



RELIABLE
STEEL

7 THE PITTINI GROUP IN FIGURES

11 FIN.FER. S.P.A. CONSOLIDATED FINANCIAL STATEMENTS 2016

- 13 Board of Directors
- 14 Board of Directors' Report

Consolidated Financial Statements:

- 21 Balance Sheet
- 25 Income Statement
- 27 Cash Flow Statement
- 29 Notes to the Financial Statements
- 54 Independent Auditor's Report

57 FERRIERE NORD S.P.A. FINANCIAL STATEMENTS 2016

- 59 Board of Directors
- 60 Board of Directors' Report

Financial Statements:

- 66 Balance Sheet
- 70 Income Statement
- 72 Cash Flow Statement
- 74 Notes to the Financial Statements
- 102 Report of the Board of Statutory Auditors
- 104 Independent Auditor's Report

107 PITTINI GROUP COMPANIES RECLASSIFIED FINANCIAL STATEMENTS 2016

- 108 Fin.Fer. S.p.A.
- 110 S.I.A.T. S.p.A.
- 112 La Veneta Reti S.r.l.
- 114 Accierie di Verona S.p.A.
- 116 Kovinar D.o.o.
- 118 I.S.U. - Internationale Stahl

Unternehmungen G.m.b.H. - consolidated with BSTG GmbH



THANK YOU CAVALIERE

For teaching us that by working together with sacrifice and commitment, courage and determination we can overcome any difficulty.

We will miss your guide, but your message will stay forever in all the factories of the Group.

* * *

Andrea Pittini was born in Gemona del Friuli on 1930 November 1st. At the end of second world war, after having started an activity in the field of scrap collection and sale recovering war residues in order to resell them to foundries and steel mills of the time. He started in the early 50's his first manufacturing plant in the steel drawing sector and he was among the founders of the Osoppo Industrial Zone, where he started the first Italian production of electrowelded girders and meshes for concrete reinforcement.

During the 70's he gave boost to an important growth in the production and industrial processes of his companies through the installation of the first wire rod rolling mill and the first steel making electric arc furnace in 1975. In a few years this allowed the company to evolve from a small-scale steel making factory into one of the most modern electro-siderurgical mills in Europe.

During the tragic event of the earthquake that devastated the region in 1976 all the mills of the Pittini Group suffered damages and losses, but their rebuilding became for the workers, the local population and the region an example of redemption and a guiding light for reconstruction and restart. In the years Cav. Pittini has built a steel industrial complex that, in terms of dimensions, product features and high technological content, has established itself worldwide. He created the steel mills of Osoppo and Potenza, the drawing and electrowelding departments in Italy and abroad, the drawings and laminates for the mechanics and recently the Acciaierie di Verona.

Since then the Pittini Group became the international company of today, with more than 1.700 employees, three steel mills, and several production plants in Italy and abroad, worldwide acknowledged for the efficiency and quality of its processes and steel products, exported in Europe and overseas. founder of his namesake Group, Andrea Pittini was, among the other, s Chairman of the Industrial Association of Udine (Associazione Industriali di Udine), Chairman of the Regional Industrial Conference (Confindustria Friuli V.G.) and Chairman of the Italian Federation of Steel Industries (Federazione italiana delle Industrie Siderurgiche Associate). At the European Community Steel and Carbon Commission (CECA) he was member of the Steel Consulting Committee.

His determination, commitment and dynamism in his activities let him be awarded of the title of "Cavaliere del Lavoro" by appointment of the President of the Italian Republic in 1979 and his deep knowledge granted him an "honoris causa" degree in mechanical engineering by the University of Udine in 2002.





THE PITTINI GROUP IN FIGURES

Values expressed in thousands of euro

	2016	% of sales	2015	% of sales	2014	% of sales	2013	% of sales	2012	% of sales
Revenues	1,027,935		898,035		952,486		886,646		982,028	
EBITDA	77,763	7.6%	46,584	5.2%	59,068	6.2%	33,405	3.8%	43,664	4.4%
EBIT	27,343	2.7%	11,668	1.3%	21,238	2.2%	5,548	0.6%	6,131	0.6%
Net interest expenses	5,251	0.5%	4,365	0.5%	14,153	1.5%	2,710	0.3%	3,293	0.3%
Net income, Group	11,185	1.1%	1,863	0.2%	3,186	0.3%	883	0.1%	3,020	0.3%
Shareholders' equity, Group	248,481		227,866		220,968		219,622		187,867	
R.O.E.	4.5%		0.8%		1.4%		0.4%		1.6%	
Total fixed assets	284,739		295,529		217,489		219,951		163,855	
Net financial position	(181,075)		(213,416)		(132,296)		(43,121)		(41,945)	
Net capital employed	431,859		443,430		355,845		262,849		229,901	
R.O.I.	6.3%		2.6%		6.0%		2.1%		2.7%	
Investments	32,526		22,225		40,243		36,398		21,477	
Employees	1,665		1,228		1,205		1,201		1,203	

The economic growth rate recorded in 2016 was largely stable compared to the previous year, although lower than the expectations. Recovery of energy prices and the expansive monetary policies of many countries have allowed an increase in inflation. Non-oil commodity courses also cut off the downturn in the past five years, and industrial metals benefited from China's increased demand as well as cuts in production from several mining companies in the previous two years.

Unfortunately, the Italian economy continues to grow very weakly and manufacturing activity is far below its potential, supported only by specific export-oriented sectors.

The steel sector was characterized by strong competitive pressure and even in the first months of 2016 the price drop continued after the falls recorded in the second half of 2015. Despite the repeated announcements of reducing its capabilities, the production of crude steel Of China have continued to grow and now it are close to 50% of world production. In the second half, the situation has progressively improved and the prices partially recovered.

Strategic choices made by the Group have allowed a significant increase in sales volumes compared to the previous year. In particular, during 2016, it was started Acciaierie di Verona S.p.A., which in December 2015 had acquired the Verona plant from Riva Acciaio S.p.A..

In addition to external growth, the Group continued its growth path for internal lines, developing new products and consolidating its presence on foreign markets. This has allowed to overcome the structural crisis of the national market.

Consolidated revenues recorded in 2016 amounted to Euro 1,027.9 million, compared to Euro 898 million of the previous year.

Group EBITDA amounted to Euro 77.8 million, with an incidence on revenues of 7.6%.

EBIT was positive for Euro 27.3 million, that is 2.7% of revenues.

Group Net Profit amounted to 11.2 million Euro.

Also in 2016, relevant investments were made in the Group's plants, totaling 32.5 million Euro.

The net financial debt as at 31st December was equal to Euro 181.1 million, compared with Euro 213.4 million in the previous year.

The Chairman







BOARD OF DIRECTORS

Federico Pittini - Chairman
Ottavino Di Filippo
Vincenzo Chiari
Luigi De Puppi De Puppi
Mario Marino

Statutory Auditors

Standing Members

Gianfranco Romanelli - Chairman
Claudio Sambri
Giuseppe Varisco

Alternate Members

Michele Del Fabbro
Alberto Maria Camillotti

Fin.Fer. S.p.A.
Osoppo (Udine) - Zona Industriale Rivoli
Share capital amounting euro 50,000,000 – fully paid-up
Registered with the Register of Companies of Udine,
tax and VAT identification number 00490250305

FIN.FER. S.p.A.

DIRECTORS' REPORT ON 2016 CONSOLIDATED FINANCIAL STATEMENTS

The economic growth rate in 2016 was fairly stable compared to the previous year, even though it was lower than what was expected. The recovery in energy product prices and expansionary monetary policies of many countries caused a rise in inflation. The results of raw materials not derived from crude oil mark the end of a five-year downturn, while industrial metals benefited from an increase in demand from China, along with the cutbacks in production made by several mining companies over the previous two years. This resulted in partial recovery also when it comes to steel product prices after the slumps that occurred in the second half of 2015.

Unfortunately, Italian economy continues to grow at a very low rate and the manufacturing industry remains well below its potential, sustained only by certain specific export-oriented sectors.

The steel sector

In 2016, the annual world production of raw steel increased by 0.8% and stood at 1.63 billion tons.

China's production of raw steel is now close to 50% of world production, as it experienced a further increase in 2016 despite repeated announcements about reducing its production capacities.

The figures are negative for Europe reporting a decrease of 2.3% compared to 2015. Italy, however, recorded a rise of 6.0% with its production amounting to 23.3 million tons. The capacity utilisation rate accounts for 60.5%, which is 7.6 points less compared to the global average.

The market for rolled long steel products such as concrete reinforcing bars and wire rod—the area of operation of the companies that belong to your group—also increased by 6.6% and amounted to 7.30 million tons compared to 6.85 million in 2015. In 2016, the apparent consumption of rolled long steel products in the domestic market still showed a slight fall dropping from 5.25 million to 5.20 million tons. This is due to a decline in the production of concrete reinforcing bars, losing over 9% compared to last year.

The trend which saw an increase in Italian production exports continued also in 2016, as it exceeded 15% in total, rising from 2.6 million to 3.0 million tons. This may be attributed to considerable growth in sales made to European Union countries, which amounted to over 39% or more than 1.2 million tons in comparison with 2015.

THE PITTINI GROUP

The strategic choices made by the Group enabled it to achieve a significant increase in sales volumes compared to the previous year. In 2016, the company Acciaierie di Verona S.p.A. was started up, which—established specifically for this purpose—took over the business unit in Verona from Riva Acciaio S.p.A. in December 2015. This transaction is strategically important to the Pittini Group as a whole inasmuch as it opens a specific industrial and commercial development scenario for each company belonging to the Group. In particular, we believe that the technical and manufacturing characteristics of this company, its well-established sales market, its proximity to one of the major road and railway hubs connected with Northern Europe will enable all companies to obtain significant commercial, logistic and manufacturing synergies.

The Group grew not only through external lines, but also through internal ones, developing new products and consolidating its presence on foreign markets, which put an end to the structural crisis of the domestic market. It should be noted that strong competitive pressure, characterised by severe production overcapacity at the global level, led to a steep decline in average selling prices, especially during the first months of the financial year.

FIN.FER. S.p.A. (Holding Company)

Financial and economic figures (EUR/.000)	2016 Consolidated	2015 Consolidated
Net revenues	1,027,935	898,035
Depreciation	45,338	32,740
Ebitda	77,763	46,582
Ebit	27,343	11,665
Profit (loss) for the year	11,135	1,435
Investments in property, plant and equipment	32,526	22,225
Shareholders' equity	250,784	230,014
Net financial position	(181,075)	(213,416)
Average number of employees	1,665	1,228

Profitability ratios (%)		
Ebitda/net revenues	7.6	5.2
R.O.S.	2.7	1.3
Financial expenses (income)/net revenues	0.5	0.5
Labour cost/net revenues	9.2	7.6
Structure ratios (%)		
Shareholders' equity/fixed assets	88.1	77.8
Shareholders' equity/total liabilities	30.3	30.6
Invested capital/shareholders' equity	172.2	192.8
Net financial position/shareholders' equity	72.2	92.8

The holding company supports, guides, coordinates and rationalises the manufacturing system of all operating companies. It is mainly focused on actions aimed at supporting and raising awareness of research and development within every subsidiary or investee in order to strengthen and improve their competitiveness.

SUBSIDIARIES

Ferriere Nord S.p.A.

Financial and economic figures (EUR/.000)	2016	2015
Net revenues	820,847	841,504
Depreciation	35,165	29,987
Ebitda	61,026	40,872
Ebit	21,257	8,956
Profit (loss) for the year	10,089	608
Investments in property, plant and equipment	23,181	19,604
Shareholders' equity	217,067	197,400
Net financial position	(57,575)	(116,112)
Average number of employees	941	919
Profitability ratios (%)		
Ebitda/net revenues	7.4	4.9
R.O.S.	2.6	1.1
Financial expenses (income)/net revenues	0.4	0.4
Labour cost/net revenues	6.7	6.2
Structure ratios (%)		
Shareholders' equity/fixed assets	127.9	113.8
Shareholders' equity/total liabilities	35.6	32.3
Invested capital/shareholders' equity	126.5	158.8
Net financial position/shareholders' equity	26.5	58.8

In 2016, the company managed to increase its total sales volume by 2% thanks to a better penetration of foreign markets. Net revenues generated in 2016 amounted to EUR 821 million, which represents a 2.5% decrease compared to EUR 842 million in the previous year. This drop is due to average price trends which were down by over 6%, only partially compensated by the increase in sales volume.

As a result of higher sales volumes and the efficiency achieved through investments in company plants, unit processing costs were reduced significantly. This also resulted in a substantial increase in profitability, as EBITDA amounted to EUR 61 million compared to EUR 41 million in the previous financial year.

Financial expenses and income, including adjustments to the value of financial assets, showed a loss of EUR 5.3 million compared to EUR 4.9 million in the previous year.

In comparison with EUR 0.6 million in 2015, the operating result—after current and deferred taxes—consists of a profit of EUR 10.6 million. As at 31 December 2016, net financial indebtedness amounted to EUR 57.6 million compared to EUR 116.1 million in the previous year. This significant improvement is mainly attributable to self-financing generated during the financial year exceeding EUR 58.9 million. According to the estimates made for the end of 2017—taking into account the extreme volatility of markets—turnover is expected to be in line with 2016.

ACCIAIERIE DI VERONA S.p.A.

The main data on Acciaierie di Verona S.p.A. which closed its first financial year of 14 months having been established in October 2015, is set out below.

Financial and economic figures (EUR/000)		2016
Net revenues		209,564
Depreciation		7,080
Ebitda		5,970
Ebit		(1,317)
Profit (loss) for the year		(1,666)
Investments in property, plant and equipment		79,717
Shareholders' equity		18,334
Average number of employees		373
Profitability ratios (%)		
Ebitda/net revenues		2.9
R.O.S.		-
Financial expenses (income)/net revenues		0.5
Labour cost/net revenues		10.8
Structure ratios (%)		
Shareholders' equity/fixed assets		24.9
Shareholders' equity/total liabilities		9.7
Invested capital/shareholders' equity		567.7
Net financial position/shareholders' equity		467.7

Acciaierie di Verona S.p.A. took over the business unit in Verona located in Lungadige Galtarossa, an industrial company boasting a long tradition of steel making, from the Riva Group.

During the first financial year, the plant's production exceeded 600,000 tons with sales revenues amounting to EUR 209.6 million, of which 84% were generated in Italy.

EBITDA amounted to EUR 6.0 million, as expected in the first financial year. After depreciation and amortisation provisions totalling up to EUR 7.3 million, EBIT showed a loss of EUR 1.3 million.

The operating result—after financial expenses and current and deferred taxes—consists of a loss of EUR 1.7 million.

As at 31 December 2016, net financial indebtedness amounted to EUR 85.7, of which EUR 55 million is due to loans to the parent company FIN. FER. S.p.A..

During the first financial year, a number of activities were carried out to improve the standards of the plant, after it was hit by a lengthy crisis period. Moreover, a multi-annual investment plan was drawn up including construction of new continuous casting plants and wire rod rolling mills, allowing the plant's specialisation in the production of high-quality wire rod within the product range of low and high carbon steels.

S.I.A.T. S.p.A.

Financial and economic figures (EUR/000)	2016	2015
Net revenues	75,734	80,294
Depreciation	1,608	894
Ebitda	4,374	3,023
Ebit	2,699	1,994
Profit (loss) for the year	1,888	1,296

Investments in property, plant and equipment	3,182	957
Shareholders' equity	16,022	14,134
Average number of employees	137	131
Profitability ratios (%)		
Ebitda/net revenues	5.8	3.8
R.O.S.	3.6	2.5
Financial expenses (income)/net revenues	0.0	0.02
Labour cost/net revenues	9.0	8.1
Structure ratios (%)		
Shareholders' equity/fixed assets	130.3	131.8
Shareholders' equity/total liabilities	39.3	36.2
Invested capital/shareholders' equity	127.1	110.7
Net financial position/shareholders' equity	27.1	10.7

During the financial year, the company managed to maintain the sales volume of drawn industrial products and to increase the sales of welding products. In 2016, the turnover of the company reached EUR 75.7 million compared to EUR 80.3 million in 2015, which is a decrease of 5.7% resulting mostly from a decrease in average selling prices of drawn industrial products.

Despite highly competitive markets, the company's profitability improved with EBITDA adding up to EUR 4.4 million compared to EUR 3.0 million in the previous year, thanks to the positive effects of the streamlining process in terms of balances between the industrial, economic and dimensional structure. According to the estimates made for the end of 2017, turnover is expected to be largely in line with 2016, as a result of maintaining the attained sales volumes.

LA VENETA RETI S.r.l.

Financial and economic figures (EUR/.000)	2016	2015
Net revenues	41,270	49,316
Depreciation	424	442
Ebitda	1,102	(142)
Ebit	505	(665)
Profit (loss) for the year	210	(608)
Investments in property, plant and equipment	256	352
Shareholders' equity	6,392	6,182
Average number of employees	43	41
Profitability ratios (%)		
Ebitda/net revenues	2.7	(0.3)
R.O.S.	1.2	(1.3)
Financial expenses (income)/net revenues	0.2	0.2
Labour cost/net revenues	5.1	4.1
Structure ratios (%)		
Shareholders' equity/fixed assets	52.9	50.5
Shareholders' equity/total liabilities	18.1	19.5
Invested capital/shareholders' equity	301.5	313.0
Net financial position/shareholders' equity	201.5	213.0

In 2016, turnover amounted to EUR 41.3 million, showing a decrease compared to 49.3 million in the previous year. This drop is due to a structural crisis of the prefabrication and industrial construction sector in which the company operates. In this regard, lower volumes and average selling prices were recorded.

The company's actions—in synergy with the ones of the Group—enabled it to achieve positive economic results. The financial year closed with positive EBITDA of EUR 1.1 million, EBIT of EUR 0.5 million and annual profit of EUR 0.2 million.

According to the estimates made for the end of 2017—taking into account and despite the extreme volatility of markets—turnover is expected to be in line with 2016.

KOVINAR D.o.o.

Financial and economic figures (EUR/.000)	2016	2015
Net revenues	25,167	26,221
Depreciation	172	179
Ebitda	1,592	481
Ebit	1,420	302
Profit (loss) for the year	1,348	304
Investments in property, plant and equipment	123	220
Shareholders' equity	6,341	4,993
Average number of employees	53	52
Profitability ratios (%)		
Ebitda/net revenues	6.3	1.8
R.O.S.	5.6	1.2
Financial expenses (income)/net revenues	0.0	0.0
Labour cost/net revenues	5.6	5.3
Structure ratios (%)		
Shareholders' equity/fixed assets	213.9	165.7
Shareholders' equity/total liabilities	56.1	50.8
Invested capital/shareholders' equity	88.5	90.7

Turnover reached EUR 25.1 million, which is a 4% decline compared to the previous year, as a result of a decrease in average selling prices amounting to over 5% and substantial maintenance of volumes.

The economic results improved significantly with EBITDA reaching EUR 1.6 million, EBIT amounting to EUR 1.4 million and net profit totalling up to EUR 1.3 million.

Production was considerably improved through measures introduced at the production plant, while the market position in Slovenia and Croatia also became stronger, which produced a decent profitability result.

According to the estimates made for the end of 2017—taking into account and despite the extreme volatility of markets—turnover is expected to be in line with 2016.

PITTINI STAHL G.m.b.H.

This company, based in Germany, markets products manufactured by the companies belonging to the Group on two important markets: Austria and Germany.

I.S.U. - Internationale Stahl Unternehmungen G.m.b.H.

Consolidated with BSTG G.m.b.H.

Financial and economic figures (EUR/.000)	2016	2015
Net revenues	60,103	65,005
Depreciation	706	600
Ebitda	601	(286)
Ebit	(105)	(886)
Profit (loss) for the year	(78)	(905)
Investments in property, plant and equipment	104	766
Shareholders' equity	4,179	4,257
Average number of employees	77	75
Profitability ratios (%)		
Ebitda/net revenues	1.0	(0.4)
R.O.S.	(0.2)	(1.4)
Financial expenses (income)/net revenues	0.0	0.0

Labour cost/net revenues	8.5	7.5
Structure ratios (%)		
Shareholders' equity/fixed assets	68.4	63.5
Shareholders' equity/total liabilities	24.7	26.0
Invested capital/shareholders' equity	52.1	44.4

Established with FINEST in July 2013, the company holds 70% of the operating company BSTG G.m.b.H., which is a leading manufacturer and reseller of standard and special electro-welded mesh on the Austrian market with two manufacturing sites in Linz and Graz. The financial year of 2016 ended with turnover amounting to EUR 60.1 million, which represents a 7.5% decrease compared to 2015, primarily due to a drop in average selling prices recorded during the year.

Economic results were improved also in this year thanks to the process of integration with other companies belonging to the Group and measures introduced at the plants to increase manufacturing efficiency. The importance of the company's geographic location and its contribution to the Group's strategies should also be pointed out.

According to the estimates made for the end of 2017—taking into account and despite the extreme volatility of markets—turnover is expected to be in line with 2016.

ALPE ADRIA ENERGIA S.p.A.

No active transactions were made by the company.

OFFICINA PITTINI per la FORMAZIONE

Even in 2016, upon the initiative of the Parent company, which considers competencies and professionalism a strategic asset important for the companies of the Pettini Group, an intensive and continuous training activity was carried out, involving employees in plants and central divisions.

All training initiatives were managed by the Corporate School, Officina Pittini per la Formazione - OPF, a training institute that directly addresses the recognition and analysis of the needs as well as the planning and implementation of various educational activities.

The training activities concerned work safety, specific topics related to business tasks as well as business culture topics.

During the year, an important permanent training plan was also set up for employees of Acciaierie di Verona S.p.A. with the goal of adjusting professional upgrading to the standards of the Group.

In 2016, OPF continued to foster synergies with the school system in various regions where the Group's plants are established, through contacts with major schools and universities. From 2005 until today, our plants welcomed about 515 students, of which 65 in the last year, while a considerable number of them is now part of our staff at Ferriere Nord.

RESEARCH AND DEVELOPMENT ACTIVITIES WITHIN SUBSIDIARIES

During 2016, the companies of the Group have invested more than 26.000 hours into activities of analysis, research, and development of processes and innovative products in different production areas and in the environmental field. Furthermore, as regards various plants, many concept analysis and research activities were performed, including feasibility studies, co-design, development and testing of technology with innovating contents to gain a competitive advantage over the market and our competitors.

In Ferriere NORD S.p.A., an immense effort has been put into the development of production processes, with particular emphasis on optimisation and their environmental sustainability, dedicating special attention to experimental development of prototype equipment, already under application for a patent requested by the company in 2009.

Among the research activities carried out by Ferriere nord S.p.A. within the framework of the European programme named RFCS, the most significant ones still underway are: NEWREBAR, SHELLTHICK, MELTCON THERELEXPRO, GREENEAF 2, OXIMON.

Acciaierie di Verona S.p.A. has also launched numerous research and development activities focusing in particular on the development of quality characteristics of the wire rod. The actions taken have focused on a first preparatory phase for the development of a project of articulated innovation, which will involve both processes and products over the next few years. It is believed that activities carried out have a highly strategic profile for the Group as they will have an important impact on the realisation of new products, as well as the implementation of the investment plan.

INFORMATION PURSUANT TO ARTICLE 2428 OF THE ITALIAN CIVIL CODE

With reference to the provisions laid down in Article 2428, paragraphs 3-4, of the Italian Civil Code, the company does not hold any own shares or shares in holding companies. During the financial year, the company did not acquire and/or dispose of ordinary shares, not even through trust companies or intermediaries.

With reference to the provisions laid down in paragraph 3, item 6-bis, of the same article, it is worth noting that the management report of each subsidiary describes the approaches adopted for credit risk, liquidity risk and exchange rate risk management.

Credit risk:

In general, the Group shows different levels of risk credit according to its various reference markets. To reduce this risk, Ferriere Nord S.p.A., Acciaierie

di Verona S.p.A., SIAT S.p.A. and Kovinar Doo took out credit insurance policies with a leading international insurance company. This risk is mitigated by its credit exposure being spread over a large number of counterparties and customers mainly based in the EU.

Liquidity risk:

For the Group, this risk is reduced to very low levels thanks to sound financial ratios, balanced medium-term debt and significant unused short- and medium-term credit amounts.

Cash flows, funding needs and liquidity of the companies belonging to the Group are monitored and managed by a centralised treasury function under the control of the Finance department of the Group established at Ferriere Nord for the subsidiaries S.I.A.T. S.p.A., La Veneta Reti S.r.l., Kovinar D.o.o. and Acciaierie di Verona S.p.A..

Financial assets are posted net of depreciation calculated on the basis of default risk, as determined according to the information available on customers' solvability and historical data. Where deemed advisable, bank guarantees were requested, assignments of debts without recourse were agreed upon or procedures aimed at limiting the relevant risk were activated.

Market risk:

Risks resulting from changes in the levels of selling and purchasing prices against current commitments are largely mitigated by the short operating cycle of the company.

Exchange rate risk:

Exchange rate risks are limited; transactions in currencies other than euro are generally hedged by suitable US\$ derivative instruments.

The notes to the financial statements provide information on the position of the company and its management trends. The holding company has significant commercial, financial and regulated service performance relationships with subsidiaries at arm's length.

The policy paper on safety of data and privacy was updated for all companies belonging to the Group and is kept by the company in accordance with the relevant legal provisions.

MAIN EVENTS AND PREDICTABLE MANAGEMENT TRENDS

Indicators available at the beginning of 2017 show an increment on the global level and further recovery of international trade. However, iron and steel industry is experiencing a strong volatility scenario with significant price increases of some raw materials, in particular of ferrous scrap, only partially compensated by selling prices of final products.

Unfortunately, in Italy the demand is still weak, with the construction and building sector, which continues to show predictions of growth inferior to 1%. The only sector, in which there was a growth in investments, is the field of upgrading the housing stock, which is still not enough to adequately support the demand for steel. It seems this scenario will bring a depressive national market and selling prices still under heavy pressure, due to excessive production capacity, also for 2017.

The companies of the Group will, however, continue to develop their foreign presence relying on the leadership position gained in their own segment in the countries of Central and Eastern Europe, also with the contribution of foreign acquisitions made in recent years, and on penetration activities on distant markets.

It is believed that the process of integration of Acciaierie di Verona S.p.A. and the planned investment plan will allow significant commercial, logistical and productive synergies.

In 2017, a resolution was passed at the Annual General Meeting of the Parent Company and Acciaierie di Verona S.p.A., before the approval of the 2016 financial statement, to increase the share capital. In particular, a free increase of EUR 20 million was made for the Parent Company, and an increase of EUR 10 million was approved for the subsidiary Acciaierie di Verona S.p.A..

The Group continues to invest in the latest technologies and in research activity in process and product innovation. These factors suggest that companies of the Group will continue to increase their competitiveness by achieving better results in comparison to market trends.

Shareholders,

The shareholders' equity resulting from the financial statements exceeds EUR 250.79 million, mostly related to the Group.

The analysis and presentation of material events being completed, we inform you that the Financial Statements and Management Report as drafted will be filed with the Register of Companies pursuant to legal provisions in force.

Osoppo, 30th May 2017

The Chairman of the Board of Directors
Federico Pittini

The Directors

Ottavino Di Filippo

Vincenzo Chiari

Luigi De Puppi De Puppi

Mario Marino

FIN.FER. S.P.A. - CONSOLIDATED FINANCIAL STATEMENTS AT 31ST DECEMBER 2016

BALANCE SHEET

Values expressed in euro

ASSETS	31/12/2016	31/12/2015
A) SUBSCRIBED CAPITAL UNPAID		
To call	0	0
Called	0	0
Total subscribed capital unpaid A)	0	0
B) FIXED ASSETS		
I Intangible fixed assets		
1) start-up and expansion expenses	450,446	0
2) development costs	0	0
3) industrial patent rights and intellectual property rights	128,284	95,034
4) concessions, licenses, trademarks and similar rights	625	685
5) goodwill	0	0
6) assets under construction and advance payments	43,000	0
7) other intangible fixed assets	546,076	843,084
total I	1,168,431	938,803
II Tangible fixed assets		
1) land and buildings	138,624,129	104,161,602
2) plants and machinery	118,765,270	86,455,907
3) industrial and commercial equipment	1,221,489	880,907
4) other tangible fixed assets	3,246,842	2,428,910
5) assets under construction and advance payments	20,041,923	16,076,483
total II	281,899,653	210,003,809
III Financial fixed assets		
1) equity investments in		
a) subsidiaries	21,000	20,084,265
b) associates	182,250	1,828,552
c) parent companies	0	0
d) companies controlled by parent companies	0	0
d-bis) other companies	102,192	2,273,967
total 1)	305,442	24,186,784
2) receivables from		
a) subsidiaries		
Falling due within 12 months	0	30,000,000
Falling due beyond 12 months	0	30,000,000
total a)	0	60,000,000
b) associates		
Falling due within 12 months	0	0
Falling due beyond 12 months	0	0
total b)	0	0
c) parent companies		
Falling due within 12 months	0	0
Falling due beyond 12 months	0	0
total c)	0	0
d) companies controlled by parent companies		
Falling due within 12 months	0	0
Falling due beyond 12 months	0	0
total d)	0	0
d-bis) other companies		
Falling due within 12 months	0	0
Falling due beyond 12 months	1,118,899	99,910
total d-bis)	1,118,899	99,910
total 2)	1,118,899	60,099,910
3) other securities	246,384	246,384
4) financial derivative assets	0	53,358
total III	1,670,725	84,586,436
Total fixed assets B)	284,738,809	295,529,048

C) CURRENT ASSETS		
I Inventories		
1) raw materials, ancillary and consumables	80,996,835	57,091,151
2) work in progress and semi-finished products	23,090,702	22,589,324
3) construction contracts, work in progress	0	0
4) finished products and goods	97,431,085	76,626,273
5) Advance payments	0	0
total I	201,518,622	156,306,748
II Receivables		
1) from customers		
Falling due within 12 months	198,317,020	168,970,716
Falling due beyond 12 months	0	0
total 1)	198,317,020	168,970,716
2) from subsidiaries		
Falling due within 12 months	0	1,149,886
Falling due beyond 12 months	0	0
total 2)	0	1,149,886
3) from associates		
Falling due within 12 months	0	0
Falling due beyond 12 months	0	0
total 3)	0	0
4) from parent companies		
Falling due within 12 months	0	0
Falling due beyond 12 months	0	0
total 4)	0	0
5) from companies controlled by parent companies		
Falling due within 12 months	0	0
Falling due beyond 12 months	0	0
total 5)	0	0
5-bis) tax receivables		
Falling due within 12 months	7,298,761	7,216,083
Falling due beyond 12 months	797,266	1,416,077
total 5-bis)	8,096,027	8,632,160
5-ter) deferred tax assets		
Falling due within 12 months	0	0
Falling due beyond 12 months	9,831,776	10,773,606
total 5-ter)	9,831,776	10,773,606
5-quater) from others		
Falling due within 12 months	30,665,035	18,128,604
Falling due beyond 12 months	495,042	1,873,557
total 5-quater)	31,160,077	20,002,161
total II	247,404,900	209,528,529
III Current financial assets		
1) investments in subsidiaries	0	0
2) investments in associates	0	0
3) investments in parent companies	0	0
3-bis) investments in companies controlled by parent companies	0	0
4) other investments	3,930	7,110
5) financial derivative assets	0	0
6) other securities	24,102,070	12,845,081
7) financial assets for central treasury management	0	0
total III	24,106,000	12,852,191
IV Cash and cash equivalents		
1) bank and postal deposits	68,495,974	75,754,324
2) cheques	0	0
3) cash	35,058	36,324
total IV	68,531,032	75,790,648
Total current assets C)	541,560,554	454,478,116
D) ACCRUALS AND PREPAYMENT	2,844,277	1,147,244
Total assets	829,143,640	751,154,408

LIABILITIES	31/12/2016	31/12/2015
A) SHAREHOLDERS' EQUITY		
I Share capital	30,000,000	30,000,000
II Share premium reserve	0	0
III Revaluation reserves	142,354	142,354
IV Legal reserve	6,000,000	6,000,000
V Statutory reserves	0	0
Consolidation reserve	0	0
Conversion difference reserve	0	0
VI Other reserves		
- extraordinary reserve	201,267,469	189,831,347
- other reserves	0	0
total VI	201,267,469	189,831,347
VII Expected cash flow hedging reserves	(112,948)	29,167
VIII Retained earnings (losses)	0	0
IX Profit (loss) for the year	11,184,474	1,863,146
X Reserve for own shares	0	0
Total Group shareholders' equity:	248,481,349	227,866,014
Minority interests:		
Capital and reserves	2,353,155	2,576,761
Profit (loss) for the year	(49,687)	(428,395)
Total tminority interests shareholders' equity	2,303,468	2,148,366
Total shareholders' equity A)	250,784,817	230,014,380
B) PROVISION FOR RISKS AND CHARGES		
1) Provisions for pensions and similar obligations	1,638,388	1,568,154
2) provision for taxation		
a) taxes	0	0
b) deferred taxes	242,517	407,392
Consolidation provision for future contingencies and other charges	0	0
3) financial derivative liabilities	148,615	14,980
4) other provisions for contingencies and other charges	4,264,350	1,644,405
Total provision for contingencies and other charges B)	6,293,870	3,634,931
C) EMPLOYEE SEVERANCE INDEMNITIES	15,171,507	10,133,832
D) DEBT AND OTHER PAYABLES		
1) bonds		
Falling due within 12 months	9,600,000	12,000,000
Falling due beyond 12 months	26,500,000	25,100,000
total 1)	36,100,000	37,100,000
2) convertible bonds		
Falling due within 12 months	0	0
Falling due beyond 12 months	0	0
total 2)	0	0
3) Loans from shareholders'		
Falling due within 12 months	0	0
Falling due beyond 12 months	0	0
total 3)	0	0
4) Payables to banks		
Falling due within 12 months	40,992,412	44,374,951
Falling due beyond 12 months	148,594,957	137,669,730
total 4)	189,587,369	182,044,681

5) Payables to other lenders		
Falling due within 12 months	48,024,682	66,173,123
Falling due beyond 12 months	0	0
total 5)	48,024,682	66,173,123
6) Advances		
Falling due within 12 months	1,247,826	2,507,418
Falling due beyond 12 months	0	0
total 6)	1,247,826	2,507,418
7) Trade payables		
Falling due within 12 months	250,606,653	179,368,225
Falling due beyond 12 months	0	0
total 7)	250,606,653	179,368,225
8) Trade note issued		
Falling due within 12 months	0	0
Falling due beyond 12 months	0	0
total 8)	0	0
9) Payables to subsidiaries		
Falling due within 12 months	0	16,740,591
Falling due beyond 12 months	0	0
total 9)	0	16,740,591
10) Payables to associates		
Falling due within 12 months	0	0
Falling due beyond 12 months	0	0
total 10)	0	0
11) Payables to parent companies		
Falling due within 12 months	0	0
Falling due beyond 12 months	0	0
total 11)	0	0
11-bis) Payables to companies controlled by parent companies		
a) amounts due for central treasury management		
Falling due within 12 months	0	0
Falling due beyond 12 months	0	0
b) other payables		
Falling due within 12 months	0	0
Falling due beyond 12 months	0	0
total 11-bis)	0	0
12) Payables tax		
Falling due within 12 months	7,998,930	6,600,741
Falling due beyond 12 months	0	0
total 12)	7,998,930	6,600,741
13) Social security and welfare institutions payables		
Falling due within 12 months	4,787,326	3,297,468
Falling due beyond 12 months	0	0
total 13)	4,787,326	3,297,468
14) Other payables		
Falling due within 12 months	17,682,070	12,687,619
Falling due beyond 12 months	2,100	28,096
total 14)	17,684,170	12,715,715
Total creditors D)	556,036,956	506,547,962
E) ACCRUALS AND DEFERRALS	856,490	823,303
Total liabilities and shareholders' equity	829,143,640	751,154,408

INCOME STATEMENT

	31/12/2016	31/12/2015
A) PRODUCTION VALUE		
1) revenues from sales and services	1,027,934,593	898,034,581
2) changes in inventories		
work in progress	0	0
semi-finished products	501,378	6,736,966
finished products	20,770,329	3,182,434
total 2)	21,271,707	9,919,400
3) changes in construction contracts work in progress	0	0
4) increases in fixed assets from internal production	1,937,722	187,494
5) other revenues and income		
other income	5,805,779	2,610,716
revenue grants	582,859	841,954
total 5)	6,388,638	3,452,670
Total production value A)	1,057,532,660	911,594,145
B) PRODUCTION COSTS		
6) raw materials, subsidiary materials, consumables and goods	661,664,800	603,510,808
7) services	231,423,144	187,541,791
8) leases and rentals	3,788,163	2,404,935
9) personnel		
a) salaries and wages	67,279,487	48,663,286
b) social security	22,148,977	16,129,524
c) employee severance indemnity	4,686,461	3,164,933
d) pensions and similar	24,326	46,052
e) other costs	786,404	350,648
total 9)	94,925,655	68,354,443
10) amortisation, depreciation and writedowns		
a) amortisation of intangible assets	554,986	433,300
b) depreciation of tangible assets	44,782,671	32,306,297
c) other writedowns of fixed assets	0	0
d) Writedown of current receivables and cash and cash equivalents	1,932,751	2,177,276
total 10)	47,270,408	34,916,873
11) changes in inventories		
raw materials	(15,080,642)	4,000,266
ancillaries	1,895,757	(512,522)
consumables	(678,031)	(1,800,439)
goods	26,368	(37,928)
total 11)	(13,836,548)	1,649,377
12) provisions for risk and other charges	3,149,265	0
13) other provisions	0	0
14) other operating expenses	1,805,144	1,548,347
Total production costs B)	1,030,190,031	899,926,574
Difference between production value and costs (A - B)	27,342,629	11,667,571
C) FINANCIAL INCOME AND EXPENSES		
15) income from equity investments in:		
subsidiaries	0	0
associates	0	0

parent companies	0	0
companies controlled by parent companies	0	0
other companies	165	162
total 15)	165	162
16) other financial income		
a) from receivables held as financial fixed assets		
subsidiaries	0	0
associates	0	0
parent companies	0	0
companies controlled by parent companies	0	0
other companies	0	0
b) from securities held as financial fixed assets other than equity investments	5,629	6,032
c) from securities held as current assets other than equity investments	335,502	641,113
d) income other than above, from:		
subsidiaries	0	22,340
associates	0	0
parent companies	0	0
companies controlled by parent companies	0	0
others	856,952	961,729
total 16)	1,198,083	1,631,214
17) interest and other financial expenses from:		
subsidiaries	0	0
associates	0	0
parent companies	(22,340)	0
companies controlled by parent companies	0	0
others	(6,426,813)	(5,995,923)
total 17)	(6,449,153)	(5,995,923)
17-bis) foreign currency exchange gains and losses	(61,811)	8,874
Total financial income and expenses (15+ 16-17) C)	(5,312,716)	(4,355,673)

D) ADJUSTMENTS TO FINANCIAL ASSETS AND LIABILITIES		
18) revaluations of		
a) equity investments	0	0
b) financial fixed investments other than equity investments	0	0
c) securities held as current assets other than equity investments	72,109	1,583
d) financial derivative instruments	0	0
total 18)	72,109	1,583
19) writedowns of		
a) equity investments	(4,139,316)	(1,185,523)
b) financial fixed investments other than equity investments	0	0
c) securities held as current assets other than equity investments	0	0
d) financial derivative instruments	0	0
total 19)	(4,139,316)	(1,185,523)
Total adjustments to financial assets and liabilities (18 - 19) D)	(4,067,207)	(1,183,940)
Earnings before income taxes (A - B +/- C +/- D)	17,962,706	6,127,958
20) income taxes for the year		
a) current taxes	(6,124,791)	(6,625,098)
b) deferred and prepaid tax	(703,128)	1,931,891
total 20)	(6,827,919)	(4,693,207)
21) PROFIT (LOSS) FOR THE YEAR INCLUDING MINORITY INTERESTS	11,134,787	1,434,751
profit (loss) for the year, minority interests	(49,687)	(428,395)
profit (loss) for the year, Group	11,184,474	1,863,146

CASH FLOW STATEMENT

Values expressed in euro

A) CASH FLOWS FROM OPERATIONS (INDIRECT METHOD)	31/12/2016	31/12/2015
Profit (loss) for the year	11,134,787	1,434,751
Income taxes	6,827,919	4,693,207
Interest expenses/(interest income)	4,250,905	3,364,547
(Dividends)		
(Gains)/losses from disposal of assets		
1. Profit (loss) for the financial year before income tax, interest, dividends and gains/losses from disposals	22,213,611	9,492,505
Adjustments to non-monetary items with no counterparts under net working capital	3,958,259	575,241
Provisions to funds	45,337,657	32,739,597
Depreciation of fixed assets	3,839,145	1,172,157
Depreciation for permanent impairment		
Adjustment to financial assets and liabilities for financial derivative instruments with no monetary movements		
Other adjustments to non-monetary items		
Total adjustments to non-monetary items with no counterparts under net working capital	53,135,061	34,486,995
2. Cash flows before net working capital changes (self-financing)	75,348,672	43,979,500
Changes in net working capital		
Decrease/(Increase) in inventories	(35,108,255)	(8,270,022)
Decrease/(Increase) in trade receivables	(28,196,418)	25,645,352
Increase/(Decrease) in trade payables	59,747,470	(22,430,755)
Decrease/(Increase) in accrued income and prepaid expenses	(1,697,033)	(62,806)
Increase/(Decrease) in accrued liabilities and deferred income	33,187	(2,785)
Other changes in net working capital	(57,577,893)	(1,522,898)
Total other changes in net working capital	(62,798,942)	(6,643,914)
3. Cash flow after changes in net working capital	12,549,730	37,335,586
Other adjustments		
Interest collected/(paid)	(4,250,905)	(3,364,547)
(Income taxes paid)	(6,124,791)	(6,625,098)
Dividends collected		
(Use of funds)	(2,648,053)	(2,885,901)
Other collections/payments		
Total other adjustments	(13,023,749)	(12,875,546)
Cash flow from operations (A)	(474,019)	24,460,040
B. Cash flow from investing activities		
Tangible fixed assets		
(Investments)	(39,567,737)	(25,285,132)
Disinvestments	3,337,911	2,059,574
Intangible fixed assets		
(Investments)	(784,614)	(356,256)
Disinvestments	0	0
Financial fixed assets		
(Investments)	(1,020,189)	(80,140,523)
Disinvestments	80,060,622	63,534

Financial assets not held as fixed assets		
(Investments)	(16,600,650)	(7,501,745)
Disinvestments	5,346,841	9,644,243
(Acquisitions of business branches net of cash and cash equivalents)	(9,438,797)	
Disposals of business branches net of cash and cash equivalents		
Cash flow from investments (B)	21,333,387	(101,516,305)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Means belonging to third parties		
Increase (decrease) in short-term bank payables	(3,382,539)	17,274,542
Granting of loans	65,000,000	120,000,000
(Repayment of loans)	(54,074,773)	(42,348,799)
Increase (decrease) in short-term amounts due for central treasury management	(16,740,591)	16,740,591
Increase (decrease) in short-term amounts due to other providers of funds	(18,148,441)	(11,049,614)
Increase (decrease) of liabilities for issuance of bonded loans	(1,000,000)	300,000
Own means		
Capital increase for consideration		
(Repayment of capital)		
Disposal (purchase) of own shares		
(Dividends (and advances on dividends) paid)		(2,017,500)
Other changes in shareholders' equity	227,360	96,944
Cash flows from financing activities (C)	(28,118,984)	98,996,164
Increase (decrease) in cash and cash equivalents (A ± B ± C)	(7,259,616)	21,939,899
Cash and cash equivalents at the beginning of the year	75,790,648	53,850,749
out of which:		
Post and bank deposits	75,754,324	53,825,924
Cheques	0	0
Cash (money and notes)	36,324	24,825
Cash and cash equivalents at the end of the year	68,531,032	75,790,648
out of which:		
Post and bank deposits	68,495,974	75,754,324
Cheques	0	0
Cash (money and notes)	35,058	36,324

The Group controlled by FIN.FER. S.p.A. is characterised by a high degree of industrial integration between its operating companies, which covers a range of processes from making steel from scrap and cast iron to marketing products such as wire rod, bar, wire, electro-welded wire mesh and lattice girders mostly for the construction industry (infrastructure and homes) as well as for mechanical engineering.

In addition to FIN.FER. S.p.A., the Group includes Ferriere Nord S.p.A., based in Osoppo (UD), S.I.A.T. Società Italiana Acciai Trafilati S.p.A., based in Gemona del Friuli (UD), La Veneta Reti S.r.l., based in Loreggia (PD), Kovinar D.o.o., based in Jesenice (Slovenia), Pittini Stahl G.m.b.H., based in Bad Aibling (Germany), I.S.U. – Internationale Stahl Unternehmungen, based in Villach (Austria), BSTG G.m.b.H., based in Linz (Austria) and the newly incorporated company Acciaierie di Verona S.p.A., based in Osoppo (UD).

The consolidated financial statements for the year ended 31/12/2016, of which these Notes form an integral part pursuant to article 29, clause 1, of legislative decree 127/91, were drafted in accordance with title III of said law. Figures are compared to those relative to the previous financial year.

In these Notes we comment on the most significant changes with respect to assets and liabilities values in the previous year's financial statements, which were drawn up in the same format.

Values are expressed in euro.

Shareholders' equity with the result for the year of the Group parent company at 31st December 2016 corresponds exactly to Group shareholders' equity with the result for the year stated in the consolidated financial statements.

EVALUATION CRITERIA, ACCOUNTING PRINCIPLES AND BASIS OF PREPARATION

The financial statements were drafted in euro, including the results relative to the previous financial year, so that they are comparable. The financial statements were drafted pursuant to the legislation in force that, following the issuance of European Directive 2013/34, updated the Italian Civil Code and the relevant rules on financial statements and consolidated financial statements through Legislative Decree 139/2015. In particular, the provisions laid down under the aforementioned Decree became effective on 1 January 2016 and are applicable to financial statements from 1 January 2016 onwards. OIC, as provided for by Legislative Decree 139/2015, completed the reform and updated the National Accounting Principles pursuant to the provisions laid down in the Decree that transposed the European Directive.

At the end of the Notes you will find a table stating the "Accounting Impact of the Accounting Reform", which shows the accounting impact on each income statement and balance sheet item.

Schemes for Balance sheet, income statement and cash flow statement have been drafted in accordance with the provisions of articles 2424, 2425 and 2425-ter of the Italian Civil Code, considering the modifications introduced by the Legisl. Decree 139/2015.

BASIS OF CONSOLIDATION CRITERIA AND ACCOUNTING POLICIES

The financial statements used for consolidation purposes are those drawn up at 31st December 2016 for approval by the shareholders' meetings of the various consolidated companies as adjusted where necessary by postings of fiscal nature and to come into line with the accounting standards and evaluation criteria used by the Group parent company.

The consolidation criteria adopted include:

- statement of all assets and liabilities and income and expenses of the companies under consolidation;
- elimination of the carrying amount of equity investments in consolidated companies and the corresponding fractions of their shareholders' equity; the amount of third party interests in the shareholders' equity of consolidated companies is written to the shareholders' equity item, under Shareholders' equity, minority interests;
- elimination of profits arising from major infra-group transactions not yet realised in respect of third parties and statement of related deferred tax assets, if any;
- elimination of receivables, payables, charges and income arising from business between consolidated companies;
- statement of leasing contracts using the financial method and related fiscal effects.

GENERAL APPLIED PRINCIPLES

The items valuation has been carried out in a view of continuation of the business activity; a principle of prudence and competence was followed, taking into account the substance of transaction or contract.

The application of prudence principle led to the individual valuation of the components of single items or groups of assets or liabilities to avoid offset of losses to be stated and profits not to be stated because unrealized.

In accordance with the principle of competence, the effect of transactions and other events has been accounted for and attributed to the period to which such transactions and events relate, and not to the period when the relevant financial movements materialize.

In accordance with the principle of relevance, the obligations about detection, evaluation, presentation and disclosure were not applied when they had

irrelevant effects to give a true and fair representation.

In addition, the continuity of the valuation criteria over time has been respected for the comparability of the company's financial statements for the various years.

There were no exceptional cases that required the use of derogations under art. 2423 paragraph 5 of the Italian Civil Code.

ACCOUNTING POLICIES

Detailed below are the criteria applied in stating balance sheet items, value adjustments and conversion of values originally stated in foreign currencies.

Intangible assets

Intangible assets are reported at their purchase or production costs including additional charges that can be directly assigned and are shown net of depreciation.

Costs for intangible assets as actually incurred into are posted inasmuch as they express the capacity of producing economic benefits also in the future. Intangible assets were regularly depreciated according to their respective residual economic lives and pursuant to plans that, in our opinion, ensure proper breakdown of costs over their useful lives.

Assets that, at the close of the financial year, irrespective of their accounted depreciation, are permanently impaired are devalued accordingly.

Tangible assets

Tangible fixed assets are stated at purchase cost including directly related additional charges or at internal construction cost; the said construction cost includes the costs of raw materials, ancillary materials, energy, personnel, general production and industrial overheads to reasonably attributable degrees and any financial expenses relative to loans for such purpose accruing in the construction period.

The value of assets was adjusted to reflect revaluations under laws nos. 576/75, 72/83, 413/91, 342/2000, 350/2003, 266/2005, decree law 185/2008 as transposed by law 2/2009, 147/2013, 208 of 28 December 2015 and 232/2016; the industrial buildings of Sideros S.p.A. were revalued in 1981 when the company was merged into Ferriere Nord S.p.A.

Depreciation charges written to the income statement were calculated on a straight line basis at rates reflecting the estimated useful economic-technical life of assets. Such rates are detailed in the Notes to balance sheet items.

Maintenance and repair costs are written to the income statement in the year they are incurred into if of routine nature and capitalised if an extraordinary nature.

Fixed assets under construction are stated at cost including directly related additional charges. This class also includes advances for supplies of fixed assets.

Financial assets

Shares in Group companies and other companies are entered at their respective purchase costs depreciated as a result of permanent impairment where applicable. With reference to receivables reported under financial assets, please see the following paragraph.

Receivables (including those reported under financial assets)

Receivables are reported according to the amortised cost method, also taking into account the time factor and the estimated realisable value. The amortised cost method was not applied when the impact is immaterial for the purposes of a true and fair view of the financial position. The impact of discounting is regarded as immaterial for receivables falling due within 12 months. The initial reported value is the nominal value of receivables net of all bonuses, discounts and allowances and including any cost that can be directly assigned to the transaction that originate the relevant receivable. Transaction costs, fee income and expenses, if any, as well as any difference between the initial value and the nominal value at due date are included in the amortised cost calculation by using the effective interest method.

A special depreciation fund is set aside for possible risks of default, whose adequacy is assessed with reference to doubtful positions on a regular basis and, at any rate, at the close of every financial year, also taking into account both existing or likely doubtful positions and general, sector-specific and country-specific risks and conditions.

As regards receivables stated before the financial year starting on 1 January 2016, they are reported according to the estimated realisable value method inasmuch as, pursuant to accounting principle OIC 15, we opted for not applying the amortised cost method and discounting retroactively.

Inventories

Inventories are stated at the lower between the purchase cost and manufacturing costs as determined on a LIFO basis with annual adjustments; products are written down to the lower between market value and the above LIFO value.

Foreign currency

Payables and receivables in foreign currency are stated at their euro equivalents using exchange rates in force at the time of customs clearance of goods or of entry in the books in case of services. Any positive or negative differences between the value of payables and receivables in non-euro currencies, converted at the rate in force when booked and their values when converted at year-end spot exchange rates, also considering any exchange rate risk hedging, are written to the income statement and any net gain is written to the appropriate reserve, which is not distributable until such gains are realised.

Financial derivative instruments

Financial derivative instruments are stated at fair value. Changes in fair value are stated under the income statement or, if the instrument hedges the risk of change in the expected cash flows of another financial instrument or a planned transaction, under a positive or negative shareholders' equity reserve; this reserve is posted to the income statement to the extent and at the time when the cash flows of the hedged instrument occur or charge or when the hedged transaction occur. If the fair value at the reference date is positive, it is posted to "financial derivative assets" under fixed assets or under financial assets not held as fixed assets. If the fair value is negative, it is posted to "financial derivative liabilities" under the provisions for risks and charges.

Upon subscription, the company does not perform any derivative transaction for speculation purposes, otherwise the derivatives would be stated at the relevant market values.

Financial assets not held as fixed assets

Securities posted to financial assets not held as fixed assets are stated at the lower between acquisition cost and market value.

Accruals and deferrals

Income and expenses items involving two or more periods are dealt with on an accrual basis.

Provision for contingencies and other charges

This item contains provisions taken in view of realistically probable charges that are not attributable to specific asset items. In particular, it mainly includes the provisions for agents' leaving indemnities and taxation as well as other provisions for risks and charges detailed below in the comments on the various balance sheet items.

Employee severance indemnity

This reflects liabilities accruing at 31 December in respect of employees under current legislation.

Payables

Payables are reported according to the amortised cost method, also taking into account the time factor. The amortised cost method was not applied when its impact is immaterial as in case of payables falling due within 12 months or payables whose transaction costs are not significant. Furthermore, as expressly provided for by OIC 19, payables reported before 1 January 2016 are measured at their respective nominal values.

Taxation

Current year taxes are stated under Amounts owed to tax authorities on the basis of a realistic forecast of the charge to pay under current tax law net of prepaid amounts.

Deferred taxes mainly arise from the tax impact of consolidation and the temporary differences between the value of an asset or liability and the value attributed to that asset or liability for tax purposes in line with accounting standard 25 of the "Organismo Italiano di Contabilità".

Deferred tax liabilities and assets are stated, respectively, under provision for deferred taxes and deferred tax assets.

Operating grants

Operating grants are written to the income statement on an accrual basis, i.e. when the right to the grant is legally certain.

Recognition of revenues and expenses

Revenues from sales of goods and expenses for the purchase of goods are recognised upon transfer of all risks and benefits related to ownership. This transfer generally occurs at the time of shipment or delivery of goods. Revenues and expenses for services are recognised upon provision of the service involved.

Financial revenues and expenses are calculated on a pro-tempore basis.

Guarantees, commitments, assets belonging to third parties and risks

The risks resulting from collateral or personal securities furnished on amounts owed by third parties are entered at an amount corresponding to the sum of the relevant security; the amount owed by third party secured at the reference date of the Balance Sheet, where lower than the amount of the security furnished on it, is stated in these Notes.

Commitments are reported at their respective nominal values as obtained from the relevant documentation.

Risks for which liabilities are likely are described in the Notes and proper provisions for risks are set aside.

Risks for which liabilities are only possible are described in the Notes and no provisions for risks are set aside pursuant to the relevant accounting principles. Remote risks are not taken into account.

COMPANIES FALLING WITHIN THE CONSOLIDATION SCOPE AND EQUITY INVESTMENTS

Listed below are the companies consolidated on a line-by-line basis.

As stated above, the consolidation scope also includes the newly incorporated company Acciaierie di Verona S.p.A., which closes its first financial year at 31 December 2016.

Name	Registered office	Share capital	Interst held
DIRECTLY CONTROLLED SUBSIDIARIES included in the consolidation scope			
Ferriere Nord S.p.A.	Osoppo (UD)	60,000,000	99.950%
S.I.A.T. S.p.A.	Gemona del Friuli (UD)	5,000,000	99.996%
La Veneta Reti S.r.l.	Loreggia (PD)	6,000,000	100.000%
Pittini Stahl G.m.b.H.	Bad Aibling (Germania)	500,000	99.000%
Kovinar D.o.o.	Jesenice (Slovenia)	779,829	100.000%
I.S.U. G.m.b.H.	Villach (Austria)	5,000,000	75.000%
Acciaierie di Verona S.p.A.	Osoppo (UD)	20,000,000	99.000%
UNDIRECTLY CONTROLLED SUBSIDIARIES included in the consolidation scope			
BSTG G.m.b.H	Linz (Austria)	5,833,333	52.500%

The financial year of the above listed companies closes on 31st December.

DETAILED ACCOUNTS OF BALANCE SHEET ITEMS

ASSETS

B) FIXED ASSETS

B.1) INTANGIBLE FIXED ASSETS

Intangible fixed assets amount to euro 1,168,431, euro 229,628 over the previous year.

Depreciation is charged as follows:

- patent expenses: 3 years;
- development expenses: 1/3/5 years;
- Other intangible assets: they include deferred charges on liabilities entered before 1 January 2016, which are depreciated every year for the length of the loans they are referred to, and sundry expenses to be depreciated over 5 years.

The following table details the changes occurred in such items. No revaluations have ever been made to intangible fixed assets and no devaluations were made during the year.

	Historical cost	Depreciation at 31/12/2015	Value at 01/01/2016	Increases	Transfers	Decreases, Devaluations	Depreciation	Value at 31/12/2016
Start up and expansion expenses	0	0	0	563,057	0	0	112,611	450,446
Patent rights	540,467	445,433	95,034	99,213	17,768	0	83,731	128,284
Concessions, licenses, trademarks	1,069	384	685	0	0	0	60	625
Tangible fixed assets under construction and advances	0	0	0	60,768	(17,768)	0	0	43,000
Other intangible fixed assets	1,187,215	344,131	843,084	61,576	0	0	358,584	546,076
Sum total	1,728,751	789,948	938,803	784,614	0	0	554,986	1,168,431

B.I.1) PRELIMINARY AND FORMATION EXPENSES

This item, which is referred to the subsidiary Acciaierie di Verona S.p.A., includes the charges incurred into to incorporate the company and to acquire the business branch in Verona from Riva Acciaio S.p.A.

B.I.3) PATENT RIGHTS – INTELLECTUAL PROPERTY RIGHTS

The item including patent rights and intellectual property rights amounting to euro 128,284 refers to software suites used by the company.

B.I.7) OTHER INTANGIBLE ASSETS

The amount refers to charges in connection with disbursement of medium/long-term loans incurred into in previous years. As provided for by the new legislation on financial statements, from 2016 onward, the charges incurred into for the disbursement of new loans are not to be reported under intangible assets; they are spread following the amortised cost method over the financial liability for the length of the loan itself.

Other intangible assets also include the expenses resulting from the securitisation project for receivables of the subsidiary Ferriere Nord S.p.A., to be amortised over the length of the project (three years). The item also includes the charges incurred into for the registration tax on the takeover of the leasing contract for the plant in Celano. The increases during the year are related to the implementation of websites and a computer-based documentary archive.

B.II) TANGIBLE FIXED ASSETS

The table below shows acquisitions, disposals, revaluations as well as depreciation and write-downs recorded over the period.

Tangible fixed assets	Opening value	Increases	Decreases	Closing value	Accum. depr. 2015	Depreciation for the year	Rev. Law 232/2016 decreasing the depr. fund	Decrease in accum. depreciation	Closing accum. depreciation	Value in the fin. stat.
LAND AND BUILDINGS										
Land and non industrial buildings	46,306,378	10,940,137	-	57,246,515	271,572	10,967	-	-	282,539	56,963,976
Yards	12,390,463	4,369,432	-	16,759,895	5,542,778	719,761	-	-	6,262,539	10,497,356
Industrial buildings	107,898,286	25,788,015	-	133,686,301	57,046,694	5,851,024	-	-	62,897,718	70,788,583
Lightweight constructions	1,201,409	27,500	-	1,228,909	773,891	80,804	-	-	854,695	374,214
Total	167,796,536	41,125,084	-	208,921,620	63,634,935	6,662,556	-	-	70,297,491	138,624,129
PLANT AND MACHINERY										
General plant	95,733,981	15,393,337	1,027,462	110,099,856	78,223,954	6,258,288	-	939,712	83,542,530	26,557,326
Non automatic plant	12,980,784	310,946	2,008	13,289,722	11,717,397	234,213	-	2,008	11,949,602	1,340,120
Automatic plant	225,594,188	11,593,575	6,598,522	230,589,241	177,635,623	19,202,833	11,369,530	6,437,448	179,031,478	51,557,763
Furnaces	41,872,867	22,663,276	143,673	64,392,470	31,982,069	5,735,875	-	61,473	37,656,471	26,735,999
Water treatment plant	29,477,688	7,973,416	-	37,451,104	19,644,556	5,232,486	-	-	24,877,042	12,574,062
Total	405,659,508	57,934,550	7,771,665	455,822,393	319,203,599	36,663,695	11,369,530	7,440,641	337,057,123	118,765,270
EQUIPMENT										
Tools and equipment	6,910,682	793,325	64,797	7,639,210	5,989,018	493,400	-	64,697	6,417,721	1,221,489
Total	6,910,682	793,325	64,797	7,639,210	5,989,018	493,400	-	64,697	6,417,721	1,221,489
OTHER ASSETS										
Freight vehicles	2,922,477	1,074,935	65,600	3,931,812	2,282,339	436,906	-	4,500	2,714,745	1,217,067
Office furniture	1,715,396	197,700	4,416	1,908,680	956,095	131,171	-	4,416	1,082,850	825,830
Computers	3,979,728	339,596	8,115	4,311,209	3,402,397	191,197	-	8,115	3,585,479	725,730
Cars, motorbikes, etc.	1,582,541	367,951	458,523	1,491,969	1,171,156	203,746	-	361,148	1,013,754	478,215
Tangible assets < euro 516	3,592	-	-	3,592	3,592	-	-	-	3,592	-
Total	10,203,734	1,980,182	536,654	11,647,262	7,815,579	963,020	-	378,179	8,400,420	3,246,842
WORK IN PROGRESS										
Advances	1,840,516	7,061,658	2,848,312	6,053,862	-	-	-	-	-	6,053,862
Work in progress	14,235,967	(247,906)	-	13,988,061	-	-	-	-	-	13,988,061
Total	16,076,483	6,813,752	2,848,312	20,041,923	-	-	-	-	-	20,041,923
Sum total	606,646,943	108,646,893	11,221,428	704,072,408	396,643,131	44,782,671	11,369,530	7,883,517	422,172,755	281,899,653

As stated above, the company Acciaierie di Verona S.p.A., which was incorporated on 6 October 2015, closed its first financial year at 31 December 2016 and is included in the relevant consolidated financial statements. The significant increase in tangible assets mainly results from the purchase made on 1 December 2015 by Acciaierie di Verona S.p.A. of the business branch in Verona from Riva Acciaio.

With reference to the subsidiary Ferriere Nord S.p.A., at the end of the year tangible assets were revalued pursuant to article 1, clauses 556 to 563, of law 232/2016. After obtaining the relevant information and commissioning an appraisal to an external expert,, we decided to revalue the following homogeneous category of assets:

- Tangible assets belonging to the "Automatic equipment" category at all manufacturing sites of Ferriere Nord in Osoppo and Potenza, especially with reference to the years 2003, 2004, 2011 and 2014.

We adopted the "current use value" or "market value on an ongoing use basis" criteria within the limits of their net realisable value. We prudentially made a net revaluation of euro 11,369,530 and adopted the accounting method that provides for cancellation of depreciation provisions at 31 December 2016 (see OIC – Interpretative document 3 – paragraph 3).

The values attributed to each automatic equipment are consistent with their use in the manufacturing cycle and do not exceed the values that can be reasonably obtained, also in case of disposal.

Pursuant to article 11 of law 342/2000, as recalled in law 232/2016, we certify that the values stated on the financial statements following revaluation do not exceed the values that can be actually attributed to assets taking into account their size, production capacity, actual economic use and current values as confirmed by the estimate made by an independent expert entrusted with this task.

Following revaluation, which has also tax implications, a special reserve on which tax has been deferred was set aside (euro 9,550,405 net of lieu tax,

which is subject to the provisions laid down in article 13 of law 342/2000 as recalled in law 232/2016); with reference to the said reserve on which tax has been deferred no provisions for deferred taxes were set aside because the reserve will not be distributed. The global impact on shareholders' equity is euro 9,550,405.

Other significant investments attributed to the subsidiary Ferriere Nord S.p.A. are as follows:

Site in Osoppo:

- EAF furnace cooling system and Air Cooler;
- MET-4 wire mesh warehouse and yard;
- New manufacturing systems for electro-welded wire;
- Lime storage and injection system.

Site in Potenza:

- Further smoke system upgrade;
- Scrap tank upgrade.

The subsidiary S.I.A.T. S.p.A. also made significant investments during the year. The subsidiary S.I.A.T. S.p.A. made important investments during the year; in particular we remark the completion of the first contract part for the new cold rolling mill Stahlloewe, the revamping of the WWM rammer plant and the scrubber dedusting plant as well as capitalization of the Helicord Bookmann equipment

The table below details revaluations of assets at 31 December 2016. None of such assets have ever been written down in value.

Revaluation under law 576, 2nd December 1975 - Visentini

	Increase in historical cost	Decrease in the depreciation fund
Land	11,254	0
Total	11,254	0

Revaluation on merger of Sideros S.p.A. into Ferriere Nord S.p.A.

	Increase in historical cost	Decrease in the depreciation fund
Industrial buildings	316,773	0
Total	316,773	0

Revaluation under law 72, 19th March 1983 - Visentini Bis

	Increase in historical cost	Decrease in the depreciation fund
Land	69,138	0
Yards	50,178	0
Industrial buildings	2,737,225	0
General plant	715,283	0
Non-automatic plant	184,262	0
Automatic plant	3,126,906	0
Furnaces and appurtenances	9,058	0
Office furniture and machines	554	0
Sundry equipment and tools	1,254	0
Total	6,893,858	0

Revaluation under law 413, 30th December 1991

	Increase in historical cost	Decrease in the depreciation fund
Land	133,538	0
Non industrial buildings	21,523	0
Yards	108,520	0
Industrial buildings	6,395,802	0
General plant	2,626	0
Total	6,662,009	0

Revaluation under law 342, 21st November 2000

	Increase in historical cost	Decrease in the depreciation fund
--	-----------------------------	-----------------------------------

Automatic plant	16,089,467	0
Total	16,089,467	0

Revaluation under law 350, 24th November 2003

	Increase in historical cost	Decrease in the depreciation fund
Automatic plant	9,803,209	0
Total	9,803,209	0

Revaluation under law 266, 23rd December 2005

	Increase in historical cost	Decrease in the depreciation fund
Automatic plant	2,715,900	0
Total	2,715,900	0

Revaluation under law decree 185, 29th November 2008, turned into law 2, 28th January 2009

	Increase in historical cost	Decrease in the depreciation fund
Land and non industrial buildings	26,130,104	0
Non industrial buildings	0	32,803
Yards	609	609,754
Industrial buildings	3,410,806	20,109,437
Total	29,541,519	20,751,994

Revaluation under law 147, 27th December 2013

	Increase in historical cost	Decrease in the depreciation fund
Automatic plant	0	37,324,689
Total	0	37,324,689

Revaluation under law 208, 28th December 2015

	Increase in historical cost	Decrease in the depreciation fund
Automatic plant	0	8,235,881
Total	0	8,235,881

Revaluation under law 232, 11th December 2016

	Increase in historical cost	Decrease in the depreciation fund
Automatic plant	0	11,369,530
Total	0	11,369,530

Land, buildings, plant and machinery are tied by mortgages and liens securing the loans described in the comment on Payables to banks. Depreciation is calculated for all depreciable assets at the following rates:

- Yards, roads, sewers, etc. 3-5%
- Industrial buildings 3-5%
- General plant 10-12%
- Non-automatic plant 10-12%
- Automatic plant 17.5%
- Furnaces and appurtenances 12.5-15%
- Freight vehicles 10-20%
- Office furniture 12%
- Computers, electronic office machines 18-20%
- Equipment and tools 25%
- Light constructions 10%
- Water and air treatment plant 10-15%
- Cars, motorbikes, etc. 25%

B.III.1) FINANCIAL FIXED ASSETS: EQUITY INVESTMENTS

Equity investments can be detailed as follows:

	Historical cost	Revaluation	Write-down	Value at 01/01/2016	Acquisitions/increases	Disposals/decreases	Revaluation	Write-down	Value at 31/12/2016
Emme-Fer S.r.l.	24,843	0	0	24,843	0	0	0	3,843	21,000
SUBSIDIARIES	24,843	0	0	24,843	0	0	0	3,843	21,000
Alpe Adria Energia S.p.A.	1,828,552	0	0	1,828,552	0	0	0	1,646,302	182,250
PARENT COMPANIES	1,828,552	0	0	1,828,552	0	0	0	1,646,302	182,250
Veneto Banca	2,200,000	0	0	2,200,000	0	0	0	2,189,000	11,000
Metal interconnector S.C.p.A.	53,435	0	0	53,435	17,225	0	0	0	70,660
Others	20,532	0	0	20,532	0	0	0	0	20,532
OTHER COMPANIES	2,273,967	0	0	2,273,967	17,225	0	0	2,189,000	102,192
TOTAL EQUITY INVESTMENTS	4,127,362	0	0	4,127,362	17,225	0	0	3,839,145	305,442

The value of shares in subsidiaries at 1 January 2016 does not correspond to the amount stated at 31 December 2015 because the Group consolidation scope is extended to the subsidiary Acciaierie di Verona S.p.A.

The parent company has been reviewing the opportunity to sell the share in Alpe Adria Energia. Therefore, this share is devalued at its estimated realisable value.

During the year, the subsidiary Ferriere Nord S.p.A. depreciated Veneto Banca shares to a unit value of euro 0.10.

B.III.2 a) FINANCIAL FIXED ASSETS – RECEIVABLES FROM SUBSIDIARIES

This item is nil following extension of the consolidation scope to the subsidiary Acciaierie di Verona S.p.A.

B.III.2 d) RECEIVABLES FROM OTHERS

Balance at 1/1/2016	99,910
Increases	1,020,189
Decreases	(1,200)
Total at 31/12/2016	1,118,899

The increase during the year mostly results from the amounts paid to Terna as a guarantee fund pursuant to article 1, clause 831, of law 208 of 28 December 2015 for the funding of interconnection infrastructure with foreign countries (please see "Interconnector" under article 32 of law 99 of 23 July 2009).

B.III.3 OTHER SECURITIES

This item includes securities posted under fixed assets and amounting to euro 246,384, which are owned by the subsidiary BSTG G.m.b.H.

B.III.4 DERIVATIVE FINANCIAL INSTRUMENTS

As at 31.12.2016 the balance of this item is equal to zero; in accordance with the retrospective principle under OIC 29, in the financial statement for the year 2015 the fair value for the derivative instrument for interest rate hedging on the loan with the bank Crédit Agricole has been shown.

C) CURRENT ASSETS

C.I) INVENTORIES

Inventories are carried at purchase or production cost, or at the realisable value inferable from market performance, if lower, as provided for by point 9 of article 2426 of the Italian Civil Code.

The cost of raw materials, consumables, ancillaries, semi-finished and finished products was calculated according to the L.I.F.O. method with annual adjustments.

Inventories stand at euro 201,518,622. The increase over the previous year amounts to euro 45,211,874 and is mainly related to the extension of the consolidation are to Acciaierie di Verona as well as to larger inventories a different composition of closing stocks. Infra-group gains were eliminated.

C.II) DEBTORS

C.II.1) TRADE RECEIVABLES

Trade receivables entered under current assets show an increase of euro 29,346,304 over the previous year; this change mainly results from the extension of the consolidation scope to Acciaierie di Verona, whose sales are mostly made in Italy. Receivables from foreign customers have increased owing to larger exports.

The item breaks down as follows:

Customers, Italy	134,093,922
Customers, outside Italy	33,882,114
Cash orders and notes receivable for collection and in portfolio with banks	34,696,788
Invoices to issue	3,518,846
Provision for bad debts	(7,874,650)
Total	198,317,020

There are no receivables falling due beyond five years.

Over the year the provision for bad debts recorded the following changes:

Balance at 1/1/2016	7,276,890
Decreases (use for write off of bad debts)	(1,334,991)
Decreases (release of funds)	0
Provision for the financial year	1,932,751
Total	7,874,650

C.II.2) RECEIVABLES FROM SUBSIDIARIES

There are no receivables from subsidiaries. At the end of the year, the balance was euro 1,149,886 and was mainly related to trade receivables from the subsidiary Acciaierie di Verona S.p.A., which is now included in the consolidation scope.

C.II.5-bis) TAXATION DEBTORS

Tax receivables break down as follows:

Falling due within 12 months

Receivables from tax authorities for duty drawback	365,238
Receivables from Tax authorities for taxation debtors	1,588,572
Virtual stamp taxes	522
Tax authorities: IRES, IRAP, VAT	5,344,429
	<u>7,298,761</u>

Falling due beyond 12 months

Duty drawback	24,762
Receivables from Tax authorities for taxation debtors	772,504
	<u>797,266</u>

Total	8,096,027
--------------	------------------

Taxation debtors globally decreased by euro 536,133, mainly resulting from the subsidiary Ferriere Nord S.p.A. owing to lower receivables from IRAP taxation debtors. Receivables from tax authorities for taxation debtors includes receivables from bonuses on investments in new capital goods (law 116/2014 Tremonti quater) and fiscal relief from charges incurred into research and development activities carried out during the year by Ferriere Nord S.p.A. and Acciaierie di Verona S.p.A.

C.II.5-ter) DEFERRED TAX ASSETS

Falling due beyond 12 months	9,831,776
------------------------------	-----------

This item includes the amount of deferred taxes for deductible costs relating to future financial years. In particular, these costs are related to: tax provision for bad debts, provision for risks, higher statutory depreciation, consolidation adjustment to unrealised gains, infra-company unrealised profit and temporary differences between the book value of an asset or liability and its fiscal value.

C.II.5-quater) RECEIVABLES FROM OTHERS

Falling due within 12 months

Credit notes to receive	3,531,769
Advances to suppliers	97,385
Receivables from INAIL (National Insurance Institute for industrial accidents)	72,578
INAIL advances	86,576
Receivables from Energy Efficiency Certificates	282,702
Sundry short-term receivables	26,594,025
	<hr/>
	30,665,035

Falling due beyond 12 months

Sundry receivables	136,062
Financial receivables	358,980
	<hr/>
	495,042

Total	31,160,077
--------------	-------------------

Sundry short-time receivables include euro 25,721,353 of receivables of the subsidiaries Ferriere Nord S.p.A., S.I.A.T. S.p.A. and Acciaierie di Verona S.p.A. from Cassa per i Servizi Energetici e Ambientali following the decree of the Ministry of Economy and Finance of 5 April 2013 which provides for electricity intensive companies to benefit from exemption on some tariff components.

Financial receivables refer to the estimated realisable value of receivables of Ferriere Nord S.p.A. from closing the previous securitisation programme ended in May 2014.

C.III. FINANCIAL ASSETS NOT HELD AS FIXED ASSETS

The item is made up as follows:

Other investments:

Unicredit shares	3,930
------------------	-------

Other securities:

ICCREA bonds 2015/2025	5,000,000
ICCREA bonds 2016/2021	8,000,000
ICCREA bonds 2015/2020	3,009,300
ICCREA bonds 2013/2018	1,031,600
ARCA VITA investment policy	2,553,866
GENERALI ONE investment policy	2,487,478
UNIQUA PREVIDENZA investment policy	2,019,826
	<hr/>
	24,102,070

Total	24,106,000
--------------	-------------------

In particular, the investments included in other securities are entirely held by the subsidiary Ferriere Nord S.p.A..

This item changes as follows:

	Value at 01/01/2016	Increase/ Revaluation	Decrease / Write-down	Value at 31/12/2016
4) Other investments:				
Unicredit shares	7,110	163	3,343	3,930
6) Other securities:				
ICCREA bonds 14/11/2016	5,343,498	0	5,343,498	0
ICCREA bonds 2015/2025	5,000,000	0	0	5,000,000
ICCREA bonds 2016/2021	0	8,000,000	0	8,000,000
ICCREA bonds 2015/2020	0	3,009,300	0	3,009,300
ICCREA bonds 2013/2018	0	1,031,600	0	1,031,600
ARCA VITA investment policy	2,501,583	52,283	0	2,553,866
GENERALI ONE investment policy	0	2,487,478	0	2,487,478
UNIQUA PREVIDENZA investment policy	0	2,019,826	0	2,019,826
Total	12,852,191	16,600,650	5,346,841	24,106,000

During the year, ICCREA bonds with various expiry dates were sold and purchased by the subsidiary Ferriere Nord S.p.A.; furthermore, euro 4.5 million were invested in single premium guaranteed capitalisation policies, which can be also partially redeemed after one year.

C.IV) CASH AT BANK AND IN HAND

This item mostly includes temporary surpluses of cash and cash equivalents on bank accounts held by the Group companies. The decrease over the previous year mainly results from the subsidiary Ferriere Nord S.p.A. owing to larger investments (please see "Financial assets not held as fixed assets").

D) ACCRUED INCOME AND PRE-PAID EXPENSES

This item amounts to euro 2,844,277 that is an increase of euro 1,697,033 on the previous year.

It can be detailed as follow:

Accrued income: industrial revenues	11,760
Accrued income: financial revenues	150,028
Accrued income: general revenues	32,396
Total accrued income	194,184
Prepaid expenses: industrial costs	2,278,742
Prepaid expenses: commercial costs	84,940
Prepaid expenses: financial costs	9,109
Prepaid expenses: general expenses	277,302
Total pre-paid expenses	2,650,093
Total	2,844,277

LIABILITIES

A) CAPITAL AND RESERVES

Shareholders' equity, Group

Description	Share capital	Legal reserve	Revaluation reserve	Other reserve	Expected cash flow hedging reserves	Profits (losses) of previous years	Profit (loss) for the year	Shareholders' equity
DECEMBER 2011	30,000,000	6,000,000	142,354	148,814,212		(7,181,483)	9,081,894	186,856,977
Allocation of previous year's result				1,900,411		7,181,483	(9,081,894)	0
Distribution of dividends				(2,010,000)				(2,010,000)
Profit (loss) for the year							3,019,799	3,019,799
DECEMBER 2012	30,000,000	6,000,000	142,354	148,704,623	0	0	3,019,799	187,866,776
Allocation of previous year's result				3,019,799			(3,019,799)	0
Distribution of dividends				(2,010,000)				(2,010,000)
Revaluation under Law 147/13				32,881,191				32,881,191
Profit (loss) for the financial year							883,673	883,673
DECEMBER 2013	30,000,000	6,000,000	142,354	182,595,613	0	0	883,673	219,621,640
Allocation of previous year's result				883,673			(883,673)	0
Distribution of dividends				(2,010,000)				(2,010,000)
Adjustments of shareholdings for taxation debtors				170,364				170,364
Profit (loss) for the financial year							3,186,334	3,186,334
DECEMBER 2014	30,000,000	6,000,000	142,354	181,639,649	0	0	3,186,334	220,968,337
Allocation of previous year's result				3,186,334			(3,186,334)	0
Distribution of dividends				(2,010,000)				(2,010,000)
Adjustments of shareholdings for taxation debtors				96,896				96,896
Revaluation under Law 208/15				6,918,468				6,918,468
Expected cash flow hedging					29,167			29,167
Profit (loss) for the financial year							1,863,146	1,863,146
DECEMBER 2015	30,000,000	6,000,000	142,354	189,831,347	29,167	0	1,863,146	227,866,014
Allocation of previous year's result				1,863,146			(1,863,146)	0
Adjustments of shareholdings for taxation debtors				27,346				27,346
Revaluation under Law 232/16				9,545,630				9,545,630
Expected cash flow hedging					(142,115)			(142,115)
Profit (loss) for the financial year							11,184,474	11,184,474
DECEMBER 2016	30,000,000	6,000,000	142,354	201,267,469	(112,948)	0	11,184,474	248,481,349

Share capital

The share capital amounts to euro 30,000,000, fully subscribed and paid in, and made up of 30,000,000 ordinary shares of par value euro 1 each.

Legal reserve

At 31st December 2016 this reserve shows a balance of euro 6,000,000. The item did not record any change during the year.

Other reserves

At 31 December 2016 this reserve shows a balance of euro 201,267,469. Over the year, this item globally changed by euro 11,436,122 owing to profit allocation, value adjustment of the subsidiary Ferriere Nord S.p.A. resulting from revaluation made pursuant to law 232 of 11 December 2016 and taxation debtors for the disposal of revalued assets.

Expected cash flow hedging reserves

At 31/12/2016, this item shows a negative balance of euro 112,948, resulting from derivatives held by the parent company. The item includes the change resulting from cash flow hedging net of tax impact as provided for by the new OIC 32. Our financial statements also restate the assessment for the year 2015 according to the retrospective principle provided for by OIC 29.

Shareholders' equity, third parties

Standing at euro 2,303,468, this is the value of shareholders' equity belonging to minority interests.

Description	Capital and reserves	Profit (loss)	Shareholders' equity, minority interests
DECEMBER 2011	80,597	5,454	86,051
Allocation of previous year's result	5,454	(5,454)	0
Profit (loss) for the financial year		2,781	2,781
DECEMBER 2012	86,051	2,781	88,832
Allocation of profit, previous year	2,781	(2,781)	0
Monet. rev. under law 147/13	15,669		15,669
Profit (loss) for the financial year		1,630	1,630
DECEMBER 2013	104,501	1,630	106,131
Allocation of profit, previous year	1,630	(1,630)	0
Consolidation scope extension	3,123,516		3,123,516
Adjustments of Shareholdings for taxation debtors	85		85
Profit (loss) for the financial year		(648,551)	(648,551)
DECEMBER 2014	3,229,732	(648,551)	2,581,181
Allocation of profit, previous year	(648,551)	648,551	0
Monet. rev. under law 208/15	3,030		3,030
Adjustments of Shareholdings for taxation debtors	50		50
Distribution of dividends	(7,500)		(7,500)
Profit (loss) for the financial year		(428,395)	(428,395)
DECEMBER 2015	2,576,761	(428,395)	2,148,366
Allocation of profit, previous year	(428,395)	428,395	0
Consolidation scope extension	200,000		200,000
Monet. rev. under law 232/16	4,775		4,775
Adjustments of Shareholdings for taxation debtors	14		14
Profit (loss) for the financial year		(49,687)	(49,687)
DECEMBER 2016	2,353,155	(49,687)	2,303,468

The company does not draw up a reconciliation of the shareholders' equity of the Group parent company and consolidated shareholders' equity as there are no consolidation differences other than those already included in the statutory financial statements of Fin.Fer. S.p.A.

B) PROVISION FOR RISKS AND CHARGES

B.1) PROVISION FOR PENSIONS AND SIMILAR OBLIGATIONS

This stands at euro 1,638,388 and consists of provisions for agents' leaving indemnities made up over the years in accordance with the current labour agreement governing relationships with commercial agents.

B.2) PROVISIONS FOR TAXATION

This amounts to euro 242,517 and includes deferred tax liabilities as detailed in the comment on income tax for the year.

B.3) FINANCIAL DERIVATIVE LIABILITIES

As stated above, this item refers to the parent company FIN.FER. S.p.A. and includes, pursuant to the new OIC 32, an amount of euro 148,615, which is the market value of interest rate hedging derivatives for the loans granted by Friuladria (Crédit Agricole) and Veneto Banca. Our financial statements also restate the assessment for the year 2015 according to the retrospective principle provided for by OIC 29.

Hereunder a brief summary of features of owned derivative financial instruments, to state that they are instruments of “simple coverage”, i.e. similar to the covered subject.

Bank	I.R.S.			Loan		
	Nominal value	Due date	Flow regul.	Nominal value	Due date	Flow regul.
Friuladria - Crédit Agricole	15,000,000	30/12/2022	30/06 - 31/12	15,000,000	30/12/2022	30/06 - 31/12
Veneto Banca	15,000,000	29/11/2019	31/05 - 30/11	15,000,000	29/11/2019	31/05 - 30/11

B.4) OTHER PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES

The remaining provisions grouped in this item amount to euro 4,264,350 as follows:

- euro 800,000: extraordinary work in future years to upgrade areas currently used for treating secondary materials produced in the Osoppo plants;
- euro 300,000: possible upgrading of land;
- euro 3,049,265: estimated risk to Cassa per i Servizi Energetici e Ambientali following the delays in the assignment of the amounts payable for the exemption from the application of some tariff components for energy-intensive users pursuant to the decree issued by the Ministry of Economy and Finance of 5 April 2013;
- euro 100,000: estimate risk relating to a dispute of La Veneta Reti S.r.l.;
- euro 15,085; provisions set aside by the foreign subsidiary Pittini Stahl G.m.b.H.

During the year, the allocation of euro 524,185 for post-operative management of the landfill in Potenza has been entirely used by the subsidiary Ferriere Nord S.p.A.

Changes in the year are summarised below:

Description	Balance at 01/01/2016	Decrease	Increase	Balance at 31/12/2016
Coiro landfill	524,185	(524,185)		0
Osoppo disposals	800,000			800,000
Land upgrading	300,000			300,000
Cassa per Servizi Energetici Ambientali	0		3,049,265	3,049,265
La Veneta Reti dispute	0		100,000	100,000
Pittini Stahl, other accruals	20,220	(5,135)		15,085
Total	1,644,405	(529,320)	3,149,265	4,264,350

C) EMPLOYEE SEVERANCE INDEMNITIES

This item amounts to euro 15,171,507 and represents the Group’s liabilities to its employees under current legislation at 31 December.

The fund increased by euro 5,037,675 over the previous year, mainly owing to the purchase of the business branch in Verona from Riva Acciaio S.p.A.

D) ACCOUNTS PAYABLES

D.1) BONDS

This item amounting to euro 36,100,000 globally decreased by euro 1,000,000; during the year, bonded loans nos. 25 (euro 6,000,000) and 26 (euro 6,000,000) held by the subsidiary Ferriere Nord S.p.A. was repaid when due. Furthermore, additional bonded loans globally amounting to euro 11,000,000 (nos. 28 and 30) were entered into.

Bonded loans at the year end were as follows:

Bonded loan n° 27 resolved upon by the Board of directors on 01.07.2014

n. 10.000.000 non convertible bonds, euro 1 each - expiry date 30.06.2017

12-month Euribor rate + 3 basis point

9,600,000

Bonded loan n° 28 resolved upon by the Board of directors on 01.07.2014	
n. 10.000.000 non convertible bonds, euro 1 each - expiry date 30.06.2018	
12-month Euribor rate + 3 basis point	10,000,000
Bonded loan n° 29 resolved upon by the Board of directors on 01.07.2014	
n. 10.000.000 non convertible bonds, euro 1 each - expiry date 30.06.2019	
12-month Euribor rate + 3 basis point	7,500,000
Bonded loan n° 30 resolved upon by the Board of directors on 02.07.2015	
n. 10.000.000 non convertible bonds, euro 1 each - expiry date 30.06.2020	
12-month Euribor rate + 3 basis point	9,000,000
Total	36,100,000

D.4) AMOUNTS OWED TO BANKS

This item includes payables to banks and credit institutions in general, as summarised below:

Falling due within 12 months	
Bank overdrafts	2,991
Loan installments falling due	40,972,407
Bank balances to receive	17,014
	<u>40,992,412</u>
Falling due beyond 12 months	
Loan installments	148,594,957
Total	189,587,369
Of which falling due beyond 60 months	14,643,866

The change in payables within 12 months was due to the repayment of the short-term portions of medium/long-term loans and to ordinary financial management. The change in payables beyond 12 months was due to new medium- and long-term loans granted to the subsidiaries Ferriere Nord S.p.A. and Acciaierie di Verona S.p.A..

Analysis of medium- and long-term loans:

The amounts owed to banks for medium- and long-term loans globally stand at euro 189,567,365 , out of which 41,568,603 are backed by collaterals, namely mortgages. In 2016 new loans were obtained which globally amount to euro 65,000,000.

The table below includes the main information on existing loans:

	Resid. debt at 31/12/2015	Increases in the year	Amounts due in the year	Instalments falling due within 12 months	Instalments falling due beyond 12 months	Resid. debt at 31/12/2016	Instalments falling due beyond 60 month
Medium- and long-term loans	168,995,897	65,000,000	44,428,533	40,972,408	148,594,957	189,567,365	14,643,866

We specify that, with reference to two medium- and long-term variable interest rate loans globally amounting to euro 30 million, the parent company entered into two IRS hedging contracts whose lengths and notional values are the same as the loans.

D.5) AMOUNTS OWED TO OTHER PROVIDERS OF FUNDS

This item amounting to euro 48,024,682 includes the amount owed by Ferriere Nord S.p.A. to the securitising company for debts reinstated at the end of the year pursuant to the provisions laid down in the new accounting principle OIC 15 applicable to the writing-off of debts.

D.6) ADVANCES FROM CUSTOMERS

This item amounts to euro 1,247,826, down euro 1,259,592 over the previous year mainly on the part of Ferriere Nord S.p.A. The item also includes payables resulting from the clients portfolio.

D.7) TRADE PAYABLES

This item globally amounts to euro 250,606,653 and increased by euro 71,238,428 over the previous year, mainly owing to the extension of the consolidation scope to the subsidiary Acciaierie di Verona S.p.A. There are no payables falling due beyond five years.

D.9) AMOUNTS OWED TO SUBSIDIARIES

There are no payables owed to subsidiaries. At the end of the previous year, amounts owed to subsidiaries stood at euro 16,740,591 and included the negative balance of the running account held by the subsidiary Ferriere Nord S.p.A. with the subsidiary Acciaierie di Verona S.p.A., now included in the consolidation scope, to settle centralised treasury transactions.

D.12) AMOUNTS OWED TO TAX AUTHORITIES

Amounting to euro 7,998,930, the item represents the Group's liability to tax authorities.

Falling due within 12 months

Lieu tax on severance indemnity	10,339
IRPEF (Personal income tax), employees	4,607,485
IRPEF, self-employed collaborators	47,993
Tax authorities, VAT	1,248,860
Tax payables IRES	2,064,424
Other tax payables BSTG	19,751
Virtual stamp taxes	78

Total 7,998,930

D.13) AMOUNTS OWED TO SOCIAL SECURITY INSTITUTIONS

Amounts were due to the following institutions:

Falling due within 12 months

I.N.P.S. (Social security)	3,621,862
I.N.A.I.L. (National Insurance Institute for industrial accidents)	97,574
Contributions, managers	138,813
Enasarco (National board for assistance to commercial agents and representatives)	59,962
Gestione Cometa	498,715
Pension funds	370,400

Total 4,787,326

D.14) OTHER PAYABLES

Other payables include:

Falling due within 12 months

Holidays accrued and not taken	6,279,149
Bonus to employees	779,676
Credit notes to issue	224,602
Payables, wages and salaries	4,762,146
Other payables	5,636,497

17,682,070

Falling due beyond 12 months

Guarantee deposits from tenants	2,100
---------------------------------	-------

2,100

Total 17,684,170

The increase of this item is determined by the entry of Acciaierie di Verona S.p.A. in the consolidation area.

E) ACCRUED LIABILITIES AND DEFERRED INCOME

Standing at euro 856,490, this item can be summarised as follows:

Accrued liabilities: industrial costs	5,721
Accrued liabilities: commercial costs	54,142
Accrued liabilities: financial costs	707,847
Accrued liabilities: general expenses	28,236
Total deferred income	795,946
Deferred income: financial revenues	60,544
Total deferred income	60,544
Total	856,490

COMMITMENTS, GUARANTEES AND POTENTIAL LIABILITIES

Here below you will find the details of commitments, guarantees and other potential liabilities that are not mentioned on our financial statements:

GUARANTEES ISSUED BY BANKS ON BEHALF OF THE GROUP

• Banca Antoniana Popolare Veneta	
Guarantee in favor of Consorzio Acquedotto Friuli Centrale	27,157
• Intesa San Paolo	
Guarantee in favor of Customs and Tax Authorities, Bari	16,600
• Banca Popolare di Vicenza	
Guarantee in favor of Terna S.p.A.	1,294,999
• Banca Unicredit	
Guarantee for rent of real estate	7,000
Guarantee in favor of Agenzia delle Entrate (Inland Revenue) F.V.G. - Trieste	19,720
Guarantee in favor of Terna S.p.A.	444,791
Total	1,810,267

OTHER GUARANTEES ISSUED ON BEHALF OF THE group

• SACE BT Credit & Surety	
Guarantee in favor of Province of Potenza	2,389,015
Guarantee in favor of Municipality of Osoppo	2,863,233
Total	5,252,248

OTHER COLLATERAL GUARANTEES

Collateral are commented on under Amounts due to banks.

INCOME STATEMENT

A) PRODUCTION VALUE

A1) REVENUES FROM SALES AND SERVICES

Revenues from sales and services amount to euro 1,027,934,593. The increase of euro 129,900,012 over the previous year results from the extension of the consolidation scope. Generally speaking, the selling volumes of Group companies increased and average selling prices were lower than in the previous year.

Sales by geographical area were as follows (percentages refer to the total value of item A.1 in the income statement):

	2016	%	2015	%
Italy	425,455,885	41.39%	413,141,654	46.01%
EU countries	382,739,437	37.23%	349,486,945	38.92%
Non-EU countries in Europe and rest of world	219,739,270	21.38%	135,405,982	15.08%
Total	1,027,934,593	100.00%	898,034,581	100.00%

Sales by type of product were as follows:

	2016	%	2015	%
Steel making	985,224,929	95.85%	863,056,840	96.11%
Sundry sales	6,475,382	0.63%	5,038,245	0.56%
Transport	41,831,887	4.07%	34,719,088	3.87%
<i>Net of:</i>				
Discounts, returns, client allowances and bonuses	(5,642,905)	(0.55%)	(4,843,981)	(0.54%)
Total product sales	1,027,889,293	100.00%	897,970,192	99.99%
Provision of services	45,300	0.00%	64,389	0.01%
Total Revenues	1,027,934,593	100.00%	898,034,581	100.00%

A.4) INCREASE IN FIXED ASSETS FROM INTERNAL PRODUCTION

This item includes the cost of personnel, materials and other production costs relating to in-house construction of fixed assets. The balance of euro 1,937,722 includes costs for drawing materials from stocks.

A.5) OTHER REVENUES AND INCOME

This item breaks down as follows:

Miscellaneous proceeds:

Duty drawback	330,235
Insurance settlements	932,179
Gains on disposal of assets	1,243,567
Other extraordinary income	705,307
Revenue from Energy Efficiency Titles	1,654,792
Other income	939,699

Total miscellaneous proceeds **5,805,779**

Revenue grants:

Sundry grants	451,652
GSE contribution to photovoltaic system	131,207

Total revenue grants **582,859**

Total sundry other revenues and income **6,388,638**

Sundry grants include euro 282,014 of taxation debtors for research and development activities carried out by Ferriere Nord S.p.A. and Acciaierie di Verona S.p.A. during the year, pursuant to law 190/2014.

In 2016, the Group companies invested more than 26,000 hours in analysis, research and development activities for innovative products and processes in its various production areas as well as in the environmental field. Furthermore, at various plants, many concept analysis and research activities were performed, including feasibility studies, co-design and development and testing of technology with innovating contents to gain a competitive advantage over the market and our competitors.

At Ferriere Nord S.p.A., special efforts were made in the development of manufacturing processes, mainly in the field of their optimisation and environmental sustainability, and special attention was paid to the experimental development of prototype equipment for which a patent application had already been filed by the company in 2009.

Research and development activities will continue in 2017. We believe that the positive results of this innovation will increase our business competitiveness and have a favourable impact on our economic results.

Other extraordinary income relates to the company's ordinary activities.

B) PRODUCTION COSTS

B.6) COSTS FOR RAW MATERIALS, ANCILLARIES, CONSUMABLES AND GOODS

This item shows a balance of euro 661,664,800. It recorded an absolute increase of euro 58,153,991 over the previous year, resulting from consolidation scope extension; however, on the overall, it should be stressed that the costs of raw materials were favourably impacted by persistently market-related low prices.

B.7) COSTS FOR SERVICES

This amounts to euro 231,423,144, that is an increase by euro 43,881,353 on the previous year as a direct result of the extension of the consolidation scope. Board of Directors' fees totalled euro 2,112,301, whereas Board of Auditors' fees amounted to euro 173,383. At the end of the year there are neither receivables nor advance payments to the Board of Directors and Statutory Auditors.

In compliance with legislative decree 39/2012, transposing the relative EEC Directive, the fees for the annual audit of financial statements and tax consulting services totalled euro 123,189.

B.8) LEASES AND RENTALS:

This items amounts to euro 3,788,163 and mainly refers to plant and machinery.

B.9) PERSONNEL COSTS

This item amounts to euro 94,925,655 with an increase over the previous year of euro 26,571,212 resulting from the extension of the consolidation scope.

The average number of employees in 2016 was 1,665 as detailed below by grade.

	2016	2015	2014	2013
Workers	1,182	873	871	879
Clerks	458	335	317	306
Top managers	25	20	17	16
Total	1,665	1,228	1,205	1,201

B.10) DEPRECIATION

This item globally amounts to euro 47,270,408 out of which euro 1,932,751 result from provision for bad debts.

B.12) PROVISION FOR CONTINGENCIES

The item includes prudential provision of Euro 3,149,265: see explanation to the correspondent item in balance sheet.

B.14) OTHER OPERATING EXPENSES

At euro 1,805,144, the item increased by euro 256,797 on the previous year-end owing to the extension of the consolidation scope.

This item can be broken down as follows:

Stamp taxes	1,378,988
Capital losses on disposal of assets	62,536
Charges for Energy Efficiency Titles	16,184
Loss on accounts receivable	201,168
Other operating expenses	146,268
Total	1,805,144

C) FINANCIAL INCOME AND EXPENSES

C. 15) INCOME FROM EQUITY INVESTMENTS IN OTHER COMPANIES

This item amounts to euro 165 and includes capital gains from shareholdings realised by the parent company.

C. 16.b) FINANCIAL INCOME FROM SECURITIES HELD AS FINANCIAL FIXED ASSETS OTHER THAN EQUITY INVESTMENTS

This item amounts to euro 5,629 and includes interest accrued on securities posted to fixed assets and referring to the foreign subsidiary BSTG G.m.b.H.

C. 16.c) FINANCIAL INCOME FROM SECURITIES HELD AS CURRENT ASSETS OTHER THAN EQUITY INVESTMENTS

Interest income on bond loans	335,502
-------------------------------	---------

This item includes interest from bonds stated as financial assets not held as fixed assets under the Other securities item.

C. 16.d) FINANCIAL INCOME OTHER THAN ABOVE

This item amounts to euro 856,952 as follows:

Other financial income

Interest on loans v/customers	3,321
Interest from banks	499,799
Sundry financial income	353,832

Total other financial income	856,952
-------------------------------------	----------------

C. 17) INTEREST AND OTHER FINANCIAL EXPENSES

The item amounts to euro 6,449,153 as follows:

Parent companies

Interest expense on amounts due to shareholders for loans	22,340
---	--------

Others

Interest on loans	2,859,833
Interest on bonds	1,095,556
Interest on securitisation	807,842
Loss on securities entered under current assets	118,841
Interest, import/export	9,333
Financial loss	167,665
Depreciation of financial debtors	1,000,000
Other interest charges and financial expenses	367,743

Total	6,426,813
--------------	------------------

Total interest and other financial expenses	6,449,153
--	------------------

The item relating to interest expense on amounts due to shareholders for loans refers to the subsidiary Acciaierie di Verona S.p.A.; these are interest expenses accrued on the loans granted by the parent company FIN.FER. S.p.A. at the end of 2015. This amount, referring to December 2015, was not eliminated because of the time span of the first annual report year of Acciaierie di Verona, which counts more than twelve months.

Financial expenses also include the depreciation of financial receivables as calculated by the subsidiary Ferriere Nord S.p.A. on the basis of expected financial flows.

C.17.bis) FOREIGN CURRENCY EXCHANGE GAINS AND LOSSES

Differences on exchange rates

(61,811)

At the date of 31st December 2016, the subsidiary Ferriere Nord holds derivative instruments (futures contracts) purchased in order to cover its exposure to the risk of EUR/USD exchange rates related to supplies of raw materials and semi-finished products. These contracts, although stipulated with the intention of reduce currency risk, at the close of the financial year 2016 are not completely effective, since after subscription, the correlation with the payments flow maturities failed. At the end of the year, the fair value associated with these transactions was not significant.

D) ADJUSTMENTS TO FINANCIAL ASSETS

D.18.c) REVALUATION OF SECURITIES HELD AS CURRENT ASSETS OTHER THAN EQUITY INVESTMENTS

This item amounting to euro 72,109 includes the capitalisation of policy returns as explained in the relevant comment in the Notes to balance sheet assets.

D.19.a) DEVALUATION OF EQUITY INVESTMENTS

This item amounting to euro 4,139,316 mainly includes the depreciation of Veneto Banca shares as well as the depreciation of the shareholding in Alpe Adria Energia S.p.A.

22) INCOME TAXES FOR THE YEAR

On the basis of the result for the year, a provision of euro 6,124,791 was taken to cover current year taxes.

The amount for deferred taxes (euro 703,128) reflects the changes over the year already commented on in the Notes to balance sheet items.

DEFERRED TAXES								
Description of changes	Year 2016				Year 2015			
	Amount of temporary differences	Tax impact for IRES purposes (27,50% - 24,00%)	Tax impact for IRAP purposes (3,90%)	Total	Amount of temporary differences	Tax impact for IRES purposes (27,50% - 24,00%)	Tax impact for IRAP purposes (3,90%)	Total
DEFERRED TAX ASSETS								
Taxed provision for bad debts	6,062,815	1,455,076		1,455,076	5,391,297	1,293,911		1,293,911
Agents' leaving indemnity	461,876	110,850	18,012	128,862	465,310	111,674	18,147	129,821
Agents' leaving indemnity (2009)	355,766		13,875	13,875	358,339		13,975	13,975
Upgrading of Osoppo/San Giorgio Nogarò areas	1,100,000	264,000	42,900	306,900	1,100,000	264,000	42,900	306,900
Post-operative management of landfill					524,186	125,805	20,443	146,248
Depreciation, statutory/fiscal differences	816,619	195,989	31,848	227,837	816,619	195,989	31,848	227,837
Higher statutory depreciation	2,671,072	641,057		641,057				
Revaluations, depreciation	14,925,142	3,582,034	576,962	4,158,996	24,664,780	5,919,547	956,807	6,876,354
Interest on delayed payment - Nucor	1,107,664	265,839		265,839	955,398	262,734		262,734
Cassa per i Servizi Energetici e Ambientali	3,049,265	731,824	118,921	850,745				
Derivatives	148,615	35,668		35,668	14,980	3,595		3,595
Unrealised infra-group gains	1,058,727	254,094	41,290	295,384	1,131,990	276,062	44,148	320,210
Intercompany profits for goods in warehouse	2,543,242	699,392	99,186	798,578	2,497,302	686,757	97,395	784,152
Transition from Fifo to Lifo - Kovinar stocks	144,532	24,570		24,570				
Goodwill	196,800	47,232	7,675	54,907	530,400	138,971	20,686	159,657
Depreciation of financial debtors	2,000,000	480,000		480,000	1,000,000	240,000		240,000
B.S.T.G. and Pittini Stahl				93,482				8,212
Total deferred tax assets				9,831,776				10,773,606
DEFERRED TAX LIABILITIES								
Accelerated depreciation	206,761	49,623		49,623	783,210	187,970		187,970
Leases	691,378	165,930	26,964	192,894	707,045	169,691	27,575	197,266
Derivatives					53,358	12,806		12,806
Other provisions								9,350
Total deferred tax liabilities				242,517				407,392
ACE	593,896	163,321		163,321				

Use of the national tax consolidation credit from losses carried forward				1,039,969	285,991		285,991
TOTAL NET DEFERRED TAX ASSETS				9,752,580			10,652,205

OTHER INFORMATION

Information on the nature of the business of the Group companies can be found in the Board of Directors' report.

With reference to the most significant events occurred after the close of the financial year, in 2017, before the approval of the 2016 financial statements, the general meetings of the parent company and of Acciaierie di Verona S.p.A. resolved upon an increase of their respective share capitals; in particular, FIN.FER. S.p.A. resolved upon an increase for no consideration of euro 20 million, whereas Acciaierie di Verona S.p.A. resolved upon an increase for consideration of euro 10 million.

The balances resulting from the commercial and financial relationships between the parent company and its subsidiaries were elided for the purposes of consolidation; however, the balances between Acciaierie di Verona and the other consolidated companies related to the last months of 2015 were not elided. This results from time misalignment of the first financial year of Acciaierie di Verona, which exceeds 12 months.

The balances of Acciaierie di Verona S.p.A. that were not elided are as follows:

	Ferriere Nord S.p.A.	FIN.FER. S.p.A.
B.6) Costs for raw materials, ancillaries, consumables and goods	1,039,757	
B.7) Costs for services	72,049	
C.17) Interest and other financial expenses - parent companies		22,340
Total	1,111,806	22,340

During the year, no costs or revenues whose amount or incidence can be regarded as falling outside the normal course of business were recorded. At the year-end, there are no assets allocated for special deals.

Shareholders,

the shareholders' equity resulting from the financial statements exceeds euro 250.78 million, mostly referring to the Group.

The analysis and presentation of material events being completed, we inform you that the Financial Statements and Management Report as drafted will be filed with the Register of Companies pursuant to legal provisions in force.

Osoppo, 30th May 2017

The Chairman of the Board

Federico Pittini

The Directors

Ottavino Di Filippo

Vincenzo Chiari

Luigi De Puppi De Puppi

Mario Marino

RECLASSIFIED BALANCE SHEET

Values expressed in thousands of euro

CAPITAL EMPLOYED	31/12/2016	31/12/2015
Current operating assets		
Trade receivables	206,192	177,398
Other receivables	49,088	39,407
Inventories	201,519	156,307
Accrued income and prepaid expenses	2,844	1,147
	459,643	374,259
Current liabilities		
Trade payables	(250,607)	(179,368)
Other payables	(29,900)	(23,803)
Accrued liabilities and deferred income	(856)	(823)
	(281,363)	(203,994)
NET WORKING CAPITAL	178,280	170,265
Long-term liabilities		
Provision for taxes	(243)	(407)
Provision for employee severance indemnity	(15,172)	(10,134)
Other medium/long-term liabilities	(13,926)	(10,504)
	(29,341)	(21,045)
NET WORKING CAPITAL, NET OF LONG-TERM LIABILITIES	148,939	149,220
Other non-operating liabilities		
Revaluation of plants	(11,369)	(8,240)
Revaluation reserve	9,550	6,921
	(1,819)	(1,319)
Fixed assets		
Net tangible fixed assets	281,900	210,004
Net intangible fixed assets	1,168	939
Financial fixed assets	1,671	84,586
	284,739	295,529
NET CAPITAL EMPLOYED	431,859	443,430
R.O.I. (Return On Investment)		
EBIT/Net capital employed	6.3%	2.6%
Net short-term financial assets (liabilities)		
Cash, banks	68,531	75,791
Securities	24,106	12,852
Short-term financial payables	(98,617)	(139,289)
	(5,980)	(50,646)
Medium/long-term financial assets (liabilities)		
Medium/long term financial payables	(175,095)	(162,770)
	(175,095)	(162,770)
NET FINANCIAL INDEBTEDNESS	(181,075)	(213,416)
Net financial indebtedness/shareholders' equity	0.7	0.9
Shareholders' equity, minority interests	2,303	2,148
Shareholders' equity, Group	248,481	227,866
Shareholders' equity	250,784	230,014
R.O.E. (Return On Equity)		
Net income/Shareholders' equity	4.9%	0.8%
Net Working Capital	178,280	170,265
Net short-term financial assets (liabilities)	(5,980)	(50,646)
Total Net Financial Working Capital at year-end	172,300	119,619

RECLASSIFIED INCOME STATEMENT

Values expressed in thousands of euro

	31/12/2016	31/12/2015
Revenues from sales and services	1,027,935	898,035
	1,027,935	898,035
Cost of sales		
Consumption of raw material (net of change in inventories)	647,828	605,160
Industrial services	168,601	136,120
Personnel costs	80,829	58,204
Other industrial costs	6,937	2,405
Writedowns and industrial amortization and depreciation	44,783	32,306
Change in semi-finished and finished product inventories	(21,272)	(9,919)
Capitalization of internal production	(1,938)	(187)
	925,768	824,089
GROSS INDUSTRIAL MARGIN	102,167	73,946
Sales, administration costs and operating expenses		
Sales costs	58,623	49,803
Administration costs	6,132	3,796
Personnel costs	14,097	10,150
Amortization of deferred charges	555	433
Amortization of goodwill	0	0
Other sundry expenses (income)	(4,583)	(1,904)
	74,824	62,278
OPERATING MARGIN	27,343	11,668
Non operating income (expenses)		
Net financial income (expenses)	(5,251)	(4,365)
Exchange gains (losses)	(62)	9
Revaluations (writedowns) of financial assets	(4,067)	(1,184)
	(9,380)	(5,540)
Income before taxes and minority interests	17,963	6,128
Income taxes	(6,828)	(4,693)
Net income for the year	11,135	1,435
Net income, minority interests	(50)	(428)
NET INCOME, GROUP	11,185	1,863
EBIT (Earning Before Interests and Taxes)		
Income before extraordinary items and taxes	17,963	6,128
Net financial expenses	5,251	4,365
Net exchange losses (gains)	62	(9)
Writedowns (revaluations) of financial assets	4,067	1,184
EBIT (Earning Before Interests and Taxes)	27,343	11,668
EBIT/REVENUES	2.7%	1.3%
EBITDA (Earning Before Interests, Taxes, Depreciation and Amortization)		
EBIT	27,343	11,668
Amortization of goodwill	0	0
Amortization of deferred charges	555	433
Industrial depreciation	44,783	32,306
Provisions and writedowns	5,082	2,177
EBITDA	77,763	46,584
EBTIDA/REVENUES	7.6%	5.2%



INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the sole shareholder of
Fin. Fer. SpA

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Fin. Fer. SpA and its subsidiaries ("Fin. Fer. Group"), which comprise the balance sheet as of 31 December 2016, the income statement and statement of cash flows for the year then ended and related notes.

Directors' responsibility for the consolidated financial statements

The directors of Fin. Fer. SpA are responsible for the preparation of consolidated financial statements that give a true and fair view in compliance with the Italian laws governing the criteria for their preparation.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Legislative Decree No. 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In assessing those risks, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view, in order to plan and perform 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 the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: Ancona 60131 Via Sandro Totti 1 Tel. 0712132311 - Bari 70122 Via Abate Gumma 72 Tel. 0805640211 - Bologna 40126 Via Angelo Finelli 8 Tel. 0516186211 - Brescia 25123 Via Borgo Pietro Wuhler 23 Tel. 0303697501 - Catania 95129 Corso Italia 302 Tel. 0957532311 - Firenze 50121 Viale Gramsci 15 Tel. 0552482811 - Genova 16121 Piazza Piccapietra 9 Tel. 01029041 - Napoli 80121 Via dei Mille 16 Tel. 08136181 - Padova 35138 Via Vicenza 4 Tel. 049873481 - Palermo 90141 Via Marchese Ugo 60 Tel. 091349737 - Parma 43121 Viale Tanara 20/A Tel. 0521275911 - Pescara 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - Roma 00154 Largo Fochetti 29 Tel. 06570251 - Torino 10122 Corso Palestro 10 Tel. 011556771 - Trento 38122 Viale della Costituzione 33 Tel. 0461237004 - Treviso 31100 Viale Felissent 90 Tel. 0422696911 - Trieste 34125 Via Cesare Battisti 18 Tel. 0403480781 - Udine 33100 Via Poscolle 43 Tel. 043225789 - Varese 21100 Via Albuzzi 43 Tel. 0332285039 - Verona 37135 Via Francia 21/C Tel. 0458263001 - Vicenza 36100 Piazza Pontelandolfo 9 Tel. 0444393311

www.pwc.com/it



Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Fin. Fer. Group as of 31 December 2016 and of the result of its operations and cash flows for the year then ended in compliance with the Italian laws governing the criteria for their preparation.

Report on compliance with other laws and regulations

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

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion, as required by law, on the consistency of the report on operations, which is the responsibility of the directors of Fin. Fer. SpA, with the consolidated financial statements of the Fin. Fer. Group as of 31 December 2016. In our opinion, the report on operations is consistent with the consolidated financial statements of the Fin. Fer. Group as of 31 December 2016.

Udine, 14 June 2017

PricewaterhouseCoopers SpA

Signed by

Maria Cristina Landro
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers







BOARD OF DIRECTORS

Federico Pittini	- Chairman
Paolo Felice	- Chief Executive Officer
Luigi De Puppi De Puppi	
Lino Carrer	
Alberto Felice De Toni	
Andrea Floreani	

Statutory Auditors

Standing Members

Gianfranco Romanelli	- Chairman
Giuseppe Varisco	
Michele Del Fabbro	

Alternative Members

Claudio Sambri	
Alberto Maria Camillotti	

Ferriere Nord S.p.A.
33010 Osoppo (Udine) - Zona Industriale Rivoli
Share capital amounting to EUR 60.000.000 – fully paid-up
Registered with the Register of Companies of Udine,
tax and VAT identification number 00163780307
Company under the direction and coordination of Fin.Fer. S.p.A.

FERRIERE NORD S.P.A.

RDIRETORS' REPORT ON THE COMPANY AND FY 2016

Shareholders,

As a background to the detailed data of the financial statements, some factors in the national and international scenario must be explored, i.e. the performance of the steel industry.

1. NATIONAL AND INTERNATIONAL OUTLOOK

In 2016, the global economy grew by 3.1% in line with the previous year, but its pace was below the expectations. This was the result of a moderate growth in industrialized countries, i.e. their performance was below the level of the previous year, and growth was very low in emerging countries. The U.S., though in a framework of sound growth, had the worst performance rate since 2011, and performance in the Euro area continued to be weak.

The outcome of the referendum on Brexit has – for the first time – questioned the irreversible nature of the integration process, generating a temporary volatility in the markets that so far has had a negative impact on the economic outlook, though mid and long term effects in economic and political terms are still uncertain.

As a result of expansive monetary policies in many countries, global inflation is slightly on the rise, especially as energy prices have been increasing. Prices of non-oil raw material have risen for the first time after a five-year drop. Industrial metals benefitted from the increase of the demand from China and the production cuts in many mining companies in the previous two years.

Unfortunately, growth in Italy, i.e. 0.9%, was very sluggish, and it was mainly sustained by the strong drive of the monetary policy, the moderately expansive economic policy and still low oil prices. The GDP is still 7% below the level before the crisis, and the gap is more significant in Southern Italy. The economy, in particular manufacturing, is well below its potential.

2. TRENDS IN THE STEEL SECTOR

In 2016, the global production of raw steel increased by 0.8% up to 1.63 billion tons.

Though it announced a decrease in its manufacturing capacity, China further grew, exceeding 808 million tons on an annual basis with an increase of 1.2% over 2015. The share of China in the total production of raw steel rose from 49.4% to 49.6% in 2016.

Europe lost 2.3% over 2015. In Germany, the production of raw steel, with a total of 42.1 million tons, dropped by 1.4%. Italy totalled 23.3 million tons with an increase of 6% over 2015. Manufacturing capacity use rate amounted to 60.5%, decreasing by 7.6% over the global average.

The manufacturing of long forged steel products, such as rounds for reinforced concrete and wire rod, i.e. the company business, grew by 6.6%, rising to 7.30 million tons from 6.85 million tons in 2015. However, apparent consumption in the national market of steel long product slightly dropped in 2016, going from 5.25 to 5.20 million tons. This trend is the result of the decrease of rounds for reinforced concrete, with a drop exceeding 9% over the previous year.

In 2016, the increase in the exports in Italy continued, the overall increase exceeded 15%, going from 2.6 million tons to over 3 million tons. This trend is the result of the substantial growth in sales in UE countries, exceeding 1.2 million tons, i.e. an increase of 39% over 2015.

3. ECONOMIC AND FINANCIAL PERFORMANCE OF THE COMPANY'

In 2016, income amounted to 821 million euro, with a drop of 2.5% vs. 842 million euro in the previous year. This is the result of the performance of average prices decreasing by over 6%, which was in part off-set by the positive trend in sales volumes increasing by 2%. This trend in prices is due to the substantial competitive pressure resulting from the surplus of the global manufacturing capacity, especially in the first semester.

The contribution margin increased as a result of the positive performance of volumes and the efficiency that was achieved with the investments in plants that in turn resulted into a considerable unit processing cost decrease. It should also be noted a lower incidence of energy costs as a result of the decrease in the price average of electricity and natural gas.

Depreciations and provisions amount to 39.8 million tons vs. 31.9 million euro in 2015.

The balance of financial income and expenses, including adjustments to financial assets, was negative by 5.3 million euro vs. 4.9 million euro in the previous year.

The profit for the year, net of current and deferred taxes, amounted to 10.6 million euro vs. 0.6 million euro in 2014.

Net financial debts as at 31.12.2016 totalled 57.6 million euro vs. 116.1 million euro in the previous year. The significant improvement is the result of the self-financing of the year, exceeding 58.9 million euro. It should also be noted the good performance of the working capital generating 22.2 million euro.

In 2016, investments grew substantially to increase production efficiency in a number of plants. Additionally, in line with the vision of Pittini Group, the environment and safety plan implementation continued. In 2016, total net investments in tangible assets amounted to 21.4 million euro vs. 20.8 million in the previous year.

4. REVALUATION pursuant to article 1, paragraphs 556-563, of law no. 232/2016

With reference to revaluation of tangible assets pursuant to article 1, paragraphs 556-563, of law no. 232/2016, we obtained the relevant information and we commissioned an appraisal to an external expert. Therefore, we decided to revalue the following consistent category of assets:

- Tangible assets belonging to the “Automatic equipment” category at all manufacturing sites of Ferriere Nord in Osoppo and Potenza, especially with reference to the years: 2003, 2004, 2011 and 2014.

The criteria of “current use value” or “market value on an ongoing use basis” was applied. Prudentially, a net revaluation of 11,369,530 was performed and the accounting method requiring the cancellation of depreciation provisions at 31st December 2016 (see OIC – Interpretative document 3 – paragraph 3) was adopted.

The values attributed to each automatic equipment are consistent with their use in the manufacturing cycle and they do not exceed the values that can be reasonably obtained, also in case of disposal.

Pursuant to article 11 of law 342/2000, as referred to in law 208/2015, we certify that the values disclosed in the financial statements, as revaluated, do not exceed the values that can be actually attributed to assets taking into account their size, production capacity, actual economic use and current values, as confirmed by the estimate made by the appointed independent expert.

Following revaluation, which has also tax implications, a special reserve on which tax has been deferred was set aside (9,550,405 euro, net of lieu tax, which is subject to the provisions laid down in article 13 of law 342/2000 as referred to in law 208/2015); with reference to the said reserve on which tax has been deferred no provisions for deferred taxes were set aside because the reserve will not be distributed. Therefore, the global impact on shareholders’ equity is 9,550,405 euro.

5. INFORMATION ON STAFF, INFORMATION SYSTEMS AND THE ENVIRONMENT

Staff:

At 31.12.2016, the staff included 948 members (out of which 89 with fixed-term contracts), i.e. an increase of 18 units compared with December 2015; the yearly average number of staff members is 944 people, i.e. an increase of 25 people over the previous year. There was a sensible decrease in the use of redundancy arrangements (42.090 hours vs. 75,240 hours in 2015).

As usually, upon the initiative of the Parent Company and the General Management, starting from the assumption that skills and competences are fundamental strategic assets for the companies of Pittini Group, as in previous years, all staff members from plants and central functions were involved in extensive and continuous training activities.

In particular, throughout the year, training activities involved the staff as a whole (globally over 13,500 hours). The topics were: safety, prevention, protection, maintenance and innovation of systems and processes, technical and professional updating, maintenance and plant innovation.

All training initiatives were managed by the corporate school (Officina Pittini per la Formazione – OPF), an accredited training body which is responsible both identification and analysis of training needs and design and implementation of a number of teaching activities. The permanent corporate training plan, named “la Cultura dell’acciaio” (Steel Culture), included technical topics as well as management on the identification of KPIs, communication, relation management and negotiation.

At the same time, OPF continues to foster synergies with the school system of Friuli Venezia Giulia and Basilicata as well as major schools and universities and the Board of engineers of the Province of Udine.

In particular, the 24th edition of the “Alternanza Scuola Lavoro” (School to Work Transition) project was also launched in the plant in Potenza in 2016. Since 2005, this project has been involving about 515 students, 65 over the previous year. Many of them are now working at Ferriere Nord. In addition, the company is always committed to the M.I.T.S. Foundation for the provision of two-year non-university tertiary teaching courses focused on the “mechatronic worker”, a profile which is based on our specific recruiting requirements.

Finally, a training action was launched at the plant in Potenza in line with the Solidarity Agreement, this project is name “Una formazione ferrea” (“Cast-iron training”) to enhance HR skills for all staff members. The training plan launched in 2016 includes over 7,000 hours of training, part of which are considered “solidarity” hours, and it aims at enhancing professional skills of all staff members to increase independence, awareness and accountability in their roles with process optimization procedures in the company.

IT systems:

As for information systems, the main activities performed in 2016 were as follows:

- Administration software on plant maintenance;
- Pilot project on the Qlik platform in business intelligence;
- Analysis and software selection, MES system for ironwork processing plants;
- Legal filing of sales invoices and HR register;
- Portal for the suppliers of raw material;
- Platform on the coding of auxiliary material;
- Software selection, administration and planning of energy needs;

- Mail system in hybrid environment and other cloud services;
- Launch of advance security systems – application firewall and revers proxy
- Portal for the staff
- Network traffic form for client endpoints (mobile users)
- Penetration tests to identify vulnerabilities from attacks and relevant remediation actions
- Launch of the filing and document search platform for environmental, quality and safety procedures.

Environment and Safety

a) Environmental and safety certification.

The SGSA (Safety and Environmental Management System) enables the company to constantly improve environmental, safety and energy management. The plant in Osoppo is certified by IGQ according to UNI EN ISO 14001 environmental requirements, OHSAS 18001 safety requirements and UNI EN ISO 50001 energy requirements. The plant in Potenza is certified by IGQ according to UNI EN ISO 14001 environmental requirements. Inspections are carried out by the certification body on a yearly basis at each plant. The system is inspected for renewal every three years. In Osoppo the Zero Waste Water project aimed at reducing water consumption and significantly decreasing industrial releases continued.

b) AIA – (Environmental Integrated Authorisation).

Following the application for AIA review submitted in December 2014, the FVG Region authorised the activity of the plant in Osoppo by order no. 1656/AMB of 16/9/2015, as subsequently amended.

On 21 July 2016, the Court of Potenza repealed the attachment order on the plant in Potenza, providing for full availability of the plant that was under an attachment order since 2014 on emissions.

c) CO2 emissions in 2013-2020

In March 2017 the IGQ review on the report of annual emission for the year 2016 from the plants in Osoppo and Potenza was successfully completed. The period 2013-2020 is characterised by more stringent methods to detect emissions for all materials. In this context, the laboratory at Ferriere Nord was accredited in 2015 by ACCREDIA to perform tests on carbon content in some materials.

6. RESEARCH AND DEVELOPMENT

In 2016, the company invested over 25,638 hours in analysis, research and development activities for innovative products and processes in its production areas as well as in the environmental field.

Special efforts were made in the development of production processes, especially on the optimisation and sustainability of the environment, focusing on testing of prototype equipment for which a patent application was filed in 2009.

With reference to the various plants, many concept analysis and research activities were performed, including feasibility studies, co-design and development and testing of technology with innovating contents to gain a competitive advantage over the market and our competitors.

At the plant in Osoppo, development actions on the casting foundry and the continuous casting equipment as well as on automation systems on scraps, focussing on increasing productivity and efficiency in energy consumption.

At the rolling plant, the projects launched in previous years continued on the welding process of billets and the re-engineering of the thermal treatment line was completed.

Lastly, the manufacturing unit in Potenza launched some new research lines on the enhancement of the continuous casting equipment and the actions on development and testing of special functional technological solutions to update the rolling line and improve steel working processes were further pursued.

These activities were supplemented by those funded by the EU programme (RFCS – Research fund for coal and steel), among which the most important ones still under way are:

NEWREBAR: research, study, design and testing of special dual phase steels for bars with higher mechanical performance and corrosion resistance.

SHELLTHICK: development of an analysis stems on metal solidification to improve the continuous casting process.

In 2016, actions on previous EU programmes from 2013 and 2014 were completed:

MELTCON: engineering and development of a continuous measurement system for process conditions, temperature and carbon values at the electric-arc melting furnace to optimise the control point.

THERELEXPRO: study and development of heat-recovery methods leveraging on low-temperature heat disposal from steelwork processes.

GREENEAF 2: extensive experimentation in EAF to use coals from biomasses, which as regarded as zero-emission sources within the framework of the Emission Trading system.

Finally, in the relevant financial year, the Company successfully applied for the following projects:

OXYMON is financed under the EU RFCS fund, and activities will be launched in 2017: in line with the recently completed MELTCON project, the objective is to study and optimise the efficiency of a range of chemical energy sources, introduced in the EAF furnace by continuously monitoring the process.

SRS – intelligent system on steel slab processing in the framework of the regional operating programme under the European Regional Development Fund 2014-2020 of the Friuli-Venezia Giulia Region – action 1.3.a – already launched in 2016: the objective is to study new solidification, handling

and processing systems for steel slabs, focussing on slabs from the refining process. The aforementioned research and innovation expenses incurred into in 2016 which can be taken into consideration for the purposes of research and development taxation debtors (law 190/2014) pursuant to Ministerial Decree of 27th May 2015 amount to euro 2,164,098.97. The share exceeding the average for the years 2012/2014 will enable the company to gain a taxation benefit of euro 259,000, as disclosed in the P&L account, item "other income, tax credits".

As for the patent on "Apparato di iniezione" ("injection equipment"), the Company opted for the reduced income taxation regime for the use of intangible assets pursuant to article 1, clauses 37 to 45, of law 190 of 23rd December 2014 as transposed by Ministerial Decree of 30th July 2015 (the so-called Patent Box regime); it filed an integration application in 2016, which is still pending as the pre-emptive agreement with the financial administration (ruling) has not been launched yet.

R&D activities will continue in 2017. We believe that the successful outcome of these innovations will result into an increased corporate competitiveness with a positive impact on profits.

7. INFORMATION PURSUANT TO ARTICLE 2428, PAR. 3-4, OF THE ITALIAN CIVIL CODE

The company does not hold any own shares and no own shares were purchased or disposed of directly or through trust companies.

8. INFORMATION PURSUANT TO ARTICLE 2428, PAR. 2, ITEM 6-BIS, OF THE ITALIAN CIVIL CODE

With reference to the provisions laid down in art. 2428, par. 2, item 6-bis, of the Italian Civil Code, it is worth stressing the following:

Credit risk:

The Company is covered with a national and international credit risk policy with a primary international insurance company.

The company directly manages the commercial risk towards its domestic customers by assigning each of them a specific rating. This risk is constantly monitored according to formalised procedures for the selection and assessment of customers, determination of credit limits, check of expected collection flows and debt collection actions, if any. Under some circumstances, it requires additional guarantees, mainly sureties, from customers.

As for foreign customers, except for some special cases, according to its general policy, the company does not take any risk and covers supplies with letters of credit or bank guarantees and/or guarantees provided by customers. Thanks to these procedures, the company controls its credit risk, which is however globally marginal.

Liquidity risk:

The liquidity risk is the risk that the financial means required to meet payment obligations resulting from ordinary activities, investment activities and maturities of financial instruments are not available.

In order to monitor and manage this risk, the company adopts specific policies and procedures, including centralised management of financial debts and liquidity, identification of providers of medium- and long-term financial resources on the capital market, provision of short-term credit lines to largely obtain the margins for manoeuvre required in the light of its working capital and financial flows.

The company has mid-term bank credit lines on current financing transactions; the short-term credit lines cover its working capital financing and other operating needs.

It should be noted that:

- the company does not hold any financial assets for which there is no liquid market,
- there are debt instruments or other credit lines to meet its liquidity needs; unused credits are significant,
- its medium- and long-term financial debt is fully governed by floating rates (Euribor at 6 and 3 months),
- The positive results obtained from the previous securitisation plan led the company to start a new securitisation plan in May 2014 with the same structure and counterparts. Pursuant to the sub-servicer agreement, Ferriere Nord S.p.A. is again the servicer of the new special-purpose vehicle and continues to manage assigned claims, including recovery and collection.

For those reasons, the liquidity risk is very limited.

Exchange rate risk:

There are substantially no trade receivables in foreign currencies; as for amounts owed to suppliers in foreign currencies, their extent is marginal and, according to its policy, the company partially covers this exposure through US \$ derivative contracts.

In general, financial instruments are managed according to the experience gained by the company.

Market risk:

Market risks, i.e. resulting from changes in the levels of selling and purchasing prices against current commitments, are largely mitigated by a short operating cycle.

Safety and environmental risks:

The company adopted all necessary protection and monitoring measures in the field of safety and the environment and it complies with all applicable regulations for the prevention of such risks.

An especially designed unit continuously monitors and controls the severity of such risks, applies the requirements provided for by national and Community regulations in force, promotes improvement initiatives, allocates the relevant financial resources and certifies the overall situation in a final auditing report.

Safety and environment management policies are assessed on a yearly basis by competent external certification organisation, IGQ that has certified that the policies adopted by the company are appropriate taking into account its system and compliant with regulations.

At any rate, the company entered into insurance policies to cover damage to third parties and the environment, whose insured sums are deemed appropriate by the parent company according to the assessment of the relevant risks.

9. PREDICTABLE MANAGEMENT TRENDS

High volatility in the steel sectors results into an increase in prices of some raw material, especially scraps, and this is only partially included in the sale price of finished products.

The latest data show that economic growth will progressively increase and become sound. Monetary policy measures support domestic demand and recovery in investments continue to benefit from very favourable financing conditions.

Expected growth in building and construction sector unfortunately continues to be below 1%. The only growing area for investments is the refurbishment of residential units; however, this is not enough to properly sustain the steel sector. In this scenario, the domestic market is still expected to be very sluggish in 2017 and sale prices are still under strong pressures as a result of the surplus in the manufacturing capacity.

At any rate, the Company is still focussed on reinforcing its shares in foreign markets, leveraging on its leading position in Central and Eastern European countries and the take-overs of foreign entities that the Group has performed in recent years as well as penetration on other and more remote markets.

Sales in Q1 of this year reached 285 million euro, increasing by 28% vs. 222 million of Q1 2016. This increase is the result of favourable sale price trends and in part the increase in sales.

In line with the forecasts on 2017, considering the extreme market volatility, the turnover is expected to be in line with 2016.

The Company regularly monitors all areas to contain manufacturing costs and it invests in new technologies and innovative industrial processes. Therefore, it's competitive in markets that are increasingly affected by global trends.

Finally, as a result of the acquisition in December 2015 by Acciaierie di Verona S.p.A. of the business branch of Verona da Riva Acciaio S.p.A., the expected industrial and commercial process and development synergies have been achieved.

In particular, this will further and significantly increase the commercial, logistic and manufacturing integration.

10. DATA PROTECTION REQUIREMENTS

The policy paper on safety was updated and is kept by the company in accordance with the relevant legal provisions.

Shareholders,

In the light of the above report and the presentation of the corporate business, you are called upon to adopt the financial statements and the Directors' report, as drafted and resulting into a net profit of 10,089,312 euro, with the following draft allocation:

- 5%, i.e. 504,466 euro as legal reserve
- The remaining amount, i.e. 9,584,846 euro as extraordinary reserve.

Osoppo, 30th May 2017

Chairman of the Board of Directors
Federico Pittini

The Directors
Luigi De Puppi De Puppi
Alberto Felice De Toni
Paolo Felice
Lino Carrer
Andrea Floreani

FERRIERE NORD S.P.A. - FINANCIAL STATEMENTS AT 31ST DECEMBER 2016

BALANCE SHEET

Values expressed in euro

ASSETS	31/12/2016	31/12/2015
A) SUBSCRIBED CAPITAL UNPAID		
To call	0	0
Called	0	0
Total subscribed capital unpaid A)	0	0
B) FIXED ASSETS		
I Intangible fixed assets		
1) start-up and expansion expenses	0	0
2) development costs	0	0
3) industrial patent rights and intellectual property rights	80,104	49,510
4) concessions, licenses, trademarks and similar rights	0	0
5) goodwill	0	0
6) assets under construction and advance payments	43,000	0
7) other intangible fixed assets	441,159	713,468
total I	564,263	762,978
II Tangible fixed assets		
1) land and buildings	76,200,403	74,443,547
2) plants and machinery	79,366,118	78,186,748
3) industrial and commercial equipment	712,950	760,219
4) other tangible fixed assets	1,755,164	2,142,502
5) assets under construction and advance payments	10,293,112	14,782,748
total II	168,327,747	170,315,764
III Financial fixed assets		
1) equity investments in		
a) subsidiaries	0	0
b) associates	0	0
c) parent companies	0	0
d) companies controlled by parent companies	0	0
d-bis) other companies	82,142	2,271,142
total 1)	82,142	2,271,142
2) receivables from		
a) subsidiaries		
Falling due within 12 months	0	0
Falling due beyond 12 months	0	0
total a)	0	0
b) associates		
Falling due within 12 months	0	0
Falling due beyond 12 months	0	0
total b)	0	0
c) parent companies		
Falling due within 12 months	0	0
Falling due beyond 12 months	0	0
total c)	0	0
d) companies controlled by parent companies		
Falling due within 12 months	0	0
Falling due beyond 12 months	0	0
total d)	0	0
d-bis) other companies		
Falling due within 12 months	0	0
Falling due beyond 12 months	800,991	86,029
total d-bis)	800,991	86,029
total 2)	800,991	86,029
3) other securities	0	0
4) financial derivative assets	0	0
total III	883,133	2,357,171
Total fixed assets B)	169,775,143	173,435,913

C) CURRENT ASSETS		
I Inventories		
1) raw materials, ancillary and consumables	49,719,235	47,419,600
2) work in progress and semi-finished products	18,898,598	22,300,858
3) construction contracts, work in progress	0	0
4) finished products and goods	68,618,275	67,796,935
5) Advance payments	0	0
total I	137,236,108	137,517,393
II Receivables		
1) from customers		
Falling due within 12 months	118,526,996	132,091,811
Falling due beyond 12 months	0	0
total 1)	118,526,996	132,091,811
2) from subsidiaries		
Falling due within 12 months	0	0
Falling due beyond 12 months	0	0
total 2)	0	0
3) from associates		
Falling due within 12 months	0	0
Falling due beyond 12 months	0	0
total 3)	0	0
4) from parent companies		
Falling due within 12 months	4,322,814	2,576,819
Falling due beyond 12 months	0	0
total 4)	4,322,814	2,576,819
5) from companies controlled by parent companies		
Falling due within 12 months	34,263,390	33,072,557
Falling due beyond 12 months	0	0
total 5)	34,263,390	33,072,557
5-bis) tax receivables		
Falling due within 12 months	3,526,479	3,635,274
Falling due beyond 12 months	797,266	1,405,020
total 5-bis)	4,323,745	5,040,294
5-ter) deferred tax assets		
Falling due within 12 months	0	0
Falling due beyond 12 months	7,612,651	9,183,789
total 5-ter)	7,612,651	9,183,789
5-quater) from others		
Falling due within 12 months	25,506,884	17,530,314
Falling due beyond 12 months	495,042	1,873,557
total 5-quater)	26,001,926	19,403,871
total II	195,051,522	201,369,141
III Current financial assets		
1) investments in subsidiaries	0	0
2) investments in associates	0	0
3) investments in parent companies	0	0
3-bis) investments in companies controlled by parent companies	0	0
4) other investments	0	0
5) financial derivative assets	0	0
6) other securities	24,102,070	12,845,081
7) financial assets for central treasury management	17,229,924	14,690,734
total III	41,331,994	27,535,815
IV Cash and cash equivalents		
1) bank and postal deposits	64,063,223	71,257,775
2) cheques	0	0
3) cash	24,467	22,178
total IV	64,087,690	71,279,953
Total current assets C)	437,707,314	437,702,302
D) ACCRUALS AND PREPAYMENT	2,557,841	856,575
Total assets	610,040,298	611,994,790

LIABILITIES	31/12/2016	31/12/2015
A) SHAREHOLDERS' EQUITY		
I Share capital	60,000,000	60,000,000
II Share premium reserve	0	0
III Revaluation reserves	71,497,632	61,919,867
IV Legal reserve	7,239,435	7,209,031
V Statutory reserves	0	0
VI Other reserves		
- extraordinary reserve	68,240,378	67,662,701
- other reserves	0	0
total VI	68,240,378	67,662,701
VII Expected cash flow hedging reserves	0	0
VIII Retained earnings (losses)	0	0
IX Profit (loss) for the year	10,089,312	608,081
X Reserve for own shares	0	0
Total equity A)	217,066,757	197,399,680
B) PROVISION FOR RISKS AND CHARGES		
1) provisions for pensions and similar obligations	1,054,817	1,000,630
2) provisions for taxation		
a) taxes	0	0
b) deferred taxes	49,623	187,970
3) financial derivative liabilities	0	0
4) other provisions for contingencies and other charges	4,149,265	1,624,185
Total provision for contingencies and other charges B)	5,253,705	2,812,785
C) EMPLOYEE SEVERANCE INDEMNITIES	6,653,228	7,016,829
D) DEBT AND OTHER PAYABLES		
1) bonds		
Falling due within 12 months	0	0
Falling due beyond 12 months	0	0
total 1)	0	0
2) convertible bonds		
Falling due within 12 months	0	0
Falling due beyond 12 months	0	0
total 2)	0	0
3) Loans from shareholders'		
Falling due within 12 months	0	0
Falling due beyond 12 months	6,000,000	10,000,000
total 3)	6,000,000	10,000,000
4) Payables to banks		
Falling due within 12 months	23,404,672	34,477,840
Falling due beyond 12 months	75,870,137	87,071,038
total 4)	99,274,809	121,548,878
5) Payables to other lenders		
Falling due within 12 months	48,024,682	66,173,123
Falling due beyond 12 months	0	0
total 5)	48,024,682	66,173,123
6) Advances		
Falling due within 12 months	693,425	1,737,513
Falling due beyond 12 months	0	0
total 6)	693,425	1,737,513

7) Trade payables		
Falling due within 12 months	182,661,692	164,266,523
Falling due beyond 12 months	0	0
total 7)	182,661,692	164,266,523
8) Trade note issued		
Falling due within 12 months	0	0
Falling due beyond 12 months	0	0
total 8)	0	0
9) Payables to subsidiaries		
Falling due within 12 months	0	0
Falling due beyond 12 months	0	0
total 9)	0	0
10) Payables to associates		
Falling due within 12 months	0	0
Falling due beyond 12 months	0	0
total 10)	0	0
11) Payables to parent companies		
Falling due within 12 months	4,990,785	6,542,447
Falling due beyond 12 months	0	0
total 11)	4,990,785	6,542,447
11-bis) Payables to companies controlled by parent companies		
a) amounts due for central treasury management		
Falling due within 12 months	9,695,921	17,205,705
Falling due beyond 12 months	0	0
b) other payables		
Falling due within 12 months	10,441,499	551,796
Falling due beyond 12 months	0	0
total 11-bis)	20,137,420	17,757,501
12) Payables tax		
Falling due within 12 months	4,700,724	3,554,798
Falling due beyond 12 months	0	0
total 12)	4,700,724	3,554,798
13) Social security and welfare institutions payables		
Falling due within 12 months	2,820,486	2,563,669
Falling due beyond 12 months	0	0
total 13)	2,820,486	2,563,669
14) Other payables		
Falling due within 12 months	11,631,807	10,433,168
Falling due beyond 12 months	0	0
total 14)	11,631,807	10,433,168
Total creditors D)	380,935,830	404,577,620
E) ACCRUALS AND DEFERRALS	130,778	187,876
Total liabilities and shareholders' equity	610,040,298	611,994,790

INCOME STATEMENT

	31/12/2016	31/12/2015
A) PRODUCTION VALUE		
1) revenues from sales and services	820,847,471	841,503,905
2) changes in inventories		
work in progress	0	0
semi-finished products	(3,402,260)	6,760,038
finished products	821,340	4,582,847
total 2)	(2,580,920)	11,342,885
3) changes in construction contracts work in progress	0	0
4) increases in fixed assets from internal production	1,678,733	178,729
5) other revenues and income		
other income	4,909,724	2,920,672
revenue grants	547,767	817,669
total 5)	5,457,491	3,738,341
Total production value A)	825,402,775	856,763,860
B) PRODUCTION COSTS		
6) raw materials, subsidiary materials, consumables and goods	535,712,569	586,179,994
7) services	171,978,268	172,405,029
8) leases and rentals	2,771,644	1,883,266
9) personnel		
a) salaries and wages	39,017,443	36,676,636
b) social security	12,954,060	12,545,457
c) employee severance indemnity	2,748,391	2,538,061
d) pensions and similar	0	0
e) other costs	358,690	281,432
total 9)	55,078,584	52,041,586
10) amortisation, depreciation and writedowns		
a) amortisation of intangible assets	390,573	400,076
b) depreciation of tangible assets	34,774,332	29,587,018
c) other writedowns of fixed assets	0	0
d) Writedown of current receivables and cash and cash equivalents	1,555,211	1,928,879
total 10)	36,720,116	31,915,973
11) changes in inventories		
raw materials	(3,951,249)	4,701,745
ancillaries	2,397,602	(512,522)
consumables	(745,988)	(1,916,566)
goods	0	0
total 11)	(2,299,635)	2,272,657
12) provision for risks and other charges	3,049,265	0
13) other provisions	0	0
14) other operating expenses	1,134,531	1,109,518
Total production costs B)	804,145,342	847,808,023
Difference between production value and costs (A - B)	21,257,433	8,955,837
C) FINANCIAL INCOME AND EXPENSES		
15) Income from equity investments in:		
subsidiaries	0	0
associates	0	0
parent companies	0	0
companies controlled by parent companies	0	0
other companies	0	0
total 15)	0	0

16) other financial income		
a) from receivables held as financial fixed assets		
subsidiaries	0	0
associates	0	0
parent companies	0	0
companies controlled by parent companies	0	0
other companies	0	0
b) from securities held as financial fixed assets other than equity investments	0	0
c) from securities held as current assets other than equity investments	335,502	641,113
d) income other than above, from:		
subsidiaries	0	0
associates	0	0
parent companies	0	0
companies controlled by parent companies	84,634	122,968
others	786,437	950,242
total 16)	1,206,573	1,714,323
17) interest and other financial expenses from:		
subsidiaries	0	0
associates	0	0
parent companies	(270,551)	(930,221)
companies controlled by parent companies	(310,862)	0
others	(3,727,857)	(4,565,884)
total 17)	(4,309,270)	(5,496,105)
17-bis) foreign currency exchange gains and losses	(48,613)	7,838
Total financial income and expenses (15 + 16 - 17) C)	(3,151,310)	(3,773,944)

D) ADJUSTMENTS TO FINANCIAL ASSETS AND LIABILITIES		
18) revaluations of		
a) equity investments	0	0
b) financial fixed investments other than equity investments	0	0
c) securities held as current assets other than equity investments	72,109	1,583
d) financial derivative instruments	0	0
total 18)	72,109	1,583
19) writedowns of		
a) equity investments	(2,189,000)	(1,155,000)
b) financial fixed investments other than equity investments	0	0
c) securities held as current assets other than equity investments	0	0
d) financial derivative instruments	0	0
total 19)	(2,189,000)	(1,155,000)
Total adjustments to financial assets and liabilities (18 - 19) D)	(2,116,891)	(1,153,417)

Result before taxes (A - B +/- C +/- D)	15,989,232	4,028,476
20) income taxes for the financial year		
a) current taxes	(4,467,129)	(4,863,914)
b) deferred and prepaid taxes	(1,432,791)	1,443,519
total 20)	(5,899,920)	(3,420,395)
21) PROFIT (LOSS) FOR THE FINANCIAL YEAR	10,089,312	608,081

CASH FLOW STATEMENT

Values expressed in euro

A) CASH FLOWS FROM OPERATIONS (INDIRECT METHOD)	31/12/2016	31/12/2015
Profit (loss) for the year	10,089,312	608,081
Income taxes	5,899,920	3,420,395
Interest expenses/(interest income)	2,102,697	2,781,782
(Dividends)		
(Gains)/losses from disposal of assets		
1. Profit (loss) for the financial year before income tax, interest, dividends and gains/losses from disposals	18,091,929	6,810,258
Adjustments to non-monetary items with no counterparts under net working capital	3,410,112	342,928
Provisions to funds	35,164,905	29,987,094
Depreciation of fixed assets	2,189,000	1,155,000
Depreciation for permanent impairment		
Adjustment to financial assets and liabilities for financial derivative instruments with no monetary movements		
Other adjustments to non-monetary items		
Total adjustments to non-monetary items with no counterparts under net working capital	40,764,017	31,485,022
2. Cash flows before net working capital changes (self-financing)	58,855,946	38,295,280
Changes in net working capital		
Decrease/(increase) in inventories	281,285	(9,070,228)
Decrease/(increase) in trade receivables	12,373,982	26,232,781
Increase/(decrease) in trade payables	28,284,872	(23,934,907)
Decrease/(increase) in accrued income and prepaid expenses	(1,701,266)	(64,334)
Decrease/(increase) in accrued liabilities and deferred income	(57,098)	(22,803)
Other changes in net working capital	(16,950,777)	14,702,286
Total other changes in net working capital	22,230,998	7,842,795
3. Cash flow after changes in net working capital	81,086,944	46,138,075
Other adjustments		
Interest collected/(paid)	(2,102,697)	(2,781,782)
(Income taxes paid)	(4,467,129)	(4,863,914)
Dividends collected		
(Use of funds)	(1,194,447)	(1,561,673)
Other collections/payments		
Total other adjustments	(7,764,273)	(9,207,369)
Cash flows from operations (A)	73,322,671	36,930,706
B. CASH FLOWS FROM INVESTMENTS		
Tangible assets		
(Investments)	(23,956,110)	(22,597,352)
Disinvestments	2,539,325	1,833,680
Intangible assets		
(Investments)	(191,858)	(190,027)
Disinvestments	0	0
Financial assets		

(Investments)	(716,162)	(2,100)
Disinvestments	1,200	5,655
Financial assets not held as fixed assets		
(Investments)	(19,139,678)	(9,819,371)
Disinvestments	5,343,499	9,628,250
(Acquisitions of business branches net of cash and cash equivalents)		
Disposals of business branches net of cash and cash equivalents		
Cash flows from investments (B)	36,119,784	21,141,265
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Cash flows from financing activities		
Increase (decrease) in short-term bank payables	(11,073,168)	7,642,279
Granting of loans	25,000,000	60,000,000
(Repayment of loans)	(36,200,901)	(32,453,391)
Increase (decrease) in short-term amounts due to other providers of funds	(18,148,441)	(11,049,614)
Increase (decrease) in short-term amounts due to shareholders	(4,000,000)	(20,000,000)
Own means		
Capital increase for consideration		
(Repayment of capital)		
Disposal (purchase) of own shares		
(Dividends (and advances on dividends) paid)		
Other changes in shareholders' equity	27,360	96,944
Cash flows from financing activities(C)	(44,395,150)	4,236,218
Increase (decrease) in cash and cash equivalents (A ± B ± C)	(7,192,263)	20,025,659
Cash and cash equivalents at the beginning of the year	71,279,953	51,254,294
out of which:		
Post and bank deposits	71,257,775	51,236,973
Cheques	0	0
Cash (money and notes)	22,178	17,321
Cash and cash equivalents at the end of the year	64,087,690	71,279,953
out of which:		
Post and bank deposits	64,063,223	71,257,775
Cheques	0	0
Cash (money and notes)	24,467	22,178

FERRIERE NORD S.P.A.

NOTES TO THE FINANCIAL STATEMENTS AT 31ST DECEMBER 2016

Ferriere Nord S.p.A., which has a subscribed and paid-in share capital of euro 60,000,000 (sixty million) and whose registered office is in Osoppo (UD) – Zona Industriale Rivoli, was incorporated on 23/05/1970 as attested by Notary Rodolfo Ridolfi of the Udine and Tolmezzo Register of Notaries, index no. 42559, and is registered with the Udine Chamber of Commerce (CCIAA) under tax code 00163780307 and REA code 117431.

Since its incorporation, it has been a producer of electro-welded products for the construction industry (wire, electro-welded wire mesh and lattice girders) and has gradually widened its production capacity both through investments in technologically advanced systems to improve productivity in its core business sector and diversification and integration of the production cycle.

Ferriere Nord S.p.A. belongs to a group of companies controlled by FIN.FER. S.p.A., based in Osoppo (UD), which is highly integrated on an economic and manufacturing level and, as will be seen hereunder, includes the following operating companies: S.I.A.T. Società Italiana Acciai Trafilati S.p.A., based in Gemona del Friuli (UD), La Veneta Reti S.r.l., based in Loreggia (PD), Pittini Stahl G.m.b.H., based in Bad Aibling (Germany), Kovinar D.o.o., based in Jesenice (Slovenia), B.S.T.G. G.m.b.H., based in Linz (Austria) and the newly established company Acciaierie di Verona S.p.A., based in Osoppo (UD).

The financial statements for the year ended 31 December 2016, of which these Notes and the Cash Flow Statement form an integral part pursuant to article 2423, clause 1, are in line with duly kept accounting records and were drafted in accordance with articles 2423-ter, 2424, 2424-bis, 2425, 2425-bis, 2425-ter and the accounting standards contemplated in article 2423-bis, clause 1.

There were no exceptional cases warranting exemption under article 2423, clause 5.

The key figures from the last approved financial statements of FIN.FER. S.p.A., which provides direction and coordination for Ferriere Nord S.p.A. and which draws up consolidated financial statements, are as follows:

BALANCE SHEET		
<i>Values are expressed in euro.</i>		
ASSETS	31/12/2015	31/12/2014
A) Subscribed capital unpaid	0	0
B) Fixed assets	320,241,455	253,510,410
C) Current assets	10,795,343	14,808,441
D) Accruals and deferrals	71,883	69,126
Total assets (A + B + C + D)	331,108,681	268,387,977
LIABILITIES	31/12/2015	31/12/2014
A) Shareholders' equity		
Share capital	30,000,000	30,000,000
reserves	195,973,701	187,782,003
Profits (losses) carried forward	0	0
Profit (loss) for the financial year	1,863,146	3,186,334
B) Provisions for contingencies and other charges	0	0
C) Employee severance indemnity	194,425	231,752
D) Payables	102,467,756	46,584,832
E) Accruals and deferrals	609,653	603,056
Total liabilities and shareholders' equity (A + B + C + D + E)	331,108,681	268,387,977
INCOME STATEMENT	31/12/2015	31/12/2014
A) Production value	5,407,564	6,618,161
B) Production costs	(2,662,632)	(2,550,447)
C) Financial income and expenses	(353,619)	(174,074)
D) Adjustments to financial assets	494,373	731,364
E) Extraordinary income and expenses	0	0
Income taxes for the financial year	(1,022,540)	(1,438,670)
Profit (loss) for the financial year	1,863,146	3,186,334

EVALUATION CRITERIA, ACCOUNTING PRINCIPLES AND BASIS OF PREPARATION

The financial statements were drafted in euro, including the results relative to the previous financial year, so that they are comparable. The financial statements were drafted pursuant to the legislation in force that, following the issuance of European Directive 2013/34, updated the Italian Civil Code and the relevant rules on financial statements and consolidated financial statements through Legislative Decree 139/2015. In particular, the provisions laid down under the aforementioned Decree became effective on 1 January 2016 and are applicable to financial statements from 1 January 2016 onwards. OIC, as provided for by Legislative Decree 139/2015, completed the reform and updated the National Accounting Principles pursuant to the provisions laid down in the Decree that transposed the European Directive.

At the end of the Notes you will find a table stating the "Accounting Impact of the Accounting Reform", which shows the accounting impact on each income statement and balance sheet item.

The balance sheet, income statement and cash flow statement tables were prepared pursuant to the provisions laid down in articles 2424, 2425 and 2425-ter of the Italian Civil Code also taking into the changes made by Legislative Decree 139/2015.

Detailed below - pursuant to article 2427, sub-par. 1 - are the criteria applied in stating the items of financial statements, value adjustments and conversion of values originally stated in foreign currencies.

General drafting criteria

The items entered in the financial statements are assessed in accordance with the principle of caution on a pro-tempore basis with a view to business continuity, also taking into account the nature of the transaction or contract.

The application of the principle of caution entailed the assessment of each single element constituting the entries or items of assets or liabilities so as to avoid compensations between losses to be recognised and profits not to be recognised because they were not realised.

In accordance with the principle of pro-tempore basis, the effects of transactions and other events are recorded and attributed to the financial year they refer to and not to the financial year during which the relevant financial movements take place.

In accordance with the principle of materiality, the obligations in the field of measurement, valuation, presentation and disclosure were not complied with when compliance had an immaterial impact on a true and fair view of the financial position.

Furthermore, we complied with the principle of continuity of application of assessment criteria over the time so that the financial statements of the company for the various years can be compared.

There were no exceptional cases warranting exemption under article 2423, clause 5, of the Italian Civil Code.

Intangible assets

Intangible assets are reported at their purchase or production costs including additional charges that can be directly assigned and are shown net of depreciation.

Costs for intangible assets as actually incurred into are posted inasmuch as they express the capacity of producing economic benefits also in the future.

Intangible assets were regularly depreciated according to their respective residual economic lives and pursuant to plans that, in our opinion, ensure proper breakdown of costs over their useful lives.

Assets that, at the close of the financial year, irrespective of their accounted depreciation, are permanently impaired are devalued accordingly.

The depreciation criteria adopted were as follows:

- intellectual property rights: depreciation over 3 years;
- other intangible assets: they include deferred charges on liabilities entered before 1 January 2016, which are depreciated every year for the length of the loans they are referred to. Liabilities arisen after 1 January 2016 are reported pursuant to article 2426, clause 1.8, following the amortised cost method, also taking into account the time factor.

This item also includes the costs incurred into to implement websites and a computer-based documentary archive, which are amortised over 5 years.

Tangible assets

Tangible assets are stated at purchase cost, including directly related additional charges or at internal construction cost; the said construction cost includes the costs of raw materials, ancillary materials, energy, personnel, production and industrial overheads to reasonably attributable degrees and any financial expenses relative to loans for such purpose accruing in the construction period.

The value of assets was adjusted to reflect revaluations under laws 576 of 2 December 1975, 72 of 19 March 1983, 413 of 30 December 1991, 342 of 21 November 2000, 350 of 24 December 2003, 2/2009, 147 of 27 December 2013, 208 of 28 December 2015 and 232 of 11 December 2016; the industrial buildings of Sideros S.p.A. were revalued in 1981 when the company was merged into Ferriere Nord S.p.A. Pursuant to article 10 of law 72/1983, we declare that no other monetary or economic revaluations were made.

Depreciation charges written to the income statement were calculated on a straight-line basis at rates reflecting the estimated useful econo-

mic-technical life of assets (at 50% in the case of assets entering service during the year). In particular, in addition to the useful life of assets, we also took into account all the other factors that affect their future economic life such as physical impairment, the level and conditions of use, technical obsolescence, corporate replacement plans and maintenance policies. Depreciation rates are detailed in the Notes to balance sheet items.

Maintenance and repair costs are written to the income statement in the year they are incurred into if of routine nature and capitalised if of extraordinary nature.

Fixed assets under construction are stated at cost including directly related additional charges. This class also includes advances for supplies of fixed assets.

Financial assets

Shares in Group companies and other companies are entered at their respective purchase costs depreciated as a result of permanent impairment where applicable. With reference to receivables reported under financial assets, please see the following paragraph.

Receivables (including those reported under financial assets)

Receivables are reported according to the amortised cost method, also taking into account the time factor and the estimated realisable value. The amortised cost method was not applied when the impact is immaterial for the purposes of a true and fair view of the financial position. The impact of discounting is regarded as immaterial for receivables falling due within 12 months. The initial reported value is the nominal value of receivables net of all bonuses, discounts and allowances and including any cost that can be directly assigned to the transaction that originate the relevant receivable. Transaction costs, fee income and expenses, if any, as well as any difference between the initial value and the nominal value at due date are included in the amortised cost calculation by using the effective interest method.

A special depreciation fund is set aside for possible risks of default, whose adequacy is assessed with reference to doubtful positions on a regular basis and, at any rate, at the close of every financial year, also taking into account both existing or likely doubtful positions and general, sector-specific and country-specific risks and conditions.

As regards receivables stated before the financial year starting on 1 January 2016, they are reported according to the estimated realisable value method inasmuch as, pursuant to accounting principle OIC 15, we opted for not applying the amortised cost method and discounting retroactively.

Inventories

Inventories are stated at the lower between the purchase cost and manufacturing costs as determined on a LIFO basis with annual adjustments; products are written down to the lower between market value and the above LIFO value.

Items in foreign currency

Payables and receivables in foreign currency are stated at their euro equivalents using exchange rates in force at the time of customs clearance of goods or of entry in the books in case of services. Any positive or negative differences between the value of payables and receivables in non-euro currencies, converted at the rate in force when booked and their values when converted at year-end spot exchange rates, also considering any exchange rate risk hedging, are written to the income statement and any net gain is written to the appropriate reserve, which is not distributable until such gains are realised.

Financial derivative instruments

Financial derivative instruments are stated at fair value. Changes in fair value are stated under the income statement or, if the instrument hedges the risk of change in the expected cash flows of another financial instrument or a planned transaction, under a positive or negative shareholders' equity reserve; this reserve is posted to the income statement to the extent and at the time when the cash flows of the hedged instrument occur or charge or when the hedged transaction occur. If the fair value at the reference date is positive, it is posted to "financial derivative assets" under fixed assets or under financial assets not held as fixed assets. If the fair value is negative, it is posted to "financial derivative liabilities" under the provisions for risks and charges.

Upon subscription, the company does not perform any derivative transaction for speculation purposes, otherwise the derivatives would be stated at the relevant market values.

Financial assets not held as fixed assets

Securities posted to financial assets not held as fixed assets are stated at the lower between acquisition cost and market value.

Accruals and deferrals

Income and expenses items involving two or more periods are dealt with on an accrual basis.

Provision for contingencies and other charges

This item contains provisions taken in view of realistically probable charges that are not attributable to specific asset items. In particular, it mainly includes the provisions for agents' leaving indemnities and taxation as well as other provisions for risks and charges detailed below in the comments on the various balance sheet items.

Employee severance indemnity

This reflects liabilities accruing at 31 December in respect of employees under current legislation.

The fund for employee severance indemnities is the actual amount owed to existing employees at the year-end net of advances already paid, pursuant to legal provisions and collective agreements in force. Pursuant to the provisions laid down in Law 296/2006, severance indemnity amounts accrued from 1 January 2007 are allocated to the INPS Treasury Fund or to supplementary pension plans. However, the severance indemnity fund still includes the revaluation applied to the fund at 31 December 2006, which were made according to the official cost of living index and legal interest.

Payables

Payables are reported according to the amortised cost method, also taking into account the time factor. The amortised cost method was not applied when its impact is immaterial as in case of payables falling due within 12 months or payables whose transaction costs are not significant. Furthermore, as expressly provided for by OIC 19, payables reported before 1 January 2016 are measured at their respective nominal values.

Taxation

Current year taxes are stated under Amounts owed to tax authorities on the basis of a realistic forecast of the charge to pay under current tax law net of prepaid amounts. Deferred tax is stated on the basis of the cumulative amount of all temporary differences between the value of an asset or liability and the value attributed to that asset or liability for tax purposes in line with accounting standard 25 of the "Organismo Italiano di Contabilità". Deferred tax liabilities and assets are stated, respectively, under Provisions for taxation and Deferred tax assets. The company has joined the "national tax consolidation convention" (Consolidato Fiscale Nazionale) together with its parent company FIN.FER. S.p.A.

Operating grants

Operating grants are written to the income statement on an accrual basis, i.e. when the right to the grant is legally certain.

Recognition of revenues and expenses

Revenues from sales of goods and expenses for the purchase of goods are recognised upon transfer of all risks and benefits related to ownership. This transfer generally occurs at the time of shipment or delivery of goods. Revenues and expenses for services are recognised upon provision of the service involved.

Financial revenues and expenses are calculated on a pro-tempore basis.

Leasing operations

Financial leasing operations are entered in the Balance Sheet according to the net worth method and leasing instalments are recorded under the Profit and Loss Account on a pro-tempore basis. A special section of these Notes gives the complementary information required by the Law on the representation of leasing contracts according to the financial method.

Guarantees, commitments, assets belonging to third parties and risks

The risks resulting from collateral or personal securities furnished on amounts owed by third parties are entered at an amount corresponding to the sum of the relevant security; the amount owed by third party secured at the reference date of the Balance Sheet, where lower than the amount of the security furnished on it, is stated in these Notes.

Commitments are reported at their respective nominal values as obtained from the relevant documentation.

Risks for which liabilities are likely are described in the Notes and proper provisions for risks are set aside.

Risks for which liabilities are only possible are described in the Notes and no provisions for risks are set aside pursuant to the relevant accounting principles. Remote risks are not taken into account.

DETAILED ACCOUNTS – ANALYSIS OF BALANCE SHEET ITEMS

ASSETS

B) FIXED ASSETS

B.I.) INTANGIBLE FIXED ASSETS

With reference to intangible assets under class B.I. of fixed assets, the first table details the costs and previous revaluations, accumulated depreciation and devaluation of intangible assets, whereas the second details acquisitions, decreases and depreciation in the year, as shown on the book of depreciable assets.

	Historical cost	Revaluation	Depreciation prior to 31/12/2015	Decreases Devaluations	Value of fixed assets at 01/01/2016
PATENT RIGHTS					
Patents	-	-	-	-	-
Software packages	317,845	-	268,335	-	49,510
Total	317,845	-	268,335	-	49,510
OTHER INTANGIBLE ASSETS					
Additional charges on loans	550,741	-	181,220	-	369,521
Other deferred charges	504,758	-	160,811	-	343,947
Total	1,055,499	-	342,031	-	713,468
WORK IN PROGRESS					
Work in progress	-	-	-	-	-
Total	-	-	-	-	-
Sum total	1,373,344	-	610,366	-	762,978

	Value of fixed assets at 01/01/2016	Acquisitions	Transfers	Decreases Devaluations	Depreciation	Value of fixed assets at 31/12/2016
PATENT RIGHTS						
Patents	-	-	-	-	-	-
Software packages	49,510	87,282	-	-	56,688	80,104
Total	49,510	87,282	-	-	56,688	80,104
OTHER INTANGIBLE ASSETS						
Additional charges on loans	369,521	-	-	-	171,329	198,192
Other deferred charges	343,947	61,576	-	-	162,556	242,967
Total	713,468	61,576	-	-	333,885	441,159
WORK IN PROGRESS						
Work in progress	-	43,000	-	-	-	43,000
Total	-	43,000	-	-	-	43,000
Sum total	762,978	191,858	-	-	390,573	564,263

B.I.3) PATENT RIGHTS – INTELLECTUAL PROPERTY RIGHTS

Balance at 1/1/2016	49,510
Increase	87,282
Decrease due to depreciation for the financial year	(56,688)
Total at 31/12/2016	80,104

The item refers to patents and software packages used by the company.

B.I.6) ASSETS IN COURSE OF CONSTRUCTION AND ADVANCE PAYMENTS

This item relates to the implementation of cold processing management software.

B.I.7) OTHER INTANGIBLE ASSETS: deferred charges on loans

Balance at 1/1/2016	369,521
Increase	0
Decrease due to depreciation for the financial year	(171,329)
Total at 31/12/2016	198,192

The amount refers to charges in connection with disbursement of medium/long-term loans incurred into in previous years. As provided for by the new legislation on financial statements, from 2016 onward, the charges incurred into for the disbursement of new loans are not to be reported under intangible assets; they are spread following the amortised cost method over the financial liability for the length of the loan itself.

B.I.7) OTHER INTANGIBLE ASSETS: other deferred charges

Balance at 1/1/2016	343,947
Increase	61,576
Decrease due to depreciation for the financial year	(162,556)
Total at 31/12/2016	242,967

This item mainly includes the expenses resulting from the securitisation project for receivables. Those expenses will be amortised over the length of the project (three years). The item also includes the charges incurred into for the registration tax on the takeover of the leasing contract for the plant in Celano. The increases during the year are related to the implementation of websites and a computer-based documentary archive.

B.II) TANGIBLE FIXED ASSETS

The table below shows the cost and previous revaluation, depreciation and devaluation of assets written at the beginning of the financial year for each item and sub-item of the tangible assets stated under B.II of the balance sheet. For further details on less recent revaluations, please see the table below.

	Historical cost	Revaluation increasing the historical cost			Gross fixed assets at 31/12/2015	Revaluation decreasing the depreciation fund			Depreciation prior to 31/12/15	Value of fixed assets at 01/01/16
		Under Law 576/1975 Under Law 72/1983 Under Law 413/1991 Under Law 342/2000 Under Law 350/2003	Under Law 2/2009			L. 2/2009	L. 147/2013	L. 208/2015		
LAND AND BUILDINGS										
Land	11,948,566	213,930	17,930,319	30,092,815	-	-	-	-	30,092,815	
Yards	9,496,655	156,654	-	9,653,309	601,805	-	-	3,806,533	5,846,776	
Industrial buildings	71,259,336	9,039,941	3,367,889	83,667,165	17,781,264	-	-	45,545,404	38,121,762	
Lightweight constructions	1,023,161	-	-	1,023,161	-	-	-	640,967	382,194	
Total	93,727,718	9,410,525	21,298,208	124,436,450	18,383,069	-	-	49,992,904	74,443,547	
PLANT AND MACHINERY										
General plant	86,992,959	693,289	-	87,686,248	-	-	-	71,007,807	16,678,441	
Non automatic plant	10,818,594	181,721	-	11,000,315	-	-	-	9,796,329	1,203,987	
Automatic plant	150,965,479	29,011,720	-	179,977,199	-	35,479,139	7,129,254	139,353,917	40,623,282	
Furnaces	41,862,367	9,058	-	41,871,425	-	-	-	31,980,627	9,890,798	
Water treatment plant	28,461,736	-	-	28,461,736	-	-	-	18,671,495	9,790,240	
Total	319,101,135	29,895,788	-	348,996,923	-	35,479,139	7,129,254	270,810,175	78,186,748	
EQUIPMENT										
Tools and equipment	4,597,822	-	-	4,597,822	-	-	-	3,837,603	760,219	
Total	4,597,822	-	-	4,597,822	-	-	-	3,837,603	760,219	
OTHER ASSETS										
Freight vehicles	2,412,123	-	-	2,412,123	-	-	-	1,851,628	560,495	
Office furniture	1,365,755	-	-	1,365,755	-	-	-	631,788	733,967	
Computers	2,912,350	-	-	2,912,350	-	-	-	2,391,955	520,395	
Vehicles	1,163,521	-	-	1,163,521	-	-	-	835,876	327,645	
Total	7,853,749	-	-	7,853,749	-	-	-	5,711,247	2,142,502	
FIXED ASSETS UNDER CONSTRUCTION										
Advances	1,835,840	-	-	1,835,840	-	-	-	-	1,835,840	
Work in progress	12,946,908	-	-	12,946,908	-	-	-	-	12,946,908	
Total	14,782,748	-	-	14,782,748	-	-	-	-	14,782,748	
Sum total	440,063,172	39,306,313	21,298,208	500,667,692	18,383,069	35,479,139	7,129,254	330,351,929	170,315,764	

The table below details acquisitions, transfers and reclassifications from one item to another, disposals and revaluations over the year, accumulated depreciation and devaluations over the year and total revaluations of fixed assets at the year end, as shown on the book of depreciable assets.

	Net value of fixed assets at 01/01/2016	Increases	Transfers	Decreases	Decrease in depreciation fund	Revaluation under law 232/2016 decreasing the depreciation fund	Depreciation	Value Fixed assets at 31/12/2016	Total revaluation
LAND AND BUILDINGS									
Land	30,092,815	-	339,105	-	-	-	-	30,431,920	18,144,249
Yards	5,846,776	68,593	1,345,927	-	-	-	520,281	6,741,015	758,459
Industrial buildings	38,121,762	140,578	4,536,249	-	-	-	4,107,808	38,690,781	30,189,093
Lightweight constructions	382,194	22,500	5,000	-	-	-	73,007	336,687	-
Total	74,443,547	231,671	6,226,281	-	-	-	4,701,096	76,200,403	49,091,801
PLANT AND MACHINERY									
General plant	16,678,441	395,340	4,448,446	786,149	786,149	-	4,862,112	16,660,114	693,289
Non automatic plant	1,203,987	65,997	174,990	-	-	-	204,432	1,240,542	181,721
Automatic plant	40,623,282	182,140	7,493,420	1,393,052	1,389,052	11,369,530	16,785,636	42,878,737	82,818,642
Furnaces	9,890,798	161,361	4,257,038	61,473	61,473	-	3,003,223	11,305,974	9,059
Water treatment plant	9,790,240	-	1,784,716	-	-	-	4,294,205	7,280,751	-
Total	78,186,748	804,838	18,158,610	2,240,674	2,236,674	11,369,530	29,149,608	79,366,118	83,702,711
EQUIPMENT									
Tools and equipment	760,219	206,632	77,452	3,183	3,183	-	331,353	712,950	-
Total	760,219	206,632	77,452	3,183	3,183	-	331,353	712,950	-
OTHER ASSETS									
Freight vehicles	560,495	14,000	-	-	-	-	196,305	378,190	-
Office furniture	733,967	33,054	1,748	-	-	-	113,346	655,423	-
Computers	520,395	147,270	9,907	-	-	-	151,107	526,464	-
Cars, motorbikes, etc.	327,645	95,047	-	360,846	264,758	-	131,517	195,087	-
Total	2,142,502	289,371	11,655	360,846	264,758	-	592,275	1,755,164	-
WORK IN PROGRESS									
Advances	1,835,840	774,796	-	2,439,236	-	-	-	171,400	-
Fixed assets under construction	12,946,908	21,648,802	(24,473,998)	-	-	-	-	10,121,712	-
Total	14,782,748	22,423,598	(24,473,998)	2,439,236	-	-	-	10,293,112	-
Sum total	170,315,764	23,956,110	-	5,043,939	2,504,615	11,369,530	34,774,332	168,327,747	132,794,512

With reference to revaluation of tangible assets pursuant to article 1, clauses 556 to 563, of law 232/2016, we obtained the relevant information and we commissioned an appraisal to an external expert. Thereafter, we decided to revalue the following homogeneous category of assets:

- Tangible assets belonging to the "Automatic equipment" category at all manufacturing sites of Ferriere Nord in Osoppo and Potenza, especially with reference to the years 2003, 2004, 2011 and 2014.

We adopted the "current use value" or "market value on an ongoing use basis" criteria within the limits of their net realisable value. We prudentially made a net revaluation of euro 11,369,530 and adopted the accounting method that provides for cancellation of depreciation provisions at 31 December 2016 (see OIC – Interpretative document 3 – paragraph 3).

The values attributed to each automatic equipment are consistent with their use in the manufacturing cycle and do not exceed the values that can be reasonably obtained, also in case of disposal.

Pursuant to article 11 of law 342/2000, as recalled in law 232/2016, we certify that the values stated on the financial statements following revaluation do not exceed the values that can be actually attributed to assets taking into account their size, production capacity, actual economic use and current values as confirmed by the estimate made by an independent expert entrusted with this task.

Following revaluation, which has also tax implications, a special reserve on which tax has been deferred was set aside (euro 9,550,405 net of lieu tax, which is subject to the provisions laid down in article 13 of law 342/2000 as recalled in law 232/2016); with reference to the said reserve on which tax has been deferred no provisions for deferred taxes were set aside because the reserve will not be distributed. The global impact on shareholders' equity is euro 9,550,405.

The main investments in capital goods made during the year were as follows:

Site in Osoppo:

- EAF furnace cooling system and Air Cooler;
- MET-4 wire mesh warehouse and yard;
- New manufacturing systems for electro-welded wire;
- Lime storage and injection system.

Site in Potenza:

- Further smoke system upgrade;
- Scrap tank upgrade.

Land, buildings, plant and machinery are tied by mortgages and liens securing the loans described in the comment on Payables to banks.

Depreciation is calculated for all depreciable assets at the following rates:

• Yards, roads, sewers, etc.	5%
• Industrial buildings	5%
• General plant	10-12%
• Non-automatic plant	10-12%
• Automatic plant	17,5%
• Furnaces and appurtenances	12,5-15%
• Freight vehicles	20%
• Office furniture	12%
• Computers, electronic office machines	18-20%
• Equipment and tools	25%
• Light constructions.	10%
• Water and air treatment plant.	10-15%
• Cars, motorbikes, etc	25%

In 2014, the Company took over the leasing agreement entered into by the Group company Trafilerie e Zincherie di Celano S.r.l.. The agreement refers to the industrial building in Celano where the company was based before winding up. If those leasing transactions had been treated as a purchase of assets with loans and the relevant economic and technical depreciation amounts had been recognised, then the recalculation of the effects on the balance sheet and income statement resulting from the application of the financial method, whereby leasing transactions correspond to loans granted for the purchase of assets, would have entailed lower costs for the financial year (- euro 65,000) and higher shareholders' equity values (+ euro 79,000) gross of theoretical tax impact. These effects are shown in the table below.

ASSETS			
A) EXISTING CONTRACTS			
	Leased assets	Depreciation	Amount
Leased assets at the end of the previous year net of global depreciation of euro 345,836 at the end of the previous financial year	3,458,359	(345,836)	3,112,523
Assets leased during the year	-	-	-
Leased assets redeemed during the year	-	-	-
Depreciation amounts for the year			(172,918)
Adjustments/write-backs on leased assets			-
Leased assets at end of the year net of global depreciation of euro 518,754	3,458,359	(518,754)	2,939,605
B) LEASED ASSETS REDEEMED			

Additional global value of redeemed assets as determined according to the financial method over their net book value at the year-end	-
C) LIABILITIES	
Implied liabilities from financial leasing transactions at the end of the previous year (out of which falling due in the next year euro 237,863 falling due beyond the end of the next year) euro 2,860,117	3,097,980
Implied liabilities arising during the year	-
Reductions for repayment of principal instalments and redemptions during the year	(237,863)
Implied liabilities from financial leasing transactions at the end of the year (out of which falling due in the next year euro 244,938 falling due beyond the end of the next year) euro 2,615,178	2,860,117
D) GROSS GLOBAL IMPACT AT THE END OF THE YEAR (A + B - C)	79,488
E) NET FISCAL IMPACT	(22,177)
F) IMPACT ON SHAREHOLDERS' EQUITY AT THE END OF THE YEAR (D - E)	57,311

IMPACT ON INCOME STATEMENT			
	Principal	Interest	Amount
Instalments written off on financial leasing transactions	(237,863)	(108,376)	(346,239)
Recognition of financial charges on financial leasing transactions			108,376
Recognition of:			
- depreciation:			
existing contracts			172,918
redeemed assets			-
- adjustments/write-backs on leased assets			-
Impact on result before taxes			(64,945)
Recognition of fiscal impact			18,120
Impact of recognition of leasing transaction on the result for the financial year (financial method)			(46,826)

As required by article 10 of law 72/1983 (and also by article 27 of the subsequent revaluation law 413/1991), the following tables detail assets still at the company's disposal and which have undergone monetary revaluation.

Revaluation under law 576, 2nd December 1975 - Visentini

	Increase in historical cost	Decrease in the depreciation fund
Land	11,254	0
Total	11,254	0

Revaluation on merger of Sideros S.p.A. into Ferriere Nord S.p.A.

	Increase in historical cost	Decrease in the depreciation fund
Industrial buildings	316,773	0
Total	316,773	0

Revaluation under law 72, 19th March 1983 - Visentini Bis

	Increase in historical cost	Decrease in the depreciation fund
Land		0
Yards	69,138	0
Industrial buildings	49,625	0
General plant	2,611,227	0
Non-automatic plant	181,721	0
Automatic plant	3,119,043	0
Furnaces and appurtenances	9,058	0
Total	6,733,102	0

Revaluation under law 413, 30th December 1991

	Increase in historical cost	Decrease in the depreciation fund
Land	133,538	0
Yards	107,029	0
Industrial buildings	6,111,941	0
Total	6,352,508	0

Revaluation under law 342, 21st November 2000

	Increase in historical cost	Decrease in the depreciation fund
Automatic plant	16,089,467	0
Total	16,089,467	0

Revaluation under law 350, 24th November 2003

	Increase in historical cost	Decrease in the depreciation fund
Automatic plant	9,803,209	0
Total	9,803,209	0

Revaluation under law decree 185, 29th November 2008, turned into law 2, 28th January 2009

	Increase in historical cost	Decrease in the depreciation fund
Land	17,930,319	0
Yards	0	601,805
Industrial buildings	3,367,889	17,781,264
Total	21,298,208	18,383,069

Revaluation under law 147, 27th December 2013

	Increase in historical cost	Decrease in the depreciation fund
Automatic plant	0	35,312,139
Total	0	35,312,139

Revaluation under law 208, 28th December 2015

	Increase in historical cost	Decrease in the depreciation fund
Automatic plant	0	7,125,254
Total	0	7,125,254

Revaluation under law 232, 11th December 2016

	Increase in historical cost	Decrease in the depreciation fund
Automatic plant	0	11,369,530
Total	0	11,369,530

B.III. FINANCIAL FIXED ASSETS

B.III.1. FINANCIAL FIXED ASSETS – EQUITY INVESTMENTS

The table below (B.III) details the changes occurred in the equity investments item (B.III.1), showing cost, previous revaluations and devaluations, acquisitions or increases, disposals or decreases and revaluations and devaluations during the year.

	Historical cost	Revaluation	Write-down	Value of fixed assets at 01/01/2016	Acquisitions Increases	Disposals Decreases	Revaluation	Write-down	Value of fixed assets at 31/12/2016	Total Revaluation
Veneto Banca shares	4,427,500	-	2,227,500	2,200,000	-	-	-	2,189,000	11,000	-
Metal Interconnector S.C.p.A.	53,435	-	-	53,435	-	-	-	-	53,435	-
Other	17,707	-	-	17,707	-	-	-	-	17,707	-
Other companies	4,498,642	-	2,227,500	2,271,142	-	-	-	2,189,000	82,142	-
Total equity investments	4,498,642	-	2,227,500	2,271,142	-	-	-	2,189,000	82,142	-

During the year, Veneto Banca shares were depreciated to a unit value of euro 0.10.

B.III.2. FINANCIAL FIXED ASSETS – RECEIVABLES

The table below shows increases, decreases and devaluations of financial receivables:

	Receivables 01/01/2016	Increase	Decrease	Receivables 31/12/2016
Subsidiaries	0	0	0	0
Group companies	0	0	0	0
Parent companies	0	0	0	0
Companies controlled by parent companies	0	0	0	0
Others	86,029	716,162	1,200	800,991
Total	86,029	716,162	1,200	800,991

B.III.2.d. FINANCIAL RECEIVABLES FROM OTHERS

This item includes caution money paid to the following entities and amounts paid to Terna as a guarantee fund pursuant to article 1, clause 831, of law 208 of 28 December 2015 for the funding of interconnection infrastructure with foreign countries (please see "Interconnector" under article 32 of law 99 of 23 July 2009).

Ferrovie dello Stato (State Railways)	266
Customs, Udine	570
Telecom	8,696
Local warehouse	145
Utif	12,648
Consorzio acquedotto Friuli centrale	2,791
Gas bottle suppliers	150
Sundry suppliers	56,427
Acquedotto Pugliese - Potenza	464
Telecom Potenza	207
Ferrovie Potenza	1,549
Total gas Venneri	88
Utif Potenza	2,272
Interconnector Guarantee Fund	714,718
Total	800,991

C) CURRENT ASSETS

C.I. INVENTORIES

The make-up of stock inventories at the year end is briefly summarised in the table below:

Types	Value at 01/01/2016	Value at 31/12/2016	Change in the year
Scrap	24,539,785	28,920,002	4,380,217
Ferroalloys	2,259,516	1,830,548	(428,968)
Total raw materials	26,799,301	30,750,550	3,951,249
Scorifiers	132,902	173,475	40,573
Refractories	1,993,530	1,870,126	(123,404)
Electrodes	3,524,025	1,205,570	(2,318,455)
Gases	34,254	37,938	3,684
Total ancillaries	5,684,711	3,287,109	(2,397,602)
Sundry materials	14,718,051	15,480,082	762,031
Consumables	207,138	166,919	(40,219)
Other materials	10,399	34,575	24,176
Total consumables	14,935,588	15,681,576	745,988
Billets	22,300,858	18,898,598	(3,402,260)
Total semi-finished products	22,300,858	18,898,598	(3,402,260)

Total finished products	67,796,935	68,618,275	821,340
Total inventories	137,517,393	137,236,108	(281,285)

Pursuant to article 2426, Italian Civil Code, clauses 9 – 10, inventories are valued at the lower between purchase or production cost and the expected realisable value determined on the basis of market trends. Raw materials, consumables, ancillaries, semi-finished and finished products are valued at L.I.F.O with annual adjustments.

C.II) DEBTORS

Receivables under current assets break down as follows:

C.II.1) TRADE RECEIVABLES

Customers, Italy	91,702,276
Customers, outside Italy	25,822,380
Cash orders and notes receivable for collection and in portfolio with banks	4,615,764
Invoices to issue	2,581,337
Provision for bad debts	(6,194,761)
Total	118,526,996

This item shows a net decrease of euro 13,564,815, which is mainly related to gradual strengthening of sales on foreign markets thanks to more favourable terms of payment for the company.

There are no receivables falling due beyond five years.

Trade receivables by geographical region break down as follows:

Italy	77.61%
EU countries	19.06%
Non-EU countries in Europe and rest of world	3.33%
Total	100%

The item is stated net of provision for bad debts, which showed the following changes over the year:

PROVISION FOR BAD ACCOUNTS RECEIVABLE

Balance at 01/01/2016	828,879
Decreases (use for write off of bad debts)	(828,879)
Provision for the financial year	555,211
Total	555,211

TAXED PROVISION FOR BAD DEBTS

Balance at 01/01/2016	4,888,592
Decreases (use for write off of bad debts)	(249,042)
Provision for the financial year	1,000,000
Total	5,639,550

The total provision, amounting to euro 6,194,761, is deemed adequate to cover the risk the company is exposed to and complies with the principle of prudence.

C.II.4) RECEIVABLES FROM PARENT COMPANY

This item includes the receivables of Ferriere Nord S.p.A. from the parent company FIN.FER. S.p.A.; the balance at the close of the financial year can be broken down as follows:

Trade receivables	4,880
Advances to the parent company	2,000,000
Invoices to issue to the parent company	53,981
Receivables from parent company for Group VAT	2,263,953
Total	4,322,814

C.II.5) RECEIVABLES FROM COMPANIES CONTROLLED BY PARENT COMPANIES

This item includes the trade receivables of Ferriere Nord S.p.A. from the Group companies controlled by FIN.FER. S.p.A.; the balance at the close of the financial year can be broken down as follows:

Trade receivables from Group companies:

S.I.A.T. S.p.A.	6,700,808
Acciaierie di Verona S.p.A.	10,959,096
La Veneta Reti S.r.l.	6,833,224
B.S.T.G. G.m.b.H.	8,107,637
Kovinar D.o.o.	1,662,625
Total	34,263,390

C.II.5-bis) TAXATION DEBTORS

This item decreased by euro 716,549 on the previous year mainly resulting from IRAP taxation debtors. Receivables from tax authorities for taxation debtors includes receivables from bonuses on investments in new capital goods (law 116/2014 Tremonti quater) and fiscal relief from charges incurred into research and development activities carried out during the year. The item breaks down as follows:

Falling due within 12 months

Duty drawbacks	273,376
Virtual stamp taxes	164
Receivables from tax authorities for IRAP drawbacks	913,479
IRES (Corporate income tax) - advances	84,299
Receivables from tax authorities for IRAP	617,944
Receivables from tax authorities for taxation debtors	1,565,558
VAT receivables from tax authorities	71,659
	3,526,479

Falling due beyond 12 months

Duty drawbacks	24,762
Receivables from tax authorities for taxation debtors	772,504
	797,266
Total	4,323,745

C.II.5-ter) DEFERRED TAX ASSETS

Deferred tax	7,612,651
--------------	-----------

Deferred tax assets decreased by euro 1,571,138 from the prior year-end. This item includes accruals for deferred tax assets set aside in connection with predictable future charges and accelerated amortisation/depreciation whose fiscal benefit is deferred. Further details on this item can be found in the relevant section of the Notes to income statement items.

C.II.5-quater) RECEIVABLES FROM OTHERS

Falling due within 12 months

Advances to suppliers	58,238
Credit notes to receive	2,762,458
Receivables from suppliers	265,643
Receivables from I.N.A.I.L. (National insurance institute for industrial accidents)	52,433
Allocation for employee expenses	3,033
I.N.A.I.L. (National insurance institute for industrial accidents) advances	80,317
Sundry short-term receivables	22,002,060
Receivables for Energy Efficiency Titles (White Certificates)	282,702
	25,506,884

Falling due beyond 12 months

Sundry receivables	136,062
--------------------	---------

Net financial receivables	358,980
	495,042
Total	26,001,926

This item globally increased by euro 6,598,055 over the previous year, mostly reflecting the increase in receivables resulting from the decree on energy-intensive users and the decrease in financial receivables exposed to the net amount of the prudential financial provision.

Sundry short-term receivables include euro 21,839,401 that refer to our receivables from Cassa per i Servizi Energetici e Ambientali following the decree of the Ministry of Economy and Finance of 5 April 2013 which provides for electricity intensive companies to benefit from exemption on some tariff components.

Financial receivables refer to the estimated realisable value of receivables from closing the previous securitisation programme ended in May 2014.

C.III.6) OTHER SECURITIES

The table below details the situation and changes over the year in Other securities.

	Value at 01/01/2016	Increase Year of	Decrease Year of	Value at 31/12/2016
ICCREA bonds 14/11/2016	5,343,498	0	5,343,498	0
ICCREA bonds 2015/2025	5,000,000	0	0	5,000,000
ICCREA bonds 2016/2021	0	8,000,000	0	8,000,000
ICCREA bonds 2015/2020	0	3,009,300	0	3,009,300
ICCREA bonds 2013/2018	0	1,031,600	0	1,031,600
ARCA VITA investment policy	2,501,583	52,283	0	2,553,866
GENERALI ONE investment policy	0	2,487,478	0	2,487,478
UNIQUA PREVIDENZA investment policy	0	2,019,826	0	2,019,826
Total	12,845,081	16,600,487	5,343,498	24,102,070

During the year, ICCREA bonds with various expiry dates were sold and purchased; furthermore, euro 4.5 million were invested in a single premium guaranteed capital capitalisation policy, which can be also partially redeemed after one year.

C.III.7) FINANCIAL ASSETS FOR CENTRAL TREASURY MANAGEMENT

From September 2008, Ferriere Nord S.p.A. ensures central treasury management services to S.I.A.T. S.p.A., La Veneta Reti S.r.l. and Kovinar D.o.o.; from 1 December 2015, Acciaierie di Verona S.p.A. is also included in this scope. This cash pooling is managed through separate current account contracts signed between Ferriere Nord S.p.A. and each of the aforesaid companies. This decision stems from the desire to improve the management of Group financial transactions.

The item breaks down as follows:

Falling due within 12 months

Current account with S.I.A.T. S.p.A.	4,353,177
Current account with La Veneta Reti S.r.l.	12,876,747
Total	17,229,924

C.IV) CASH AND CASH EQUIVALENTS

C.IV.1) BANK AND POSTAL DEPOSITS

This item mostly includes temporary surpluses of cash and cash equivalents on bank accounts of the company and also includes balances from central treasury management with other Group companies. In particular, the decrease over the previous year also results from larger investments (please see "Financial assets not held as fixed assets").

They are current accounts in the following banks:

Banca Monte Paschi di Siena	1,747,938
Banca Nazionale del Lavoro	776,352
Banca Popolare di Vicenza	8,203,617
Banca Popolare di Verona	2,552,626
Banca Popolare Friuladria	358,786
Credifriuli	9,052,579
Unicredit	14,412,264
Popolare di Cividale	9,806,316
Veneto Banca	10,068,723
Cassa Risparmio Friuli Venezia Giulia	751,242
Banca Popolare Milano	21,936
MedioCredito del Friuli Venezia Giulia	5,031,883
Banca Unicredit Hungary	8,133
Deutsche Bank	1,988
Banco di Brescia	68,464
Bank balances to receive	1,200,376
Total	64,063,223

C.IV.3) CASH AND CASH EQUIVALENTS

The item breaks down as follows:

Cash in hand	19,106
Postal franking	3,906
Cash in foreign currency	1,455
Total	24,467

The item shows a negligible increase of euro 2,289 on the previous year.

D) ACCRUED INCOME AND PRE-PAID EXPENSES

The item breaks down as follows:

Accrued income: industrial revenues	4,892
Accrued income: financial revenues	150,026
Accrued income: general revenues	32,396
Prepaid expenses: industrial costs	2,236,396
Prepaid expenses: commercial costs	84,258
Prepaid expenses: financial costs	579
Prepaid expenses: general expenses	49,294
Total	2,557,841

LIABILITIES

A) CAPITAL AND RESERVES

Description	Share capital	Legal reserve	Extraordinary reserve	Revaluation reserve	Profit (loss) carried forward	Profit (loss)	Shareholders' equity
DECEMBER 2012	60,000,000	7,019,624	64,063,972	31,567,719	(7,107,117)	1,221,747	156,765,945
Allocation of profit for the financial year	0	61,087	1,160,660	0	0	(1,221,747)	0
Profit (loss) for the period	0	0	0	0	0	618,055	618,055
Revaluation under law 147/13	0	0	0	31,203,782	0	0	31,203,782
DECEMBER 2013	60,000,000	7,080,711	65,224,632	62,771,501	(7,107,117)	618,055	188,587,782
Allocation of profit for the financial year	0	30,903	587,152	0	0	(618,055)	0
Coverage of loss from previous years	0	0	0	(7,107,117)	7,107,117	0	0
Taxation debtors for disposal of revalued assets	0	0	0	169,966	0	0	169,966
Profit (loss) for the period	0	0	0	0	0	1,948,334	1,948,334
DECEMBER 2014	60,000,000	7,111,614	65,811,784	55,834,350	0	1,948,334	190,706,082
Allocation of profit for the financial year	0	97,417	1,850,917	0	0	(1,948,334)	0
Taxation debtors for disposal of revalued assets	0	0	0	96,944	0	0	96,944
Revaluation under law 208/15	0	0	0	5,988,573	0	0	5,988,573
Profit (loss) for the period	0	0	0	0	0	608,081	608,081
DECEMBER 2015	60,000,000	7,209,031	67,662,701	61,919,867	0	608,081	197,399,680
Allocation of profit for the financial year		30,404	577,677			(608,081)	0
Taxation debtors for disposal of revalued assets				27,360			27,360
Revaluation under law 232/16				9,550,405			9,550,405
Profit (loss) for the period						10,089,312	10,089,312
DECEMBER 2016	60,000,000	7,239,435	68,240,378	71,497,632	0	10,089,312	217,066,757

A.I) SHARE CAPITAL

The share capital of euro 60,000,000 is made up of 60,000,000 ordinary shares of par value euro 1 each. Of the share capital at 31 December 2016, euro 44,603,377 are tied under the terms of revaluation laws. The company belongs to Pittini Group and is controlled by the Group's parent company "FIN.FER. S.p.A."

A.III) REVALUATION RESERVES

The revaluation reserve amounting to euro 71,497,632 increased by euro 9,550,405 following revaluation made pursuant to law 232 of 11 December 2016. Over the year, it also increased by euro 27,360 owing to tax debtors posted for the disposal of revalued assets; since the time when this transaction was made (amounting to euro 1,839,190), the reserve was released pursuant to article 13 of law 342/2000 and can be freely distributed.

A.IV) LEGAL RESERVE

The legal reserve increased by euro 30,404 following partial allocation of profit from the previous financial year and shows a balance of euro 7,239,435 at 31/12/2016.

A.VI) OTHER RESERVES – Extraordinary reserve

The balance amounts to euro 68,240,378. It shows an increase of euro 577,677 resulting from partial allocation of profit from the previous financial year. The extraordinary reserve is partly fiscally tied in the amount of euro 13,710,161 due both to the tax alignment carried out in 2005 and to accelerated depreciation still to be absorbed.

Shareholders' equity items and details	Origin	Type				Total
		Freely available	Distributable within limits	Non distributable	Unavailable	
I SHARE CAPITAL						
- cash payments	shareholders' contributions			8,363,650		8,363,650
- extraordinary reserve	profit for the financial year			6,360,102		6,360,102
- revaluation reserve	monetary revaluation laws			44,603,377		44,603,377
- regional subsidies	regional law			672,871		672,871
						60,000,000
III REVALUATION RESERVES						
- reserve under legislative decree 185/08	legal revaluation		24,460,602 **			24,460,602
- reserve under law 147/14	legal revaluation	1,835,190	29,662,222 **			31,497,412
- reserve under law 208/15	legal revaluation	4,000	5,985,213 **			5,989,213
- reserve under law 232/16	legal revaluation		9,550,405			9,550,405
						71,497,632
IV LEGAL RESERVE	profit for the financial year			7,239,435 *		7,239,435
VI OTHER RESERVES						
- extraordinary reserve	profit for the financial year	68,240,378 *				68,240,378
VIII PROFITS (LOSSES) CARRIED FORWARD		0				0
IX PROFIT (LOSS) FOR THE FINANCIAL YEAR		10,089,312				10,089,312
TOTAL		80,168,880	69,658,442	67,239,435	0	0 217,066,757

* Fiscal constraint: alignment of tax values with statutory values euro 13,503,400 - accelerated depreciation euro 157,138

** Amount taxable if distributed

B) PROVISION FOR CONTINGENCIES AND OTHER CHARGES

B.1) PROVISION FOR PENSIONS AND SIMILAR OBLIGATIONS

This stands at euro 1,054,817 and consists entirely of provisions for agents' leaving indemnities made up over the years in accordance with the current labour agreement governing relationships with commercial agents. The change at the year-end results from the provision of the financial year.

B.2) PROVISIONS FOR TAXATION

The balance of this item at 31/12/2016 is euro 49,623 relating to provisions for deferred taxes from previous financial years; over the year, this item decreased by euro 138,347.

B.3) OTHER PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES

The provisions grouped in this item amount to euro 4,149,265 as follows:

- euro 800,000: extraordinary work in future years to upgrade areas currently used for treating secondary materials produced in the Osoppo plants;
- euro 300,000: possible upgrading of land;
- euro 3,049,265: estimated risk to Cassa per i Servizi Energetici e Ambientali following the delays in the assignment of the amounts payable for the exemption from the application of some tariff components for energy-intensive users pursuant to the decree issued by the Ministry of Economy and Finance of 5 April 2013.

During the year, the allocation of euro 524,185 for post-operative management of the landfill in Potenza has been entirely used.

The table below summarises the changes in provisions for contingencies and other charges recorded over the year.

Description	Balance at 01/01/2016	Decrease	Increase	Balance at 31/12/2016
Coiro landfill	524,185	(524,185)		0
Secondary materials Osoppo	800,000			800,000
Land upgrading	300,000			300,000
Cassa per i Servizi Energetici e Ambientali	0		3,049,265	3,049,265
Total	1,624,185	(524,185)	3,049,265	4,149,265

C) EMPLOYEE SEVERANCE INDEMNITIES

The item changed as follows:

	Balance at 01/01/2016	Decreases under law 297/82	Lieu tax	Personnel re-grades	Decreases	Increases	Balance at 31/12/2016
Workers	4,670,161	(113,783)	(13,456)	(31,219)	(268,113)	192,933	4,436,523
Clerks	2,118,158	(66,026)	(5,964)	19,906	(193,874)	101,108	1,973,308
Top managers	228,510	(8,315)	(732)	11,314	0	12,620	243,397
Total	7,016,829	(188,123)	(20,152)	0	(461,987)	306,661	6,653,228

D) ACCOUNTS PAYABLE

D.3) AMOUNTS OWED TO SHAREHOLDERS FOR LOANS

This item includes the loan granted by the parent company FIN.FER. S.p.A., which amounts to euro 6,000,000; over the year, the loan decreased by euro 4,000,000 following partial repayments.

This loan expires on 30 June 2022; it accrues interest at the 12-month Euribor rate, 365 divisor, as published on "Il Sole 24 Ore" on the first working day of the year increased by a 3 percentage point spread.

D.4) AMOUNTS OWED TO BANKS

This item includes payables to banks and credit institutions in general, as summarised below:

Falling due within 12 months

Bank overdrafts	490
Loan instalments falling due	23,388,548
Bank balances to receive	15,634
	<hr/>
	23,404,672

Falling due beyond 12 months

Loan instalments falling due beyond 12 months	75,870,137
Total	<hr/> 99,274,809

During the year, new loans were obtained (nominal amount of euro 25,000,000); however, the changes over the previous financial year show a decrease of euro 11,073,168 in the amounts falling due within 12 months and a decrease of euro 11,200,901 in amounts falling due beyond 12 months. Both changes result from full repayment of some loans and regular repayment of past debts.

Analysis of medium- and long-term loans

The amounts owed to banks for medium- and long-term loans globally stand at euro 99,258,684, out of which 1,627,500 are backed by collaterals, namely mortgages. During the year, new loans were obtained, whose global nominal amount is euro 25,000,000.

The table below includes the main information on existing loans:

	Residual debt 31/12/2015	Increases in the year	Repayments in the year	Instalments falling due within 12 months	Instalments falling due beyond 12 months	Residual debt 31/12/2016	Instalments falling due beyond 60 months
Medium- and long-term loans	108,502,009	25,000,000	34,243,325	23,388,548	75,870,137	99,258,684	1,027,800

D.5) AMOUNTS OWED TO OTHER PROVIDERS OF FUNDS

This item amounting to euro 48,024,682 includes the amount owed to the securitising company for debts reinstated at the end of the year pursuant to the provisions laid down in the new accounting principle OIC 15 applicable to the writing-off of debts.

D.6) ADVANCES FROM CUSTOMERS

This item also includes payables resulting from the clients portfolio.

Falling due within 12 months	693,425
------------------------------	---------

D.7) TRADE PAYABLES

The item can be detailed as follows:

Suppliers in Italy	113,095,315
Suppliers, foreign	43,785,587
Invoices to receive	25,780,790
Total	182,661,692

This item shows an increase of euro 18,395,168 over the previous year, which result from purchases of goods and services in the last months of the year. There are no payables falling due beyond five years.

Trade payables by geographical region were as follows:

Italy	70.04%
EU countries	21.45%
Non-EU countries in Europe and rest of world	8.50%
Total	100%

D.11) AMOUNTS OWED TO PARENT COMPANIES

The item breaks down as follows:

Invoices to be received from the parent company	4,990,785
Total	4,990,785

This item includes commercial payables to the parent company FIN.FER. S.p.A.

D.11-bis) AMOUNTS DUE TO COMPANIES CONTROLLED BY PARENT COMPANIES

Other payables are summarised below:

a) Amounts due for central treasury management

Current account with Acciaierie di Verona S.p.A.	8,966,549
Current account with Kovinar D.o.o.	729,372
Total	9,695,921

b) Other payables

Trade payables to Group companies:

S.I.A.T. S.p.A.	420,974
Acciaierie di Verona S.p.A.	9,437,605
La Veneta Reti S.r.l.	242,716
B.S.T.G. G.m.b.H.	59,003
Kovinar D.o.o.	270,547
Pittini Stahl G.m.b.H.	10,654
Total	10,441,499

Receivables for central treasury management include the negative balances of correspondence current accounts held by the company with Group companies to settle centralised treasury transactions. The other payables include trade payables to other Group companies that are controlled by FIN.FER. S.p.A.

D.12) AMOUNTS OWED TO TAX AUTHORITIES

The item can be detailed as follows:

Falling due within 12 months

LIEU TAX ON SEVERANCE INDEMNITY REVALUATION	4,878
IRPEF (Personal income tax), employees	2,847,841
IRPEF, self-employed collaborators	28,880
Tax payables IRES for lieu tax on revaluation (law 232/2016)	1,819,125
Total	4,700,724

This item globally increased by euro 1,145,926 over the previous financial year, mainly owing to lieu tax applied to revaluation pursuant to law 232 of 11/12/2016.

D.13) AMOUNTS OWED TO SOCIAL SECURITY INSTITUTIONS

Amounts were due to the following institutions:

Falling due within 12 months	
I.N.P.S.	2,159,023
Contributions, managers	68,838
Enasarco (National Board for Assistance to Commercial Agents and Representatives)	24,968
Gestione Cometa	309,621
Pension funds	258,036
Total	2,820,486

This item globally increased by euro 256,817 over the previous year mainly as a result of INPS (Social Security) creditors and pension funds.

D.14) OTHER PAYABLES

Other payables are summarised below:

Falling due within 12 months	
Holidays accrued and not taken	4,144,239
Bonus to employees	123,753
Other bonuses	247,157
Payables, wages and salaries	2,567,356
Credit notes to issue	199,469
Other payables	4,349,833
Total	11,631,807

The increase globally amounts to euro 1,198,639 and is mainly related to employees

E) ACCRUED LIABILITIES AND DEFERRED INCOME

This item breaks down as follows:

Accrued liabilities: commercial costs	860
Accrued liabilities: financial costs	108,289
Accrued liabilities: general expenses	12,223
Deferred income: general revenues	9,407
Total	130,778

COMMITMENTS, GUARANTEES AND POTENTIAL LIABILITIES

Here below you will find the details of commitments, guarantees and other potential liabilities that are not mentioned on our financial statements:

GUARANTEES ISSUED BY THE COMPANY ON BEHALF OF GROUP COMPANIES

- Guarantees in favour of financial institutions 50,000,000

Guarantees issued by banks on behalf of the company

• Banca Antoniana Popolare Veneta	
Guarantee in favour of Consorzio Acquedotto Friuli Centrale	27,157
• Intesa San Paolo	
Guarantee in favour of Direzione Compartimentale Dogane e Imposte Indirette di Bari	16,600
• Banca Popolare di Vicenza	
Guarantee in favour of Terna S.p.A.	1,294,999
• Banca Unicredit	
Guarantee for rent of real estate	7,000
Guarantee in favour of Agenzia delle Entrate (Inland Revenue) F.V.G. - Trieste	19,720
Guarantee in favour of Terna S.p.A.	444,791
Total	1,810,267

OTHER GUARANTEES ISSUED ON BEHALF OF THE COMPANY

• SACE BT Credit & Surety	
Guarantee in favour of Province of Potenza	2,389,015
Guarantee in favour of Municipality of Osoppo	2,863,233
Total	5,252,248

OTHER COLLATERAL GUARANTEES

Collaterals are commented on under Amounts owed to banks.

ANALYSIS OF INCOME STATEMENT ITEMS

We have already analysed positive and negative income components and commented on the various balance sheet items. Therefore, the comments below will only deal with the main items.

A) PRODUCTION VALUE

A.1) REVENUES FROM SALES AND SERVICES

This first item in the income statement amounts to euro 820,847,471, that is a decrease of euro 20,656,434 on the previous year owing to average selling prices persistently lower than the average of the last financial years.

Sales by geographical region were as follows:

Italy	37.95%
EU countries	38.29%
Non-EU countries in Europe and rest of world	23.76%
Total	100%

Sales divided by type were as follows:

Steel making	788,155,042
Sundry sales	1,311,381
Transport	35,285,408
<i>Net of:</i>	
Discounts, returns, client allowances and bonuses	(3,904,360)
Total	820,847,471

Of which revenues from sales and services to Group companies:

S.I.A.T. S.p.A.	27,803,313
Acciaierie di Verona S.p.A.	27,935,298
La Veneta Reti S.r.l.	21,450,567
BSTG G.m.b.H.	49,173,968
Kovinar D.o.o.	11,618,262
Total	137,981,408

Such sales mainly consisted of steel rods at market prices.

A.4) INCREASES IN FIXED ASSETS FROM INTERNAL PRODUCTION

This item amounts to euro 1,678,733 and includes the costs for drawing materials from stocks to make specific investments.

A.5) OTHER REVENUES AND INCOME

The detail of other revenues and income is

Miscellaneous proceeds:

Duty drawbacks	260,318
Insurance settlements	665,810
Gains on disposal of assets	18,782
Other extraordinary income	351,620
Income from Energy Efficiency Titles	775,903
Other services	2,479,798
Other income	357,494

Total miscellaneous proceeds

4,909,724

Revenue grants:

Sundry grants	416,560
GSE contribution to photovoltaic system	131,207

Total revenue grants

547,767

Of which other revenues and income from Group companies and parent companies:

S.I.A.T. S.p.A.	626,215
Acciaierie di Verona S.p.A.	1,484,958
La Veneta Reti S.r.l.	109,932
BSTG G.m.b.H.	142,079
Kovinar D.o.o.	48,735
Total group companies	2,411,919
Fin.Fer. S.p.A.	57,069
Total parent company	57,069
Total	2,468,988

This item recorded an absolute increase of euro 1,719,150 over the previous year, mostly resulting from recharging of services provided by the company to Group companies. Other extraordinary income relates to the company's ordinary activities.

Sundry grants also include taxation debtors from research and development activities performed throughout the year pursuant to law 190/2014. In particular, the expenses for research and innovation activities in 2016 globally amount to euro 2,164,099. The amount in excess of the average for the years 2012/2014 will enable the company to benefit from a tax relief of euro 259,000.

In 2016 the company invested 25,638 hours in analysis, research and development activities for innovative products and processes in its various production areas as well as in the environmental field to gain a competitive advantage over the market and its competitors. Special efforts were made in the development of manufacturing processes, mainly in the field of their optimisation and environmental sustainability, and special attention was paid to the experimental development of prototype equipment for which a patent application had already been filed by the company in 2009.

Research and development activities will continue in 2017. We believe that the positive results of this innovation will increase our business competitiveness and have a favourable impact on our economic results.

B) PRODUCTION COSTS

B.6) COSTS FOR RAW MATERIALS, ANCILLARIES, CONSUMABLES AND GOODS

The costs for the purchase of raw materials globally amounting to euro 535,712,569 decreased by euro 50,467,425 over the previous year owing to market trends for raw materials during the year.

Raw materials	468,295,052
Finished products	3,794,110
Ancillary materials	59,250,213
Consumables	4,482,861
<i>Net of:</i>	
Discounts, returns, allowances	(109,667)
Total	535,712,569

The item may also be broken down to show business transactions between Ferriere Nord S.p.A. and other Group companies:

Purchase of raw materials, ancillaries, consumables and goods from third parties	506,837,812
Purchase of raw materials, ancillaries, consumables and goods from group companies:	
- S.I.A.T. S.p.A.	1,173,884
- Acciaierie di Verona S.p.A.	24,810,240
- La Veneta Reti S.r.l.	279,137
- BSTG G.m.b.H.	58,263
- Kovinar D.o.o.	2,662,900
	<u>28,984,424</u>
	535,822,236
<i>Net of:</i>	
Discounts, returns, allowances from third parties	(109,667)
Total	535,712,569

B.7) COSTS FOR SERVICES

This item decreased by euro 426,761, which is in line with the result of the previous year.

Costs for services by type of service were as follows:

Procurement services	33,704,927
- transport and customs clearance	24,059,313
- commissions	153,809
- other services	9,491,805
Industrial services	88,190,381
- energy costs	69,808,822
- maintenance	8,971,814
- other services	9,409,745
Commercial services	41,810,435
- transport and customs clearance	37,298,905
- commissions	2,645,732
- other services	1,865,798
Administration services	8,272,525
Total	171,978,268

Board of Directors' fees totalled euro 1,388,019, whereas Board of Auditors' fees amounted to euro 37,316.
At the end of the year, there are no receivables from or advances to the Board of Directors and the Board of Auditors.

Costs for services rendered by Group companies are detailed below:

S.I.A.T. S.p.A.	497
BSTG G.m.b.H.	45,720
Pittini Stahl G.m.b.H.	118,383
Total group companies	164,600
Fin.Fer. S.p.A.	4,990,785
Total parent company	4,990,785
Total	5,155,385

The parent company FIN.FER. S.p.A. provides the company with consulting services.

B.8) LEASES AND RENTALS

This item increased by euro 888,378, which are mainly related to maintenance and repairs and rentals of machinery and plants. In 2014 the company took over the leasing agreement for the building in Celano of the Group company Trafilerie e Zincherie di Celano S.r.l.

The item breaks down as follows:

Leases and rentals and maintenance of third party assets:

Maintenance and repairs to third party assets	660,292
Freight vehicles/cranes	1,030,738
Rentals of machinery and plants	369,118
Rentals of land and buildings	36,507
Rentals of sundry office machines	124,750
Other industrial rentals	90,486
Car hire	131,476
Leases	328,277
Total	2,771,644

B.9) PERSONNEL COSTS

As stated below, the number of staff members increased by 14 units over the previous year. In 2016 the average was 941 units.

	31/12/2014	31/12/2015	31/12/2016	AVERAGE 2016
Workers	629	653	648	649
Clerks	246	266	283	280
Top managers	12	11	13	12
Total	887	930	944	941

Personnel costs break down as follows:

Salaries and wages	39,017,443
- Workers	23,433,218
- Clerks	14,000,180
- Top managers	1,584,045
Social security	12,954,060
- Pensions, workers	7,080,841
- Pensions, clerks	3,936,070
- Pensions, managers	541,103
- INAIL accident insurance, workers	1,021,322
- INAIL accident insurance, clerks	373,280
- INAIL accident insurance, managers	1,444
Employee severance indemnity	2,748,391
- Workers	1,667,656
- Clerks	969,427
- Top managers	111,308
Sundry personnel costs	358,690
Total	55,078,584

B.10) AMORIZATION, DEPRECIATION AND WRITEDOWNS

B.10.a) Amortization of intangible fixed assets 390,573

This item is illustrated in the Notes to balance sheet assets.

B.10.b) Depreciation of tangible fixed assets 34,774,332

The table below summarises depreciation of tangible assets according to the various fiscal categories:

Yards, roads, sewers, etc.	520,281
Industrial buildings	4,107,808
Light constructions	73,007
General plant	4,862,112
Non-automatic plant	204,432
Automatic plant	16,785,636
Furnaces and appurtenances	3,003,223
Smoke treatment plant	4,294,205
Equipment and tools	331,353
Office furniture	113,346
Computers, electronic office machines	151,107
Freight vehicles	196,305
Cars, motorbikes, etc.	131,517
Total	34,774,332

Further details on this item can be found in the Notes to balance sheet items.

B.10.d) Writedown of current receivables and cash and cash equivalents 1,555,211

Details relating to the item can be found in the Notes to balance sheet assets.

B.12) PROVISION FOR CONTINGENCIES

This item includes a prudential provision of euro 3,049,265 owing to estimated lower receivables from Cassa per i Servizi Energetici e Ambientali as detailed in the note on liabilities for the relevant balance sheet item.

B.14) OTHER OPERATING EXPENSES OTHER OPERATING EXPENSES

Other operating costs can be detailed as follows:

Stamp taxes	701,880
Capital losses on disposal of assets	15,389
Charges for Energy Efficiency Titles	5,610
Other operating expenses	411,653
Total	1,134,532

C) FINANCIAL INCOME AND EXPENSES

C.16.c) FINANCIAL INCOME FROM SECURITIES HELD AS CURRENT ASSETS OTHER THAN EQUITY INVESTMENTS

Interest income on bonded loans 335,502

This item includes interest from bonds stated as financial assets not held as fixed assets under the Other securities item.

C.16.d) OTHER FINANCIAL INCOME OTHER THAN ABOVE

This entry is detailed as follows:

Interest on trade receivables:

Group companies	
BSTG G.m.b.H.	13,785
	<hr/>
	13,785
Third parties	2,968
	<hr/>
Total interest on trade receivables	16,753

Other financial income:

Interest from banks 499,613

Interest income on running account	
S.I.A.T. S.p.A.	6,409
La Veneta Reti S.r.l.	64,391
Kovinar D.o.o.	49
	<hr/>
	70,849
Sundry financial income	283,856
Total other financial income	854,318
	<hr/>
Total	871,071

This item decreased by euro 202,139 mainly owing to the decrease in interest income from banks.

C.17) INTEREST AND OTHER FINANCIAL EXPENSES

Parent companies

Interest expense on medium/long-term loans	270,551
--	---------

Companies controlled by parent companies

Interest expense on running account	
Acciaierie di Verona S.p.A.	310,862

Others

Interest on loans	1,416,012
Interest on securitisation	807,842
Loss on securities entered under current assets	115,498
Financial loss	167,665
Depreciation of financial debtors	1,000,000
Interest, import/export	9,333
Other interest charges and financial expenses	211,507
	<hr/>
	3,727,857
	<hr/>
Total	4,309,270

Financial expenses to parent companies include the interest accrued from 01/01/2016 to 31/12/2016 on the loan granted by the parent company FIN. FER. S.p.A. to Ferriere Nord S.p.A. Please see the note on the relevant balance sheet item.

Financial expenses to companies controlled by parent companies include the interest expense resulting from central treasury management.

Financial expenses also include the depreciation of financial receivables as calculated on the basis of expected financial flows.

This item decreased by euro 1,186,835, mostly resulting from a decrease in interest expense.

C.17.bis) FOREIGN CURRENCY EXCHANGE GAINS AND LOSSES

Exchange differences	(48,613)
----------------------	----------

At the closing date of these financial statements, the company holds derivatives (forward agreements) to hedge its exposure to euro/dollar exchange rate fluctuations resulting from purchases of raw materials and semi-finished products. Even though the said agreements were entered into to eliminate the risk resulting from exchange rate fluctuations, at the closing date of the financial year 2016 they do not provide full hedging inasmuch as currently they no longer correspond to maturities of foreign currency cash flows. At the closing date of the financial year, the fair value of these transactions is irrelevant.

D) ADJUSTMENTS TO FINANCIAL ASSETS

D.18.c) REVALUATION OF SECURITIES HELD AS CURRENT ASSETS OTHER THAN EQUITY INVESTMENTS

This item amounting to euro 72,109 includes the capitalisation of life policy returns as explained in the relevant notes to balance sheet assets.

D.19.a) DEVALUATION OF EQUITY INVESTMENTS

This item amounting to euro 2,189,000 includes the depreciation of Veneto Banca shares, as explained in the relevant comment in the Notes to balance sheet assets.

22) INCOME TAXES FOR THE FINANCIAL YEAR

On the basis of the result for the financial year, a provision of euro 4,467,129 was taken to cover current taxes (IRES and IRAP). The amount for deferred taxes (euro 1,432,791) reflects the changes over the year already commented on in the Notes to balance sheet items.

DEFERRED TAXES								
	Year 2016				Year 2015			
Description of changes	Amount of temporary differences	Tax impact for IRES purposes (24.00%)	Tax impact for IRAP purposes (3.90%)	Total	Amount of temporary differences	Tax impact for IRES purposes (27.50% - 24.00%)	Tax impact for IRAP purposes (3.90%)	Total
DEFERRED TAX ASSETS								
Taxed provision for bad debts	5,639,550	1,353,492	-	1,353,492	4,888,592	1,173,262	-	1,173,262
Depreciation of financial debtors	2,000,000	480,000	-	480,000	1,000,000	240,000	-	240,000
Agents' leaving indemnity	367,512	88,203	14,333	102,536	367,512	88,203	14,333	102,536
Agents' leaving indemnity	244,057	-	9,518	9,518	244,057	-	9,518	9,518
Upgrading of Osoppo areas	800,000	192,000	31,200	223,200	800,000	192,000	31,200	223,200
Post-operative management of landfill	-	-	-	-	524,186	125,805	20,443	146,248
Depreciation, statutory/fiscal differences	816,619	195,989	31,848	227,837	816,619	195,989	31,848	227,837
Goodwill	-	-	-	-	333,600	91,740	13,010	104,750
Goodwill	196,800	47,232	7,675	54,907	196,800	47,232	7,675	54,907
Revaluations, depreciation	14,196,693	3,407,206	553,671	3,960,877	23,494,970	5,638,793	916,304	6,555,097
Provision for risks, contaminated sites	300,000	72,000	11,700	83,700	300,000	72,000	11,700	83,700
Interest on delayed payment - Nucor judgement	1,107,664	265,839	-	265,839	955,398	262,734	-	262,734
Cassa per i Servizi Energetici e Ambientali	3,049,265	731,824	118,921	850,745	-	-	-	-
Total deferred tax assets				7,612,651				9,183,789
DEFERRED TAX LIABILITIES								
Accelerated depreciation	206,761	49,623	-	49,623	783,210	187,970	-	187,970
Total deferred tax liabilities				49,623				187,970
Total net deferred tax assets				7,563,028				8,995,819

OTHER INFORMATION

Information on the nature of the company's business can be found in the Board of Directors' report.

There were no significant events after the close of the financial year.

Commercial and financial relationships with the parent company and Group companies, which occur at arm's length, are fully explained in these Notes. Please refer to the relevant sections.

During the year, no costs or revenues whose amount or incidence can be regarded as falling outside the normal course of business were recorded. At the year-end, there are no assets allocated for special deals.

Shareholders,

the analysis and presentation of corporate facts being completed, you are kindly requested to approve the draft financial statements and management report as drawn up and showing a net profit of euro 10,089,312, to be allocated as follows according to our proposal:

- 5%, i.e. euro 504,466, to the legal reserve;
- the remaining amount of euro 9,584,846 to the extraordinary reserve.

Osoppo, 30th May 2017

The Directors
Paolo Felice
Luigi De Puppi De Puppi
Lino Carrer
Alberto Felice De Toni
Andrea Floreani

The Chairman of the Board
Federico Pittini

RECLASSIFIED BALANCE SHEET

Values expressed in thousands of euro

CAPITAL EMPLOYED	31/12/2016	31/12/2015
Current operating assets		
Trade receivables	158,985	170,881
Other receivables	42,261	36,205
Inventories	137,236	137,517
Accrued income and prepaid expenses	2,558	857
	341,040	345,460
Current liabilities		
Trade payables	(193,103)	(164,818)
Other payables	(23,018)	(23,690)
Other payables	(131)	(188)
	(216,252)	(188,696)
NET WORKING CAPITAL	124,788	156,764
Long-term liabilities		
Provision for taxes	(50)	(188)
Provision for employee severance indemnity	(6,653)	(7,017)
Other medium/long-term liabilities	(11,399)	(8,342)
	(18,102)	(15,547)
NET WORKING CAPITAL, NET OF LONG-TERM LIABILITIES	106,686	141,217
Non-operating debts		
Revaluation Law 208/15 on plants	(11,369)	(7,129)
Reserve in equity Law 208/15	9,550	5,988
	(1,819)	(1,141)
Fixed assets		
Net tangible fixed assets	168,328	170,316
Net intangible fixed assets	564	763
Financial fixed assets	883	2,357
	169,775	173,436
NET CAPITAL EMPLOYED	274,642	313,512
R.O.I. (Return On Investment)		
EBIT/Net capital employed	7.7%	2.9%
Net short-term financial assets (liabilities)		
Cash, banks	81,318	85,971
Securities	24,102	12,845
Short-term financial payables	(81,125)	(117,857)
	24,295	(19,041)
Medium/long-term financial assets (liabilities)		
Medium/long term financial payables	(81,870)	(97,071)
	(81,870)	(97,071)
NET FINANCIAL INDEBTEDNESS	(57,575)	(116,112)
Net financial indebtedness/shareholders' equity	0.3%	0.6%
Shareholders' equity	217,067	197,400
R.O.E. (Return On Equity)		
Net income/Shareholders' equity	5.1%	0.3%
Net Working Capital	124,788	156,764
Net short-term financial assets (liabilities)	24,295	(19,041)
Total Net Financial Working Capital at year-end	149,083	137,723

RECLASSIFIED INCOME STATEMENT

Values expressed in thousands of euro

	31/12/2016	31/12/2015
Revenues		
Revenues from sales and services	820,847	841,504
	820,847	841,504
Cost of sales		
Consumption of raw material (net of change in inventories)	533,413	588,453
Industrial services	121,895	126,908
Personnel costs	46,833	44,313
Other industrial costs	5,821	1,883
Writedowns and industrial amortization and depreciation	34,774	29,587
Change in semi-finished and finished product inventories	2,581	(11,343)
Capitalization of internal production	(1,679)	(179)
	743,638	779,622
GROSS INDUSTRIAL MARGIN	77,209	61,882
Sales, administration costs and operating expenses		
Sales costs	43,365	40,062
Administration costs	8,273	7,364
Personnel costs	8,246	7,729
Amortization of deferred charges	391	400
Amortization of goodwill	0	0
Other sundry expenses (income)	(4,323)	(2,629)
OPERATING MARGIN	21,257	8,956
Non operating income (expenses)		
Net financial income (expenses)	(3,102)	(3,783)
Exchange gains (losses)	(49)	8
Revaluations (writedowns) of financial assets	(2,117)	(1,153)
	(5,268)	(4,928)
Earnings before taxes	15,989	4,028
Income taxes	(5,900)	(3,420)
NET INCOME FOR THE FINANCIAL YEAR	10,089	608
EBIT (Earning Before Interests and Taxes)		
Income before extraordinary items and taxes	15,989	4,028
Net financial expenses	3,102	3,783
Net exchange losses (gains)	49	(8)
Writedowns (revaluations) of financial assets	2,117	1,153
EBIT (Earning Before Interests and Taxes)	21,257	8,956
EBIT/REVENUES	2.6%	1.1%
EBITDA (Earning Before Interests, Taxes, Depreciation and Amortization)		
EBIT	21,257	8,956
Amortization of goodwill	0	0
Amortization of deferred charges	391	400
Industrial depreciation	34,774	29,587
Provisions and writedowns	4,604	1,929
EBITDA	61,026	40,872
EBTIDA/REVENUES	7.4%	4.9%

FERRIERE NORD S.P.A.

BOARD OF AUDITORS' REPORT ON THE FINANCIAL YEAR CLOSED AT 31ST DECEMBER 2016 **DRAFTED PURSUANT TO ARTICLE 2429, CLAUSE 2, OF THE ITALIAN CIVIL CODE**

To the Shareholders' Meeting of Ferriere Nord S.p.A.

During the financial year closed at 31st December 2016, our activity took into account the amendments made to the Italian Civil Code and the new accounting principles and it was performed in accordance with the legal provisions in force and the code of conduct of the Board of Auditors published by the "Consiglio Nazionale dei Dottori Commercialisti ed Esperti Contabili" (National Board of Chartered Auditors and Accountants).

a) Supervision activity pursuant to Article 2403 et seq. of the Italian Civil Code

Knowledge of the company, risk assessment and report on the tasks entrusted to us

Given the well-established knowledge of the company,
in particular with reference to:

- i) the type of business run by the company;
- ii) its organisational and accounting structure;

that the Board of Auditors has gained and taking into account the company size and corporate issues, we reaffirm that supervision planning – including the assessment of inherent risks and criticalities checked against the two parameters above – was performed by way of positive checks against the knowledge gained over the time.

Therefore, we can confirm that:

- the core business of the company did not change during the year under examination and was consistent with its corporate purpose;
- the organisation and the information systems available to the company remained substantially unchanged;
- the human resources that make up the "labour force" of the company remained substantially unchanged;
- all these statements are indirectly confirmed by the comparison between the values posted to the profit and loss account for the last two financial years, that is the year under examination (2016) and the previous year (2015). Furthermore, in 2016 the company acted consistently and comparably with the previous year. Hence, our checks started from the assumption that the values and results obtained in 2016 were comparable to those obtained in the previous year.

This report summarises the activity performed with reference to the disclosure obligations laid down in article 2429, clause 2, of the Italian Civil Code, more specifically:

- financial year results;
- activities carried out to meet legal obligations;
- remarks and proposals made about financial statements, with special regard to the optional use of the exemption under article 2423, clause 5, of the Italian Civil Code by the Board of Directors;
- claims, if any, put forward by shareholders pursuant to article 2408 of the Italian Civil Code.

At any rate, we remain at your disposal to clarify any further point during the discussion at the General Meeting.

The activities performed by the Board of Auditors involved the whole financial year. During the year, the meetings under article 2404 of the Italian Civil Code were regularly held and the relevant minutes were duly drafted, unanimously approved and signed.

Activities carried out

Through regular checks, the Board of Auditors as a whole was made aware of the business evolution of the company and paid special attention to contingent and/or extraordinary issues to identify their economic and financial impact on the result for the year under examination and the structure of assets and liabilities as well as any risk such as the one resulting from losses on receivables. Those risks are regularly monitored.

The Board of Auditors regularly assessed the adequacy of the organisational and functional structure of the company as well as its changes compared with the minimum requirements stated in management guidelines.

The relations with all the persons that make up the said structure – directors, employees and external consultants – were based on mutual cooperation and respect for the roles entrusted to them and to the Board of Auditors.

Throughout the year, we could ascertain that:

- the in-house administration staff entrusted with the identification of material events did not substantially changed compared with the previous year;
- the level of technical skills was appropriate to the type of ordinary material events to be identified and the said staff could rely on a sufficient knowledge of corporate issues;
- the auditing firm has not changed during the last two three-year periods and has gained a historical knowledge of the business run by the company and its management issues, including extraordinary ones, that affect the results of its financial statements.

The information required by article 2381, clause 5, of the Italian Civil Code, were given on a regular basis as provided for by civil law and during planned meetings. Furthermore, the Board was duly informed by the relevant offices during the meetings planned by the Board of Auditors at the Company's premises and through phone and computer-based contacts/information flows. All these elements show that, in substance and form, all legal obligations were met.

In conclusion, as far as we could ascertain during the activities performed throughout the year under examination, the Board of Auditors can state the following: the decisions made by the Shareholders and the Board of Directors were compliant with the law and the company's bylaws and were not manifestly imprudent or such that they could definitely impair the integrity of corporate assets;

- the Board of Auditors was able to obtain sufficient information on general management trends and their predictable evolution as well as on all major transactions (by size and characteristics) performed by the company;
- the transactions performed by the company were compliant with the law and the company's bylaws and were not in potential conflict with the resolutions

passed by the Shareholders' Meeting or such that they could impair the integrity of corporate assets;

- no special remarks can be made on the adequacy of the company's organisation, administration and accounting systems or their reliability in terms of true and fair view of material events;
- during our supervision activity, as stated above, no additional material events that would be worth mentioning in this report occurred;
- no actions had to be taken owing to omissions on the part of the administration body pursuant to article 2406 of the Italian Civil Code;
- no claims were lodged pursuant to article 2408 of the Italian Civil Code;
- no claims were lodged pursuant to article 2409, clause 7, of the Italian Civil Code;
- during the year, the Board of Auditors did not issue any opinion provided for by the law.

b) REMARKS AND PROPOSALS ABOUT FINANCIAL STATEMENTS AND THEIR APPROVAL

The draft financial statements closed at 31st December 2016 were approved by the Board of Directors and comprise the statement of assets and liabilities, the profit and loss account, the cash flow statement and the relevant notes; the Board of Directors also prepared the Directors' Report pursuant to article 2428 of the Italian Civil Code.

- Those documents were delivered to the Board of Auditors in due time to be deposited at the corporate premises together with this report.
- Statutory auditing is entrusted to the auditing firm Pricewaterhousecoopers S.p.A. The person in charge at the firm is Ms Cristina Landro, who drafted her report pursuant to article 14 of legislative decree 39 of 27th January 2010. Neither does the report contain comments about significant deviations, negative opinions or recalls to disclosure obligations nor does it state that for some reason it was impossible to issue an opinion. The opinion issued is favourable.

Hence, we examined the draft financial statements on which the following additional information is provided:

- The criteria adopted for drawing up the financial statements closed as of 31st December 2016 are similar to those adopted for drawing up the financial statements for the previous financial year, especially with reference to the following items:
 - receivables (including those posted to financial assets) and payables beyond 12 months were assessed according to the amortised cost criteria;
 - derivative financial instruments were posted to special items at their fair value;
 - shareholdings, receivables, payables and financial revenues related to companies under the control of the parent company were stated separately from other items;
 - extraordinary expenses and income were posted to the profit and loss account under the standard section;
 - memorandum accounts, which were previously added to the statement of assets and liabilities, were removed. Now this information is given in the relevant notes.

The change in assessment criteria was required owing to the first application of the amendments made to article 2426 of the Italian Civil Code by legislative decree 139/2015;

- we paid attention to the approach chosen for draft financial statements, their overall compliance with the law in terms of structure and compilation; in this regard, no comments are to be made in this report;
- when drafting the financial statements, the Board of Directors did not benefit from any exception to legal requirements pursuant to article 2423, clause 5, of the Italian Civil Code;
- when drafting the financial statements, the Board of Directors did not benefit from any exception to legal requirements pursuant to article 2423, par. 5, of the Italian Civil Code;
- we made sure that the financial statements complied with the events and information we were made aware of during the fulfilment of our typical auditing obligations; in this regard, no remarks are to be made in this report;
- with reference to the revaluation of corporate assets made pursuant to law 232/2016, the Board of Auditors acknowledges that – as in the last year – they belong to the automatic plant class. The reference years taken into account for the purposes of the so-called "homogeneous class" as provided for by the relevant standard, also requiring the inclusion as reference years of the years in which the assets were purchased, are not the same as those used for the previous financial year; the Directors' Report refers to the criteria applied for revaluation to the various classes of assets for the relevant years. This Board can confirm that the "current use value" or "market value on an ongoing use basis" do not exceed the values that can be assigned to them according to the size, production capacity, actual economic use and current values. The Directors also described the prudential approach and accounting method used to state the result of the said revaluation. The positive balance of this revaluation was posted to shareholders' equity under a special reserve net of the relevant lieu tax.

Result for the year

The net result determined by the administration body for the financial year closed at 31st December 2016, as shown in the financial statements, is positive by euro 10,089,312. As regards the proposal put forward by Board of Directors about the allocation of the net result for the financial year as illustrated at the end of the relevant note, this Board has no comments to make and confirms that this decision is to be made by the General Meeting.

Conclusions

Taking into account the statements above and on the basis of the information gained by the Board of Auditors and regularly checked throughout our auditing activity, we unanimously believe that there are no reasons that would prevent you from adopting the draft financial statements closed at 31st December 2016 as drawn up by the Board of Directors and submitted to your approval.

Osoppo, 14th June 2017

The Board of Directors

Dr. Gianfranco Romanelli (Chairman)

Dr. Giuseppe Varisco (Statutory Auditor)

Dr. Michele Del Fabbro (Statutory Auditor)



INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the shareholders of
Ferriere Nord SpA

Report on the financial statements

We have audited the accompanying financial statements of Ferriere Nord SpA, which comprise the balance sheet as of 31 December 2016, the income statement and statement of cash flows for the year then ended and related notes.

Directors' responsibility for the financial statements

The directors of Ferriere Nord SpA are responsible for the preparation of financial statements that give a true and fair view in compliance with the Italian laws governing the criteria for their preparation.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Legislative Decree No. 39 of 27 January 2010. 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 misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view, 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 the directors, 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.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 02778531 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wührer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696011 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

www.pwc.com/it



Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Ferriere Nord SpA as of 31 December 2016 and of the result of its operations and cash flows for the year then ended in compliance with the Italian laws governing the criteria for their preparation.

Report on compliance with other laws and regulations

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

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

Udine, 14 June 2017

PricewaterhouseCoopers SpA

Signed by

Maria Cristina Landro
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers





RECLASSIFIED BALANCE SHEET

Values expressed in thousands of euro

ASSETS	31/12/2016	31/12/2015
Current operating assets		
Cash, banks	1,746	322
Current financial assets	4	7
Trade receivables	5,926	7,236
Other receivables	3,107	3,235
Inventories	0	0
Accrued income and prepaid expenses	83	72
Total current operating assets	10,866	10,872
Fixed Assets		
Net tangible fixed assets	5,172	4,634
Net intangible fixed assets	107	136
Financial fixed assets	325,795	315,524
Total fixed assets	331,074	320,294
TOTAL ASSETS	341,940	331,166

LIABILITIES AND SHAREHOLDERS' EQUITY	31/12/2016	31/12/2015
Current liabilities		
Short-term financial payables	21,542	21,896
Trade payables	4,949	3,411
Other payables	852	1,462
Accrued expenses and deferred income	607	610
Total current liabilities	27,950	27,379
Medium/long-term liabilities		
Medium/long-term financial payables	65,152	75,699
Provision for taxes	0	13
Provision for employee severance indemnity	208	194
Other medium/long-term liabilities	149	15
Total medium/long-term liabilities	65,509	75,921
Shareholders' equity	248,481	227,866
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	341,940	331,166

RECLASSIFIED INCOME STATEMENT

Values expressed in thousands of euro

	31/12/2016	31/12/2015
Revenues		
Revenues from sales and services	6,071	5,350
	6,071	5,350
Cost of sales		
Consumption of raw materials (net of change in inventories)	0	0
Industrial services	0	0
Personnel costs	0	0
Other industrial costs	134	108
Industrial depreciation	83	75
Change in semi-finished and finished product inventories	0	0
Capitalization of internal constructions	0	0
	217	183
Gross industrial margin	5,854	5,167
Sales and administration costs and operating expenses		
Sales costs	35	38
Administration costs	1,123	753
Personnel costs	1,751	1,494
Amortization of intangible assets	30	17
Operating margin	2,915	2,865
Non-operating income (expenses)		
Net financial expenses	(822)	(354)
Exchange gains (losses)	0	0
Other non-operating income (expenses)	9,795	375
	8,973	21
Income before taxes	11,888	2,886
Income taxes	(704)	(1,023)
Net income for the year	11,184	1,863

RECLASSIFIED BALANCE SHEET

Values expressed in thousands of euro

ASSETS	31/12/2016	31/12/2015
Current operating assets		
Cash, banks	5	7
Current financial assets	0	0
Trade receivables	14,872	16,334
Other receivables	1,034	1,520
Inventories	12,537	10,357
Accrued income and prepaid expenses	16	40
Total current operating assets	28,464	28,258
Fixed Assets		
Net tangible fixed assets	12,286	10,712
Net intangible fixed assets	1	1
Financial fixed assets	14	14
Total fixed assets	12,301	10,727
TOTAL ASSETS	40,765	38,985

LIABILITIES AND SHAREHOLDERS' EQUITY	31/12/2016	31/12/2015
Current liabilities		
Short-term financial payables	4,355	1,524
Trade payables	16,385	19,017
Other payables	2,218	2,517
Accrued expenses and deferred income	2	6
Total current liabilities	22,960	23,064
Medium/long-term liabilities		
Medium/long-term financial payables	0	0
Provision for taxes	0	0
Provision for employee severance indemnity	1,388	1,397
Other medium/long-term liabilities	395	390
Total medium/long-term liabilities	1,783	1,787
Shareholders' equity	16,022	14,134
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	40,765	38,985

RECLASSIFIED INCOME STATEMENT

Values expressed in thousands of euro

	31/12/2016	31/12/2015
Revenues		
Revenues from sales and services	75,734	80,294
	75,734	80,294
Cost of sales		
Consumption of raw materials (net of change in inventories)	52,821	59,414
Industrial services	5,610	5,448
Personnel costs	5,827	5,577
Other industrial costs	0	0
Industrial depreciation	1,608	894
Change in semi-finished and finished product inventories	514	44
Capitalization of internal constructions	(9)	0
	66,371	71,377
Gross industrial margin	9,363	8,917
Sales and administration costs and operating expenses		
Sales costs	4,974	5,255
Administration costs	1,053	914
Personnel costs	956	914
Amortization of intangible assets	0	0
Operating margin	2,380	1,834
Non-operating income (expenses)		
Net financial expenses	(5)	(13)
Exchange gains (losses)	(13)	1
Other non-operating income (expenses)	318	160
	300	148
Income before taxes	2,680	1,982
Income taxes	(792)	(686)
Net income for the year	1,888	1,296

LA VENETA RETI S.R.L.

RECLASSIFIED BALANCE SHEET

Values expressed in thousands of euro

ASSETS	31/12/2016	31/12/2015
Current operating assets		
Cash, banks	0	3
Current financial assets	0	0
Trade receivables	14,474	16,245
Other receivables	498	450
Inventories	8,354	2,794
Accrued income and prepaid expenses	3	6
Total current operating assets	23,329	19,498
Fixed Assets		
Net tangible fixed assets	12,067	12,235
Net intangible fixed assets	1	1
Financial fixed assets	4	2
Total fixed assets	12,072	12,238
TOTAL ASSETS	35,401	31,736

LIABILITIES AND SHAREHOLDERS' EQUITY	31/12/2016	31/12/2015
Current liabilities		
Short-term financial payables	12,878	13,169
Trade payables	14,435	10,533
Other payables	964	1,261
Accrued expenses and deferred income	1	1
Total current liabilities	28,278	24,964
Medium/long-term liabilities		
Medium/long-term financial payables	0	0
Provision for taxes	0	0
Provision for employee severance indemnity	463	432
Other medium/long-term liabilities	268	158
Total medium/long-term liabilities	731	590
Shareholders' equity	6,392	6,182
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	35,401	31,736

RECLASSIFIED INCOME STATEMENT

Values expressed in thousands of euro

	31/12/2016	31/12/2015
Revenues		
Revenues from sales and services	41,270	49,316
	41,270	49,316
Cost of sales		
Consumption of raw materials (net of change in inventories)	36,360	43,805
Industrial services	1,772	1,455
Personnel costs	1,792	1,718
Other industrial costs	100	0
Industrial depreciation	424	441
Change in semi-finished and finished product inventories	(2,489)	(512)
Capitalization of internal constructions	0	0
	37,959	46,907
Gross industrial margin	3,311	2,409
Sales and administration costs and operating expenses		
Sales costs	2,090	2,428
Administration costs	354	295
Personnel costs	330	317
Amortization of intangible assets	0	0
Operating margin	537	(631)
Non-operating income (expenses)		
Net financial expenses	(65)	(94)
Exchange gains (losses)	0	0
Other non-operating income (expenses)	(32)	(34)
	(97)	(128)
Income before taxes	440	(759)
Income taxes	(230)	151
Net income for the year	210	(608)

ACCIAIERIE DI VERONA S.P.A.

RECLASSIFIED BALANCE SHEET

Values expressed in thousands of euro

ASSETS		31/12/2016
Current operating assets		
Cash, banks		1
Current financial assets		8,967
Trade receivables		65,412
Other receivables		5,600
Inventories		35,879
Accrued income and prepaid expenses		59
Total current operating assets		115,918
Fixed Assets		
Net tangible fixed assets		72,758
Net intangible fixed assets		467
Financial fixed assets		319
Total fixed assets		73,544
TOTAL ASSETS		189,462

LIABILITIES AND SHAREHOLDERS' EQUITY		31/12/2016
Current liabilities		
Short-term financial payables		35,643
Trade payables		64,682
Other payables		6,416
Accrued expenses and deferred income		58
Total current liabilities		106,799
Medium/long-term liabilities		
Medium/long-term financial payables		59,072
Provision for taxes		0
Provision for employee severance indemnity		5,253
Other medium/long-term liabilities		4
Total medium/long-term liabilities		64,329
Shareholders' equity		18,334
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		189,462

RECLASSIFIED INCOME STATEMENT

Values expressed in thousands of euro

	31/12/2016
Revenues	
Revenues from sales and services	209,564
	209,564
Cost of sales	
Consumption of raw materials (net of change in inventories)	158,729
Industrial services	37,392
Personnel costs	21,665
Other industrial costs	381
Industrial depreciation	6,959
Change in semi-finished and finished product inventories	(21,312)
Capitalization of internal constructions	(236)
	203,578
Gross industrial margin	5,986
Sales and administration costs and operating expenses	
Sales costs	6,290
Administration costs	1,943
Personnel costs	891
Amortization of intangible assets	121
Operating margin	(3,259)
Non-operating income (expenses)	
Net financial expenses	(1,154)
Exchange gains (losses)	0
Other non-operating income (expenses)	1,943
	789
Income before taxes	(2,470)
Income taxes	804
Net income for the year	(1,666)

RECLASSIFIED BALANCE SHEET

Values expressed in thousands of euro

ASSETS	31/12/2016	31/12/2015
Current operating assets		
Cash, banks	0	0
Current financial assets	729	465
Trade receivables	4,992	4,276
Other receivables	31	13
Inventories	2,584	2,029
Accrued income and prepaid expenses	0	39
Total current operating assets	8,336	6,822
Fixed Assets		
Net tangible fixed assets	2,964	3,013
Net intangible fixed assets	0	0
Financial fixed assets	0	0
Total fixed assets	2,964	3,013
TOTAL ASSETS	11,300	9,835

LIABILITIES AND SHAREHOLDERS' EQUITY	31/12/2016	31/12/2015
Current liabilities		
Short-term financial payables	0	0
Trade payables	4,613	4,399
Other payables	339	424
Accrued expenses and deferred income	7	19
Total current liabilities	4,959	4,842
Medium/long-term liabilities		
Medium/long-term financial payables	0	0
Provision for taxes	0	0
Provision for employee severance indemnity	0	0
Other medium/long-term liabilities	0	0
Total medium/long-term liabilities	0	0
Shareholders' equity	6,341	4,993
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	11,300	9,835

RECLASSIFIED INCOME STATEMENT

Values expressed in thousands of euro

	31/12/2016	31/12/2015
Revenues		
Revenues from sales and services	25,167	26,221
	25,167	26,221
Cost of sales		
Consumption of raw materials (net of change in inventories)	20,980	24,072
Industrial services	539	543
Personnel costs	1,241	1,219
Other industrial costs	23	23
Industrial depreciation	172	176
Change in semi-finished and finished product inventories	301	(571)
Capitalization of internal constructions	0	0
	23,256	25,462
Gross industrial margin	1,911	759
Sales and administration costs and operating expenses		
Sales costs	208	212
Administration costs	152	160
Personnel costs	168	166
Amortization of intangible assets	0	3
Operating margin	1,383	218
Non-operating income (expenses)		
Net financial expenses	0	0
Exchange gains (losses)	0	0
Other non-operating income (expenses)	37	86
	37	86
Income before taxes	1,420	304
Income taxes	(72)	0
Net income for the year	1,348	304

I.S.U. - INTERNAZIONALE STAHL UNTERNEHMUNGEN G.M.B.H.

Consolidated with BSTG G.m.b.H.

RECLASSIFIED BALANCE SHEET

Values expressed in thousands of euro

ASSETS	31/12/2016	31/12/2015
Current operating assets		
Cash, banks	2,151	2,518
Current financial assets	0	0
Trade receivables	703	800
Other receivables	231	135
Inventories	7,617	6,063
Accrued income and prepaid expenses	125	134
Total current operating assets	10,827	9,650
Fixed Assets		
Net tangible fixed assets	5,832	6,420
Net intangible fixed assets	29	38
Financial fixed assets	246	246
Total fixed assets	6,107	6,704
TOTAL ASSETS	16,934	16,354

LIABILITIES AND SHAREHOLDERS' EQUITY	31/12/2016	31/12/2015
Current liabilities		
Short-term financial payables	0	0
Trade payables	9,142	8,818
Other payables	2,188	2,013
Accrued expenses and deferred income	51	0
Total current liabilities	11,381	10,831
Medium/long-term liabilities		
Medium/long-term financial payables	150	150
Provision for taxes	0	2
Provision for employee severance indemnity	1,207	1,094
Other medium/long-term liabilities	17	20
Total medium/long-term liabilities	1,374	1,266
Shareholders' equity	1,285	1,306
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,894	2,951
Total PASSIVITÀ E CAPITAL AND RESERVES	16,934	16,354

RECLASSIFIED INCOME STATEMENT

Values expressed in thousands of euro

	31/12/2016	31/12/2015
Revenues		
Revenues from sales and services	60,103	65,005
	60,103	65,005
Cost of sales		
Consumption of raw materials (net of change in inventories)	50,141	53,891
Industrial services	2,257	1,910
Personnel costs	4,402	4,184
Other industrial costs	610	593
Industrial depreciation	692	600
Change in semi-finished and finished product inventories	(952)	1,812
Capitalization of internal constructions	(14)	(9)
	57,136	62,981
Gross industrial margin	2,967	2,024
Sales and administration costs and operating expenses		
Sales costs	2,092	2,070
Administration costs	248	142
Personnel costs	727	691
Amortization of intangible assets	14	0
Other sundry income/(expenses)	(9)	7
Operating margin	(105)	(886)
Non-operating income (expenses)		
Net financial expenses	(12)	(17)
Exchange gains (losses)	0	0
Other non-operating income (expenses)	0	0
	(12)	(17)
Income before taxes	(117)	(903)
Income taxes	39	(2)
Net income for the year	(78)	(905)
Net income, minority interest	(21)	(269)
Net income, Group	(57)	(636)

