

Jindal Saw Italia S.p.A.

a sole shareholder company

ANNUAL REPORT 2016

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

**Independent auditor's report in accordance with article n. 14 L.D. January 27, 2010
n.39**

(Translated from original in Italian)

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

Report on the Financial Statements

We have audited the accompanying financial statements of Jindal Saw Italia S.p.A., which comprise the balance sheet as at December 31, 2016, the income statement and cash flow statement for the year then ended and the explanatory notes.

Director's Responsibility for the Financial Statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with statutory requirements.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted an audit in compliance with International Reporting Standards (ISA Italia) processed in accordance with art. 11 of the Legislative Decree no. 39/10.

Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making of those risk assessments, the audit considers internal control relevant of the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Jindal Saw Italia S.p.A. as at December 31, 2016 and of the result of its operations and cash flow for the year then ended in compliance with Italian laws.

Emphasis of matter

The loss for the period amounts to Euro 3,5 million. At December 31, 2016 the Ebitda margin results negative of Euro 2,6 million compared to a negative amount for Euro 3,9 million of the prior year. The main reasons of such losses and the prospects for the future are described in the Report of Operations.

The Shareholder has signed a comfort letter confirming the will and the commitment to provide the company with an 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.

Report on compliance with other laws regulation

Opinion on the consistency of the financial statements with the report on operations

We have performed the procedures required by auditing standard (SA Italia) No. 720B in order to express an opinion, as required by law, on the consistency of the report of operations which is the responsibility of directors of Jindal Saw Italia S.p.A., with the financial statements of Jindal Saw Italia S.p.A. as of December 31, 2016. In our opinion, the report on operations mentioned above is consistent with the financial statements of Jindal Saw Italia S.p.A. as of December 31, 2016.

Pordenone, May 10, 2017

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.

CONTENTS

<u>Management Report</u>	<u>1</u>
<u>Balance Sheet</u>	<u>12</u>
<u>Income Statement</u>	<u>16</u>
<u>Statement of Cash Flow</u>	<u>18</u>
<u>Notes to Financial Statements</u>	<u>19</u>

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 2016

Dear board members,

The Financial Year Closing situation ending on 31st December 2016 shows a loss amounting to Euros, with 3,512,499 with 214,557 Euros allocated to depreciation and provisions.

The total loss for the previous fiscal year, which ended on December 31st 2015, amounted to 4,083,953 Euros, with 296,452 Euros allocated to depreciation.

Important events that took place during and after the fiscal year

The year was characterized by the delivery for 4,300 Tons to Customer in Iraq - Al Dima General Contracting Co. Ltd. And Genc Insaat Ltd Company from Italy and 4,900 Tons to Al Samawa Project in Iraq directly supplied from our facilities in UAE.

The impact of anti-dumping has an impact in the financial year 2016. The EU Commission had imposed a provisional anti-dumping duty of 31.2% through the implementing Regulation (EU) 2015/1559 on 18 September 2015 (OJ 2015 L 244/25) for imports of ductile cast iron pipes originating in India and manufactured by Jindal Saw Ltd.

Subsequently on 17 March 2016, the Commission adopted Implementing Regulation (EU) 2016/388 imposing a definitive anti-dumping duty on imports of malleable cast iron tubes originating in India and the Implementing Regulation (EU) 2016/387 establishing a definitive countervailing duty on imports of malleable cast iron pipe originating in India (OJ L 73/1 2016).

These regulations came into force on 19 March 2016 and on the basis thereof, the definitive anti-dumping duty on imports of malleable cast iron pipe originating in India manufactured by Jindal Saw Ltd is equal to 14.1% and countervailing duty amounts to 8.7%, for a total of 22.8%.

According to Article 2 of Regulation 2016/388 "The amounts secured by way of provisional anti-dumping duty pursuant to Commission Implementing Regulation (EU) 2015/1559 shall be definitively collected. The amounts secured in excess of the rates combined anti-dumping duties specified in Article 1, paragraph 2, and countervailing duties adopted by Council implementing Regulation (EU) 2016/387 of the Commission ";

Therefore, under the rules adopted by the Commission:

- The definitive duty applicable to imports of malleable cast iron pipe originating in India manufactured by Jindal Saw Ltd as of March 19, 2016 amounted to 22.8%;
- The duty in force for imports carried out between 20 September 2015 and 18 March 2016 (during the period of validity of the provisional duty) has been recalculated with Article 2 of Regulation 2016/388. Under this Article, the duty will amount to the sum of the two definitive duties (22.8%). The difference between the provisional anti-dumping duty (31.2%) and the definitive duties, namely 8.4%, has been partly received and balance part of the same is expected to be received by the first half of 2017.

At 31st December 2016, the staff of 73 employees is composed by 2 managers, 37 employees, 34 workers.

We should notice that the result for the period was affected by a number of factors among which the most important were:

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.

As per December 31st 2016, the company reported sales for about 17,300 tons against the 20,000 tons recorded in the same period last year. This also includes the supplies made directly from JSAW Gulf LLC Abu Dhabi in the invoicing of M/s Jindal Saw Italia

The quantity produced was about 10,700 tons against the 8,600 tons recorded in the same period last year.

The total turnover as per 31st December 2016 was approximately 23,000,000 € as compared to 25,000,000 € in the previous financial year in the same period.

The EBITDA in December 31st 2016 shows a loss of 2,600,000€ compared with a loss of about 3,900,000 € in the last financial year ended for the same period.

With reference to the trend of net assets, we should observe that the loss for the financial year 2015, which amounted to 4,083,953€, 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 2016).

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 have made a payment for future capital increase of capital Euro 1,400,000 to cover losses inherent in the year ended December 31st, 2016

In this regard, we should also consider that during the period under review (1st January/December 31st 2016) 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 2,000,000, with a view to strengthen its capital of the investee it.

In connection with the events that occurred during and after the year end 2016, the directors decided to update the Business Plan approved last year with a new strategic plan 2017-2019.

This plan confirms the predictions of positive operating results from the year 2017.

We note that the shareholder, despite the new plan foresees positive results from 2017, 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

The Equity position as of 31 December 2016 is reported below.

Description	
Share Capital	1.100.000
Share Premium Reserve	0
Euro Rounding Reserve	(2)
Other Reserves (Future Increases in SC)	3.096.194
Profits (Losses) carried forward	0
Profit(Loss) for the Period	(3.512.499)
Equity as of 31/12/16	683.693

Research and development activities

Our company in 2016 financial year has also focused its effort for research and development for technological innovation carried out in the factory of Trieste called:

Project 1 - R & D activities in 2016 for studying the extension of the range of product and also for the improvement of related processes for production of ductile iron pipe systems.

It is expected that the success of these innovations can generate good results in terms of turnover with favorable repercussions on the economy of the company.

Financial situation

Net borrowing, as of December 31st, 2016, amounts to approximately 3,6 million Euros, all short-term, compared to 3,8 million Euros during the previous fiscal year (as of December 31st, 2015).

Employment Situation

As of December 31st, 2016 the staff is made up of 73 employees, of whom 2 are managers, 37 are office workers and 34 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 sever 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 2016 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

As regards the provision referred to in paragraph 2 of the third paragraph of Article 2428 of the Italian Civil Code, it is stated that the company does not hold any shares in the company and it belongs as already noted to the Jindal Saw Ltd.

In particular, at the balance sheet date, receivables and payables, existing revenues from the companies belonging to the Jindal Saw Group can be summarized in the following tables.

Receivables from Intercompany	31.12.2016	31.12.2015	Variation
JINDAL SAW ESPANA S.L.	8.491	8.511	- 20
JINDAL SAW GULF LLC	1.991	4.580	- 2.589
JINDAL FITTINGS LTD.	58.576	58.576	-
JINDAL SAW LIMITED		592.541	- 592.541
JINDAL SAW PIPELINE SOLUTIONS LTD		119.532	- 119.532
JINDAL SAW MIDDLE EAST FZC		103.108	- 103.108
FATTURE DA EMETTERE ESTERO JINDAL	29.001	116.063	- 87.062
FATTURE DA EMETTERE ESTERO JSGULF	11.348		11.348
Total credit intercompany	109.408	1.002.911	- 893.504

Payables and financial liabilities	31.12.2016	31.12.2015	Variation
FINANZ. SOCIO RALAEEL	- 3.500.000	- 5.500.000	2.000.000
FINANZIAMENTO JINDAL SAW HLD. FZE	- 5.000.000	- 5.000.000	-
CRED./DEB.- RALAEEL HLD PER INT.PASS	- 694.200	- 412.841	- 281.359
CRED./DEB.- JINDAL SAW FZE INT.PASS	- 28.889	- 23.472	- 5.417
JINDAL SAW LIMITED	- 4.333.274	- 5.562.598,92	1.229.325
JINDAL SAW GULF LLC	- 5.630.352	- 139.932,52	- 5.490.420
JINDAL SAW PIPELINE SOLUTIONS LTD		- 184.841,69	184.842
Total debt intercompany	- 19.186.715	- 16.823.686	- 2.363.029

Costs incurred by the group companies are as follows:

Company	Purchase products	Services	Financila charges	TOTAL
Jindal Saw Limited	2.480.174	21.559		2.501.733
Jindal Saw Gulf	13.051.008	305.397		13.356.405
FINANZIAMENTO JINDAL SAW HLD. FZE			164.757	164.757
FINANZ. SOCIO RALAEEL			281.359	281.359
Total	15.531.182	326.956	446.116	16.304.254

Revenues incurred by Group companies are as follows:

Company	Amount
JINDAL SAW GULF LLC	1.991
Total	1.991

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.

Management outlook

The framework resulting at December 31, 2016 is definitely not fully satisfactory

and meets the goals of the Plan.

It should definitely highlighted the difficulty of access to credit by small and medium-sized enterprises which make up a significant part of the Italian customers of the Company, this has resulted in the reduction of credit lines granted to customers of the Company resulting slowdown in sales.

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 42.31 compared to 12.01 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 0.02 compared to 0.08 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 0.39 compared to 1.37

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 4.56 compared to 5.79 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 0.43 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 1.29 compared to 1.40 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 0.78 compared to 0.87 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 the partially cover the loss for the year through use the following equity reserves for payments for future capital increase and to carry forward the residual loss for the year ended

December 31, 2016.

We remind you that after approval of the balance sheet of the period 2016, 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, 19 April 2017

Chief Executive Officer

Mr. Maneesh Kumar



Annex A**Reclassified Balance Sheet relating to decreased liquidity**

ASSETS	31/12/2016	31/12/2015	Variance
1) LIQUIDITY			
1.1 IMMEDIATE			
Entry C IV Liquid assets	1.397.959	1.154.291	243.668
Total immediate liquidity	1.397.959	1.154.291	243.668
1.2 TRADE AND OTHER RECEIVABLES			
Entry A Unpaid subscribed capital	-	-	-
Entry B III 2) - C II Receivables within 12 months	5.649.831	7.149.044	(1.499.213)
Entry C III Short-term financial assets	-	-	-
Total trade and other receivables	5.649.831	7.149.044	(1.499.213)
TOTAL LIQUIDITY	7.047.790 23,8%	8.303.335 29,1%	(1.255.545)
2) FLOATING ASSETS			
Entry C I Stocks	20.712.344	18.580.944	2.131.400
Entry D Accruals and deferrals within 12 months	83.646	87.924	(4.278)
TOTAL FLOATING ASSETS	20.795.990 70,2%	18.668.867 65,3%	2.127.123
3) CURRENT ASSETS (1 + 2)	27.843.780 94,0%	26.972.202 94,4%	871.577
4) FIXED ASSETS			
Entry B I Net Intangible Fixed Assets	78.430	95.035	(16.605)
Entry B II Net Tangible Fixed Assets	243.395	256.716	(13.321)
Entry B III - 1) 3) 4) Financial fixed assets	-	-	-
Entry B III 2) - C II Receivables beyond 12 months	1.434.549	1.237.480	197.069
Entry D Accruals and deferrals 12 months	7.230	12.033	(4.802)
TOTAL FIXED ASSETS	1.763.604 6,0%	1.601.263 5,6%	162.341
Total CAPITAL INVESTED (3 + 4)	29.607.384 100,0%	28.573.466 100,0%	1.033.918
LIABILITIES	31/12/2016	31/12/2015	Variance
6) CURRENT LIABILITIES			
Entry D 1) 2) 3) 4) 5) Financial debt within 12 months	9.223.089	10.936.313	(1.713.224)
Entry D 7) 8) 9) 10) 11) Trade payables within 12 months	11.597.411	7.599.879	3.997.532
Entry D 6) 12) 13) 14) Other debt within 12 months	737.113	768.586	(31.473)
Entry B Provisions for liabilities and charges within 12 months	-	-	-
Entry E Accruals and deferrals within 12 months	36	142	(106)
TOTALE PASSIVO CORRENTE	21.557.649 72,8%	19.304.920 67,6%	2.252.729
7) NON-CURRENT LIABILITIES			
Entry C Post-employment benefit liabilities	-	-	-
Entry B Provisions for liabilities and charges beyond 12 months	404.297	454.039	(49.742)
Entry D 1) 2) 3) 4) 5) Financial debt beyond 12 months	-	-	-
Entry D 7) 8) 9) 10) 11) Trade payables beyond 12 months	470.161	99.628	370.533
Entry D 6) 12) 13) 14) Other debt beyond 12 months	6.491.584	6.518.688	(27.104)
Entry E Accruals and deferrals beyond 12 months	-	-	-
TOTAL NON-CURRENT LIABILITIES	7.366.042 24,9%	7.072.355 24,8%	293.687
8) NET ASSETS			
Entry A I Share capital	1.100.000	1.100.000	-
Entry A II - VIII Reserve	3.096.192	5.180.146	(2.083.954)
Entry A IX Profit / (Loss)	(3.512.499)	(4.083.953)	571.454
Loss Hedging	-	-	-
Net loss	(3.512.499)	(4.083.953)	
TOTAL NET ASSETS	683.693 2,3%	2.196.193 7,7%	(1.512.500)
9) TOTAL FINANCING SOURCES (6 + 7 + 8)	29.607.384 100,0%	28.573.466 100,0%	1.033.918



Annex B

Reclassified Income Statement as Value Added

A) VALUE OF PRODUCTION		31/12/2016	31/12/2015	Variance
Entry A 1)	Revenue from sales and services	22.798.845	24.805.191	(2.006.346)
Entry A 2) A 3)	Adjustments remaining products completed and ordered	2.290.969	(1.436.131)	3.727.100
Entry A 4)	Increase in fixed assets for company works	-	-	-
Entry A 5)	Other income pertaining to management	235.579	53.451	182.128
Total production value		25.325.393	23.422.511	1.902.882
B) PRODUCTION COST				
<u>Total cost consumables and services</u>				
Entry B 6)	For raw materials, subsidized, and consumables	17.830.777	17.655.901	174.876
Entry B 11)	Adjustments raw materials, subsidized, and consumables	132.465	13.007	119.458
Entry B 7)	Services	5.071.670	4.912.611	159.059
Entry B 8)	Leased assets	939.828	749.615	190.213
<u>Total cost consumables and services</u>		<u>23.974.740</u>	<u>23.331.134</u>	<u>643.606</u>
VALUE ADDED		1.350.653	91.377	1.259.276
<u>Other management cost</u>				
Voce B 9)	Personnel cost	3.879.288	3.978.731	(99.443)
Voce B 14)	Various management expenses	31.626	59.109	(27.483)
<u>Total other management cost</u>		<u>3.910.914</u>	<u>4.037.840</u>	<u>(126.926)</u>
GROSS OPERATING MARGIN		(2.560.261)	(3.946.463)	1.386.202
<u>Depreciation and provisions</u>				
Entry B 10)	Provisions and depreciations	214.558	296.452	(81.894)
Entry B 12)	Risk provisions	-	60.000	(60.000)
Entry B 13)	Other provisions	-	-	-
<u>Total depreciation and provisions</u>		<u>214.558</u>	<u>356.452</u>	<u>(141.894)</u>
OPERATING PROFIT		(2.774.819)	(4.302.915)	1.528.096
<u>Result of financial management</u>				
Entry C	Revenue / (Expenses) financial	(437.680)	(721.598)	283.918
Entry D	Impairment of financial assets	-	-	-
<u>Total result financial management</u>		<u>(437.680)</u>	<u>(721.598)</u>	<u>283.918</u>
<u>Income from non-ordinary financial management - Entry A 5)</u>		<u>-</u>	<u>-</u>	<u>-</u>
PRE-TAX RESULT		(3.212.499)	(5.024.513)	1.812.014
Income tax for the financial period		300.000	(940.560)	1.240.560
PROFIT/ (LOSS) OF THE FINANCIAL PERIOD		(3.512.499)	(4.083.953)	571.454



	31/12/2016	31/12/2015
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	7.391	15.277
4 Franchise, licenses, trademarks and similar rights	2.160	0
5 Goodwill	0	0
6 Work in progress and payments on account	0	0
7 Other	68.879	79.758
Total intangible fixed assets	78.430	95.035
B II TANGIBLE FIXED ASSETS		
1 Land and buildings	0	0
2 Plant and machinery	136.857	147.238
3 Fixtures and fittings, tools and other equipment	78.157	62.870
4 Other assets	28.381	46.608
5 Work in progress and payments on account.	0	0
Total tangible fixed assets	243.395	256.716
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	33.369	37.377
	<u>33.369</u>	<u>37.377</u>
Total non-current receivables	33.369	37.377
3 Other securities	0	0
4 Derivative financial instruments	0	0
Total long-term investments	33.369	37.377
TOTAL NON-CURRENT ASSETS AND LONG-TERM INV.	355.194	389.128

C CURRENT ASSETS**C I STOCKS**

1	Raw materials and consumables	6.232.282	6.203.068
2	Work in progress and semi-finished products	2.088.052	1.443.178
3	Contract work in progress	0	0
4	Finished products and merchandise	12.392.010	10.934.697
5	Payments on account	0	0
	Total Stocks	20.712.344	18.580.944

C II RECEIVABLES

1	From customers		
	- due within 12 months	4.777.728	5.124.753
	- due beyond 12 months	764.815	357.743
		<u>5.542.543</u>	<u>5.482.496</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	29.001	708.604
	- due beyond 12 months	0	0
		<u>29.001</u>	<u>708.604</u>
5	From Companies subjects to the control of Parents		
	- due within 12 months	80.406	294.307
	- due beyond 12 months	0	0
		<u>80.406</u>	<u>294.307</u>
5-bis	Tax credits		
	- due within 12 months	171.863	14.256
	- due beyond 12 months	0	0
		<u>171.863</u>	<u>14.256</u>
5-ter	Advanced taxes		
	- due within 12 months	4.195	98.200
	- due beyond 12 months	636.365	842.360
		<u>640.560</u>	<u>940.560</u>
5-quater	From others		
	- due within 12 months	586.638	908.924
	- due beyond 12 months	0	0
		<u>586.638</u>	<u>908.924</u>
	Total receivables	7.051.011	8.349.147

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	1.395.236	1.152.763
2	Cheques	0	0
3	Cash on hand	2.723	1.528
	Total cash and cash equivalents	1.397.959	1.154.291

TOTAL CURRENT ASSETS

29.161.314	28.084.382
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D DEFERRED EXPENSES AND ACCRUED INCOME	90.876	99.956
TOTAL ASSETS	29.607.384	28.573.466
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)	(1)
Other	3.096.194	5.180.147
VIII Profit (loss) carried forward	0	0
IX Net income (loss) for the year	(3.512.499)	(4.083.953)
Loss partially covered	0	0
Residual Loss	(3.512.499)	(4.083.953)
X Negative reserve for treasury shares	0	0
TOTAL SHAREHOLDERS' EQUITY	683.693	2.196.193
B PROVISIONS FOR RISKS AND CONTINGENCIES		
1 Retirement benefits and similar obligations	18.176	15.732
2 Provisions for taxes, including deferred taxes	0	0
3 Derivative liabilities financial instruments	0	0
4 Other	386.121	438.307
TOTAL PROVISIONS FOR RISKS AND CONTINGENCIES	404.297	454.039
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	4.194.200	5.912.841
- due beyond 12 months	0	0
	<u>4.194.200</u>	<u>5.912.841</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	5.028.889	5.023.472
- due beyond 12 months	0	0
	<u>5.028.889</u>	<u>5.023.472</u>
6 Payments on account		
- due within 12 months	155.797	163.046
- due beyond 12 months	0	0
	<u>155.797</u>	<u>163.046</u>
7 Payables to suppliers		
- due within 12 months	1.948.149	1.649.087
- due beyond 12 months	0	0
	<u>1.948.149</u>	<u>1.649.087</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	4.333.274	5.562.599
	- due beyond 12 months	0	0
		<u>4.333.274</u>	<u>5.562.599</u>
11-bis	Payables to companies subjects to the control of parents		
	- due within 12 months	5.160.191	225.147
	- due beyond 12 months	470.161	99.628
		<u>5.630.352</u>	<u>324.775</u>
12	Tax liabilities		
	- due within 12 months	173.088	197.259
	- due beyond 12 months	0	0
		<u>173.088</u>	<u>197.259</u>
13	Payables to social security agencies		
	- due within 12 months	151.366	153.410
	- due beyond 12 months	0	0
		<u>151.366</u>	<u>153.410</u>
14	Other payables		
	- due within 12 months	412.659	417.917
	- due beyond 12 months	6.491.584	6.518.688
		<u>6.904.243</u>	<u>6.936.605</u>
	TOTAL PAYABLES	28.519.358	25.923.094
	E ACCRUED EXPENSES AND DEFERRED INCOME	36	142
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	29.607.384	28.573.466

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	31/12/2016	31/12/2015
INCOME STATEMENT		
VALUE OF PRODUCTION:		
1 Sale and service revenue	22.798.845	24.805.191
2 Change in inventory of work in progress, semi-finished and finished products	2.290.969	(1.436.131)
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	235.577	53.451
	235.577	53.451
TOTAL VALUE OF PRODUCTION	25.325.391	23.422.511
COSTS OF PRODUCTION:		
6 Raw materials, consumables and goods for resale	17.830.777	17.655.901
7 Services	5.071.670	4.912.611
8 Hire, rental and leasing	939.828	749.615
9 Personnel		
a) Wages and salaries	2.753.769	2.787.080
b) Social security charges	944.518	1.003.075
c) Post-employment benefits	181.001	185.741
d) Pension and similar benefits	0	0
e) Other costs	0	2.835
	3.879.288	3.978.731
10 Depreciation, amortization and adjustments		
a) Depreciation of intangible assets	44.790	185.417
b) Depreciation of property, plant and equipment	76.454	68.668
c) Other impairment losses on non-current assets	0	0
d) Impairment losses on receivables included in working capital and cash and equivalents	93.314	42.367
	214.558	296.452
11 Change in inventory of raw materials, consumables and goods for resale	132.465	13.007
12 Provisions for risks	0	60.000
13 Other provisions	0	0
14 Other operating expenses	31.626	59.109
TOTAL COSTS OF PRODUCTION	28.100.212	27.725.426
DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION	(2.774.821)	(4.302.915)
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	5.686	36.344
	5.686	36.344
17 Interest and other financial expenses		
- from subsidiaries, associates and parent companies	281.359	412.841

	31/12/2016	31/12/2015
- from other parties	188.427	345.311
	469.786	758.152
17 bis Exchange gains (losses)	26.420	210
NET FINANCIAL INCOME / (EXPENSES)	(437.680)	(721.598)
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
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
TOTAL ADJUSTMENTS TO FINANCIAL ASSETS	0	0
ROUNDING	2	0
EARNINGS / (LOSS) BEFORE TAXES	(3.212.499)	(5.024.513)
22 Current taxes, deferred tax assets and deferred tax liabilities	300.000	(940.560)
NET INCOME (LOSS) FOR THE YEAR	(3.512.499)	(4.083.953)

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STATEMENT OF CASH FLOWS

	2016	2015
A. Cash Flow from operating activities (indirect method)		
Net income (loss) for the year	-€ 3.512.499	-€ 4.083.953
Deferred Tax	€ 300.000	-€ 940.560
Interest expense (interest)	€ 437.680	€ 721.598
Dividends	€ 0	€ 0
(Gains)/losses on sale of assets	€ 0	€ 0
1. Net income (loss) for the year before tax	-€ 2.774.819	-€ 4.302.915
Accrual of depreciation	€ 274.315	€ 429.521
Amortization of intangible assets	€ 121.244	€ 254.085
Accrual	€ 0	€ 0
Other depreciations	€ 0	€ 0
2. Cash Flow before changes in net working capital	€ 395.559	€ 683.606
Changes in net working capital		
Decrease (increase) inventories	-€ 2.131.400	€ 2.263.422
Decrease (increase) in receivables from customers	-€ 109.789	€ 1.546.489
Decrease (increase) in liabilities from parent company	€ 679.603	€ 139.877
Decrease (increase) in receivables vs Companies subjects to the control of Parent	€ 213.901	-€ 150.518
Decrease (increase) in accrued vs supplier	€ 299.062	-€ 879.888
Decrease (increase) in accrued Parent company	-€ 1.229.325	-€ 1.455.868
Decrease (increase) in accrued Companies subjects to the control of Parent	€ 5.305.577	-€ 180.891
Decrease (increase) in liabilities Tax	-€ 157.607	€ 242.064
Increase (decrease) in accrued Tax	-€ 24.171	-€ 371.079
Decrease (increase) in deferred expenses and accrued income	€ 9.080	-€ 40.866
Increase (decrease) accrued expenses and deferred income	-€ 106	-€ 125.931
Increase (decrease) from others	€ 322.286	€ 1.584.690
Decrease (increase) from others	-€ 41.655	-€ 2.191.647
3. Cash Flow after changes in net working capital	€ 3.135.456	€ 379.854
Interest received	-€ 137.308	-€ 345.154
Current taxes	€ 0	€ 0
Dividends	€ 0	€ 0
Use of funds	-€ 287.910	-€ 615.689
4. Cash Flow after other adjustments	-€ 425.218	-€ 960.843
Cash Flow of operating activities (A)	€ 330.978	-€ 4.200.298
B. Cash Flow from Investment activities		
TANGIBLE FIXED ASSETS	-€ 63.133	-€ 45.632
(Investment)	€ 63.133	€ 45.632
Sale proceeds of divestitures	€ 0	€ 0
INTANGIBLE FIXED ASSETS	-€ 28.185	-€ 14.445
(Investment)	€ 28.185	€ 14.445
Sale proceeds of divestitures	€ 0	€ 0
LONG-TERM INVESTMENTS	€ 4.008	-€ 8.499
(Investment)	€ 0	€ 8.499
Sale proceeds of divestitures	€ 4.008	€ 0
FINANCIAL ASSETS NON-FIXED	€ 0	€ 0
(Investment)	€ 0	€ 0
Sale proceeds of divestitures	€ 0	€ 0
Cash Flow from Investment activities (B)	-€ 87.310	-€ 68.576
C. Cash Flow from financing activities		
Third party		
Increase(decrease) in short term borrowings from banks	€ 0	
New funding	€ 0	€ 10.500.000
Repayment funding	-€ 2.000.000	-€ 13.000.000
Equity		
Capital increase paid	€ 2.000.000	€ 5.200.000
Sale (purchase) of treasury shares	€ 0	
Other increase/(decrease) equity	€ 0	
Cash Flow from financing activities	€ 0	€ 2.700.000
Increase (Decrease) cash (a ± b ± c)	€ 243.668	-€ 1.568.874
Cash at 1 January	€ 1.154.291	€ 2.723.165
Cash at 31 December	€ 1.397.959	€ 1.154.291
Cash as Balance Sheet at 31 December	€ 1.397.959	€ 1.154.291

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 31/12/2016

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 31/12/2016 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 2016 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 therefor;
- 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	31/12/2016	31/12/2015	Variations
Executives	2	3	(1)
Clerks	37	35	2
Workers	34	37	(3)
Total	73	75	(2)

As to December 31st 2016 the staff people are 73 units: 2 managers, 37 clerks, 34 factory workers.

Reclassifications of the Previous Financial Year

In the Financial Statements on December 31st 2016 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 31/12/16	Balance 31/12/15	Variation
78.430	95.035	(16.605)

The following table describes the intangible assets:

Description of Costs	Cost of Acquisition on 31/12/15	Period Increase	Previous Amortization	Period Amortization	Residual value on 31/12/16
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	0	(28.519)	(7.886)	7.391
Concessions, licenses, trademarks and similar rights	2.352	2.700	(2.352)	(540)	2.160
Current Intangible assets and accounts	0	0	0	0	0
Others	729.314	25.485	(649.556)	(36.364)	68.879
Total	789.393	28.185	(694.358)	(44.790)	78.430

The most significant changes are commented below.

Concessions, licenses, trademark and similar rights

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

Other intangible assets

The increase is mainly related to the following entries:

- Repair inside road plant 22.000€
- New cooling system 3.485€

Intangible Assets

Balance 31/12/16	Balance 31/12/15	Variation
243.395	256.716	(13.321)

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

Description of costs	Net Value 31/12/16	Net Value 31/12/15	Variation
Plants and Machinery	136.857	147.238	(10.381)
Industrial and trade equipment	78.157	62.870	15.287
Other Assets	28.381	46.608	(18.227)
Current Intangible Assets and Accounts	0	0	0
Total	243.395	256.716	(13.321)

Plants and Machinery

Description	Cost of acquisition on 31/12/15	Period Increase	Other Riclassificatio ns	Period decrease	Amortization on 31/12/15	Period Amortization	Decrease Amortizati on Funds	Residual Value on 31/12/16
General and Specific Plants	179.812	8.000	0	0	(32.574)	(18.381)	0	136.857
TOTAL	179.812	8.000	0	0	(32.574)	(18.381)	0	136.857

The increase is related to the purchase of new machinery to check the environment of water cement line of the plant.

Equipment

Description	Cost of Acquisition 31/12/15	Period Increase	Period Decrease	Amortization on 31/12/15	Period Amortization	Decrease Amortization Funds	Residual Value 31.12.16
Manufacturing Molds	83.142	39.130	0	(49.343)	(20.541)	0	52.387
Various Equipment and small tools	62.245	10.200	0	(33.173)	(13.502)	0	25.770
TOTAL	145.387	49.330	0	(82.516)	(34.043)	0	78.157

The increases in "Manufacturing Molds" is attributable to the purchase of a new molds of gaskets metallic insert called RAJ and REV

The increases in "Various Equipment and small tools" is attributable to the purchase new equipment for our forklifts

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

Other Assets

Description	Cost of Acquisition 31/12/15	Period Increase	Period Decrease	Amortization on 31/12/15	Period Amortization	Decrease Amortization funds	Residual Value on 31/12/16
Electronic equipment for the offices.	100.417	5.536	0	(66.613)	(19.968)	0	20.292
Mobile Phones	23.336	266	0	(14.743)	(4.110)	0	4.749
Office furniture	7.261	0	0	(3.050)	(871)	0	3.340
Total	131.015	5.802	0	(84.407)	(24.029)	0	28.381

The 5.536€ increase is due to the purchase of a new hardware systems.

The 2667€ increase is due to the purchase of one mobile phones.

Assets under development and advance payments

Description	Cost of acquisition on 31/12/15	Period Increase	Other reclassifications	Amortization on 31/12/15	Period Amortization	Decrease Amortization Funds	Residual Value on 31/12/16
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 31/12/16	Balance 31/12/15	Variation
33.369	37.377	(4.008)

They consist of deposits paid by the Company for rented cars 10.379€, custom warehouse deposit and return system for 19.441€ and, for the remaining amount of security deposits for apartments for guest.

C) FLOATING ASSETS

I. Unexpended Balance

Balance 31/12/16	Balance 31/12/15	Variation
20.712.344	18.580.944	2.131.400

The entry is composed as follows:

Description	Value on 31/12/2016	Value on 31/12/2015	Delta
Raw materials, supplies and consumables	6.232.282	6.203.068	29.214
Products in progress and semi-finished products	2.088.052	1.443.178	644.874
Finished products and goods	12.392.010	10.934.697	1.457.313
Total	20.712.344	18.580.944	2.131.400

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 31/12/16	Balance 31/12/15	Variation
7.051.011	8.349.147	(1.298.136)

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)	4.777.728	764.815	0	5.542.543
Account Receivable (parent company)	29.001	0	0	29.001
Account receivable (From Companies subjects to the control of Parents)	80.406			80.406
Account Receivable (taxes)	171.863			171.863
Deferred Tax	4.195	636.365		640.560
Account receivable (others)	586.638	0	0	586.638
Total	5.649.831	1.401.180	0	7.051.011

The balance is thus divided according to the geographical area:

Description	Italy	EU	Extra EU	Total
Accounts Receivable (clients)	3.212.244	542.659	1.787.640	5.542.543
Accounts Receivable (parent company)	0	0	29.001	29.001
Accounts Receivable (Companies subjects to the control of Parents)	0	8.492	71914	80.406
Accounts Receivable (taxes)	171.863	0	0	171.863
Deferred Tax	640.560	0	0	640.560
Accounts Receivable (others)	586.638	0	0	586.638
Total	4.611.305	551.151	1.888.555	7.051.011

Accounts Receivable (clients)

Description	31/12/2016	31/12/2015	Variation
Gross Accounts Receivable (clients)	6.507.843	6.474.558	(33.285)
Account Receivable Depreciation Fund	(965.300)	(992.062)	(26.762)
Total	5.542.543	5.482.496	(60.047)

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	31/12/2016	31/12/2015
Balance for the previous year	992.062	974.437
Provisions	94.060	42.367
Uses	(120.822)	(24.741)
Balance	965.300	992.062

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

In the balance of the 'accounts receivables (clients)' are also registered the receivables from subsidiaries as detailed below:

Subsidiary	Amount
JINDAL SAW LIMITED	29.001
JINDAL SAW ESPANA S.L.	8.491
JINDAL SAW GULF LLC	13.339
JINDAL FITTINGS LTD.	58.576
TOTAL	109.407

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 no Accounts Receivable to parent companies.

Taxes Receivable

On the date of the current they amount to 171.863 and are formed as follows:

Description	31/12/2016	31/12/2015	Variations
VAT	99.503	0	99.503
TAX CREDITS	14.521	0	14.521
Value Added tax payable	57.839	14.256	43.583
Total	171.863	14.256	157.607

Deferred Tax

On the date of the current they amount to 640.560 and are formed as follows:

Description	31/12/2016	31/12/2015	Variations
Deferred Tax	640.560	940.560	(300.000)
Total	640.560	940.560	(300.000)

Accounts Receivable (others)

The Accounts Receivable to others are so formed:

Description	31/12/2016	31/12/2015	Variations
Advance Payment to Personnel	8.713	10.286	(1.573)
Reclassify vendors	8.405	25.125	(16.720)
Receivable /Insurance	0	30.825	(30.825)
Receivable/INPS contribution to <i>mobilità</i>	19.123	19.123	0
Receivable towards EE AEEG 14/2014	43.051	44.141	(1.090)
Receivable/Duferco Sertubi	7.111	24.961	(17.850)
Receivable/Duferco Sertubi for restructuring charges	836	0	836
Different Receivable	0	9.477	(9.477)
Receivables/INAIL	0	0	0
Personnel a/advance payment CIG	31.602	31.602	0
CREDITS/DEBTS/CUSTOM 3,2%	16.715	41.509	(24.794)
DEPOSIT: A.D. TPA CUSTOM (ITALY)	104.800	104.800	0
DEPOSIT: A. D. CUSTOM (ITALY)	346.280	346.280	0
DEPOSIT: A. D. CUSTOM (SLOVENIA)	0	220.795	(220.795)
Total	586.638	908.924	(322.286)

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 31/12/16	Balance 31/12/15	Variation
1.397.959	1.154.291	243.668

The balance is thus composed:

Description	31/12/2016	31/12/2015	Variations
Cash at bank	1.395.236	1.152.763	242.473
Cash and other	2.723	1.528	1.195
Total	1.397.959	1.154.291	243.668

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 31/12/16	Balance 31/12/15	Variations
90.876	99.956	(9.080)

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	31/12/2016	31/12/2015	Variations
Accruals	0	0	0
Deferrals	90.876	99.956	(9.080)
Totale	90.876	99.956	(9.080)

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	3.226	0	0	3.226
Bank guaranties	6.605	1.132	0	7.737
Services	13.718	6.098	0	19.816
Total	83.646	7.230	0	90.876

Liabilities

A) Net Assets

Balance 31/12/16	Balance 31/12/15	Variation
683.693	2.196.193	(1.512.500)

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 31/12/2014	1.100.000	10.534	3	4.250.000	0	-4.280.388	1.080.148
Allocation of Annual Financial Result	0	0	0	0	-4.280.388	4.280.388	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	-10.534	0	-4.250.000	4.280.388	0	19.854
Euro Roundings	0	0	1	0	0	0	-1
Share premium Account	0	0	0	0	0	0	0
Other reserves	0	0	0	5.200.000	-19.853	0	5.180.147
Result of financial year on 31/12/15	0	0	0	0	0	-4.083.953	-4.083.953
Situation on 31/12/15	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 31/12/16	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

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.

Net Assets	Amount	Origin	Use
Share Capital	1.100.000		
Share Premium Account	0	Share Capital	A; B;
Other reserves_Euro roundings	(2)	Income	A; B;
Other reserves	3.096.194	Share Capital	A
Profit/(loss) carried forward	0		
Profit/loss over FY	(3.512.499)		
Total	683.693		

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 2017 made some grants into capital account for 1.400.000€

Provisions for Liabilities and Charges

Balance 31/12/16	Balance 31/12/15	Variation
404.297	454.039	(49.742)

The provisions for liabilities and charges are composed as follows:

Description	31/12/2016	31/12/2015	Variation
Customer allowance for the agents	18.176	15.732	2.444
Risk fund for liabilities and contract obligation	300.000	300.000	0
Anti Dumping Slovenia fund	0	52.186	(52.186)
Anti Dumping Italy fund	86.121	86.121.	0
Total	404.297	454.039	(49.742)

The following tables show the change in the financial year for each single entry:

Customer Allowance for the agents

Description	31/12/2016	31/12/2015
previous FY balance	15.732	12.626
Reserve	2.444	3.106
Utilization	0	0
FY balance	18.176	15.732

Description	31/12/2016	31/12/2015
previous FY balance	300.000	240.000
Reserve	0	60.000
Utilization	0	0
FY balance	300.000	300.000

Risk Fund for liabilities and contract obligations

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.

Anti dumping Fund

Description	
Previous FY balance	138.307
Utilization	(52.186)
FY balance	86.121

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 31/12/16	Balance 31/12/15	Variations
0	0	0

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

Description	31/12/2016	31/12/2015	Variations
Initial Liability	0	0	0
Provisions	181.001	185.741	(4.740)
Payments and advance payments for Severance payment	0	0	0
Use of the severance payment for external funds	(181.001)	(185.741)	4.740
Total	0	0	0

The variations in personnel are described as follows:

Personnel	31/12/2016	31/12/2015	Variations
Executives	2	3	(1)
Clerks	37	35	2
Workers	34	37	(3)
Total	73	75	(2)

The Employee severance payment represents the actual liability of the company towards employees effective on 31/12/2016, 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

Balance31/12/16	Balance31/12/15	Variations
28.519.358	25.923.094	2.596.264

Description	within12 months	over 12 months	over 5 years	Total
liabilities to shareholders for financing	4.194.200	0	0	4.194.200
liabilities to others for financing	5.028.889	0	0	5.028.889
liabilities to banks	0	0	0	0
liabilities to suppliers	1.948.149	0	0	1.948.149
payables to parent companies	4.333.274	0	0	4.333.274
payables to companies subjects to the control of	5.160.191	470.161	0	5.630.352
tax liabilities	173.088	0	0	173.088
liabilities to social security institutions	151.366	0	0	151.366
payments on account	155.797	0	0	155.797
other liabilities	412.659	6.491.584	0	6.904.243
Total	21.557.613	6.961.745	0	28.519.358

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	4.194.200	4.194.200
liabilities to others	0	0	5.028.889	5.028.889
liabilities to banks	0	0	0	0
liabilities to suppliers	1.587.348	333.439	27.362	1.948.149
payables to parent companies	0	0	4.333.274	4.333.274
payables to companies subjects to the control of parents	0	0	5.630.352	5.630.352
tax liabilities	173.088	0	0	173.088
liabilities to social security institutions	151.366	0	0	151.366
payments on account	155.797	0	0	155.797
other liabilities	6.904.243	0	0	6.904.243
Total	8.971.842	333.439	19.214.077	28.519.358

Liabilities to Share Holder

Description	31/12/2016	31/12/2015	Variations
Ralael Holdings	3.500.000	5.500.000	(2.000.000)
Interest loan	694.200	412.841	281.359
Total	4.194.200	5.912.841	(1.718.641)

The liabilities to Share Holder are composed by:

- financing received from Ralael Holdings

Liabilities to other providers of funds

Description	31/12/2016	31/12/2015	Variations
Jindal Saw FZE	5.000.000	5.000.000	0
Interest loan	28.889	23.472	5.417
Total	5.028.889	5.023.472	5.417

The liabilities to other providers of funds are composed by:

- financing received from Jindal Saw FZE

Liabilities to Suppliers

Liabilities to suppliers, amounting to 1.948.3149, have increased significantly compared to the previous year 1.649.087.

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 6.904.243€ are divided by time deadline as follows:

- 412.659€ 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 31/12/16	Balance 31/12/15	Variations
36	142	(106)

The balance is thus composed:

Description	31/12/2016	31/12/2015	Variations
Accrued liabilities	0	131	(131)
Passive deferrals	36	11	25
Total	36	142	(106)

The accruals are thus composed:

Description	within 12 months	over 12 months	over 5 years	Total
For interests	36	0	0	36
other	0	0	0	0
Total	36	0	0	36

Memorandum Accounts

Description	31/12/2016	31/12/2015	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	12.970	20.925	(7.955)
Total	29.313.758	29.321.712	(7.955)

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	31/12/2016	31/12/2015
Residual Installments and surrender value	12.970	20.925
Total	12.970	20.925

In the Financial Year 2014 the Company entered into two new finance lease contracts for two cars for a value of 35.212.59€ whose total book value, net of accumulated amortization theoretical amounts to 12.970€ at 31/12/2016

Income Statement

A) Value of the manufacturing

Balance 31/12/16	Balance 31/12/15	Variations
25.325.393	23.422.511	1.902.882

The value of manufacturing is thus composed:

Description	31/12/2016	31/12/2015	Variations
Income from sales and services	22.798.845	24.805.191	(2.006.346)
Variations of the inventories of semi-finished, finished products	2.290.969	(1.436.131)	3.727.100
fixed assets increase due to domestic work	0	0	0
other incomes and revenues	235.579	53.451	182.128
Total	25.325.393	23.422.511	1.902.882

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 Gulf LLC	1.991
Total	1.991

B) Production Costs

Balance 31/12/2016	Balance 31/12/2015	Variations
28.100.212	27.725.426	374.786

The production costs are so detailed:

Description	31/12/2016	31/12/2015	Variations
Raw materials, spare parts, consumables and goods	17.830.777	17.655.901	174.876
Services	5.071.670	4.912.611	159.059
Use of third parties assets	939.828	749.615	190.213
Cost of personnel	3.879.288	3.978.731	(99.443)
Amortization Intangible fixed Assets	44.790	185.417	(140.627)
Amortization tangible fixed Assets	76.454	68.668	7.786
Other fixed assets depreciation	0	0	0
depreciation of current assets	93.314	42.367	50.947
variations in the inventory for raw materials, spare parts, consumables and goods	132.465	13.007	119.458
risk provision	0	60.000	(60.000)
different charges	31.626	59.109	(27.483)
Total	28.100.212	27.725.426	374.786

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
Jindal Saw Limited	2.480.174	21.559	2.501.733
Jindal Saw Gulf	13.051.008	305.397	13.356.405
Total	15.531.182	326.956	15.858.138

C) Revenues and financial charge

Balance 31/12/16	Balance 31/12/15	Variations
(437.680)	(721.598)	283.918

The balance is detailed below:

Description	31/12/2016	31/12/2015	Variations
Revenues from investment	0	0	0
from paybles registered as fixed assets	0	0	0
from bonds registered as fixed assets	0	0	0
other revenues	5.686	36.344	(30.658)
interests and charges from subsidiaries, affiliated and parent companies	0	0	0
revenues from others	(469.786)	(758.152)	288.366
revenues and losses on variations	26.420	210	26.210
Total	(437.680)	(721.598)	283.918

Financial Revenues

The financial revenues are detailed below:

Description	31/12/2016	31/12/2015	Variations
from participation in subsidiaries	0	0	0
from bonds registered in current assets	0	0	0
other revenues	4.668	33.593	(28.925)
bank interest	1.018	2.751	(1.733)
Total	5.686	36.344	(30.658)

Financial Charges

Description	Parent Companies	Subsidiary	Affiliated	Others	Total
Bank interests	0	0	0	3.243	3.243
Interests Rate Swap	0	0	0	0	0
Other interests and charges	281.359	0	164.757	20.427	466.543
Total	281.359	0	164.757	23.670	469.786

The item 'other interest and charges' includes 281.359€ relating to interest paid to the sole shareholder Ralael Holdings for the interest-bearing loan in place and 164.757€ 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 31/12/2016	Balance 31/12/2015	Variations
0	0	0

There were no adjustments for the financial activities.

Corporate Taxes

Balance 31/12/16	Balance 31/12/15	Variations
300.000	(940.560)	1.240.560

The entry 'taxes' is so detailed:

Description	31/12/2016	31/12/2015	Variations
IRES	0	0	0
IRAP	0	0	0
Deferred liabilities income taxes	0	0	0
deferred passive income taxes	300.000	(940.560)	1.240.560
Total	300.000	(940.560)	1.240.560

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:

	Tax Base	Tax
IRES - Rate 24,00%		
Net Balance Result	(3.512.499)	0
FY Taxes		0
Increasing Variations	849.394	0
Decreasing Variations		0
Pre-tax profit	(2.663.105)	0
use of previous tax losses	0	0
Taxable income	(2.663.105)	0

IRAP - Rate 3,90%	Tax base	Tax
Difference between values/production costs	(2.774.819)	0
Non deductible personnel cost	3.879.288	0
Provisions non deductible	93.314	0
Increasing variations	294.816	0
decreasing variations and deductions	(3.856.919)	0
Reversal anticipated amortization		0
Base imponibile IRAP	(2.364.320)	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	31/12/2016	31/12/2015
Directors	45.000	45.000
Auditors	31.580	32.064

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, 19/04/2017

To the Board of Directors

Maneesh Kumar

