

Jindal Saw Italia S.p.A.

a sole shareholder company

ANNUAL REPORT 2017

*(including report of Independent
Registered Public Accounting Firm)*

**Independent Auditor's Report in accordance with article 14
of the Legislative Decree nr. 39 dated January 27, 2010**
(Translated from original in Italian)

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To the Shareholder of
Jindal Saw Italia S.p.A.

Audit opinion on the Statutory Financial Statements

Opinion

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

In our opinion, the financial statements give a true and fair representation of the financial position of the Company as at December 31, 2017 and of the results of its operations and cash flow for the year then ended, in accordance with the Italian law which governing their preparation criteria.

Elements of the opinion

We performed the audit in accordance with international auditing standards (ISA Italia). Our responsibilities under these principles are further described in the section "Auditor's responsibility for auditing of the financial statements" of this report.

We are independent of the Company in compliance with the rules and principles on ethics and independence applicable in the Italian law for auditing of the financial statements. We believe we have acquired sufficient and appropriate audit evidence on which to base our judgment.

Other aspects – recall of information

We highlight the information in the management report of the financial statements as at December 31, 2017, in the paragraph "*Fatti di rilievo avvenuti durante e dopo la chiusura dell'esercizio e il presupposto della continuità aziendale*", where the directors explain the results of the financial statements and indicate the reasons why the financial statements have been prepared adopting the going concern assumption.

Moreover, we highlight that the Shareholder signed a comfort letter confirming the will and the commitment to provide the company with adequate financial support for the adoption of the adequate measures which might become necessary pursuant to articles 2446 or 2447 of the Italian Civil Code. On May 14, 2018, in accordance with the undertaking above indicated, the Shareholder has renounced part of a loan granted to the Company accounting for euro 1,600 thousand.

Responsibilities of the management and of the Statutory Auditors for the financial statements

Management is responsible for the preparation of these financial statement as they give a true and fair representation in accordance with Italian laws which govern their preparation criteria, and within the terms established by law, for that part of the internal control they deem necessary to allow the preparation of a financial statement that does not contain significant errors due to fraud or unintentional behavior or events.

Management is responsible for assessing the Company's ability to continue operating as an operating entity and, in preparation of the financial statements, for the appropriateness of the use of the going concern assumption, as well as for adequate disclosure in matter. Management uses the assumption of business continuity in the preparation of the financial statements unless they have assessed that exist the conditions for the liquidation of the Company or for the interruption of the activity or have no realistic alternatives to such choices.

The Statutory Auditors ("Collegio Sindacale") are responsible for supervising, within the terms established by law, and of the process of preparing the Company's financial information.

Auditor's responsibility for auditing of the financial statements

Our objectives are the acquisition of reasonable assurance that the financial statements as a whole do not contain significant errors, due to fraud or unintentional behavior or events, and the issuance of a review report that includes our opinion. For reasonable assurance means a high level of security which, however, does not provide the assurance that an audit carried out in accordance with international auditing standards (ISA Italia) will always identify a significant error, if any. Errors can result from fraud or unintentional behavior or events and are considered significant if it can reasonably be expected that they, individually or as a whole, are able to influence the economic decisions made by the users on the basis of the financial statements.

As part of the audit conducted in accordance with international auditing standards (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. Furthermore:

- we have identified and assessed the risks of material misstatement in the financial statements due to fraud or unintentional behavior or events; we have defined and performed audit procedures in response to these risks; we have acquired sufficient and appropriate audit evidence on which to base our opinion. The risk of not identifying a significant error due to fraud is higher than the risk of not identifying a significant error deriving from unintentional behaviors or events, since fraud can imply the existence of collusion, falsification, intentional omission, misleading representations or forcing internal control;
- we have acquired an understanding of the internal control relevant for auditing purposes in order to define appropriate audit procedures in the circumstances and not to express an opinion on the effectiveness of the internal control of the Company;
- we assessed the appropriateness of the accounting principles used and the reasonableness of accounting estimates made by the management, including the related disclosure;
- we have reached a conclusion on the appropriateness of the use by the management of the assumption of business continuity and, based on the audit evidence, on the existence of significant uncertainty regarding events or circumstances that may give rise to significant doubts about the Company's ability to continue operating as an operating entity. In the presence of significant uncertainty, we are obliged to call attention to the audit opinion on the related disclosures in the financial statements, or, if such disclosure is inadequate, to reflect this fact in the formulation of our judgment. Our conclusions are based on the audit evidence obtained up to the date of this report. However, subsequent events or circumstances may result in the Company ceasing to operate as an operating entity;
- we assessed the presentation, structure and content of the financial statements as a whole, including the disclosure, and whether the financial statements represent the underlying transactions and events in order to provide a correct representation.

We have communicated to the managers of the governance activities, identified at an appropriate level as required by the ISA Italia, among other aspects, the scope and timing planned for the audit and the significant results emerged, including any significant deficiencies in the internal control identified in the audit course.

Report on the other law and regulations

Opinion in accordance with article 14, co. 2, letter e) of the Legislative Decree nr. 39/10

Management of Jindal Saw Italia S.p.A. is responsible for the preparation of the report on operations of Jindal Saw Italia S.p.A. at December 31, 2017 included its consistency with the related financial statements and its compliance with the law.

We have performed the procedures required under Standard on Auditing (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations, on which is the responsibility of the Management of Jindal Saw Italia S.p.A., with the financial statements of Jindal Saw Italia S.p.A. as at December 31, 2017, as required by laws, as well as to make a declaration on any significant errors.

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

With reference to the declaration pursuant to art. 14, co. 2, letter e) of Legislative Decree 39/10, issued on the basis of the knowledge and understanding of the company and the relative context acquired during the audit, we have nothing to report.

Pordenone May 18, 2018

Ria Grant Thornton S.p.A.

Signed by
Mauro Polin
Partner

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

We have not examined the translation of the financial statements referred to this report.

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Jindal Saw Italia S.p.A.

a sole shareholder company

Registered Office

Operational and Administrative Office at 32 Via K.L. Von Bruck - 34144 Trieste

Share capital: Euro 1,100,000.00, subscribed and paid

Company registration number: 07104300962 – REA [Preliminary Business Register] No. 132406

Management report pertaining to the financial year closed on 31 December 2017

Dear board members,

The Financial Year Closing situation ending on 31st December 2017 shows a loss amounting to Euros, with 4,937,891 with 138,124 Euros allocated to depreciation and provisions.

The total loss for the previous fiscal year, which ended on December 31st 2016, amounted to 3,512,499 Euros, with 214,558 Euros allocated to depreciation.

Important events that took place during and after the fiscal year

As per December 31st 2017, the company reported sales for about 10,500 tons against the 17,300 tons recorded in the same period last year.

Sales volumes is not yet satisfactory in the Italian and European markets although in recovery. The Italian market has continued to be very weak demand.

The difference is due to the fact that in the current year there were no sales with IRAQ destination.

During the period under review from January 2017 to December 2017, there was no direct sale from the Abu Dhabi plant.

The quantity produced was about 7,200 tons against the 10,700 tons recorded in the same period last year.

At 31st December 2017, the staff of 70 employees is composed by 2 managers, 35 employees, 33 workers.

The total turnover as per 31st December 2017 was approximately 12,500,000 € as compared to 25,000,000 € in the previous financial year in the same period of which approximately 8 million euros related o the Ministry of Water Resources.

The EBITDA in December 31st 2017 shows a loss of 3,700,000€ compared with a loss of about 2,600,000 € in the last financial year ended for the same period.

Tangible investments amounted to 43.000 Euro (63.000 euro in the previous year).

Intangible investments amounted to 24.000 Euro (28.000 Euro in the previous year).

With reference to the trend of net assets, we should observe that the loss for the financial year 2016, which amounted to 3,512,499€, was entirely covered, following a specific proposal of the Directors, through the use of existing reserves (as per resolution of the shareholders' meeting on 11st May 2017).

It must be also highlighted that in order to provide the Company with adequate capital and financial resources the Sole Shareholder dated February 8th, 2017 and June 06th 2017 have made a payment for future capital increase of capital Euro 2,400,000.

In this regard, we should also consider that during the period under review (1st January/December 31st 2017) the shareholder Ralael Holdings Limited had renounced definitively and irrevocably to the repayment of part of the interest-bearing loan made to favor of the related, namely an amount of Euro 3,000,000, with a view to strengthen its capital of the investee it.

In connection with the events that occurred during and after the year end 2017, the directors decided to update the Business Plan approved last year with a new strategic plan 2018-2020.

This plan confirms the predictions of positive operating results from the year 2019.

We note that the shareholder, despite the new plan foresees positive results from 2018, has prudently signed a comfort letter under which confirms its possible future commitment to continue providing adequate financial support to the Company, including for the adoption of appropriate procedures that may become necessary under articles 2446-2477 of the civil code

In July 2017, in the course of an export to Iraq for pipes transformed in Trieste starting from semi-finished products, the Customs Agency seized the assets contesting the illegitimate affixing of the "Made in Italy" marking on the same , although the company had an BOI (binding information on the origin).

The Italian origin of the products transformed in Trieste obtained from Semi-Finished Pipes coming from the other plants of the group were attributed as substantial transformation being carried out on semi-finished products. Moreover, in 2015, the company had obtained a positive opinion of BOI from the Slovenian Customs which recognized the non-preferential origin of the pipes produced. According to Italian Customs, this BOI would have lapsed following the entry

into force of the new Union customs regulation, in particular the delegated decree that came into force in June 2016.

The company has implemented actions to defend its actions and has submitted a BOI request to the Italian Customs on the basis of the new Union customs regulation. Even the MISE, in the awareness of the impact that the persistence of this interpretation would have on the company, shared the arguments presented, advocating the case with the Customs.

The Customs have recently responded to the MISE and the company confirming that, at present, there are no grounds for considering the products processed in Trieste as non-preferential Italian origin.

On the basis of the indications received from the legal advisors who assist the Company, there are concrete actions to be put in place to overturn the interpretation, but with long time frames.

The Equity position as of 31st December 2017 is reported below.

Description	
Share Capital	1.100.000
Share Premium Reserve	0
Euro Rounding Reserve	(2)
Other Reserves (Future Increases in SC)	4.983.695
Profits (Losses) carried forward	0
Profit(Loss) for the Period	(4.937.891)
Equity as of 31/12/17	1.145.802

Research and development activities

During the period under review, research and development activities were launched for technological innovation and focused their efforts in particular on projects that are considered particularly innovative, carried out in the Trieste plant.

The construction of a logistic platform aimed at unloading and loading pipes from containers has been realized in such a way as to reduce technical times and increase levels of work safety. The platform is already operational since the end of the year and will allow the elimination of the rental costs of operating machines dedicated to unloading containers.

The double chamber project and polyurethane pipes with the first certifications received started to increase the order backlog. The company has great confidence

in this new product and is convinced that in the immediate future it will give very positive results.

Financial situation

Net borrowing, as of December 31st, 2017, amounts to approximately 4,1 million Euros, all short-term, compared to 3,6 million Euros during the previous fiscal year (as of December 31st, 2016).

Employment Situation

As of December 31st, 2017 the staff is made up of 70 employees, of whom 2 are managers, 35 are office workers and 33 are labourers.

Information on environment and work

The company has complied with all the necessary regulations as per legislative Decree 626/1994 pertaining to Safety and Health in the working area by appointing a responsible for the service for Prevention and Protection, and in addition also for compiling the document for company risk evaluation.

The company has also adopted the needed actions both in terms of investments and also in terms of procedure to conduct its own activities respecting or complying with laws and rules in Environmental matter.

Based on the CNDCEC document of 14 January 2009, below-mentioned is information on company personnel and the environment:

- during the financial year, there were no deaths at work of staff recorded on payroll for which corporate responsibility was definitively established;
- during the financial year, there were no serious accidents at work which resulted in significant or severe injury to personnel recorded on payroll for which corporate responsibility was definitively established;
- during the financial year, there were no records pertaining to occupational diseases of employees or former employees and causes of mobbing, for which the company was declared permanently responsible;
- during the financial year, no environmental damages occurred for which the company was found guilty;
- during the financial year, there were no sanctions or penalties imposed for definitive offences or environmental damage.

Financial instruments and risk management

In this section, in accordance with the provisions of Article 2428 Civil Code paragraph 3 number 6-bis, there is provided information on the company's

exposure to credit risk, liquidity risk, and market risk; on objectives, policies, and risk management processes, as well as risk assessment methods.

The overall responsibility for the establishment and supervision of the risk management system lies with the Company's Board of Directors.

The risk management policies of the company aim to identify and analyse the risks to which the company is exposed, establishing appropriate limits and controls, and to monitor risks and observance of said limits. These policies and related systems are reviewed regularly to reflect any changes in market conditions and the company's activities. Through training, standards, and management procedures, the company aims to create a disciplined and constructive control system in which its employees are aware of their roles and responsibilities.

Credit risk

The commercial risk toward customers is contained through the use of insurance policies that cover 85% of the nominal value thereof;

The Company established a procedure, managed by a Credit Committee, to determine the reliability and credit limits for each customer through regular analysis that employs the use of assessment and external information.

Liquidity risk

The policy adopted by the Company as regards the liquidity risk is based on:

- diversification of funding sources;
- avoidance of significant concentrations of liquidity risk both in terms of financial assets and as concerns those arising from funding sources.

Market risk

The company, in carrying out its activities, could make use of financial instruments, where a financial instrument is any contract that gives rise to a financial activity for one entity and, in turn, to a financial liability for another entity. The use of such financial instruments does not result in significant effects, which may significantly affect the assessment of the financial standing and the operating profit or loss.

The company could negotiate derivative instruments to manage market risk.

a. Exchange rate risk

The company is exposed to currency risk on commercial transactions not carried out in Euro. Accordingly, the Company may implement a policy aimed to hedge the risk of fluctuations in the exchange rate by entering into contracts for purchase of currency with leading institutions with a view to hedge sales of finished products. At 31 December 2017 there were no outstanding forward purchase and sale contracts in foreign currency.

b. Risk of interest rate

The international economic environment has considerably reduced the risk in question. The company did not consider it convenient to subscribe to the Interest Rate Swap.

Please refer to the Notes for detailed information on the size of the risk exposure of the enterprise.

Transactions with related parties

Transactions with subsidiaries, associated, and affiliated companies are expounded upon in the Explanatory Notes.

Receivables from Intercompany	31.12.2017	31.12.2016	Variance
JINDAL SAW ESPANA S.L.	0	8.491	-8.491
JINDAL SAW GULF LLC	0	1.991	-1.991
JINDAL FITTINGS LTD.	0	58.576	-58.576
JINDAL SAW LIMITED	11.850	0	11.850
JINDAL SAW PIPELINE SOLUTIONS LTD	0	0	0
JINDAL SAW MIDDLE EAST FZC	0	0	0
INVOICE TO BE ISSUE JINDAL SAW LIMITED	0	29.001	-29.001
INVOICE TO BE ISSUE JINDAL SAW GULF	0	11.348	-11.348
Total receivables intercompany	11.850	109.407	97.557

Payables from Intercompany	31.12.2017	31.12.2016	Variance
LOAN RALAEH HLD	-5.917.000	-3.500.000	-2.417.000
LOAN JINDAL SAW HLD. FZE	-5.000.000	-5.000.000	0
RALAEH HLD INT. FEES	-1.148.715	-694.200	-454.515
JINDAL SAW FZE INT.FEES	-119.410	-28.889	-90.521
JINDAL SAW LIMITED	-2.425.384	-4.333.274	1.907.890
JINDAL SAW GULF LLC	-3.200.638	-5.630.352	2.429.714
JINDAL SAW FITTINGS LTD	-133	0	-133
Total payables intercompany	17.811.280	-19.186.715	1.375.435

The costs incurred for the companies of the group are shown below:

Intercompany	Purchase products	Services	Financial charges	TOTAL
Jindal Saw Limited	2.546.635	21.500		2.568.135
Jindal Saw Gulf	3.070.572	237.447		3.308.019
Jindal Saw Fittings	133			133
Loan JINDAL SAW HLD. FZE			165.563	165.563
Loan RALAEH			454.515	454.515
Total	5.617.341	258.947	620.078	6.496.366

The revenues incurred towards for the companies of the group are shown below:

Intercompany	Amount
JINDAL SAW LIMITED	11.850
JINDAL SAW GULF LLC	7.980
Total	19.830

Purchase of company shares and shares of parent companies

The company does not hold and did not hold during the financial year treasury shares or shares of parent companies, neither through trust companies or intermediaries.

Significant facts that occurred following the closing of this financial year

Preparation of this report there are no significant events to report

Management outlook

Although in the presence of a serious global crisis that has deeply affected international financial and economic systems, the prospects for the pipe sector could be less negative both for the climate more favorable to public investments in the necessary water infrastructures in Italy and abroad on the side of revenues. The improvement in production efficiency and the increase in the quality of its production associated with the recovery of the reference markets should allow for prudent optimism.

Information pursuant to art. 2497-bis paragraph 4 of the Civil Code

The company does not fall under the direction and coordination of the sole shareholder Ralael Holdings Limited.

Data security policy

The data security policy is updated when necessary in accordance with Annex B, point 26 of Legislative Decree no. 196/2003, pursuant to the law.

Analysis of the financial statements

With the aim to provide better information on the situation of the financial year from an economic and financial performance point of view, we reclassified the Balance Sheet according to the scheme of decreasing liquidity, and the Income Statement by mean of the value added scheme, enclosed to this report, calculating also some indexes following the entries thus consolidated.

Financial indicators

1) Degree of debt

The ratio between net debt and equity.

It expresses the ratio between internal and external sources of funding. The higher the value of this index, the greater the dependence on external sources of financing.

The value of this index at the date of this balance sheet is 23.60 compared to 42.31 during the previous year.

2) Degree of financial independence

The ratio between equity and total sources of funding.

It expresses the weight of internal funding sources compared to total sources of financing. This index can assume values between 0 and 1: the more the value of this ratio approaches a unit value, the greater independence from external funding sources.

The value of this index at the date of this balance sheet is 0.04 compared to 0.02 during the previous year.

3) 1st grade hedging of net fixed assets

The ratio between equity and net fixed assets.

It expresses long-term investments financed with equity. The higher the ratio of this index, the stronger and more equilibrated the balance sheet of the company.

The value of this index at the date of this balance sheet is 0.81 compared to 0.39 during the previous year.

4) 2nd hedging of net fixed assets

The ratio of equity plus consolidated liabilities and net fixed assets.

It expresses long-term investments hedged by means of funding sources intended to remain long-term in business. The more this ratio's value falls under the unity, the greater the disparity of the balance sheet.

The value of this index at the date of this balance sheet amounted to 6.03 compared to 4.56 during the previous year.

Liquidity ratios

5) Primary or immediate liquidity

The ratio of immediate liquidity and current liabilities.

This index allows highlighting the company's ability to cope short-term with its current financial commitments by using the most liquid assets that can quickly translate into cash and at a low cost.

The value of this index at the date of this balance sheet amounted to 0.33, compared to 0.33 during the previous year.

6) Secondary or current liquidity

The ratio of current assets and current liabilities.

This index allows highlighting the company's ability to cope short-term with its current financial commitments by using all short-term assets, including inventories.

The value of this index at the date of this balance sheet amounted to 1.36 compared to 1.29 during the previous year.

7) Rate of turnover of capital invested

The ratio between sales revenue and capital invested.

It measures the efficiency of operations and expresses the number of times that the resources employed by the company are renewed during the financial year following sales.

The value of this index at the date of this balance sheet amounted to 0.45 compared to 0.78 during the previous year.

Profitability ratios

Owing to the results obtained at the date of this report, the values of the profitability ratios (ROE, ROI and ROS) were negative or not significant. Due to this reason, a comparison of the relevant indexes with the previous financial period was not rendered noteworthy.

Proposal as regards the result of this financial period


Dear Shareholder,

We invite you to approve the budget as submitted and to partially cover the loss for the year through use of the following equity reserves for payments for future capital increase and to carry forward the residual loss for the year ended December 31, 2017.

We remind you that after approval of the balance sheet of the period 2017, as per the Company's Statutory, the Statutory Board and the External Auditors will expire and therefore the relative deliberations should be adopted.

We thank you for your confidence and call on the Shareholder to approve the balance sheet as presented.

Trieste, 28 March 2018


Chief Executive Officer
Mr. Maneesh Kumar

Annex A
Reclassified Balance Sheet relating to decreased liquidity

ASSETS		31/12/2017		31/12/2016		Variance
1) LIQUIDITY						
1.1 IMMEDIATE						
Entry C IV	Liquid assets	1.024.204		1.397.959		(373.755)
Total immediate liquidity		1.024.204		1.397.959		(373.755)
1.2 TRADE AND OTHER RECEIVABLES						
Entry A	Unpaid subscribed capital	-		-		-
Entry B III 2) - C II	Receivables within 12 months	5.512.562		5.649.831		(137.269)
Entry C III	Short-term financial assets	-		-		-
Total trade and other receivables		5.512.562		5.649.831		(137.269)
TOTAL LIQUIDITY		6.536.766	23,2%	7.047.790	23,8%	(511.024)
2) FLOATING ASSETS						
Entry C I	Stocks	20.156.989		20.712.344		(555.355)
Entry D	Accruals and deferrals within 12 months	88.126		83.646		4.480
TOTAL FLOATING ASSETS		20.245.115	71,8%	20.795.990	70,2%	(550.875)
3) CURRENT ASSETS (1 + 2)		26.781.881	95,0%	27.843.780	94,0%	(1.061.899)
4) FIXED ASSETS						
Entry B I	Net Intangible Fixed Assets	60.648		78.430		(17.782)
Entry B II	Net Tangible Fixed Assets	222.092		243.395		(21.303)
Entry B III - 1) 3) 4)	Financial fixed assets	-		-		-
Entry B III 2) - C II	Receivables beyond 12 months	1.120.153		1.434.549		(314.396)
Entry D	Accruals and deferrals 12 months	3.787		7.230		(3.443)
TOTAL FIXED ASSETS		1.406.680	5,0%	1.763.604	6,0%	(356.924)
Total CAPITAL INVESTED (3 + 4)		28.188.561	100,0%	29.607.384	100,0%	(1.418.823)
LIABILITIES		31/12/2017		31/12/2016		Variance
6) CURRENT LIABILITIES						
Entry D 1) 2) 3) 4) 5)	Financial debt within 12 months	12.185.125		9.223.089		2.962.036
Entry D 7) 8) 9) 10) 11)	Trade payables within 12 months	6.818.161		11.597.411		(4.779.250)
Entry D 6) 12) 13) 14)	Other debt within 12 months	702.561		737.113		(34.552)
Entry B	Provisions for liabilities and charges within 12 months	-		-		-
Entry E	Accruals and deferrals within 12 months	-		36		(36)
TOTALE PASSIVO CORRENTE		19.705.847	69,9%	21.557.649	72,8%	(1.851.802)
7) NON-CURRENT LIABILITIES						
Entry C	Post-employment benefit liabilities	-		-		-
Entry B	Provisions for liabilities and charges beyond 12 months	393.232		404.297		(11.065)
Entry D 1) 2) 3) 4) 5)	Financial debt beyond 12 months	-		-		-
Entry D 7) 8) 9) 10) 11)	Trade payables beyond 12 months	452.096		470.161		(18.065)
Entry D 6) 12) 13) 14)	Other debt beyond 12 months	6.491.584		6.491.584		-
Entry E	Accruals and deferrals beyond 12 months	-		-		-
TOTAL NON-CURRENT LIABILITIES		7.336.912	26,0%	7.366.042	24,9%	(29.130)
8) NET ASSETS						
Entry A I	Share capital	1.100.000		1.100.000		-
Entry A II - VIII	Reserve	4.983.693		3.096.192		1.887.501
Entry A IX	Profit / (Loss)	(4.937.891)		(3.512.499)		(1.425.392)
	Loss Hedging	-		-		-
	Net loss	(4.937.891)		(3.512.499)		-
TOTAL NET ASSETS		1.145.802	4,1%	683.693	2,3%	462.109
9) TOTAL FINANCING SOURCES (6 + 7 + 8)		28.188.561	100,0%	29.607.384	100,0%	(1.418.823)

Annex B
Reclassified Income Statement as Value Added

A) VALUE OF PRODUCTION		31/12/2017	31/12/2016	Variance
Entry A 1)	Revenue from sales and services	12.521.512	22.798.845	(10.277.333)
Entry A 2) A 3)	Adjustments remaining products completed and ordered	(859.971)	2.290.969	(3.150.940)
Entry A 4)	Increase in fixed assets for company works	-	-	-
Entry A 5)	Other income pertaining to management	28.877	235.579	(206.702)
Total production value		11.690.418	25.325.393	(13.634.975)
B) PRODUCTION COST				
<u>Total cost consumables and services</u>				
Entry B 6)	For raw materials, subsidized, and consumables	7.300.443	17.830.777	(10.530.334)
Entry B 11)	Adjustments raw materials, subsidized, and consumables	(304.616)	132.465	(437.081)
Entry B 7)	Services	3.771.854	5.071.670	(1.299.816)
Entry B 8)	Leased assets	959.368	939.828	19.540
<u>Total cost consumables and services</u>		<u>11.727.049</u>	<u>23.974.740</u>	<u>(12.247.691)</u>
VALUE ADDED		(36.631)	1.350.653	(1.387.284)
<u>Other management cost</u>				
Voce B 9)	Personnel cost	3.675.324	3.879.288	(203.964)
Voce B 14)	Various management expenses	30.989	31.626	(637)
<u>Total other management cost</u>		<u>3.706.313</u>	<u>3.910.914</u>	<u>(204.601)</u>
GROSS OPERATING MARGIN		(3.742.944)	(2.560.261)	(1.182.683)
<u>Depreciation and provisions</u>				
Entry B 10)	Provisions and depreciations	138.124	214.558	(76.434)
Entry B 12)	Risk provisions	73.006	-	73.006
Entry B 13)	Other provisions	-	-	-
<u>Total depreciation and provisions</u>		<u>211.130</u>	<u>214.558</u>	<u>(3.428)</u>
OPERATING PROFIT		(3.954.074)	(2.774.819)	(1.179.255)
<u>Result of financial management</u>				
Entry C	Revenue / (Expenses) financial	(683.817)	(437.680)	(246.137)
Entry D	Impairment of financial assets	-	-	-
<u>Total result financial management</u>		<u>(683.817)</u>	<u>(437.680)</u>	<u>(246.137)</u>
<u>Income from non-ordinary financial management - Entry A 5)</u>		<u>-</u>	<u>-</u>	<u>-</u>
PRE-TAX RESULT		(4.637.891)	(3.212.499)	(1.425.392)
Income tax for the financial period		300.000	300.000	-
PROFIT/ (LOSS) OF THE FINANCIAL PERIOD		(4.937.891)	(3.512.499)	(1.425.392)

	12/31/2017	12/31/2016
ATTIVO		
A SUBSCRIBED CAPITAL UNPAID	0	0
B FIXED ASSETS		
B I INTANGIBLE FIXED ASSETS		
1 Formation costs	0	0
2 Cost of research	0	0
3 Industrial patents and intellectual property rights	12,502	7,391
4 Franchise, licenses, trademarks and similar rights	6,500	2,160
5 Goodwill	0	0
6 Work in progress and payments on account	0	0
7 Other	41,646	68,879
Total intangible fixed assets	60,648	78,430
B II TANGIBLE FIXED ASSETS		
1 Land and buildings	0	0
2 Plant and machinery	149,839	136,857
3 Fixtures and fittings, tools and other equipment	50,617	78,157
4 Other assets	21,636	28,381
5 Work in progress and payments on account.	0	0
Total tangible fixed assets	222,092	243,395
B III Long-term investments		
1 Equity investments		
a Subsidiaries	0	0
b Associated companies	0	0
c Parent companies	0	0
d Companies subject to the control of Parents	0	0
d-bis Other companies	0	0
Total equity investments	0	0
2 Receivables:		
a From subsidiaries		
- due within 12 months	0	0
- due beyond 12 months	0	0
	<u>0</u>	<u>0</u>
b From associates companies		
- due within 12 months	0	0
- due beyond 12 months	0	0
	<u>0</u>	<u>0</u>
c From parent companies		
- due within 12 months	0	0
- due beyond 12 months	0	0
	<u>0</u>	<u>0</u>
d From Companies subjects to the control of Parents		
- due within 12 months	0	0
- due beyond 12 months	0	0
	<u>0</u>	<u>0</u>
d-bis From other parties		
- due within 12 months	0	0
- due beyond 12 months	79,977	33,369
	<u>79,977</u>	<u>33,369</u>
Total non-current receivables	79,977	33,369
3 Other securities	0	0
4 Derivative financial instruments	0	0
Total long-term investments	79,977	33,369
TOTAL NON-CURRENT ASSETS AND LONG-TERM INV.	362,717	355,194

C CURRENT ASSETS**C I STOCKS**

1	Raw materials and consumables	6,089,012	6,232,282
2	Work in progress and semi-finished products	2,957,451	2,088,052
3	Contract work in progress	0	0
4	Finished products and merchandise	11,110,526	12,392,010
5	Payments on account	0	0
	Total Stocks	20,156,989	20,712,344

C II RECEIVABLES

1	From customers		
	- due within 12 months	4,765,564	4,777,728
	- due beyond 12 months	699,616	764,815
		<u>5,465,180</u>	<u>5,542,543</u>
2	From subsidiaries		
	- due within 12 months	0	0
	- due beyond 12 months	0	0
		<u>0</u>	<u>0</u>
3	From associates companies		
	- due within 12 months	0	0
	- due beyond 12 months	0	0
		<u>0</u>	<u>0</u>
4	From parent companies		
	- due within 12 months	11,850	29,001
	- due beyond 12 months	0	0
		<u>11,850</u>	<u>29,001</u>
5	From Companies subjects to the control of Parents		
	- due within 12 months	0	80,406
	- due beyond 12 months	0	0
		<u>0</u>	<u>80,406</u>
5-bis	Tax credits		
	- due within 12 months	89,340	171,863
	- due beyond 12 months	0	0
		<u>89,340</u>	<u>171,863</u>
5-ter	Advanced taxes		
	- due within 12 months	0	0
	- due beyond 12 months	340,560	640,560
		<u>340,560</u>	<u>640,560</u>
5-quater	From others		
	- due within 12 months	645,808	586,638
	- due beyond 12 months	0	0
		<u>645,808</u>	<u>586,638</u>
	Total receivables	6,552,738	7,051,011

C III SHORT-TERM INVESTMENTS

1	Equity investments in subsidiaries	0	0
2	Equity investments in associates companies	0	0
3	Equity investments in parent companies	0	0
3-bis	Equity investments in companies subject to the control of Parent	0	0
4	Other equity investments	0	0
5	Derivate financial instruments	0	0
6	Other securities	0	0
	Total short-term investments	0	0

C IV Cash and cash equivalents

1	Banks and postal current accounts	1,022,666	1,395,236
2	Cheques	0	0
3	Cash on hand	1,538	2,723
	Total cash and cash equivalents	1,024,204	1,397,959

TOTAL CURRENT ASSETS

27,733,931	29,161,314
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D DEFERRED EXPENSES AND ACCRUED INCOME	91,913	90,876
TOTAL ASSETS	28,188,561	29,607,384
LIABILITIES		
A SHAREHOLDERS' EQUITY		
I Capital	1,100,000	1,100,000
II Share premium reserve	0	0
III Fair value reserves	0	0
IV Legal reserve	0	0
V Statutory reserves	0	0
VI Treasury share reserve	0	0
VII Other reserves		
Euro rounding reserve	(2)	(2)
Other	4,983,695	3,096,194
VIII Profit (loss) carried forward	0	0
IX Net income (loss) for the year	(4,937,891)	(3,512,499)
Loss partially covered	0	0
Residual Loss	(4,937,891)	(3,512,499)
X Negative reserve for treasury shares	0	0
TOTAL SHAREHOLDERS' EQUITY	1,145,802	683,693
B PROVISIONS FOR RISKS AND CONTINGENCIES		
1 Retirement benefits and similar obligations	24,051	18,176
2 Provisions for taxes, including deferred taxes	0	0
3 Derivative liabilities financial instruments	0	0
4 Other	369,181	386,121
TOTAL PROVISIONS FOR RISKS AND CONTINGENCIES	393,232	404,297
C EMPLOYEE SEVERANCE INDEMNITY	0	0
D PAYABLES		
1 Bonds		
- due within 12 months	0	0
- due beyond 12 months	0	0
	<u>0</u>	<u>0</u>
2 Convertible bonds		
- due within 12 months	0	0
- due beyond 12 months	0	0
	<u>0</u>	<u>0</u>
3 Shareholders' loans		
- due within 12 months	7,065,715	4,194,200
- due beyond 12 months	0	0
	<u>7,065,715</u>	<u>4,194,200</u>
4 Payables to banks		
- due within 12 months	0	0
- due beyond 12 months	0	0
	<u>0</u>	<u>0</u>
5 Payables to other financial institutions		
- due within 12 months	5,119,410	5,028,889
- due beyond 12 months	0	0
	<u>5,119,410</u>	<u>5,028,889</u>
6 Payments on account		
- due within 12 months	344,205	155,797
- due beyond 12 months	0	0
	<u>344,205</u>	<u>155,797</u>
7 Payables to suppliers		
- due within 12 months	1,299,897	1,948,149
- due beyond 12 months	0	0
	<u>1,299,897</u>	<u>1,948,149</u>

8	Debt securities payable		
	- due within 12 months	0	0
	- due beyond 12 months	0	0
		<u>0</u>	<u>0</u>
9	Payables to subsidiaries		
	- due within 12 months	0	0
	- due beyond 12 months	0	0
		<u>0</u>	<u>0</u>
10	Payables to associates		
	- due within 12 months	0	0
	- due beyond 12 months	0	0
		<u>0</u>	<u>0</u>
11	Payables to parent companies		
	- due within 12 months	2,425,384	4,333,274
	- due beyond 12 months	0	0
		<u>2,425,384</u>	<u>4,333,274</u>
11-bis	Payables to companies subjects to the control of parents		
	- due within 12 months	2,701,750	5,160,191
	- due beyond 12 months	499,021	470,161
		<u>3,200,771</u>	<u>5,630,352</u>
12	Tax liabilities		
	- due within 12 months	204,630	173,088
	- due beyond 12 months	0	0
		<u>204,630</u>	<u>173,088</u>
13	Payables to social security agencies		
	- due within 12 months	121,895	151,366
	- due beyond 12 months	0	0
		<u>121,895</u>	<u>151,366</u>
14	Other payables		
	- due within 12 months	376,036	412,659
	- due beyond 12 months	6,491,584	6,491,584
		<u>6,867,620</u>	<u>6,904,243</u>
	TOTAL PAYABLES	26,649,527	28,519,358
	E ACCRUED EXPENSES AND DEFERRED INCOME	0	36
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	28,188,561	29,607,384

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	12/31/2017	12/31/2016
INCOME STATEMENT		
VALUE OF PRODUCTION:		
1 Sale and service revenue	12,521,512	22,798,845
2 Change in inventory of work in progress, semi-finished and finished products	(859,971)	2,290,969
3 Change in contract work	0	0
4 Own work capitalized	0	0
5 Other revenue and income		
Grants towards operating expenses	0	0
Other	28,877	235,577
	28,877	235,577
TOTAL VALUE OF PRODUCTION	11,690,418	25,325,391
COSTS OF PRODUCTION:		
6 Raw materials, consumables and goods for resale	7,300,443	17,830,777
7 Services	3,771,854	5,071,670
8 Hire, rental and leasing	959,368	939,828
9 Personnel		
a) Wages and salaries	2,616,858	2,753,769
b) Social security charges	881,459	944,518
c) Post-employment benefits	177,007	181,001
d) Pension and similar benefits	0	0
e) Other costs	0	0
	3,675,324	3,879,288
10 Depreciation, amortization and adjustments		
a) Depreciation of intangible assets	41,454	44,790
b) Depreciation of property, plant and equipment	65,188	76,454
c) Other impairment losses on non-current assets	0	0
d) Impairment losses on receivables included in working capital and cash and equivalents	31,482	93,314
	138,124	214,558
11 Change in inventory of raw materials, consumables and goods for resale	(304,616)	132,465
12 Provisions for risks	73,006	0
13 Other provisions	0	0
14 Other operating expenses	30,989	31,626
TOTAL COSTS OF PRODUCTION	15,644,492	28,100,212
DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION	(3,954,074)	(2,774,821)
FINANCIAL INCOME AND EXPENSES:		
15 Income on equity investments		
- in subsidiaries, associates and parent companies	0	0
- in other companies	0	0
	0	0
16 Other financial income:		
a) on non-current receivables		
- from subsidiaries, associates and parent companies	0	0
- from other parties	0	0
b) on long-term investments other than equity investments	0	0
c) on short-term investments other than equity investments	0	0
d) Income other than the above		
- from subsidiaries, associates and parent companies	0	0
- from other parties	9,825	5,686
	9,825	5,686
17 Interest and other financial expenses		
- from subsidiaries, associates and parent companies	620,078	281,359

	12/31/2017	12/31/2016
- from other parties	14,716	188,427
17 bis Exchange gains (losses)	634,794	469,786
	(58,848)	26,420
NET FINANCIAL INCOME / (EXPENSES)	(683,817)	(437,680)
ADJUSTMENTS TO FINANCIAL ASSETS:		
18 Reversals		
a) to equity investments	0	0
b) to long-term investments other than equity investments	0	0
c) to short-term investments other than equity investments	0	0
d) Derivate financial instrumets	0	0
	0	0
19 Impairment		
a) of equity investments	0	0
b) of long-term investments other equity investments	0	0
c) of short-term investments other than equity investments	0	0
d) Derivate financial instrumets	0	0
	0	0
TOTAL ADJUSTMENTS TO FINANCIAL ASSETS	0	0
ROUNDING	0	2
EARNINGS / (LOSS) BEFORE TAXES	(4,637,891)	(3,212,499)
22 Current taxes, deferred tax assets and deferred tax liabilities	300,000	300,000
NET INCOME (LOSS) FOR THE YEAR	(4,937,891)	(3,512,499)

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STATEMENT OF CASH FLOWS

A. Cash Flow from operating activities (indirect method)

	2017	2016
Net income (loss) for the year	-€ 4,937,891	-€ 3,512,499
Deferred Tax	€ 300,000	€ 300,000
Interest expense (interest)	€ 683,817	€ 437,680
Dividends	€ 0	€ 0
(Gains)/losses on sale of assets	€ 0	€ 0
1. Net income (loss) for the year before tax	-€ 3,954,074	-€ 2,774,819
Accrual of depreciation	€ 255,887	€ 274,315
Amortization of intangible assets	€ 106,642	€ 121,244
Accrual	€ 0	€ 0
Other depreciations	€ 0	€ 0
2. Cash Flow before changes in net working capital	€ 362,529	€ 395,559
Changes in net working capital		
Decrease (increase) inventories	€ 555,355	-€ 2,131,400
Decrease (increase) in receivables from customers	€ 77,363	-€ 109,789
Decrease (increase) in liabilities from parent company	€ 17,151	€ 679,603
Decrease (increase) in receivables vs Companies subjects to the control of Parent	€ 80,406	€ 213,901
Decrease (increase) in accrued vs supplier	-€ 648,252	€ 299,062
Decrease (increase) in accrued Parent company	-€ 1,907,890	-€ 1,229,325
Decrease (increase) in accrued Companies subjects to the control of Parent	-€ 2,429,581	€ 5,305,577
Decrease (increase) in liabilities Tax	€ 82,523	-€ 157,607
Increase (decrease) in accrued Tax	€ 31,542	-€ 24,171
Decrease (increase) in deferred expenses and accrued income	-€ 1,037	€ 9,080
Increase (decrease) accrued expenses and deferred income	-€ 36	-€ 106
Increase (decrease) from others	-€ 59,170	€ 322,286
Decrease (increase) from others	€ 122,314	-€ 41,655
3. Cash Flow after changes in net working capital	-€ 4,079,312	€ 3,135,456
Interest received	-€ 138,781	-€ 137,308
Current taxes	€ 0	€ 0
Dividends	€ 0	€ 0
Use of funds	-€ 266,952	-€ 287,910
4. Cash Flow after other adjustments	-€ 405,733	-€ 425,218
Cash Flow of operating activities (A)	-€ 8,076,590	€ 330,978
B. Cash Flow from Investment activities		
TANGIBLE FIXED ASSETS	-€ 43,885	-€ 63,133
(Investment)	€ 43,885	€ 63,133
Sale proceeds of divestitures	€ 0	€ 0
INTANGIBLE FIXED ASSETS	-€ 23,672	-€ 28,185
(Investment)	€ 23,672	€ 28,185
Sale proceeds of divestitures	€ 0	€ 0
LONG-TERM INVESTMENTS	-€ 46,608	€ 4,008
(Investment)	€ 0	€ 0
Sale proceeds of divestitures	-€ 46,608	€ 4,008
FINANCIAL ASSETS NON-FIXED	€ 0	€ 0
(Investment)	€ 0	€ 0
Sale proceeds of divestitures	€ 0	€ 0
Cash Flow from Investment activities (B)	-€ 114,165	-€ 87,310
C. Cash Flow from financing activities		
Third party		
Increase(decrease) in short term borrowings from banks	€ 0	€ 0
New funding	€ 5,417,000	€ 0
Repayment funding	-€ 3,000,000	-€ 2,000,000
Equity		
Capital increase paid	€ 5,400,000	€ 2,000,000
Sale (purchase) of treasury shares	€ 0	€ 0
Other increase/(decrease) equity	€ 0	€ 0
Cash Flow from financing activities	€ 7,817,000	€ 0
Rounding	€ 0	€ 0
Increase (Decrease) cash (a ± b ± c)	-€ 373,755	€ 243,668
Cash at 1 January	€ 1,397,959	€ 1,154,291
Cash at 31 December	€ 1,024,204	€ 1,397,959
Cash as Balance Sheet at 31 December	€ 1,024,204	€ 1,397,959

Jindal Saw Italy S.p.A.

a sole shareholder company

Registered office

Head Office and Administration Via K.L. Von Bruck 32-34144 Trieste

Share capital subscribed and paid in 1,100,000.00€

Business Register n°: 07104300962 - REA 132406

Notes to Financial Statements to 31/12/2017

Introduction

Dear Shareholder,

the Financial Statements that we submit for Your approval, consisting of Balance Sheet, Income Statement and Notes to the Financial Statements, have been prepared in accordance with the criteria laid down by Civil Law and has been integrated, in order to offer a better overview, with the Financial Statements that analyze Cash Flows generated during the financial year.

In these Notes any additional information that we consider necessary to give a truthful and fair view of the financial and economic situation is detailed below.

The information related to the nature of the Company's activity, to its performance for the financial year, to some significant events occurred after the financial year end and the outlook is discussed in the Management Report.

It should be noted that the Company, on August 5th 2011, by deed of Dr Massimo Paparo, Notary in Trieste, rep. n.108317 Coll. n. 16362, signed a lease contract of a business unit with Sertubi SpA.

It should be clarified that the Company's activity is mainly engaged in the production and marketing of cast iron pipes, started at the date of the signing of the lease mentioned above, according to which the Sertubi

SpA (grantor) leased to Jindal Saw Italy SpA (the leaseholder) the business unit consisting of all of the assets held for the performance of production, processing and trade, in Italy and abroad, of cast iron pipes, special parts and sewage systems in ductile iron. The leased business unit is also inclusive of the production site in Trieste.

As the Management Report, to which reference is made, already specified in detail, it is highlighted that on December 4th 2012 and later on December 27th 2012, the Company agreed with the OOSS (National Union representatives for the category) on the reduction of staff for 136 units with the aid of the institutions of the Italian CIGS (extraordinary redundancy payment) and *mobilità* (collective dismissal of workers). This choice was necessary to cope with the heavy market crisis in the industry through a reranking of the Company; therefore only the activities of finishing and marketing of pipes produced by other production sites were kept.

The Company performed a corporate restructuring plan during the current financial year.

Formulation Criteria

The Financial Statements for the financial year ended on 31/12/2017 have been prepared in accordance with Article 2423 and following of the Italian Civil Code, as amended by Legislative Decree No. 6/2003, and are composed by the Balance Sheet, written in accordance with the format prescribed by Articles 2424 and 2424bis of the Italian Civil Code and these Notes, prepared pursuant to article 2427 of the Italian Civil Code, which is, as set forth under article 2423, an integral part of the Financial Statements.

The accounting principles and evaluation criteria adopted for the formulation of these Financial Statements are those expected by the current legislation on civil laws, interpreted and integrated by the accounting standards issued by the Italian National Board of Certified

Public Accountants, as modified by OIC (Italian Accounting Organization) in accordance to the reform of Company Law as well as with the accounting standards issued by OIC.

In the terms of art. 16 of Legislative Decree 213/98 and in compliance with the accounting standard no. 27 of Italian National Board of Certified Public Accountants, the amounts in the Balance Sheet, in the Income Statement and the Notes are expressed and discussed in Euros. With regard to the methods used to convert the accounting data expressed in Euro cents to those presented in the Financial Statement, expressed in Euro units, all the amounts in the Balance Sheet and Income Statement were converted, by lower rounding when Euro cents were less than 50, and the upper rounding in the opposite case.

Valuation criteria, Accounting Standards and Standards for Financial Statements drafting

In the terms of and by effect of art. 2423 paragraph 4 of the Italian Civil Code, no exemption was made to the general evaluation standards and it is pointed out that the evaluation criteria, the accounting standards and the standards used to draw up these Financial Statements do not differ from those used for the preparation of the previous one.

The budget has been clearly drawn up and gives a truthful and fair view of the financial position of the company as well as the result for the financial year.

The evaluation of the balance sheet items has been made following the general criteria of prudence and accrual with the provision of the going concern principle, as well as taking into account the economic function of any single item of the assets and liabilities.

In accordance with the criteria of prudence, tax duties and losses for the financial year were recorded, even though they were acknowledged after the end of the same, while profits were included only if they were made on the balance sheet closing date.

In accordance with the accrual principle, the effect of transactions and of other events was recognized and allocated to the financial year whom these transactions and events refer to, and was not allocated to the financial year in which the related cash movements (receipts and payments) are made. The evaluation criteria and the accounting standards adopted are set out below for the most significant items.

Capital Assets

Intangible Assets

Are recorded at their historical acquisition, including the related collateral costs, and for the fixed assets of domestic production, they include direct costs and overheads, the latter for the part reasonably attributable. They are explained net of the amortization rates made over the years, including the current financial year; these rates have regularly been calculated in connection with the estimated useful life and have been directly set to the individual items.

The installation and extension costs, research and development and advertising costs with long-term benefits have been entered as assets, where applicable, with the consent of the authority responsible for the monitoring. The intangible assets recorded in the financial statements have been amortized on the basis of the following rates:

Installation and extension costs are amortized over a period of 5 years.

The industrial patent rights and the rights for the utilization of intellectual property are amortized over 5 years.

Trademarks are amortized over 5 years.

Other intangible assets, except for improvements of third parties goods and services and the costs concerning the contract notarization, which are amortized over a period which is shorter than the period of the expected useful life of the assets and the remaining period of the lease, are amortized over 5 years.

The intangible assets of indeterminate duration, whose economic value at the end of the financial year is significantly lower than the amortized cost using the criteria outlined above, are depreciated up to their economic value; for this purpose are shown the extent and reasons for the value reductions applied to the assets in question, making explicit reference to their contribution to the production of future economic performance, to their estimated useful life and, as relevant to their market value, pointing out the differences between those performed in previous years and underlining their influence on economic results. These assets have not undergone monetary or economic revaluation in compliance to art. 10 Law no. 72 of 19 March 1983.

Tangible Assets

These are budgeted for their cost of acquisition and / or production and adjusted by their corresponding amortization funds. The collateral costs have been accounted for in their carrying value in the balance sheet, and for the assets generated in-house, as well as the direct and indirect costs of production, these latter for the share that could be reasonably

attributed to them. If, on the date of the end of the financial year, the residual value in use is lower than the net budgeted value, the latter is adjusted by an equivalent devaluation. The devaluated value is reinstated in the subsequent financial years, if it failed the reasons for the adjustment.

Depreciation of tangible assets is calculated on a fixed and systematic basis, reduced to 50% for the assets purchased during the financial year, based on rates reflecting the estimated economic useful life of the fixed assets.

On the basis of the accounting principle OIC 9 regarding depreciation for the permanent losses of the assets of the Company - the directors have considered the potential impact to be recorded in the Financial Statements for the financial year ended on December 31st 2017 without reporting any depreciation.

The following table describes the depreciation rates as established above, used for each category of assets to estimate the amortization of tangible assets for the financial year:

Tangible Assets	Amortization Rate
GENERAL AND SPECIFIC PLANTS	10,00%
EQUIPMENT AND SMALL TOOLS	25,00%
MOULDS	20,00%
OFFICE ELECTRONIC SUPPLY	20,00%
MOBILE PHONES	20,00%
OFFICE FURNITURE	12,00%

The costs of ordinary maintenance and repairs are budgeted to the Income Statement for the period in which they incurred, or rather capitalized if

extraordinary, and such as to increase the future useful life of the asset for which they were incurred.

Tangible fixed assets purchased through hire-purchase agreements are budgeted as assets for the financial year in which the company exercises its hire-purchase right. During the lease period, the value of such assets, the cash surrender values, as well as the total amount of the remaining installments, are reported in the 'Memorandum accounts', while the effects on the net assets and on the operating results deriving from the application of the method of financial accounting provided by international accounting standards, particularly IAS 17, are described as 'Tangible fixed assets' in these notes.

Unsold Stock

Unsold stock is valued at the lower rate between the acquisition cost or manufacturing cost, including collateral expenses, and the presumed break-up value based on market trend. The determination of the cost has been performed using the method of the average cost considered on an annual basis.

For the goods of domestic production, the manufacturing cost includes the costs of raw materials, materials, energy, direct labor and direct and indirect costs of production, these latter for the amounts reasonably attributable to the products, with the exception of interests and taxes, general expenses and overheads. In particular, for semi-finished products the manufacturing cost is established taking into account the manufacturing stage reached. The market value is represented by the replacement cost for raw materials and supplies and by the net realizable value for finished and semi-finished products.

Receivables and payables

Receivables are budgeted for their estimated realizable value; the adjustment of their nominal value to their presumed break-up value is achieved through a specific allowance for doubtful accounts, which takes into account the generic and specific risk of uncollectability.

Payables are recorded at their nominal value equal to the discharge value.

For the criteria used for the conversion of foreign currency entries, please refer to the paragraph below.

Cash Holdings

Cash holdings are registered at their nominal value.

Accruals and Deferrals

They represent the incomes and expenses for the financial year but are payable in the subsequent years or rather incurred before the balance sheet closing date but related to future periods.

For accruals and long-term deferrals, the conditions that led to their original recording have been verified and, where necessary, the appropriate changes have been made.

Employee severance indemnities

The liability recorded on the balance sheet represents the indemnities due to the personnel employed at the end of the financial year, and is

calculated according to the provisions of law and in accordance with the collective employment contracts in force. The liability is budgeted for the net of the allowance paid by INPS (National Social Security Service) treasury or rather by other supplementary pension schemes in accordance with the provisions of Legislative Decree no. 252/2005 and the Finance Law. 296/2006 regarding the destination of the TFR (severance pay)

Provisions for risk and charges

Provisions for risk and charges include costs of a specific nature and of certain or probable existence, and their amount or date of occurrence are undetermined on the balance sheet closing date.

The risks for which a liability is probable are described in the notes and considered for the purpose of the provision, according to criteria of fairness in risk provisions.

The risk for which a liability is only possible, is set out in the Notes without any allocation of risk funds, in accordance with the relevant accounting standards.

Provisions are determined for the financial year and are based on an estimate of the future cost.

Guarantees, commitments, third party assets and risk

The risk for guarantees granted to others is recorded in the Memorandum Accounts for an amount equal to the amount of the guarantee.

Commitments and guarantees are registered in the Memorandum Accounts at their nominal and contract value.

The evaluation of third party assets inside the company has been calculated for the value derived from existing documentation.

Costs and Revenues

They are budgeted in accordance with the criteria of prudence and accruals, including the recognition of accruals and deferrals. Revenues and income, costs and expenses are entered into for the net of returns, discounts, rebates and allowances and taxes directly related to the sale of goods or the provision of services.

Revenues from the sale of products are acknowledged upon transfer of property, while revenues from the provision of services are registered at completion of services rendered.

Revenues and income, costs and expenses relating to foreign currency transactions are calculated at the exchange rate on the date on which the transaction is completed.

The sales transactions with other group companies are carried out at normal market conditions.

Income Taxes

Deferred taxes and liabilities are calculated on the temporary differences between the values of assets and the equivalent values approved for tax purposes. In particular, anticipated taxes are budgeted for only if there is reasonable guarantee of their future recovery. Deferred taxes, instead, are not registered if there is little probability that the corresponding liability will arise.

According to Article 2427, paragraph 1, no. 14) of the Italian Civil Code, these Notes describe a specific statement containing:

- 1) the description of temporary differences that led to the recognition of deferred tax assets and liabilities, specifying the rate applied, the

changes compared to the previous financial year, the amounts credited or debited to the income statement or rather to the equity, the entries excluded from the calculation and the reasons there for;

2) the amount of deferred tax assets budgeted for in the balance sheet relating to losses for the current or previous financial years and the reason for their budgeting, the amount not yet registered and the reasons for its non-registration.

Conversion of items in foreign currency

Assets and liabilities in foreign currencies, with the exception of tangible, intangible and financial assets, consisting of investments valued at their cost, are recorded at their exchange rate at the moment of the balance sheet closing date and they charge to the Income Statement the related profits and losses on conversions resulting from the difference between the spot exchange rate detected when they arose. The amount of net profit deriving from the adjustment to the conversions of the items in foreign currencies at the year-end plays a part in generating the operating result and, upon approval of the Balance Sheet and consequent allocation of the result, it is registered for the non-employed amount by the eventual loss for the year and by the priority allocation to the legal reserve, in a non-distributable reserve until they are realized again. This reserve, however, can be used, since its registration, to cover the losses from previous financial years.

Fixed assets in foreign currencies are recorded at their exchange rate recorded at the time of their purchase or at the lower rate on the date of the year end if the reduction is considered permanent.

In the Notes are also described any significant effects arising from variations in exchange rates occurred after the balance sheet closing date.

Receivables and liabilities, for which specific currency hedging contracts do not exist, were not adjusted to the spot exchange rate at year-end, but at the exchange rate expected by hedging contracts themselves.

Employment data

The national labor contract used is the one for Engineering and Metallurgy industry.

The following table shows the composition and variations occurred in the company personnel by category during the year:

Staff	31/12/2017	31/12/2016	Variations
Executives	2	2	0
Clerks	35	37	(2)
Workers	33	34	(1)
Total	70	73	(3)

As to December 31st 2017 the staff people are 70 units: 2 managers, 35 clerks, 33 factory workers.

Reclassifications of the Previous Financial Year

In the Financial Statements on December 31st 2017 no reclassifications related to the items in the previous Financial Statement were made.

Activities

B) Fixed assets

As indicated in the introduction to these Notes, the company, in response to the lease of a business unit, by deed of Dr. Massimo Paparo, Notary in Trieste, rep. n. 108317 n Coll. 16362, signed on August 5th 2011, rented the Pipes Division unit of Sertubi Spa. In this business section is included the production plant in Trieste, including real estates and the related fixed assets.

Any investment made by the company in this production plant is classified as 'other intangible assets', if it cannot be separated from the main asset and has been amortized over a period which is lower than the future useful life of the asset and the residual period of the lease . Where these investments are autonomous and are separable from the leased asset, they have been classified in the appropriate category of tangible assets.

Intangible Assets

The intangible assets are thus divided:

Balance 31/12/17	Balance 31/12/16	Variation
60.648	78.430	(17.782)

The following table describes the intangible assets:

Description of Costs	Cost of Acquisition on 31/12/16	Period Increase	Previous Amortization	Period Amortization	Residual value on 31/12/17
Costs for business constitution	2.659	0	(2.659)	0	(0)
Costs to increase joint stock	11.272	0	(11.272)	0	(0)
Industrial Patents and use of Intellectual Property	43.795	10.867	(36.404)	(5.757)	12.502
Concessions, licenses, trademarks and similar rights	5.052	6.100	(2.892)	(1.760)	6.500
Current Intangible assets and accounts	0	0	0	0	0
Others	754.799	6.705	(685.920)	(33.938)	41.646
Total	817.578	23.672	(739.147)	(41.454)	60.648

The most significant changes are commented below.

Concessions, licenses, trademark and similar rights

The main increase in this item is related to a license of joining system of pig iron pipes

Other intangible assets

The increase is mainly related to the following entries:

- Restructuring of the main porter's lodge entrance of the building
6.705€

Intangible Assets

Balance 31/12/17	Balance 31/12/16	Variation
222.092	243.395	(21.303)

The following tables describe the intangible assets and the comments on the most significant expenses for the financial year

Description of costs	Net Value 31/12/17	Net Value 31/12/16	Variation
Plants and Machinery	149.839	136.857	12.982
Industrial and trade equipment	50.617	78.157	(27.540)
Other Assets	21.636	28.381	(6.745)
Current Intangible Assets and Accounts	0	0	0
Total	222.092	243.395	(21.303)

Plants and Machinery

Description	Cost of acquisition on 31/12/16	Period Increase	Other Reclassifica- tions	Period decrease	Amortization on 31/12/16	Period Amortization	Decrease Amortization on Funds	Residual Value on 31/12/17
General and Specific Plants	187.812	33.435	0	0	(50.955)	(20.453)	0	149.839
TOTAL	187.812	33.435	0	0	(50.955)	(20.453)	0	149.839

The increase is related to the construction of a logistics platform for the loading and unloading of pipes at the Trieste production plant.

Equipment

Description	Cost of Acquisition on 31/12/16	Period Increase	Period Decrease	Amortization on 31/12/16	Period Amortization	Decrease Amortization on Funds	Residual Value 31.12. 17
Manufacturing Molds	122.272	0	0	(69.885)	(17.866)	0	34.521
Various Equipment and small tools	72.445	1.900	0	(46.675)	(11.574)	0	16.096
TOTAL	194.717	1.900	0	(116.560)	(29.440)	0	50.617

The increases in "Various Equipment and small tools" is attributable to the purchase new industrial high pressure washer.

No alienation on assets was done in the above mentioned period.

Other Assets

Description	Cost of Acquisition 31/12/16	Period Increase	Period Decrease	Amortization on 31/12/16	Period Amortization	Decrease Amortization funds
Electronic equipment for the offices.	105.953	3.497	0	(85.661)	(11.566)	0
Mobile Phones	23.602	5.052	0	(18.853)	(2.857)	0
Office furniture	7.261	0	0	(3.921)	(871)	0
Total	136.817	8.549	0	(108.436)	(15.294)	0

The 3.497€ increase is due to the purchase of a new rackstation sinology.

The 5.052€ increase is due to the purchase of one mobile phones.

Assets under development and advance payments

Description	Cost of acquisition on 31/12/16	Period Increase	Other reclassifications	Amortization on 31/12/16	Period Amortization	Decrease Amortization on Funds	Residual Value on 31/12/17
Current Intangible assets and account	0	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0	0

Leased Assets

As noted in the evaluation criteria, the criterion adopted to account for the finance lease contracts is in line with statutory and tax legislation in force in Italy and includes a charge in the Income Statement of the rents in compliance with the accrual basis standard (so-called 'equity method').

As already indicated in the evaluation criteria the so-called 'Financial method' of accounting for finance leases includes, instead of charging in the Income Statement the rents in compliance with the accrual basis, the budgeting for the amortizations and the registration of the latter and of the financial burdens implicit in lease payments, and the registration as liability towards the leasing company in the balance sheet.

It is not necessary to describe the effects of accounting for lease contracts signed by the Company in accordance with the 'financial method' rather than the 'equity method' because the value of that contract is not a significant amount. For information regarding the lease in question, please refer to the comment of the Memorandum Accounts.

III. Financial Intangible Assets

Balance 31/12/17	Balance 31/12/16	Variation
79.977	33.369	46.608)

They consist of deposits paid by the Company for rented cars 10.379€, deposit for tender guarantee 22.000€ and deposit L/C for 38.000€ and, for the remaining amount of security deposits for apartments for guest.

C) FLOATING ASSETS

I. Unexpended Balance

Balance 31/12/17	Balance 31/12/16	Variation
20.156.989	20.712.344	(555.355)

The entry is composed as follows:

Description	Value on 31/12/2017	Value on 31/12/2016	Delta
Raw materials, supplies and consumables	6.089.012	6.232.282	(143.270)
Products in progress and semi-finished products	2.957.451	2.088.052	869.399
Finished products and goods	11.110.526	12.392.010	(1.281.484)
Total	20.156.989	20.712.344	(555.355)

The entry 'finished products and goods' is mainly composed by cast iron pipes, joint and parts and accessories for the same.

It should be recalled that on August 5th 2011 the Company entered into a lease contract having the purpose to lease the business unit dedicated to manufacture and marketing of ductile cast iron pipes.

The aforementioned lease contract includes in the leased premises also part of the materials contained in the warehouse of the business unit.

Part of these materials has been recorded as 'Raw materials, supplies and consumables'. To clarify better, the Company chose to register these materials, that are fungible stock as outstanding balance and, as counterpart, its liability to the Sertubi SpA was recorded in the item 'Other liabilities over the year' as explained in the corresponding note.

II. Payables

Balance 31/12/17	Balance 31/12/16	Variation
6.552.738	7.051.011	(498.273)

The balance is thus divided according to the deadlines:

Description	Within 12 Months	More than 12 months	More than 5 years	Total
Account Receivable (clients)	4.765.564	699.616	0	5.465.180
From parent company	11.850	0	0	11.850
Account Receivable (taxes)	89.340	0	0	114.334
Advanced taxes	0	340.560	0	340.560
Account receivable (others)	645.808	0	0	620.814
Total	5.512.562	1.040.176	0	6.552.738

The balance is thus divided according to the geographical area:

Description	Italy	EU	Extra EU	Total
Accounts Receivable (clients)	4.208.569	556.995	699.616	5.465.180
From Parent Company	0	0	11.850	11.850
Accounts Receivable (taxes)	89.340	0	0	89.340
Advance taxes	340.560	0	0	340.560
Accounts Receivable (others)	645.808	0	0	645.808
Total	5.284.277	556.995	711.466	6.552.738

Accounts Receivable (clients)

Description	31/12/2017	31/12/2016	Variation
Gross Accounts Receivable (clients)	6.461.962	6.507.843	(45.881)
Account Receivable Depreciation Fund	(996.782)	(965.300)	(31.482)
Total	5.465.180	5.542.543	(77.363)

The company has got an insurance coverage on almost all trade receivables to protect the potential risk of insolvency for the part of receivables not covered by insurance and has prudently done during the year a provision for the receivables depreciation fund (clients).

The following table shows the changes in the receivables depreciation fund occurred during the year.

Description	31/12/2017	31/12/2016
Balance for the previous year	965.300	992.062
Provisions	31.482	94.060
Uses	0	(120.822)
Balance	996.782	965.300

The aforesaid provision for receivables depreciation fund has not had tax recognition.

Accounts Receivable to affiliated companies

On the closing date of the financial year there are no Accounts Receivable to affiliated companies.

Accounts Receivable to parent companies

On the closing date of the financial year there are Euro 11.850 Accounts Receivable to parent companies. In reduction compared to the value recorded in the financial statement as at 31/12/2016 equal to Euro 29.001

Taxes Receivable

On the date of the current they amount to 114.334 and are formed as follows:

Description	31/12/2017	31/12/2016	Variations
VAT Receivable	0	0	0
Value Added tax payable	89.340	171.863	(82.523)
Total	89.340	171.863	(82.523)

Deferred Tax

On the date of the current they amount to 340.560 and are formed as follows:

Description	31/12/2017	31/12/2016	Variations
Deferred Tax	340.560	640.560	(300.000)
Total	340.560	640.560	(300.000)

Accounts Receivable (others)

The Accounts Receivable to others are so formed:

Description	31/12/2017	31/12/2016	Variations
Advance Payment to Personnel	5.615	8.713	(3.098)
Supplier reclassification	60.071	8.405	51.666
Receivable/INPS contribution to <i>mobilità</i>	19.123	19.123	0
Receivable towards EE AEEG 14/2014	43.051	43.051	0
Receivable/Duferco Sertubi	0	7.111	(7.111)
Receivable/Duferco Sertubi for restructuring charges	741	836	(95)
Payable to custom office	24.994	0	24.994
Receivables/NAIL	0	0	0
Personnel/advance payment CIG	31.602	31.602	0
CREDITS/DEBTS/CUSTOM 3,2%	16.715	16.715	0
DEPOSIT:A.D.TPA CUSTOM (ITALY)	240.000	104.800	135.200
DEPOSIT:A.D.CUSTOM (ITALY)	203.895	346.280	(142.385)
DEPOSIT:A.D.CUSTOM (SLOVENIA)	0	0	0
Total	645.808	586.638	59.170

The receivable due to Duferco Sertubi S.p.A. is mainly composed by amounts paid by the Company (holiday and severance pay), but under the responsibility of Sertubi Duferco.

The credit in the entry 'personnel a/advance payment CIG' refers to the advance payments that the company performed to support incomes by INPS.

Cash Position

Balance 31/12/17	Balance 31/12/16	Variation
1.024.204	1.397.959	(373.755)

The balance is thus composed:

Description	31/12/2017	31/12/2016	Variations
Cash at bank	1.022.666	1.395.236	(372.570)
Cash and other	1.538	2.723	(1.185)
Total	1.024.204	1.397.959	(373.755)

The balance describes the cash position and the existence of values and cash on the closing date of the financial year.

Accruals and Deferred Income

Balance 31/12/17	Balance 31/12/16	Variations
91.913	90.876	1.037

They register revenues and expenses whose recording and / or documentation is anticipated or postponed with regard to accrual criterion, they disregard the date of payment or collection of the related income and expenses that are common with two or more financial years and distributable over time.

Accrued expenses and deferrals consist of the following details:

Description	31/12/2017	31/12/2016	Variations
Accruals	0	0	0
Deferrals	91.913	90.876	1.037
Totale	91.913	90.876	1.037

The entry 'Deferrals' is thus described:

Description	within 12 months	12 months	over 5 years	Total
Rent for Business Unit lease	60.096	0	0	60.096
Insurance	5.406	0	0	5.406
Bank guarantees	6.486	3.308	0	9.794
Services	16.138	479	0	16.617
Total	88.126	3.787	0	91.913

Liabilities

A) Net Assets

Balance 31/12/17	Balance 31/12/16	Variation
1.145.802	683.693	462.109

The overview for the transactions related to the entries of net assets over the past three financial years is described below:

Items	Share Capital	Share Premium Account	Other Reserves (€ roundings)	Other Reserves	Income (losses) carryforward	Financial Year Result	Total
Financial Year closed on 31/12/2015	1.100.000	0	0	5.200.000	-19.853	-4.083.953	2.196.195
Allocation of Annual Financial Result	0	0	0	0	-4.083.953	4.083.953	0
Other Variations							
Share Capital Increase	1.100.000	0	0	0	0	0	1.100.000
Share Capital reduction to cover losses	-1.100.000	0	0	0	0	0	-1.100.000
Use of Reserves to cover losses	0	0	0	-5.200.000	4.083.953	0	-1.116.047
Euro Roundings	0	0	-2	0	0	0	-2
Share premium Account	0	0	0	0	0	0	0
Other reserves	0	0	0	3.096.194	19.853	0	3.116.047
Result of financial year on 31/12/15	0	0	0	0	0	-3.512.499	-3.512.499
Situation on 31/12/16	1.100.000	0	-2	3.096.194	0	-3.512.499	683.693
Allocation of Annual Financial Result	0	0	0	0	-3.512.499	3.512.499	0
Other Variations							
Share Capital Increase	0	0	0	0	0	0	0
Share Capital reduction to cover losses	0	0	0	0	0	0	0
Use of Reserves to cover losses	0	0	0	-3.096.194	3.096.194	0	0
Euro Roundings	0	0	-1	0	0	0	-1
Share premium Account	0	0	0	0	0	0	0
Other reserves	0	0	0	5.400.000	0	0	5.400.000
Result of financial year on 31/12/17	0	0	0	0	0	-4.937.891	-4.937.891
Situation on 31/12/17	1.100.000	0	-2	4.983.695	-416.305	-4.937.891	1.145.802

The following overview describes the items in the Net Assets while specifying their origin, the possibility to use or distribute them or rather their use over the past three years.

NetAssets	Amount	Origin	Use
Share Capital	1.100.000		
Share Premium Account	0	Share Capital	A;B;
Otherreserves_Euro roundings	(2)	Income	A;B;
Otherreserves	4.983.695	Share Capital	A
Profit/ (bss) carried forward	0		
Profit/bss overFY	(4.937.891)		
Total	1.145.802		

Key:

A: Share Capital Increase B: Losses Coverage C: Distribution to shareholders

It should be underlined, finally, that to provide the Company with adequate capital and financial resources the sole shareholder on 08th February and 06th June 2017 made some grants into capital account for 2.400.000€

Provisions for Liabilities and Charges

Balance 31/12/17	Balance 31/12/16	Variation
393.232	404.297	(11.065)

The provisions for liabilities and charges are composed as follows:

Description	31/12/2017	31/12/2016	Variation
Customer allowance for the agents	24.051	18.176	5.875
Risk fund for liabilities and contract obligation	369.181	300.000	69.181
Anti Dumping Italy fund	0	86.121	(86.121)

Total	393.232	404.297	(11.065)
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The following tables show the change in the financial year for each single entry:

Customer Allowance for the agents

Description	31/12/2017	31/12/2016
previous FY balance	18.176	15.732
Reserve	5.875	2.444
Utilization	0	0
FY balance	24.051	18.176

Risk Fund for liabilities and contract obligations

Description	31/12/2017	31/12/2016
previous FY balance	300.000	300.000
Reserve	69.181	0
Utilization	0	0
FY balance	369.181	300.000

This fund is mainly composed by reserves made in the financial year 2012 to tackle with the potential risk of compensation for the damages to customers of the company due to the risk of non-repayment caused by industrial actions and subsequent delivery delays.

Corporate Restructuring Fund

Description	31/12/2017	31/12/2016
Previous FY balance	0	0
Reserves	0	0
Write-down	0	0
Utilization	0	0
FY balance	0	0

Over the past FY closed on 31st December 2012, an important corporate reconstruction following the agreements with the Trade Unions on 27/12/2012. For the details of this operation please refer to the Management Report, here briefly we report that it resulted in a reduction of personnel by 136 units using the aids of the CIGS (extraordinary redundancy payment) and subsequent *mobilità* (collective dismissal). It should be noted that, as a result of agreements reached with the grantor of the business, costs of this restructuring will be divided in equal parts between the grantor and leaseholder. The choice of accounting treatment of the Company was taken to indicate fully the quota of this phenomenon in the risk fund created for this purpose and, at the same, time to highlight a credit towards the grantor for the quota referring to the item 'other receivables' to which reference is made. The write-down is related to the adjustment of the fund due to minor costs related to personnel in CIGS and that are incurred by the company as a result of early dismissals as opposed to the 24 months of CIGS originally planned.

Severance Payment for Employees

Balance 31/12/17	Balance 31/12/16	Variations
0	0	0

The liability for the Severance Payment is thus registered in the FY:

Description	31/12/2017	31/12/2016	Variations
Initial Liability	0	0	0
Provisions	177.007	181.001	(3.994)
Payments and advance payments for Severance payment	0	0	0
Use of the severance payment for external funds	(177.007)	(181.001)	3.994
Total	0	0	0

The variations in personnel are described as follows:

Personnel	31/12/2017	31/12/2016	Variations
Executives	2	2	0
Clerks	35	37	(2)
Workers	33	34	(1)
Total	70	73	(3)

The Employee severance payment represents the actual liability of the company towards employees effective on 31/12/2017, net of advances paid and of the fund paid by the INPS treasury or to other supplementary pension schemes in application of the provisions of legislative Decree no. 252/2005 regarding the destination of the severance payment.

It should be noted that after the above-mentioned contract lease with the Sertubi SpA, the Company hired all employees by direct transfer into the leased business unit.

The lease excludes the bearing by the Company of assets / liabilities including those arising in relation with the employment relationship. Therefore, the liability for the severance payment accrued by employees up to August 5th 2011 has been paid by Duferco Sertubi SpA.

D) Liabilities

Balance 31/12/17	Balance 31/12/16	Variations
26 649 527	28 519 358	(1 869 831)

Description	within 12 months	over 12 months	over 5 years	Total
liabilities to shareholders for financing	7.065.715	0	0	7.065.715
liabilities to others for financing	5.119.410	0	0	5.119.410
liabilities to banks	0	0	0	0
liabilities to suppliers	1.299.897	0	0	1.299.897
liabilities to parent companies	2.425.384	0	0	2.425.384
liabilities to companies subjects to the control of parents	2.748.675	452.096	0	3.200.771
tax liabilities	204.630	0	0	204.630
liabilities to social security institutions	121.895	0	0	121.895
liabilities on account	344.205	0	0	344.205
other liabilities	376.036	6.491.584	0	6.867.620
Total	19.705.847	6.943.680	0	26.649.527

The liabilities are determined by their nominal value and their deadline is thus divided:

The liability is thus divided by geographical area:

Description	Italy	EU	Extra EU	Total
liabilities to shareholders	0	0	7.065.715	7.065.715
liabilities to others	0	0	5.119.410	5.119.410
liabilities to banks	0	0	0	0
liabilities to suppliers	1.027.050	207.319	5.691.683	6.926.052
tax liabilities	204.630	0	0	204.630
liabilities on account	33.775	0	310.430	344.205
liabilities to social security institutions	121.895	0	0	121.895
other liabilities	6.867.620	0	0	6.867.620
Total	8.254.970	207.319	18.187.237	26.649.527

Liabilities to Share Holder

Description	31/12/2017	31/12/2016	Variations
Rahel Holdings	5.917.000	3.500.000	2.417.000
Rahel Holdings interest fees	1.148.715	694.200	454.515
Total	7.065.715	4.194.200	2.871.515

The liabilities to Share Holder are composed by:

- financing received from Rahael Holdings

Liabilities to other providers of funds

Description	31/12/2017	31/12/2016	Variations
JindalSaw FZE	5.000.000	5.000.000	0
JindalSaw FZE interest fees	119.410	28.889	90.521
Total	5.119.410	5.028.889	90.521

The liabilities to other providers of funds are composed by:

- financing received from Jindal Saw FZE

Liabilities to Suppliers

Liabilities to suppliers, amounting to 1.299.897€, have decrease significantly compared to the previous year 1.948.149€.

Liability to Parent Companies

At the closing date of the financial year there are amounts due to "indirect" parent companies, equal to 2,425,384 Euros, a decrease of 1,907,890 Euros compared to the figure as at 31.12.2016. The main reason is identified by an optimization in intercompany purchases.

Liability to Companies subjects to the control of parents

At the closing date of the financial year there were payables to companies belonging to the group equal to 3,200,771, a considerable decrease compared to the value recorded in the financial statements as at 31.12.2016 (euro 5,630,352). This decrease is due to the desire to significantly lower the stock in stock.

Subsidiary	2017	2016	Variance
JindalSaw GulfLLC	3 200 638	5 630 352	(2 429 714)
JindalSaw Filings	133	0	133
Total	3 200 771	5 630 352	(2 429 581)

Tax Liabilities

They are mainly liabilities on personal income taxes to be paid by the employees and freelance workers.

Liabilities to Social Security Institutions

They include social contributions payable by employees and by the company to social security institutions, mainly on wages and social charges of December, or rather the social charges calculated on the accrued salary but unpaid to employees on the balance sheet closing date.

Liabilities to others

The other liabilities amounting to 6.867.620€ are divided by time deadline as follows:

- 376.036€ within twelve months and consist mainly of liabilities to employees for salaries and deferral salaries (Christmas bonus, days of untaken leave)
- 6,491,584€ over 12 months and are composed of liabilities to Sertubi SpA relating to fungible assets of the Plant spare parts. Depending on the lease contract of the business unit signed with Sertubi SpA, the Company has also leased part of the goods inside the first warehouses of Sertubi, which include consumables and spare parts. For these goods, the Company chose to register them as assets, as the related the note, and to include the corresponding liability as entry in the 'Liabilities'. An inventory will be made at the end of the lease and an evaluation of the same assets and any differences will be settled in cash.

E) Accruals and deferrals

Balance 31/12/17	Balance 31/12/16	Variations
0	36	(36)

The balance is thus composed:

Description	31/12/2017	31/12/2016	Variations
Accrued liabilities	0	36	(36)
Passive deferrals	0	0	0
Total	0	36	(36)

The accruals are thus composed:

Description	within 12 months	over 12 months	over 5 years	Total
For interests	0	0	0	0
other	0	0	0	0
Total	0	0	0	0

Memorandum Accounts

Description	31/12/2017	31/12/2016	Variations
assets related to the lease contract	29.004.135	29.004.135	0
third parties assets within the company	296.652	296.652	0
other accounts	4.447	12.970	(8.523)
Total	29.305.235	29.313.758	(8.523)

The assets related to the lease of the business unit refer to technical fixed assets and buildings owned by Duferco Sertubi SpA, used by the Company under the above-mentioned lease contract. In particular, with regard to fungible assets consisting of the rented stock of raw materials, spare parts and molds, they were registered as assets under the entry 'inventories' and simultaneously it was decided to register a liability to Duferco Sertubi classified under 'other liabilities'.

Third party assets held by the Company are made of pipes and accessories with special joint called STR owned by Duferco Sertubi.

Other Accounts	31/12/2017	31/12/2016
Residual Installments and surrender value	4.447	12.970
Total	4.447	12.970

In the Financial Year 2014 the Company entered into two new finance lease contracts for two cars for a value of 35.213€ whose total book value, net of accumulated amortization theoretical amounts to 4.447€ at 31/12/2017

Income Statement

A) Value of the manufacturing

Balance 31/12/17	Balance 31/12/16	Variations
11.690.418	25.325.393	(13.634.975)

The value of manufacturing is thus composed:

Description	31/12/2017	31/12/2016	Variations
Income from sales and services	12.521.512	22.798.845	(10.277.333)
Variations of the inventories of semi-finished, finished products	(859.971)	2.290.969	(3.150.940)
fixed assets increase due to domestic work	0	0	0
other incomes and revenues	28.877	235.579	(206.702)
Total	11.690.418	25.325.393	(13.634.975)

It is observed in the financial year under review, the turnover has decreased compared to the not satisfactory results of the previous Financial Year. The reasons for this decline are due to several factors, among which the most important were:

- A reduction in investments in aqueduct network infrastructures and the persistent economic crisis influenced negatively a market already weakened

- Delayed payments by the Public Administration and the difficult financial situation of reference Italian customers forced the company to implement a stricter credit policy.

To analyze the revenues and in particular the changes recorded in the turnover compared to the previous year, please refer to the Management Report. Revenues from sales and services include revenues from subsidiaries in normal market conditions as detailed below:

Subsidiary	Amount
JINDAL SAW LIMITED	11.850
Jindal Saw Gulf LLC	7.980
Total	19.830

Breakdown of revenues from sales and services by business category

The breakdown of revenues from sales and services according to asset classes is not indicated as it is not considered significant for the understanding and judgment of economic results. In any case, revenues derive almost exclusively from sales of cast iron pipes, fittings with the Jindal brand

Breakdown of revenues from sales and services by geographical area

Description	Italia	CEE	Extra CEE	Total
Revenue	8.747.737	2.783.265	990.510	12.521.512
Total	8.747.737	2.783.265	990.510	12.521.512

B) Production Costs

Balance 31/12/2017	Balance 31/12/2016	Variations
15.644.492	28.100.212	(12.455.720)

The production costs are so detailed:

Description	31/12/2017	31/12/2016	Variations
Raw materials, spare parts, consumables and goods	7.300.443	17.830.777	(10.530.334)
Services	3.771.854	5.071.670	(1.299.816)
Use of third parties assets	959.368	939.828	19.540
Cost of personnel	3.675.324	3.879.288	(203.964)
Amortization Intangible fixed Assets	41.454	44.790	(3.336)
Amortization tangible fixed Assets	65.188	76.454	(11.266)
Other fixed assets depreciation	0	0	0
depreciation of current assets	31.482	93.314	(61.832)
variations in the inventory for raw materials, spare parts, consumables and goods	(304.616)	132.465	(437.081)
risk provision	73.006	0	73.006
different charges	30.989	31.626	(637)
Total	15.644.492	28.100.212	(12.455.720)

Over the financial year under review, as over the previous one, the Company, has reorganized the production which accounts for the purchase from other plants of the group of the semi-finished raw products and of finished products intended for sales.

We also note that the above costs include as well the costs charged for the purchase of pipes, semi-finished products, services used in normal market conditions with respect to group companies and as detailed below:

Companies	costs		
	TO PURCHASE PRODUCTS	FOR SERVICES	TOTAL
JindalSaw Limited	2.546.635	21.500	2.568.135
JindalSaw Gulf	3.070.572	237.447	3.308.020
JindalSaw Fittings	133	0	133
Total	5.617.341	258.947	5.876.288

C) Revenues and financial charge

31/12/2017	31/12/2016	Variance
(683.817)	(437.680)	(246.137)

The balance is detailed below:

Description	31/12/2017	31/12/2016	Variations
Revenues from investment	0	0	0
from payables registered as fixed assets	0	0	0
from bonds registered as fixed assets	0	0	0
other revenues	9.825	5.686	4.139
interests and charges from subsidiaries, affiliated and parent companies	0	0	0
revenues from others	(634.794)	(469.786)	(165.008)
revenues and losses on variations	(58.848)	26.420	(85.268)
Total	(683.817)	(437.680)	(246.137)

Financial Revenues

The financial revenues are detailed below:

Description	31/12/2017	31/12/2016	Variations
from participation in subsidiaries	0	0	0
from bonds registered in current assets	0	0	0
other revenues	9.749	4.668	5.081
bank interest	76	1.018	(942)
Total	9.825	5.686	4.139

Financial Charges

Description	Parent Companies	Subsidiary	Affiliated	Others	Total
Bank interests	0	0	0	3.967	3.967
Interests Rate Swap	0	0	0	0	0
Other interests and charges	454.515	0	165.563	10.749	630.827
Total	454.515	0	165.563	14.716	634.794

The item 'other interest and charges' includes 454.515€ relating to interest paid to the sole shareholder Ralael Holdings for the interest-bearing loan in place and 165.563€ of interest expense related to the financing by the subsidiary Jindal Saw FZE. It should be noted that this transaction was carried at market values.

Value Adjustment for financial activities

Balance 31/12/2017	Balance 31/12/2016	Variations
0	0	0

There were no adjustments for the financial activities.

Corporate Taxes

Balance 31/12/17	Balance 31/12/16	Variations
300.000	640.560	(340.560)

The entry 'taxes' is so detailed:

Description	31/12/2017	31/12/2016	Variations
IRES	0	0	0
IRAP	0	0	0
Deferred liabilities income taxes	0	0	0
deferred passive income taxes	300.000	640.560	(340.560)
Total	300.000	640.560	(340.560)

Direct Taxes

There are no IRES or IRAP in the current FY

The following table shows the reconciliation between the theoretical tax charge and tax burden to the budget:

IRRS - Rate 24,00%	Tax Base	Tax
Net Balance Result	(4.937.891)	0
FY Taxes	300.000	0
Increasing Variations	985.542	0
Decreasing Variations		0
Pre-tax profit	(3.652.349)	0
use of previous tax losses	0	0
Taxable income	(3.652.349)	0

IRAP - Rate 3,90%	Tax base	Tax
Difference between values/production costs	(3.954.074)	0
Non deductible personnel cost	3.675.324	0
Provisions non deductible	76.006	0
Increasing variations		0
decreasing variations and deductions	(3.650.000)	0
Reversal anticipated amortization		0
Base imponible IRAP	(3.852.744)	0

Deferred taxation

Over the year, on a prudent basis, the Company decided not to register deferred tax assets on temporary differences between taxable income and statutory result, nor on previous tax losses and of the year.

Other information

Remuneration of Directors and Auditors

According to the provisions of law, the total remuneration paid to Directors and Auditors are described below:

Qualification	31/12/2017	31/12/2016
Directors	45.000	45.000
Auditors	30.597	31.580

Pursuant to art. 2427, paragraph 16 bis) of the Italian Civil Code, we specify that the total amount of remuneration due to the auditors for the statutory audit of the annual accounts, including the verification of activities over the FY, the regular accounting records and the correct reporting of accounting entries and the signing of tax, amounted to 21.500€ (plus VAT).

Shares, bonds

The company has not issued any shares, convertible bonds and bonds or other similar values.

These financial statements, comprising the Balance Sheet, Income Statement and Notes, give a truthful and fair view of the financial position and the results of Financial Year and correspond to the accounting records.

Triest, 28/03/2018

To the Board of Directors

Maneesh Kumar
