUED EXPENSES AND DEFERRED INCOME	72	21	17
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	396,523	368,256	321,085

MEMORANDUM ACCOUNTS	30/06/12	31/12/11	30/06/11
1. Guarantees given:			
a) Sureties given in favour of:			
- associated companies	6,483	929	1,858
- third parties	111,320	112,577	91,030
TOTAL GUARANTEES GIVEN	117,803	113,506	92,888
3. Other commitments and risks:			
a) Forward currency purchases	18,727	20,784	21,378
b) Forward currency sales	196,737	230,327	0
d) credit facilities	139	0	21
TOTAL OTHER COMMITMENTS AND RISKS	215,603	251,111	21,399

INCOME STATEMENT		Ist HALF 2012	2011	Ist HALF 2011
A) VALUE OF PRODUCTION:				
1) Revenues from sales and services	172,877	244,332	144,506	
3) Change in contract work in progress	9,429	23,021	(9,317)	
4) Increases in own work capitalized	64	157	72	
5) Other income and revenues				
a) operating grants	36	106	30	
b) other	1,158	2,406	796	
TOTAL VALUE OF PRODUCTION	183,564	270,022	136,087	
B) PRODUCTION COSTS:				
6) Raw materials, consumables and goods for resale	(31,320)	(63,360)	(39,444)	
7) Services	(99,870)	(128,137)	(61,663)	
8) Leases and rentals	(6,366)	(7,935)	(2,893)	
9) Personnel costs:				
a) wages and salaries	(19,781)	(35,958)	(17,540)	
b) social security contributions	(4,376)	(8,404)	(4,157)	
c) employees' severance indemnity provision	(881)	(1,763)	(875)	
e) other personnel costs	(494)	(368)	(280)	
Total personnel costs	(25,532)	(46,493)	(22,852)	
10) Amortisation, depreciation and writedowns:				
a) amortisation of intangible assets	(340)	(1,094)	(547)	
b) depreciation of tangible assets	(2,558)	(4,019)	(1,912)	
d) writedown of current receivables and cash and equivalents	(324)	(196)	(97)	
Total amortisation, depreciation and writedowns)	(3,222)	(5,309)	(2,556)	
11) Change in inventory of raw materials, consumables and goods for resale	(1,708)	2,410	(247)	
12) Provisions for risks	(252)	(625)	0	
14) Sundry operating expenses	(382)	(549)	(156)	
TOTAL PRODUCTION COSTS	(168,652)	(249,998)	(129,811)	
DIFFERENCE BETWEEN VALUE AND PRODUCTION COSTS (A+B)	14,912	20,024	6,276	
C) FINANCIAL INCOME AND EXPENSES:				
15) Income from equity investments:				
d) dividends and other income from other companies	4	5	4	
16) Other financial income:				
d) Income other than the above				
-interest and fees from associated companies	233	405	0	
-interest and fees from third parties and sundry income	718	944	316	
17) Interest and other financial expenses:				
d) Other	(120)	(154)	(82)	
17bis) Foreign-exchange gains and losses	(3,605)	424	(29)	
TOTAL FINANCIAL INCOME AND EXPENSES(2,770)	1,624	209		
D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS				
18) Revaluations:				
a) of equity investments	34	136	42	
19) Writedowns:				
a) of equity investments	(104)	(338)	(123)	
TOTAL ADJUSTMENTS TO FINANCIAL ASSETS	(70)	(202)	(81)	
E) EXTRAORDINARY INCOME				
20) Income:				
b) other	43	9	8	
21) Expense:				
b) previous years' taxes	(1)	(25)	0	
c) other	0	0	(24)	
TOTAL EXTRAORDINARY ITEMS	42	(16)	(16)	
PROFIT BEFORE TAXATION (A+B+C+D+E)	12,114	21,430	6,388	
22) Income taxes for the year	(3,550)	(7,540)	(2,770)	
PROFIT FOR THE PERIOD GROSS OF MINORITY INTERESTS	8,564	13,890	3,618	
Minority-interest net (profit) loss	13	8	5	
NET PROFIT ATTRIBUTABLE TO THE GROUP	8,577	13,898	3,623	

NOTES

PRESENTATION AND CONTENT OF THE FINANCIAL STATEMENTS

The half-year consolidated financial statements as at and for the period from 1 January 2012 to 30 June 2012 have been prepared in accordance with Italian Legislative Decree No. 127/91 and consist of the balance sheet, income statement (prepared according to the templates set out in articles 2424 and 2425 of the Italian Civil Code, modified as appropriate pursuant to article 32 of Italian Legislative Decree No. 127/91) and these notes, and are accompanied by the report on operations. Where necessary, the statutory rules have been supplemented with the recommended accounting standards of the Standard-Setting Committee of Italy's National Council of Accountants, as revised by the Italian Accounting Authority following the corporate law reform enacted by lawmakers through Italian Legislative Decree No. 6 of 17 January 2003, as amended.

The notes contain an illustration, analysis and, in some cases, supplementation of financial statement figures and present the information required by article 38 of Italian Legislative Decree No. 127/91 and other provisions of law. 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 financial statements as at 30 June 2012 have been prepared by using the half-year financial statements of the individual companies included within the scope of consolidation as of the above date, drawn from the consolidated reporting packages specifically prepared by company bodies. Those financial statements have been appropriately modified, where necessary, to bring them into compliance with the following policies.

CONSOLIDATION PRINCIPLES

A) Consolidation method

Subsidiaries are consolidated according to the line-by-line method. The following are the criteria mainly adopted for that method:

- the carrying amount of equity investments has been eliminated

against the associated shareholders' equity; the difference between the acquisition cost and shareholders' equity of investees is allocated, where possible, to the asset and liability items of the companies within the scope of consolidation. Any residual amount, where negative, is recognized under a shareholders' equity item entitled "Consolidation reserve"; where positive, it is recognized under an asset item entitled "Consolidation difference" and amortised over five years, if that amount represents future income-generating capacity;

- significant transactions between consolidated companies and payables, receivables and unrealized profits deriving from transactions between Group companies, net of any tax effect, have been eliminated;
- the minority interests in shareholders' equity and earnings have been disclosed in specific items of the consolidated balance sheet and income statement;
- companies acquired during the year have been consolidated as from the date on which a majority interest was obtained. If acquisition occurs during the final days of the year, the acquired company is consolidated solely with regard to the balance sheet.

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of foreign subsidiaries with operating 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 the end-

of-period exchange rates and the translation of the income statement at the average rates for the period are recognized in the shareholders' equity item "Translation reserve." Said reserve is recognised in the income statement as income or expense in the period when the relative subsidiary is sold.

SCOPE OF CONSOLIDATION

The consolidated financial statements as at 30 June 2012 include the half-year financial statements of all companies directly and indirectly controlled by Rosetti Marino S.p.A. (the Parent Company) pursuant to article 2359 of the Italian Civil Code.

Equity investments in associated companies have been presented according to the equity method, with the exception of Kazakhstan Caspian Offshore LLP, which has been consolidated according to the proportional method and Unaros Fzc and Lenac-Rosetti Adria Doo, not included in the scope of consolidation, since they are still dormant.

The following is a list of equity investments in subsidiaries and associated companies within the scope of consolidation (in thousands of Euro):

Company name	Location	Share capital	Percent interest
<u>Subsidiaries</u>			
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	Kazakhstan	198	100.0%
ROSETTI Doo (*)	Croatia	48	100.0%
FORES ENG. ALGERIE EURL(2)	Algeria	156	100.0%
FORES ENG. KAZAKHSTAN Llp (3)(*)	Kazakhstan	10	100.0%
ROSETTI EGYPT SAE (4)(*)	Egypt	32	90.0%
ROSETTI EGYPT FOR TRADE (5)(*)	Egypt	6	99.8%
ROSETTI LYBIA JSC (*)	Tripoli	622	65.0%
<u>Associated companies</u>			
ROSETTI IMSTALCON Llp (**)	Kazakhstan	35	50.0%
K.C.O.I. Llp (6)	Kazakhstan	1,160	50.0%
TECON S.r.l.	Milan	47	20.0%

- (1) Of which 2% held indirectly through Basis Engineering S.r.l.
- (2) Held indirectly through Fores Engineering S.r.l.
- (3) Held indirectly through Fores Engineering S.r.l. (50%) and Rosetti Kazakhstan Llp (50%).
- (4) Of which 30% held indirectly through Fores Engineering S.r.l. (15%) and Rosetti General Contracting Lda (15%).
- (5) Held indirectly through Rosetti Egypt Sae.
- (6) Of which 40% held indirectly through Rosetti Kazakhstan Llp.
- (*) Presently not operating.
- (**) In liquidation.

The following changes compared to the previous year occurred in the first half of 2012:

- Acquisition by the subsidiary Rosetti Kazakhstan Llp of 10% of the associated company KCOI (Kazakhstan Caspian Offshore Industries Llp);
- Formation of a second company in Croatia, Lenac-Rosetti Adria Doo, 50% held indirectly via the subsidiary Rosetti Doo.

The subsidiary and associated companies operate in the following segments:

- Fores Engineering Srl, Fores Engineering Algérie Eurl: design and construction of automation and control systems and related maintenance;
- Basis Engineering Srl, Tecon Srl.: multi-disciplinary design of oil and petrochemical facilities;
- Rosetti Instalcon Llp, Rosetti Doo, Lenac-Rosetti Adria Doo, Rosetti Egypt Sae, Kazakhstan Caspian Offshore Industries Llp, Rosetti Lybia JSC, Rosetti Egypt for Trade Llc, Unaros Fzc: construction of offshore and onshore oil installations;
- Rosetti General Contracting Construcões Serviços Lda, Rosetti Kazakhstan Llp, Fores Kazakhstan Llp: operating services and activities on foreign markets.

The schedule required by Article 2427.5, of the Italian Civil Code is presented in an annex to these notes.

RECONCILIATION OF THE PARENT COMPANY'S SEPARATE SHAREHOLDERS' EQUITY AND PROFIT AND CONSOLIDATED SHAREHOLDERS' EQUITY AND PROFIT

The following is the statement of reconciliation between the shareholders' equity and net profit for the period presented in the Parent Company's separate half-year financial statements and the corresponding consolidated figures as at 30 June 2012:

	<u>Shareholders' equity</u>	<u>Net profit for the period</u>
FIGURES PRESENTED IN THE FINANCIAL STATEMENTS OF ROSETTI MARINO S.p.A. AS AT 30 JUNE 2012	141,902	2,791
Consolidation adjustments:		
a. Difference between the carrying amounts of consolidated equity investments and the valuation of those equity investments according to the equity method	29,062	7,227
b. Effect of the accounting recognition of finance lease contracts for items of property, plant and equipment according to the financial method	1,774	220
c. Reversal of unrealized gains deriving from transactions between Group companies	5,325	(1,592)
d. Allocation of deferred tax assets and liabilities pertaining to the tax effect (where applicable) of consolidation adjustments	(557)	(69)
AMOUNTS PRESENTED IN THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2012	<u>177,506</u>	<u>8,577</u>

ACCOUNTING STANDARDS

The most significant accounting standards adopted for the preparation of the consolidated financial statements as at 30 June 2012 in accordance with Article 2426 of the Italian Civil Code are set out below.

Intangible assets

Intangible assets are recognised at the cost incurred to purchase or produce them, including accessory charges, but net of any capital grants, and are systematically amortised over their expected useful lives.

Intangible assets are written down if they become impaired, independently of the amount of previously recognized amortization charges. If the grounds for an impairment loss cease to apply in later years, the original amount is recovered, with the exception of the items goodwill and consolidation difference.

Advertising and research and development costs are expensed in full during the period in which they are incurred.

Tangible fixed assets (property, plant and equipment)

Items of property, plant and equipment are recognised at the cost of purchasing or producing them, net of any grants towards capital expenditures, and as adjusted for certain assets in accordance with specific revaluation laws. The cost includes accessory charges and direct and indirect costs to the extent reasonably attributable to the asset.

Items of property, plant and equipment are systematically depreciated each year on a straight-line basis according to economic/technical rates determined in relation to the residual useful lives of the assets. The rates applied are presented in the section setting out comments on assets. Items of property, plant and equipment are written down when impaired, independently of previously recognised depreciation charges. If the grounds for an impairment loss cease to apply in later years, the original amount is recovered.

Ordinary maintenance costs are expensed in full to the income statement, whereas those that involve improvements are allocated to the assets to which they refer and are depreciated according to the residual

useful life of the asset in question.

Leased assets

The operating assets whose availability is attained by way of financial lease agreements are shown on the financial statements according to the international accounting standards (IAS 17), the so-called "financial method" that requires:

- the original value of the assets purchased with financial lease agreements shown in assets at the time these contracts are stipulated;
- recognition under liabilities of the corresponding residual principal amount owed to the leasing company;
- booking to the profit and loss account of the relevant economic-technical amortisation and pertinent financial expense implicit in the financial lease payments, replacing the pertinent fees.

Equity investments and securities (recorded under long-term assets)

Equity investments in associated companies are measured according to the equity method or the proportional method if 50% owned. Equity investments in other companies are carried at cost. The book value is determined according to the purchase or subscription price. The 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 those losses. The original amount is recovered in later years if the grounds for the impairment loss cease to apply.

Inventories

Raw materials:

Raw materials are measured at the lesser of the average purchase or production cost, calculated according to the weighted average cost, and realisable value determined by the market trend.

Contract work in progress and revenue recognition:

Contract work in progress spanning more than one year is measured at

year-end according to the consideration accrued with reasonable certainty (the percent completion method). Consideration accrued is calculated by applying the percent advancement determined according to the cost-to-cost method to the estimated total revenue.

The percent advancement is figured as the ratio of the costs incurred as at 30 June 2012 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 provided 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 the payments on account and milestone payments by clients are recognized under the item "Payments on account" on the liabilities side of the balance sheet.

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

Receivables

Receivables are recognised at their estimated realisable value. Specifically as far as trade receivables are concerned, the estimated realisable value was obtained by subtracting the amount of the allowance for doubtful receivables, which includes the provisions made against risks of insolvency, from their nominal value.

Short-term financial assets

Short-term financial assets are recognised at purchase or subscription cost, including directly attributable accessory charges, or the realisable amount determined on the basis of market trends, whichever is the lower.

The original cost of such securities is reinstated when the reasons for previous adjustments cease to apply.

Cash and cash equivalents

These are recorded at their nominal value.

Accruals and deferrals

These items include portions of costs and revenues which are common to two or more financial years to satisfy the accruals principle.

Provisions for risks and contingencies

Provisions for risks and contingencies are set aside to cover losses or payables the existence of which is certain or likely, but the amount and the date of occurrence of which cannot be determined at year-end. The provisions reflect the best possible estimate based on the information available.

Risks for which the occurrence of a liability is merely possible are indicated in the notes on provisions, without setting aside a provision for risks and contingencies.

Derivative financial instruments

Derivative financial instruments are used solely for hedging purposes, with the aim of managing the risks deriving from the fluctuation of exchange rates, and are recognized in the memorandum accounts at their nominal amounts when the contract is entered into.

The cost or income (calculated as the difference between the instrument's value 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 to be considered a hedging instrument from an accounting standpoint, the profit or loss deriving from the measurement of the instrument at fair value is immediately recognised in the income statement.

Employees' severance indemnity provision (TFR)

The provision for post-employment benefits covers the full liability to employees accrued up until 31 December 2006 under applicable legislation, collective labour agreements and supplementary company agreements. Such liabilities are subject to adjustment for inflation according to indices.

Under the new rules introduced by Italian Law No. 296/2006, the

employees' severance indemnity provision accrued after 1 January 2007 may be allocated to the treasury fund set up by INPS or to supplementary pension plans, at the employees' discretion, with the exception of the subsidiary Basis Engineering Srl, for which it continues to be set aside to the employees' severance indemnity provision.

Payables

Payables are recognised at their nominal value, deemed to be representative of their discharge value.

Risks, commitments and guarantees

Commitments to guarantee are presented at their contractual values. Secured guarantees on company property are indicated in these notes.

Costs and revenues

Costs and revenues are recognised in accordance with the principles of prudence and on an accruals basis as per Article 2423 *bis* of the Italian Civil Code. Pursuant to Article 2425 *bis* of the Italian Civil Code, costs and revenues are presented 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.

Capital and operating grants

Grants towards capital expenditure and operating expenses, provided to cover incurred costs, are recognised in their entirety in the income statement for the year in which they are collected.

So as to avail of the benefits of deferred taxation envisaged by the tax laws in force until 31 December 1997, in previous years part of the grants received (to the extent the tax laws allowed) were allocated to the "Other reserves" item under shareholders' equity.

Dividends

Dividends are recognised during the year in which distribution is approved by the disbursing body.

Income tax for the year

Income taxes are recognised on the basis of estimated taxable income in

accordance with the provisions in force, taking account of the applicable exemptions and tax credits due. Deferred tax assets and liabilities are also provided on timing differences between the result for the period and the positive or negative taxable amount. In particular, the deferred tax assets are recorded when there is the reasonable certainty that there will be taxable profits able to absorb said credit balance in the future.

Translation of foreign currency items

Foreign currency receivables and payables were originally recognised at the exchange rates in force when the transactions were recorded.

Exchange differences produced on the collection of receivables and payment of payables expressed in foreign currencies are recognised in the income statement.

Receivables and payables in foreign currencies for which exchange-rate risk hedging transactions have been undertaken are adjusted to the base exchange rate of the hedging transactions in question.

At year-end, receivables and payables in foreign currencies for which hedging transactions have not been undertaken are translated on the basis of the exchange rate in force at the reporting date. The gains and losses that arise from such conversion are credited and debited to the income statement as components of a financial nature.

When allocating net profit for the year, any net gain resulting from the comparison of potential gains and losses on foreign exchange is allocated to a specific reserve that may not be distributed until the gain is realised.

OTHER INFORMATION

Departures pursuant to Article 2423.4 of the Italian Civil Code

No departures were applied in these financial statements as per Article 2423.4 of the Italian Civil Code.

Comparison and presentation of the balances

In the interest of greater clarity and intelligibility, all figures in the notes and schedules have been presented in thousands of Euro.

The balance sheet figures have been compared with the amounts as at

31 December 2011, whereas the income statement figures have been compared with the amounts as at 30 June 2011.

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 period (in thousands of Euro):

	Balance	Incr.	Decr.	Balance
	31/12/11			30/06/12
Licenses	4	0	(1)	3
Concessions of surface rights	<u>529</u>	<u>0</u>	<u>(12)</u>	<u>517</u>
Total	<u>533</u>	<u>0</u>	<u>(13)</u>	<u>520</u>

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

The amount of concessions of surface rights consists of the consideration paid to acquire those rights, which expire in 2017, 2018 and 2050, on land adjacent to the Piomboni Worksite.

Intangible assets in progress

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

	Balance	Incr.	Decr.	Balance
	31/12/11			30/06/12
Intangible assets in progress	<u>36</u>	<u>33</u>	<u>(36)</u>	<u>33</u>

The increase in this item is due to the development of the new SAP management system implemented in 2009 while the decrease is due to the conclusion of modernisation work on the leased premises care of the San Vitale worksite intended for use as a radiography and infirmary archive.

Other intangible assets

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

	Balance	Incr.	Decr.	Balance
	31/12/11			30/06/12
Mortgage fees	2	0	(1)	1
EDP programs	313	17	(119)	211
Leasehold improvements	<u>1,735</u>	<u>55</u>	<u>(171)</u>	<u>1,619</u>
Total	<u>2,050</u>	<u>72</u>	<u>(291)</u>	<u>1,831</u>

The increase in the item EDP programs is due to the acquisition of software for the mapping of the business and engineering processes while the increase in the item deferred charges is mainly due to the conclusion of modernisation work on the leased premises at the San Vitale worksite intended for use as a radiography and infirmary archive. The items decreased owing to the effect of amortisation charges, the criteria for which differ according to the various types of capitalized costs. In further detail:

- on a straight-line basis over three years for EDP programs; and;
- according to the duration of the surface rights and property lease contracts for investments undertaken on such areas.

Consolidation difference

This item pertains to the positive differences between the cost paid by the Parent Company to acquire equity interests in Group companies and the corresponding portions of the shareholders' equity of those companies at the acquisition date. In particular, the item consists of the original difference of Euro 318 thousand deriving from the acquisition in 2007 of 20% of Tecon S.r.l. (residual amount of Euro 31 thousand as at 30 June 2012) and Euro 37 thousand deriving from the acquisition in 2008 of 10% of Basis Engineering S.r.l. (residual amount of Euro 3 thousand as of 30 June 2012). The above differences are subject to amortisation over five years.

TANGIBLE ASSETS

The composition of this item, the changes during the period and depreciation rates are presented in the schedule at the end of the notes. In the first six months of 2012, ordinary depreciation charges were recognized according to rates deemed representative of the residual useful lives of tangible assets.

Some categories of assets include the following revaluations applied in previous years (in thousands of Euro).

The following is a breakdown of the revaluations applied by the Parent Company (in thousands of Euro):

	Law No. 576/75	Law No. 72/83	Law No. 413/91	Law No. 266/05	Law No. 2/09
Yards and buildings	0	0	433	1,071	6,642
Light constructions	0	0	0	651	254
Equipment	0	0	0	1,261	0
Land	0	0	0	0	26,871
Machinery	7	165	0	749	0
Total	7	165	433	3,732	33,767
Depreciation as at 30 June 2012	0	0	(20)	(17)	(484)
Accumulated depreciation as at 30 June 2012	(7)	(165)	(310)	(2,837)	(3,511)
Residual amount to be depreciated	0	0	123	895	30,256

The item "Assets in progress and payments on account" includes Euro 35 thousand in work not yet completed carried out at the San Vitale and the Piomboni worksites, Euro 36 thousand for costs incurred for the virtualization of the company server of the subsidiary Fores Engineering Srl and Euro 364 thousand for completion of the first phase of the construction work on a new yard in Kazakhstan by the associated company Kazakhstan Caspian Offshore Industries LLP.

LONG-TERM FINANCIAL ASSETS

Equity investments

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

	% holding	Balance 30/06/12	Balance 31/12/11
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Associated companies:

Rosetti Imstalcon Llp	50%	298	402
Lenac-Rosetti Adria Doo	50%	100	0
Unaros Fzc	50%	0	0
Tecon Srl	20%	<u>653</u>	<u>619</u>
Total		<u>1,051</u>	<u>1,021</u>

Other companies:

SAPIR		3	3
CAAF Industrie		2	2
Consorzio Cura		1	1
Cassa Risparmio Ravenna		<u>169</u>	<u>169</u>
Total		<u>175</u>	<u>175</u>

The value of the equity investment in Rosetti Imstalcon LLP has been reduced by Euro 104 thousand, due to the loss in the six-month period, while the value of the equity investment in Tecon S.r.l. have been revalued for Euro 34 thousand so as to bring the value of the investments in associated companies into line with their respective shareholders' equity values.

The following are the figures drawn from the consolidation packages of associated companies measured according to the equity method as of 30 June 2012 (in thousands of Euro):

	Total assets	Shareholders' equity	Value of production	Result for period
Rosetti Imstalcon Llp	667	596	0	(219)
Tecon Srl	5,428	3,263	2,539	168

Rosetti Imstalcon Llp is in liquidation and operated in the sector involved in the construction of large offshore facilities, whereas Tecon S.r.l. is an engineering firm.

Due from associated companies

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

	Balance 30/06/12	Balance 31/12/11
Kazakhstan Caspian Offshore Industries Llp	<u>13,400</u>	<u>11,250</u>

The above receivable refers to a medium-term loan granted to the

associated company Kazakhstan Caspian Offshore Industries LLP in order to allow the construction of its own yard in Kazakhstan. The loan was disbursed starting from 2009 in various instalments, is not secured by collateral and bears interest at an arm's-length rate. Based on the Business Plan the Company prepared, we believe that no losses should arise from this account receivable considering the cash flows coming from the jobs that the associated company has already acquired over the last few years.

Due from third parties

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

	Balance	Balance
	30/06/12	31/12/11
Mart Machinery Plant	<u>635</u>	<u>618</u>

The above receivable refers to a loan of USD 800 thousand granted to Mart Machinery Plant (a company that holds 20% and 50%, respectively, of the share capital of the associated company Rosetti Imstalcon Llp and the associated company Kazakhstan Caspian Offshore Industries Llp); the related repayment plan envisages the last instalment due on 31 December 2015. The change with respect to the previous year is due exclusively to the adjustment of the receivable in line with the exchange rate as of 30 June 2012. The loan, not secured by collateral, bears interest at an arm's-length rate.

Treasury shares

The item in question, which came to a total of Euro 5,100 thousand, represents 200,000 treasury shares acquired in January 2009 at a price of Euro 25.50 per share. Accordingly, on the basis of the matters envisaged by Article 2359 *bis* of the Italian Civil Code, a specific "Treasury share reserve" has been recorded under the shareholders' equity accounts, which is unavailable for the same amount.

CURRENT ASSETS

INVENTORIES

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

	Balance 30/06/2012	Balance 31/12/2011
Raw materials	3,977	5,710
less provision for obsolescence	<u>(1,850)</u>	<u>(1,875)</u>
	<u>2,127</u>	<u>3,835</u>
Contract work in progress	183,658	174,229
Payments on account	<u>(42,680)</u>	<u>(58,008)</u>
	<u>140,978</u>	<u>116,221</u>
Advances to suppliers	<u>16,575</u>	<u>10,341</u>
Total	<u>159,680</u>	<u>130,397</u>

The valuation of period-end inventories of raw materials at their average purchase cost does not result in appreciable differences compared to a valuation at current costs. For the purpose of adjusting this item to the estimated realisable value, a specific obsolescence provision has been recorded to reduce the same, for a total of Euro 1,850 thousand.

Contract work in progress includes Euro 2,205 thousand for work with a duration of less than one year (valued on the basis of the completed contract method) and Euro 181,453 thousand for work with a long-term duration (valued on the basis of the percentage of completion method).

Contract work in progress includes work for which operating losses have been provided for a total of around Euro 3,513 thousand.

Advances to suppliers primarily consist of sums paid to various suppliers upon issuing the associated materials purchase order.

Advances envisaged in naval sub-contracting and main supplies contracts significantly affect this item.

RECEIVABLES

Due from clients

The above item includes receivables from clients that derive from normal transactions of a commercial nature.

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

	Balance 30/06/12	Balance 31/12/11
Due from Italian clients	7,717	10,501

Due from EEC clients	27,285	37,768
Due from non-EEC clients	28,319	18,980
Bad debt provision	<u>(3,276)</u>	<u>(3,128)</u>
Total	<u>60,045</u>	<u>64,121</u>

The provision for impaired receivables is collectively deemed appropriate to cover presumed impairment losses on receivables.

The decrease in the overall value of the receivables with respect to 31 December 2011 is attributable to a different timing of the sales, linked to the trend of the individual contracts on the basis of their percentage of completion.

The composition of the above item, owing to the nature of the Company's business, is highly concentrated, given that approximately 74.78% (63.52% in the previous year) of total trade receivables are attributable to the top five clients by amount of balance outstanding.

Due from associated companies

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

	Trade Balance	30/06/12 Financ.	Balance Total	31/12/11
Rosetti Imstalcon Llp	7	0	7	0
Unaros Fzc	35	0	35	6
Kazakhstan Caspian Off. Ind.	<u>7,826</u>	<u>0</u>	<u>7,826</u>	<u>5,372</u>
TOTAL	<u>7,868</u>	<u>0</u>	<u>7,868</u>	<u>5,378</u>

All trade and financial transactions with associated companies are undertaken at arm's-length conditions. The above receivables are all considered recoverable. Accordingly, no impairment losses have been recognized.

Tax receivables

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

	Balance 30/06/12	Balance 31/12/11
VAT (from Treasury)	4,675	3,546
Due from customs for duties	130	49

Foreign tax credit	153	42
Receivable from Treasury	<u>6,108</u>	<u>8,157</u>
Total	<u>11,066</u>	<u>11,794</u>

The VAT receivable consists of the VAT credit as at 30 June 2012 accrued on ordinary trade transactions (Euro 2,780 thousand), the quarterly VAT credit for which a rebate was requested in 2007/2008 but has only been partially received (Euro 242 thousand) and the automobile VAT credit (Euro 153 thousand), for which a rebate has been requested, accrued following the retroactive amendment of rules governing the deductibility of VAT applied to the purchase of automobiles and the associated accessory charges (rebate application submitted pursuant to Italian Decree Law No. 258 of 15 September 2006) along with Euro 1,500 thousand for the VAT credit accrued in previous years for which a rebate request has been presented.

Prepaid taxes

Prepaid taxes have been provided on all positive timing differences. It should be noted that the theoretical tax effects on timing differences have been calculated according to current rates. For a detailed breakdown of the item, the reader is referred to the specific attached schedule at the end of these notes.

Due from third parties

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

	Balance 30/06/12	Balance 31/12/11
<u>Due within one year:</u>		
Due from employees	116	157
Due from INAIL (nat. instit. for ind. accid.)	42	0
Due from liquidated companies	18	18
Sundry amounts	<u>40</u>	<u>170</u>
Total	<u>216</u>	<u>345</u>
<u>Due beyond one year:</u>		
Sundry guarantee deposits	<u>365</u>	<u>364</u>
Total	<u>365</u>	<u>364</u>

All of the above amounts are considered collectable. Accordingly, no value adjustments have been made.

Receivables from liquidated companies refer to receivables claimed from Rosbos S.c.r.l., North Adriatic Offshore Scrl and Rosbar Scrl following the completion of the liquidation procedure, whereas sundry receivables are mainly made up of an amount due from the Congo government for amounts unduly withheld.

SHORT-TERM FINANCIAL ASSETS

Other securities

This item refers to the membership dues for the joint venture contract for the 2013 OMC (Offshore Mediterranean Conference) event.

CASH AND CASH EQUIVALENTS

Bank and postal deposits

The balance of Euro 42,178 thousand as at 30 June 2012 consisted entirely of bank deposits with positive balances. The change compared to the previous period may be inferred from the attached cash flow statement.

ACCRUED INCOME AND PREPAID EXPENSES

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

	Balance	Balance
	30/06/12	31/12/11
Accrued income on forward sale swaps	441	278
Other accrued income	0	3
Prepaid expenses for rents	22	142
Prepaid expenses on leasing instalments	35	44
Prepaid expenses on movable property leases	96	164
Other prepaid expenses	<u>506</u>	<u>273</u>
Total	<u>1,100</u>	<u>904</u>

COMMENTS ON THE MAIN LIABILITY ITEMS

SHAREHOLDERS' EQUITY

The changes in the component items of shareholders' equity are presented in the attached schedule.

The following is a commentary on the main shareholders' equity

component items:

SHARE CAPITAL

The share capital consists of 4,000,000 ordinary shares with a par value of Euro 1.00 each and had been fully subscribed and paid-up as at 30 June 2012.

REVALUATION RESERVE

The reserve in question was established following the revaluation of assets and the realignment of tax and statutory values in accordance with Italian Law No. 266/05 and Italian Law No. 2/09.

LEGAL RESERVE

The above reserve consists of portions of profits set aside in previous years.

TREASURY SHARE RESERVE

This reserve has been formed by using the extraordinary reserve to account for the purchase of treasury shares commented upon above in the paragraph concerning long-term investments.

OTHER RESERVES

Extraordinary reserve

The above reserve consists of portions of annual profits set aside in previous years and increased in the first half of 2012 mainly due to the allocation of part of the profit for 2011.

PROFITS (LOSSES) CARRIED FORWARD

This item refers to the losses sustained in the previous period by some subsidiaries, fully consolidated.

NET PROFIT FOR THE PERIOD

This item refers the result for the period.

TRANSLATION RESERVE

This reserve is made up of the differences caused by converting financial statements into the foreign currencies of the non-resident companies included in the scope of consolidation owing to the

differences between the year-end exchange rate used for translating Balance Sheet values and the average exchange rate of the year used for translating Income Statement values.

PROVISIONS FOR RISKS AND CONTINGENCIES

Provisions for taxes

This item consists of Euro 652 thousand in provisions for deferred taxes (the changes in the item are presented in the specific schedule at the end of these notes), and Euro 219 thousand in provisions for previous years' taxes.

Other provisions

The above item underwent the following changes during the first half of 2011 (in thousands of Euro):

	Balance	Incr.	Decr.	Balance
	31/12/11			30/06/12
Provision for future risks	1,045	0	0	1,045
Provision for contractual risks	<u>6,932</u>	<u>252</u>	<u>(469)</u>	<u>6,715</u>
Total	<u>7,917</u>	<u>252</u>	<u>(469)</u>	<u>7,760</u>

The provision for future risks represents the best possible estimate of probable liabilities arising from ongoing civil litigation with third parties. The provision for contractual risks is deemed sufficient to cover the risk of probable warranty action and the application of any contractually established penalties on both ongoing and already delivered work.

EMPLOYEES' SEVERANCE INDEMNITY PROVISION (TFR)

The changes in the above item during the year were as follows (in thousands of Euro):

Balance as of 31/12/2011	3,414
Amount accrued and recognised in the income statement	881
Amounts paid	<u>(843)</u>
Balance as of 30/06/2012	<u>3,452</u>

The severance indemnity provision as of 30 June 2012 reflected the amount accrued by employees not transferred to welfare funds. The amounts paid include the transfers to supplementary welfare funds for

Euro 335 thousand, the transfer to the INPS treasury fund for Euro 325 thousand, benefits paid and advances made during the period for Euro 114 thousand and IRPEF and INPS payments by employees for Euro 69 thousand.

The balance as at 30 June 2012 was net of any advances paid out.

PAYABLES

The composition of the items that constitute payables is described below together with changes during the year:

Due to other lenders

The item consists of a subsidized loan granted by the Ministry of Industry scheduled for gradual repayment by 2015 (Euro 266 thousand, of which Euro 180 thousand beyond one year) and the amount payable to the leasing company by way of the principal of future lease payments for an area equipped with warehouses and offices adjacent to the San Vitale yard (Euro 1,352 thousand, of which Euro 771 thousand beyond one year).

Payments on account

The item refers to order advances and milestone payments received from clients for ongoing contract work.

	Balance	Balance
	30/06/12	31/12/11
Advances from third party clients	<u>116,043</u>	<u>122,953</u>
Total	<u>116,043</u>	<u>122,953</u>

Due to suppliers

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

	Balance	Balance
	30/06/12	31/12/11
Due to Italian suppliers	38,278	32,069
Due to EEC suppliers	4,632	5,279
Due to non-EEC suppliers	<u>35,760</u>	<u>12,714</u>
Total	<u>78,670</u>	<u>50,062</u>

Due to associated companies

The item in question includes the following short-term payables (in thousands of Euro);

	Balance	Balance
	30/06/12	31/12/11
Tecon Srl	<u>223</u>	<u>282</u>
Total	<u>223</u>	<u>282</u>

The above payables derive from trade transactions carried out under arm's-length conditions.

Taxes payable

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

	Balance	Balance
	30/06/12	31/12/11
IRPEF tax withholdings	1,962	1,752
Income tax payable (to Treasury)	123	763
VAT	172	8
Other amounts	<u>542</u>	<u>9</u>
Total	<u>2,799</u>	<u>2,532</u>

The tax periods which may be subject to tax audits are those subsequent to 2006.

Due to social security and welfare institutions

The item refers to payables owed to such institutions at period-end for the contributions for which the company and its employees are liable.

Other payables

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

	Balance	Balance
	30/06/12	31/12/11
Due to employees	5,171	3,531
Due to independent contractors	57	47
Due to pension funds	298	266
Sundry payables	<u>10</u>	<u>75</u>
Total	<u>5,536</u>	<u>3,919</u>

ACCRUED EXPENSES AND DEFERRED INCOME

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

	Balance	Balance
	30/06/12	31/12/11
Accrued expenses:		
- Interest expense on mortgage loans	4	11
- Forward sale swaps	68	6
- Other	0	2
Deferred income:		
- Other	<u>0</u>	<u>2</u>
Total	<u>72</u>	<u>21</u>

MEMORANDUM ACCOUNTS

GUARANTEES GIVEN

a. Sureties

The item in question consists essentially of sureties given by insurers and banks to the Company's clients and to companies associated with the same to secure the proper performance of work and release withholdings securing requested rebates for the VAT office.

OTHER COMMITMENTS AND RISKS:

a. Forward currency purchases

The amount refers to the balance of NOK 111,840 and GBP 3,948 thousand as stated in the contracts entered into with financial institutions hedging various purchase orders issued to suppliers.

The item is essentially made up of transactions carried out to hedge supply contracts made on naval jobs.

b. Forward currency sales

The amount refers to the balance of GBP 169,434 thousand as stated in the contracts entered into with a financial institution hedging the contract outstanding with the client Elf Exploration Uk Limited.

From an operational standpoint, these contracts are functional for a handling of the risk of fluctuation in the exchange rates and comply with the provisions established by the current accounting standards required to qualify them as hedging transactions.

d. Credit facilities

The amount refers to the credit facilities authorized by a financial institution for one of our foreign suppliers to secure purchase orders for raw materials.

Other

With reference to the equity investment in the share capital of Tecon S.r.l. (20%), it is also disclosed that, via a sale option granted to the other shareholders, the Parent Company undertook the commitment to purchase all the residual holdings. This option can be exercised as from 22 November 2012 and for the following five years.

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):

	<u>H1 2012</u>	<u>H1 2011</u>
Oil & Gas Business Unit	119,029	59,829
Shipbuilding Business Unit	49,112	68,824
Process Plants Business Unit	4,655	15,634
Sundry services	<u>81</u>	<u>219</u>
Total revenues from sales and services	<u>172,877</u>	<u>144,506</u>

The geographic break down of the revenues is the following (in thousand of Euro):

	<u>H1 2012</u>	<u>H1 2011</u>
Revenues from Italian clients	52,467	77,378
Revenues from EEC clients	74,035	45,525
Revenues from non-EEC clients	<u>46,375</u>	<u>21,603</u>
Total revenues from sales and services	<u>172,877</u>	<u>144,506</u>

The comments on the financial performance for the year are provided in

the management report.

Owing to the nature of the Company's business, the composition of the above item is highly concentrated, given that approximately 91.10% (89.68% in the same period of the previous year) of total revenue from sales and services is attributable to the top five clients by amount.

CHANGE IN CONTRACT WORK IN PROGRESS

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

Opening contract work in progress as at 1 Jan. 2012	(174,229)
Closing contract work in progress as at 30 June 2012	<u>183,658</u>
Total	<u>9,429</u>

Work in progress as at 30 June 2012 relates to the Oil & Gas Business Unit (Euro 87,659 thousand), the Process Plants Business Unit (Euro 12,189 thousand) and the Shipbuilding Business Unit (Euro 83,810 thousand).

INCREASES IN OWN WORK CAPITALIZED

During the first six months of 2012, the capitalized costs included in this item included the costs of work done at the Via Trieste facility for Euro 44 thousand (construction of new offices), work done at the San Vitale worksite for Euro 14 thousand (modernisation of the leased premises and design/construction of a new prefab floor) and at the Piomboni site for Euro 6 thousand (air conditioning of warehouse 11 and construction of 2 bridge cranes).

OTHER INCOME AND REVENUES

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

	<u>H1 2012</u>	<u>H1 2011</u>
Grants towards photovoltaic system	<u>36</u>	<u>30</u>
Total "operating grants"	36	30
Charge-backs of expenses to third parties	230	152
Rentals and leases	17	17
Capital gains on disposal of assets	98	321

Contingent assets	113	48
Risk provision surplus	388	30
Other amounts	<u>312</u>	<u>228</u>
Total "Other amounts"	<u>1,158</u>	<u>796</u>
Total "other income and revenues"	<u>1,194</u>	<u>826</u>

The item operating grants is entirely made up of the grants towards the photovoltaic solar system installed on the roof of a building at the San Vitale site in 2008.

PRODUCTION COSTS

PURCHASES

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

	<u>H1 2012</u>	<u>H1 2011</u>
Raw materials	28,462	38,288
Consumables	2,614	1,087
Other purchases	<u>244</u>	<u>69</u>
Total	<u>31,320</u>	<u>39,444</u>

The decrease in the item in question compared to the previous period was primarily due to a differing distribution of business over time.

SERVICES

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

	<u>H1 2012</u>	<u>H1 2011</u>
Subcontracting and outsourcing	84,483	45,837
Maintenance and repairs	627	653
Electricity, water and heating	787	640
Other production costs	4,808	5,019
Accessory personnel costs	1,719	2,366
Marketing expenses	1,282	1,370
Emoluments for directors and officers	582	555
Accounts audit	74	61
Administration and other general overheads	<u>5,508</u>	<u>5,162</u>

Total **99,870** **61,663**

The increase in the item in question compared to the previous period was primarily due to the increase in production activities.

LEASES AND RENTALS

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

	<u>H1 2012</u>	<u>H1 2011</u>
Rental of real estate property	811	466
Movable property leasing	5,374	2,301
Maintenance of third-party assets	15	4
Concession fees	40	41
Software rental	<u>126</u>	<u>81</u>
Total	<u>6,366</u>	<u>2,893</u>

The increase in this item with respect to the previous period was mainly due to the rental of equipment by the subsidiary company Rosetti Kazakhstan Llp and the associated company KCOI Llp, necessary for the execution of Hook up work on Island D.

PERSONNEL COSTS

A breakdown of these costs is included in the income statement.

The following table presents changes in the workforce, broken down by category:

	<u>30/06/11</u>	<u>31/12/11</u>	<u>30/06/12</u>
Executives	36	38	41
White collars	503	573	560
Blue collars	<u>187</u>	<u>225</u>	<u>177</u>
Total	<u>726</u>	<u>836</u>	<u>778</u>

AMORTISATION, DEPRECIATION AND WRITEDOWNS

A breakdown of the required sub-items has been given above in the income statement.

A breakdown of the depreciation charges for items of property, plant and equipment is presented in a specific annex.

CHANGE IN INVENTORIES OF RAW MATERIALS

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

- Opening inventory as at 1 Jan. 2012 (5,710)

- Use of provision for obsolete inventory	25
- Closing inventory as at 30 June 2012	<u>3,977</u>
Total	<u>(1,708)</u>

PROVISIONS FOR RISKS

The item includes the provisions commented on in the item "Provisions for risks and contingencies".

SUNDRY OPERATING EXPENSES

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

	<u>H1 2012</u>	<u>H1 2011</u>
Taxes and duties other than income tax	181	78
Capital losses on disposal of assets	0	6
Contingent liabilities	121	36
Other operating expenses	<u>80</u>	<u>36</u>
Total	<u>382</u>	<u>156</u>

FINANCIAL INCOME AND EXPENSES

INCOME FROM EQUITY INVESTMENTS

The item (Euro 4 thousand) consists of dividends deriving from the equity investments in Cassa di Risparmio di Ravenna.

OTHER FINANCIAL INCOME

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

	<u>H1 2012</u>	<u>H1 2011</u>
<u>d) Income other than the above:</u>		
Income from associated companies	<u>233</u>	<u>0</u>
Total	<u>233</u>	<u>0</u>
Income from other parties:		
Bank interest income	410	203
Sundry interest income	308	112
Allowances receivable	<u>0</u>	<u>1</u>
Total	<u>718</u>	<u>316</u>
Total "income other than the above"	<u>951</u>	<u>316</u>

INTEREST AND OTHER FINANCIAL EXPENSE

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

	<u>H1 2012</u>	<u>H1 2011</u>
Interest expense on bank current accounts	0	3
Interest expense on mortgage loans	5	15
Interest expense on leases	46	60
Sundry interest expense	69	2
Allowances payable	<u>0</u>	<u>2</u>
Total	<u>120</u>	<u>82</u>

EXCHANGE GAINS AND LOSSES

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

	<u>H1 2012</u>	<u>H1 2011</u>
Exchange gains	5,297	269
Unrealised exchange gains	355	3,343
Exchange losses	(4,416)	(1,288)
Unrealised exchange losses	<u>(4,841)</u>	<u>(2,353)</u>
Total	<u>(3,605)</u>	<u>(29)</u>

ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS

The adjustments refer to equity investments in associates and were recognised to bring the carrying amounts in line with shareholders' equity.

INCOME TAXES FOR THE PERIOD

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

	<u>H1 2012</u>	<u>H1 2011</u>
Current taxes	4,445	3,164
Deferred taxes	26	65
Prepaid taxes	<u>(921)</u>	<u>(459)</u>
Total	<u>3,550</u>	<u>2,770</u>

The actual tax rate thus comes to 29.30% (43.36% in the first six months of the previous period).

ANNEXES

The following annexes contain supplementary information to the Notes and are an integral part thereof.

This information is presented in the following schedules:

- Statement of changes in consolidated shareholders' equity;
- Statement of changes in tangible assets;
- Statement of temporary differences that resulted in the recognition of deferred taxation;
- Cash flow statement.

ROSETTI MARINO S.p.A.
STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY
FOR THE PERIOD CLOSED AS AT 30 JUNE 2012
(in thousands of euro)

	Share capital	Revaluation reserve	Legal reserve	Treasury share res.	Other reserves	Profit (loss) carried forward	Translation reserve	Consolidation reserve	Net profit for the period	Total	Minority interests-equity
BALANCE AS AT 30 JUNE 2011	4.000	36.969	1.110	5.100	111.340	(888)	(275)	23	3.623	161.002	47
Net profit for the first half of 2011:											
- reserve	0	0	0	0	0	0	0	0	0	0	0
- dividends	0	0	0	0	0	0	0	0	0	0	0
Translation reserve	0	0	0	0	(458)	500	976	0	0	1.018	5
Changes in the scope of consolidation	0	0	0	0	0	0	0	0	0	0	0
Net profit for the second half of 2011	0	0	0	0	0	0	0	0	10.275	10.275	(3)
BALANCE AS 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 the year 2011:											
- reserve	0	0	0	0	9.026	1.072	0	0	(10.098)	0	0
- dividends	0	0	0	0	0	0	0	0	(3.800)	(3.800)	0
Translation reserve	0	0	0	0	(135)	0	569	0	0	434	2
Changes in the scope of consolidation	0	0	0	0	0	0	0	0	0	0	0
Net profit for the year 2012	0	0	0	0	0	0	0	0	8.577	8.577	(13)
BALANCE AS AT 30 JUNE 2012	4.000	36.969	1.110	5.100	119.773	684	1.270	23	8.577	177.506	38

STATEMENT OF CHANGES IN TANGIBLE ASSETS
FOR THE PERIOD CLOSED AT 30 JUNE 2012

(in thousands of euro)

	Initial situation			Movement of the period						Final situation		
	Original cost	Deprec. funds	Balance 31/12/2011	Increases	Decreases	Change of category	Exchange rate conversion delta	Aliq.	Depreciation	Original cost	Deprec. funds	Balance 30/06/2012
				Acquist.	Int. Work	Historical	Fund	Historical	Fund			
Yards and buildings												
- land	34.944	(4.862)	30.082	0	0	0	0	0	0	34.933	(5.769)	29.184
- yards and buildings	46.348	(9.961)	36.387	17	3.692	0	7.475	0	0	57.842	(10.574)	47.268
- light constructions	5.255	(4.250)	1.005	26	0	(2)	0	0	0	5.279	(4.400)	878
Plant and machinery:												
- plant	12.309	(10.173)	2.136	148	5	(98)	99	0	0	12.365	(10.294)	2.071
- dry dock	7	(7)	0	0	0	0	0	0	0	7	(7)	0
- processing furnaces	0	0	0	0	0	0	0	0	0	0	0	0
- processing plant	238	(174)	64	0	0	0	0	0	0	238	(184)	54
- machinery	6.097	(5.732)	365	322	0	(186)	186	0	0	6.235	(5.629)	606
- electronic systems	23	(26)	(3)	0	0	0	0	0	0	21	(26)	(5)
Industrial and commercial equipment												
	4.296	(2.801)	1.495	168	0	(170)	168	519	0	25	(285)	1.920
Other tangibles:												
- office furniture	830	(571)	259	180	0	(98)	98	126	0	5	(40)	530
- edp office machinery	1.995	(1.311)	684	115	0	(2)	2	0	0	1	(148)	652
- vehicles for transport	571	(522)	49	21	0	(2)	2	0	0	590	(543)	48
- cars	92	(15)	76	9	0	0	0	0	0	101	(16)	85
- barge	2.099	(415)	1.684	0	0	0	0	0	0	2.099	(492)	1.606
Assets in progress and payments on account:												
	8.310	0	8.310	2.691	(2.401)	0	(8.120)	0	0	46	0	435
Exch. rate conversion delta:												0
Total	123.413	(40.820)	82.593	3.698	1.296	(557)	557	0	0	303	(2.558)	85.332

STATEMENT OF TEMPORARY DIFFERENCES THAT RESULTED IN THE RECOGNITION OF DEFERRED TAX ASSETS AND LIABILITIES
paragraph 14, Article 2427 of the Italian Civil Code

Description of temporary differences			Deferred tax assets as at 31/12/11			Decrease			Increases			Deferred tax assets as at 30/06/12		
Deductible differences	Taxable income	Rate	Tax	Taxable income	Rate	Tax	Taxable income	Rate	Tax	Taxable income	Rate	Tax		
Entertainment expenses	(2)	31,40%	(1)	0	31,40%	0	0	31,40%	0	(2)	31,40%	(1)		
Contracts measured by revenue	2.870	27,50%	789	2.825	27,50%	777	4.910	27,50%	1.350	4.955	27,50%	1.362		
Losses from previous years	0	20,00%	0	0	20,00%	0	0	20,00%	0	0	20,00%	0		
Provision for contractual risks	5.604	27,50%	1.542	0	27,50%	0	0	27,50%	0	5.604	27,50%	1.542		
Bad debt provision	1.161	27,50%	319	0	27,50%	0	408	27,50%	112	1.569	27,50%	431		
Provision for future risks	2.269	27,50%	622	469	27,50%	129	252	27,50%	69	2.052	27,50%	563		
Unrealized foreign-exchange losses	30	27,50%	8	30	27,50%	8	144	27,50%	40	144	27,50%	40		
Amortization of intangible assets	123	31,40%	37	20	31,40%	6	0	31,40%	0	103	31,40%	31		
Depreciation of tangible assets	3.099	31,40%	974	23	31,40%	7	486	31,40%	153	3.562	31,40%	1.119		
Provision for obsolete inventory	1.970	27,50%	543	25	27,50%	7	0	27,50%	0	1.945	27,50%	536		
Contracts at a loss	203	27,50%	54	243	27,50%	67	721	27,50%	198	681	27,50%	186		
Consolidation operations	10	27,50%	3	0	27,50%	0	0	27,50%	0	10	27,50%	3		
Total	17.337		4.891	3.635		1.001	6.921		1.922	20.623		5.812		

Description of temporary differences			Deferred tax liabilities as at 31/12/11			Decrease			Increases			Deferred tax liabilities as at 30/06/12		
Taxable differences	Taxable income	Rate	Tax	Taxable income	Rate	Tax	Taxable income	Rate	Tax	Taxable income	Rate	Tax		
Unpaid dividends	1	31,40%	0	0	31,40%	0	0	31,40%	0	1	31,40%	0		
Unrealized foreign-exchange gains	500	27,50%	138	500	27,50%	138	344	27,50%	95	344	27,50%	95		
Consolidation operations	1.554	31,40%	488	1.554	31,40%	488	1.774	31,40%	557	1.774	31,40%	557		
Total	2.055		626	2.054		626	2.118		652	2.119		652		

CASH FLOW STATEMENT

(thousands of Euro)

	<u>H1 2012</u>	<u>H2 2011</u>
A. <u>OPENING SHORT-TERM NET FINANCIAL POSITION</u>	<u>46,595</u>	<u>46,473</u>
B. <u>CASH FLOW PROVIDED BY / (USED IN) OPERATING ACTIVITIES</u>		
Net profit (loss) for the period	8,577	10,275
Amortisation/depreciation	5,113	5,113
Net change in provisions for risks and contingencies	(191)	59
Net change in the employees' severance indem. prov.	38	(122)
Profit (loss) on operating activities before changes in working capital	113,537	15,325
(Increase) Decr. in current receivables due within 1 y	1,522	(8,021)
(Increase) Decr. in current receivables due beyond 1 y	(1)	(4)
(Increase) Decr. in inventories	(29,283)	(30,003)
(Increase) Decrease in trade payables and other payables	23,169	36,602
Increase (Decrease) in other working capital items	(145)	115
Change in payables to minority shareholders	(11)	2
	<u>8,788</u>	<u>14,016</u>
C. <u>CASH FLOW PROVIDED BY / (USED IN) INVESTING ACTIVITIES</u>		
Net changes in fixed assets:		
- intangible	(823)	(832)
- tangible	(6,758)	(13,549)
- financial	(2,197)	136
	<u>(9,778)</u>	<u>(14,245)</u>
D. <u>CASH FLOW PROVIDED BY / (USED IN) FINANCING ACTIVITIES</u>		
Provision to/use of Reserves	(135)	42
Translation reserve	569	976
Allocation of profits	(3,800)	0
Other changes in medium/long-term payables	0	(667)
	<u>(3,366)</u>	<u>351</u>
E. <u>CASH FLOW FOR THE PERIOD (B+C+D)</u>	<u>122</u>	
F. <u>CLOSING SHORT-TERM NET FINANCIAL POSITION (A+E)</u>	<u>42,239</u>	<u>46,595</u>