

KEY FIGURES

MARCEGAGLIA STEEL

KEY FIGURES

| Sales (Euro/000) | 2015 | 2014 | Change |
|----------------------|------------------|------------------|--------------|
| steel Italy | 3,426,188 | 3,462,455 | -1.0% |
| steel outside Italy | 450,921 | 509,249 | -11.5% |
| (intercompany sales) | -33,406 | -52,814 | -36.7% |
| consolidated sales | 3,843,703 | 3,918,890 | -1.9% |

| EARNING (Euro/000) | | | |
|---|---------|---------|--------|
| EBITDA | 217,684 | 248,916 | -12.5% |
| depreciation, amortization & other provisions | 181,467 | 138,915 | 30.6% |
| net profit | -82,669 | -52,103 | -58.7% |
| cash flow | 115,192 | 136,588 | -15.7% |

| | | | |
|-------------------------------------|-----------|-----------|------|
| NET SHIPMENTS: Finished Good (ton.) | 4,982,466 | 4,877,014 | 2.2% |
|-------------------------------------|-----------|-----------|------|

| EMPLOYEES | | | |
|---|--------------|--------------|--------------|
| Italy | 3,689 | 3,674 | 0.4% |
| outside Italy | 1,694 | 1,712 | -1.1% |
| total consolidated companies in Marcegaglia Steel | 5,383 | 5,386 | -0.1% |

The background of the page is an abstract composition. It features a light gray area on the left with a fine, radial wood grain texture. This area is partially overlaid by two large, dark gray circular shapes that overlap each other. The text 'Financial Statement 2015' is centered within the intersection of these circles.

Financial Statement 2015

Management board

BOARD OF DIRECTORS



**Chairman and
Managing Director**
Antonio Marcegaglia



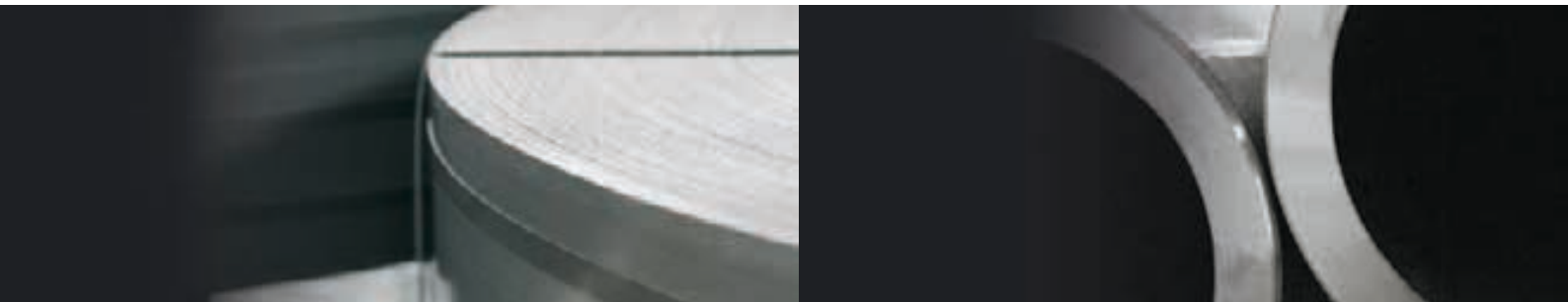
**Vice Chairman and
Managing Director**
Emma Marcegaglia

BOARD OF STATUTORY AUDITORS

| | |
|------------------------|--------------------------------------|
| Chairman | Andrea Manzitti |
| Auditors | Enrico Colantoni Alessandro Righi |
| Deputy auditors | Matteo Apicella Francesca Bigi |

| | |
|---|----------------|
| Key figures | II |
| Management board | 2 |
| Group structure | 4 |
| Corporate reorganisation plan | 10 |
| The global economic context | 12 |
| The steel scenario | 14 |
| Operating results | 20 |
| Strategy and investments | 24 |
| Overview by business line | 26 |
| Significant events after the end of the financial year | 34 |
| Research and development | 35 |
| Sustainability and safety | 36 |
| Human resources | 39 |
| Marcegaglia Steel Consolidated (Pro Forma) Balance sheet | 41 |
| <i>Independent Auditor's report</i> | 42 |
| <i>Consolidated Balance sheet</i> | 44 |
| <i>Marcegaglia Steel - Pro forma</i> | 46 |
| Consolidated Financial Statements Marcegaglia Steel | 51 |
| <i>Independent Auditor's report</i> | 52 |
| <i>Consolidated Balance Sheet and Profit and Loss Account</i> | 54 |
| <i>Notes</i> | 58 |
| Financial Statements 2015 Marcegaglia Carbon Steel | 77 |
| <i>Independent Auditor's report</i> | 78 |
| <i>Consolidated Balance Sheet and Profit and Loss Account</i> | 80 |
| <i>Notes</i> | 84 |
| Financial Statements 2015 Marcegaglia Specialties | 111 |
| <i>Independent Auditor's report</i> | 112 |
| <i>Consolidated Balance Sheet and Profit and Loss Account</i> | 114 |
| <i>Notes</i> | 118 |
| Financial Statements 2015 Marcegaglia Plates | 143 |
| <i>Independent Auditor's report</i> | 144 |
| <i>Consolidated Balance Sheet and Profit and Loss Account</i> | 146 |
| <i>Notes</i> | 150 |

Marcegaglia Steel 94%



MARCEGAGLIA CARBON STEEL

CARBON STEEL FLAT PRODUCTS

COIL AND PPGI PRODUCTS

PICKLED COILS

COLD ROLLED COILS

HOT DIP GALVANIZED COILS

PRE-PAINTED STEEL PRODUCTS

PROCESSED FLAT ROLLED PRODUCTS

BLACK STRIPS AND SHEETS

PICKLED STRIPS AND SHEETS

COLD ROLLED STRIPS AND SHEETS

HOT DIP GALVANIZED
STRIPS AND SHEETS

OSCILLATED WOUND COILS

DIAMOND AND TEARDROP
PATTERNED SHEETS

CARBON STEEL WELDED TUBES

WELDED TUBES

WELDED TUBES

COLD-DRAWN WELDED TUBES

COLD-DRAWN WELDED TUBES

PLANTS ITALY:

Headquarters
Gazoldo degli Ippoliti
Albignasego
Boltiere
Casalmaggiore
Corsico
Lomagna
Ravenna

WAREHOUSES ITALY:

Lainate
Osteria Grande
Tezze sul Brenta

PLANTS AND SALES OFFICES WORLDWIDE:

Marcegaglia China
Marcegaglia do Brasil
Marcegaglia Poland
Kluczbork
Marcegaglia Poland
Praszka
Marcegaglia UK

SALES OFFICES WORLDWIDE:

Marcegaglia Benelux
Marcegaglia Deutschland
Marcegaglia France
Marcegaglia Iberica
Marcegaglia India
Marcegaglia North Europe



MARCEGAGLIA SPECIALTIES

MARCEGAGLIA PLATES

STAINLESS STEEL PRODUCTS

COLD-DRAWN BARS

HEAVY PLATES

| FLAT PRODUCTS | WELDED TUBES AND LONG PRODUCTS | STAINLESS STEEL COLD-DRAWN BARS | CARBON STEEL COLD-DRAWN BARS |
|--------------------|--------------------------------|---------------------------------|------------------------------------|
| HOT ROLLED COILS | WELDED TUBES | COLD-DRAWN BARS | COLD-DRAWN BARS |
| COLD ROLLED COILS | LONG PRODUCTS | | FREE CUTTING STEEL COLD-DRAWN BARS |
| HOT ROLLED SHEETS | | | |
| COLD ROLLED SHEETS | | | |

| PLANTS ITALY: | PLANTS AND SALES OFFICES WORLDWIDE: |
|---|---|
| Headquarters Gazoldo degli Ippoliti Contino Forlì Montechiarugolo | Marcegaglia RU Marcegaglia Turkey Marcegaglia USA |

| PLANT ITALY: |
|-----------------------|
| San Giorgio di Nogaro |


Marcegaglia Steel worldwide presence

MARCEGAGLIA CARBON STEEL








-  Carbon steel coils
-  Carbon steel strips
-  Carbon steel sheets
-  Carbon steel welded tubes
-  Cold-drawn welded tubes
-  Refrigeration tubes
-  Hot dip galvanized coils

-  Hot dip galvanized strips
-  Hot dip galvanized sheets
-  Pre-painted coils
-  Pre-painted strips
-  Pre-painted sheets

MARCEGAGLIA PLATES

-  Heavy plates

MARCEGAGLIA SPECIALTIES

-  Stainless steel coils
-  Stainless steel strips
-  Stainless steel sheets
-  Stainless steel welded tubes
-  Carbon and Stainless steel cold-drawn bars
-  Stainless steel flat bars
-  Stainless steel cold formed sections

Sales offices
Benelux Diegem, BELGIUM
North Europe Soleuvre, LUXEMBOURG

Plant
Dudley, UK



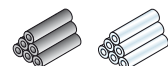
UK

Sales office
Lyon, FRANCE

E

Sales office
Santa Perpetua de Mogoda Barcelona, SPAIN

Plant
Munhall, USA



US

Plant
Garuva, BRAZIL



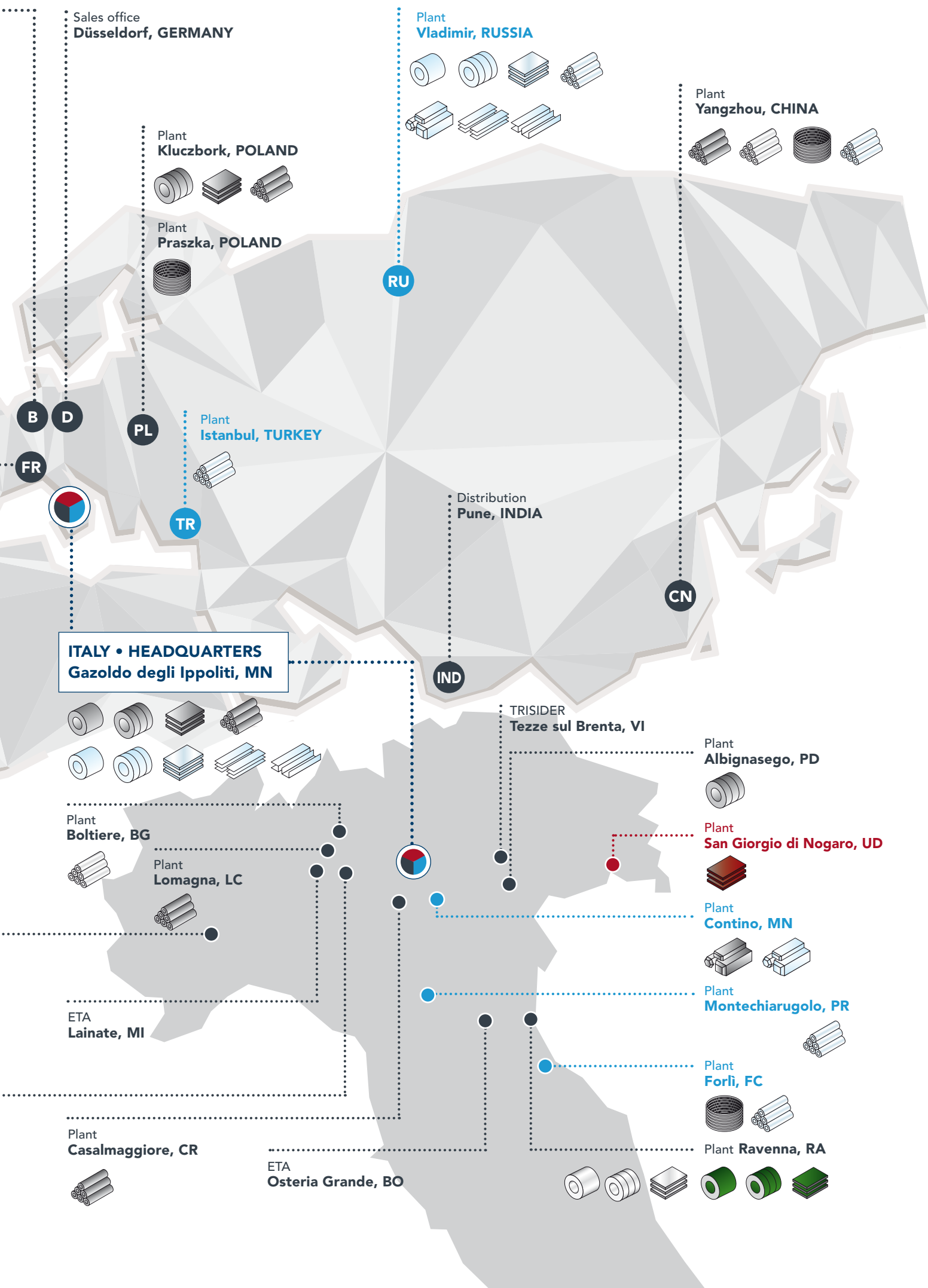
BR

Plant
Dusino San Michele, AT



Plant
Corsico, MI





Marcegaglia Investments **6%**



Marcegaglia Buildtech

INSULATED PANELS
GUARDRAIL
CONSTRUCTION EQUIPMENT

Oskar - Imat

METAL HANDLES
CONDENSERS
EVAPORATORS

EuroEnergy group

POWER PRODUCTION FROM RENEWABLE SOURCES

Elet.Ca - Made HSE

COMPOSITE MATERIALS
ENVIRONMENTAL SAFETY, QUALITY

PLANTS AND SALES OFFICES:

Headquarters
Milano
Graffignana
Pozzolo Formigaro
Doha, Qatar
Timișoara, Romania

partnership
Dalmine LS

PLANTS AND SALES OFFICES:

Fontanafredda
Mezzolara di Budrio

SALES OFFICE AND POWER PRODUCTION:

EUROENERGY GROUP Lainate
ETA Cutro
ETA Manfredonia
APPIA ENERGY Massafra
ECOENERGIA Massafra
CO.GE.AM. Massafra
SOCIETÀ PROGETTO AMBIENTE
P.A. Bacino Lecce Due
P.A. Bacino Lecce Tre
P.A. Provincia di Lecce
P.A. Provincia di Foggia
P.A. Bacino Bari Cinque (L)
P.G. Bacino Bari Cinque (L)

PLANT AND SALES OFFICE:

Signa
Gazoldo degli Ippoliti



Tourism & Real Estate

HOSPITALITY ACTIVITIES



Albarella
Castel Monastero
Ex Arsenale La Maddalena
Le Tonnare
Pugnochiuso

GABETTI PROPERTY SOLUTIONS
Milano

Corporate reorganisation plan

In 2015, the Marcegaglia group reorganised its activities by separating its core business (steel processing) from diversified operations, and by organising 3 different companies (Marcegaglia Carbon Steel S.p.A. in the carbon steel tube and flat products sectors; Marcegaglia Specialties S.p.A., in the stainless steel and drawn bars sectors; Marcegaglia Plates S.p.A. in the heavy plates sector).

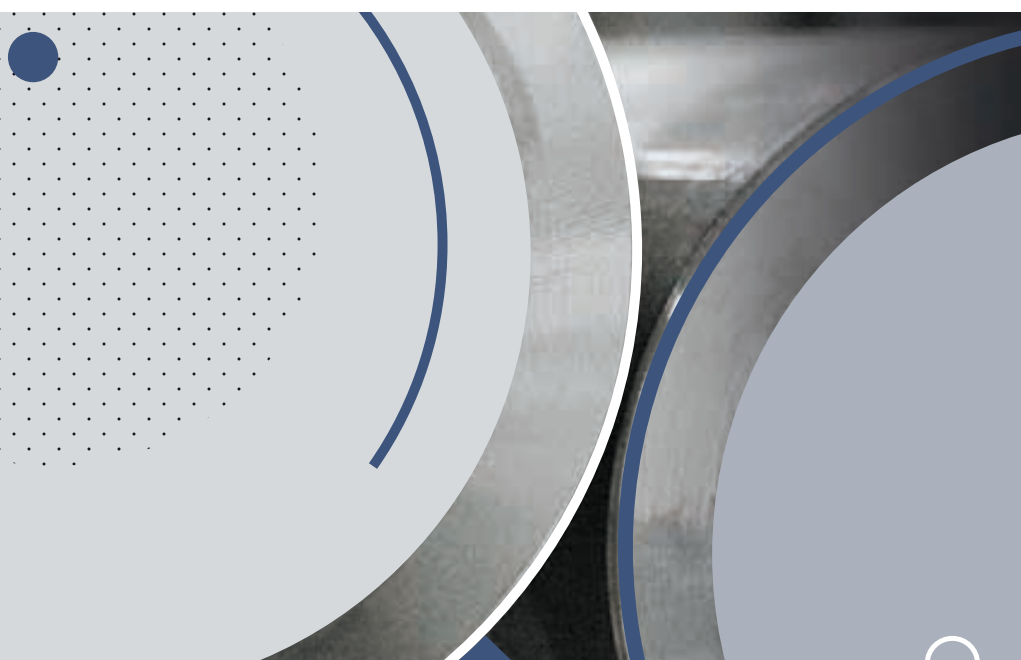
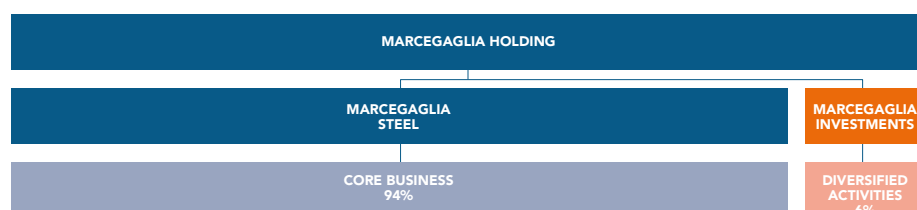
The corporate consolidation area was basically unchanged and is entirely controlled by the Marcegaglia family.

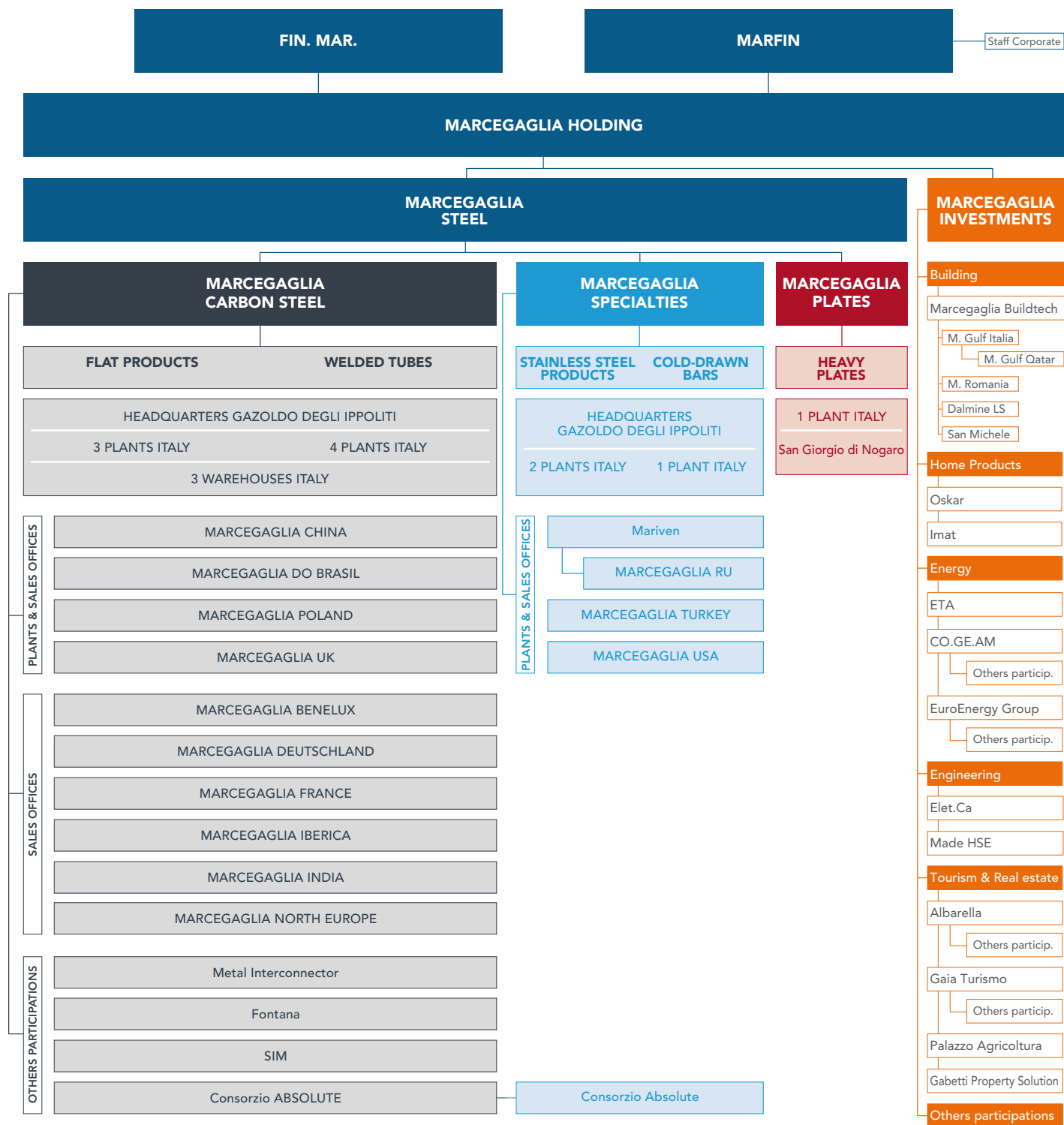
The new organisational structure benefits from the following advantages:

- clearly separating core business operations - which it intends to strengthen and expand - from non-core operations, for the purposes of possible divestments;
- seizing the best opportunities for growth in each segment through internal growth or through possible alliances with qualified partners;
- improving the degree of accountability for results for internal purposes and for transparency outside the group, for each business division.

The corporate reorganisation plan was completed on October 31, 2015 in compliance with the deadlines. Consequently, the entire 2015 financial year shall be presented as a “pro-forma” financial statement, in view of the fact that the first 10 months of corporate operations pertain to Marcegaglia S.p.A., while the final two months of the period are to be attributed to the new operating companies Marcegaglia Carbon Steel S.p.A, Marcegaglia Specialties S.p.A. and Marcegaglia Plates S.p.A..

Here, on the next page, the Marcegaglia group's corporate structure.





The global economic context

The world economy

In line with expectations at the beginning of the year, world economy slowed in 2015, posting a rate of 3.1%, the lowest level in the last five years. In general, all regions of the globe were weakened and specifically Latin America, China, Japan, and countries in the Pacific area experienced major declines.

The slowing of economic growth in 2015 can be attributed to several key factors.

The collapse in the price of oil, as well as the prices of energy and other raw materials, undermined and weakened economies based on the export of commodities. The downturn began in the second half of 2014 and continued throughout all of 2015, causing heavy dislocations in the supply and demand dynamics. From its intermediate peak of 68 dollars a barrel posted at the beginning of May, the Brent price lost 38% by the beginning of December.

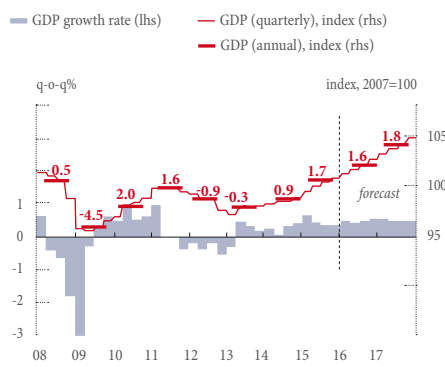
The deterioration of the economic and financial situation in China, where GDP growth slowed during the year, was caused mainly by the increasing decline in capital investments, in an unfavourable backdrop caused by difficult access to bank lending.

Current recessions in Russia and Brazil and the gradual tightening of monetary policy in the United States had an adverse impact.

In 2015 US dollar exchange rates stabilised, after increases of up to 25% beginning in the summer of 2014.

At the end of 2015 the Federal Reserve decided upon an expected hike in interest rates, ending a lengthy period of nearly seven years with interest rates near zero.

REAL GDP, euro area - REAL GDP, euro area



Figures above horizontal bars are annual growth rates

zone (2.4% in the EU), a decrease from 2.6% in 2014 (3.0% in the EU).

The Italian economy

In 2015, real Italian GDP increased 0.8%, indicating a positive move out of recession. As with other European countries, the recovery was supported by several positive external factors, including a weaker Euro and lower oil prices.

Industrial production increased by 1% on average, although the index level is still below that of 2009.

In steel consuming sectors, and more generally industrial sectors, the year was characterised by an increase in the automotive sector (+26.9%), with increases in all production segments: motor vehicles (+42.5%), chassis, bodies and trailers (+16.8%), and engines and parts (+10.7%).

The performance of other steel consuming sectors was markedly lower: relative stability in other transport vehicles, machinery, and household electrical products was in contrast to further decreases in electrical motors and metal products.

The measure introduced in 2015 which provides for a three year exemption from tax payments for new permanent hires promoted an increase in employment levels.

In 2015 inflation was 0.1%, which was held down by the drop in import prices for energy resources.

In 2015, the government budget deficit decreased to 2.6% of GDP, compared with 3.0% in 2014.

The European economy

In 2015, the economy of the Euro area grew at a rate of 1.7%, a slight improvement from recent years.

For over a year, the European economy has benefited from an exceptional combination of favourable factors; low oil prices, a low Euro exchange rate, as well as significant monetary policy measures by the European Central Bank.

In recent months, however, the boost from these factors was partially offset by the negative impact of crises experienced by emerging economies and, more recently, by a slowdown in the principal developed economies.

At the end of 2015, there was an acceleration in investments, although most available data attributes this rebound mainly to temporary factors.

During the year, consumer spending increased 1.3% in the Euro zone (1.4% in the EU). The unemployment rate, even though remaining at a high level, decreased to 9%.

The aggregate government budget deficit decreased to 2.1% of GDP in the Euro

MAIN FEATURES OF COUNTRY FORECAST - ITALY

| 2014 | | | | Annual percentage change | | | | | | |
|--|-----------------|-------------|-------|--------------------------|-------|-------|-------|-------|-------|-------|
| | bn EUR | Curr.prices | % GDP | 96-11 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| GDP | | 1611.9 | 1.56 | 0.9 | -2.8 | -1.7 | -0.3 | 0.8 | 1.1 | 1.3 |
| Private Consumption | | 989.5 | 2.0 | 1.1 | -3.9 | -2.5 | 0.6 | 0.9 | 1.5 | 1.1 |
| Public Consumption | | 312.6 | 2.9 | 1.0 | -1.4 | -0.3 | -1.0 | -0.7 | 0.6 | 0.7 |
| Gross fixed capital formation | | 267.5 | 3.5 | 1.1 | -9.3 | -6.6 | -3.4 | 0.8 | 3.2 | 4.1 |
| of which: equipment | | 86.9 | 2.9 | 1.7 | -13.6 | -8.2 | -2.7 | 3.5 | 4.1 | 5.8 |
| Exports (goods and service) | | 476.2 | 2.6 | 2.2 | 2.3 | 0.6 | 3.1 | 4.3 | 2.4 | 4.0 |
| Imports (goods and service) | | 429.3 | 1.7 | 3.2 | -8.1 | -2.3 | 3.2 | 6.0 | 3.8 | 4.7 |
| GNI (GDP deflator) | | 1610.5 | 1.4 | 0.9 | -2.7 | -1.8 | -0.2 | 0.7 | 1.1 | 1.3 |
| Contribution to GDP growth: | Domestic demand | | | 1.0 | -4.5 | -2.8 | -0.4 | 0.5 | 1.5 | 1.5 |
| | Inventories | | | 0.0 | -1.2 | 0.2 | 0.0 | 0.5 | -0.1 | -0.1 |
| | Net exports | | | -0.2 | 2.9 | 0.8 | 0.1 | -0.3 | -0.3 | 0.0 |
| Employment | | | | 0.4 | -1.4 | -2.4 | 0.3 | 0.8 | 0.9 | 0.9 |
| Unemployment rate (a) | | | | 8.8 | 10.7 | 12.1 | 12.7 | 11.9 | 11.4 | 11.2 |
| Compensation of employees / f.t.e. | | | | 2.9 | 0.4 | 1.3 | -0.1 | 0.5 | 0.3 | 0.5 |
| Unit labour costs whole economy | | | | 2.4 | 1.9 | 0.6 | 0.6 | 0.6 | 0.2 | 0.1 |
| Real unit labour cost | | | | 0.1 | 0.5 | -0.6 | -0.2 | -0.2 | -0.6 | -1.1 |
| Saving rate of households (b) | | | | 14.5 | 9.4 | 11.0 | 10.5 | 10.4 | 10.7 | 10.7 |
| GDP deflator | | | | 2.4 | 1.4 | 1.2 | 0.8 | 0.8 | 0.8 | 1.2 |
| Harmonised index of consumer prices | | | | 2.3 | 3.3 | 1.2 | 0.2 | 0.1 | 0.2 | 1.4 |
| Terms of trade goods | | | | -0.4 | -1.4 | 1.8 | 3.2 | 4.6 | 2.8 | -0.1 |
| Trade balance (goods) (c) | | | | 0.8 | 1.0 | 2.2 | 3.0 | 3.3 | 3.5 | 3.4 |
| Current-account balance (c) | | | | -0.6 | -0.4 | 0.9 | 1.8 | 2.2 | 2.4 | 2.3 |
| Net lending (+) or borrowing (-) vis-a-vis ROW (c) | | | | -0.5 | -0.2 | 0.9 | 2.1 | 2.4 | 2.5 | 2.4 |
| General government balance (c) | | | | -3.4 | -2.9 | -2.9 | -3.0 | -2.6 | -2.4 | -1.9 |
| Cyclically-adjusted budget balance (d) | | | | -3.5 | -1.1 | -0.6 | -0.9 | -1.1 | -1.6 | -1.7 |
| Structural budget balance (d) | | | | - | -1.2 | -0.9 | -1.1 | -1.0 | -1.7 | -1.7 |
| General government gross debt (c) | | | | 107.1 | 123.3 | 129.0 | 132.5 | 132.7 | 132.7 | 131.8 |

(a) as % of total labour force. (b) gross saving divided by gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP:

The steel scenario

Global steel industry

In 2015 worldwide steel production was 1.623 billion tonnes, a decrease of 2.8 percentage points from 2014, after fully 5 years of increases. In general, all regions of the world posted negative results, mostly due to the decrease in investments in China, Japan, the Americas, as well as countries in the CIS (Commonwealth of Independent States) area.

| WORLD CRUDE STEEL PRODUCTION - SUMMARY - WORLD CRUDE STEEL PRODUCTION - SUMMARY | | | |
|---|----------------|----------------|-------------|
| million tonnes (Mt) | 2015 | 2014 | %2015-2014 |
| Europe | 303.9 | 313.8 | -3.2 |
| of which: | | | |
| EU (28) | 166.2 | 169.3 | -1.8 |
| CIS | 101.5 | 106.1 | -4.3 |
| North America | 110.7 | 121.2 | -8.6 |
| of which: | | | |
| United States | 78.9 | 88.2 | -10.5 |
| South America | 43.9 | 45.0 | -2.5 |
| Africa | 15.0 | 15.0 | -0.2 |
| Middle East | 29.8 | 30.0 | -0.5 |
| Asia | 1 113.8 | 1 139.8 | -2.3 |
| of which: | | | |
| China | 803.8 | 822.8 | -2.3 |
| Japan | 105.2 | 110.7 | -5.0 |
| Australia/New Zealand | 5.7 | 5.5 | 4.6 |
| World* | 1 622.8 | 1 670.2 | -2.8 |

*** The world and regional production figures in this table includes estimates of other countries that only report annually

Source: World Steel Association

The decrease in investments caused a drop in worldwide demand for finished steel products, which declined 3.0% from the prior year, and represented approximately

| STEEL DEMAND FORECASTS - SRO April 2016, finished steel products | | | | | | |
|--|----------------|----------------|----------------|-----------------------|-------------|------------|
| Regions | million tonnes | | | y-o-y growth rates, % | | |
| | 2015 | 2016 (f) | 2017 (f) | 2015 | 2016 (f) | 2017 (f) |
| European Union (28) | 153.3 | 155.4 | 158.1 | 2.8 | 1.4 | 1.7 |
| Other Europe | 40.1 | 41.3 | 42.6 | 8.1 | 3.0 | 3.0 |
| CIS | 50.0 | 46.3 | 48.4 | -10.8 | -7.4 | 4.6 |
| NAFTA | 134.5 | 138.8 | 142.3 | -8.4 | 3.2 | 2.6 |
| Central and South America | 45.4 | 42.6 | 44.0 | -7.3 | -6.0 | 3.2 |
| Africa | 39.0 | 40.5 | 43.1 | 4.3 | 3.8 | 6.5 |
| Middle East | 53.0 | 54.3 | 56.4 | -1.0 | 2.4 | 4.0 |
| Asia and Oceania | 984.8 | 968.5 | 958.7 | -3.3 | -1.7 | -1.0 |
| World | 1 500.1 | 1 487.7 | 1 493.6 | -3.0 | -0.8 | 0.4 |
| Developed Economies | 399.1 | 405.9 | 410.4 | -4.0 | 1.7 | 1.1 |
| Emerging and Developing Economies | 1 101.0 | 1 081.8 | 1 083.2 | -2.7 | -1.7 | 0.1 |
| China | 672.3 | 645.4 | 626.1 | -5.4 | -4.0 | -3.0 |
| MENA | 72.1 | 74.4 | 78.0 | -0.6 | 3.1 | 4.9 |
| Em. and Dev. Economies excl. China | 428.6 | 436.3 | 457.1 | 2.0 | 1.8 | 4.8 |
| World excl. China | 827.7 | 842.2 | 867.6 | -1.0 | 1.8 | 3.0 |

Source: World Steel Association

1.5 billion tonnes. It is estimated that worldwide steel demand will remain stable over the next few years, posting a decrease of 0.8% in 2016 and an increase of 0.4% in 2017.

The principal change from the recent past concerns the decline in the Chinese domestic market (-5.4% in 2015 and -3 / -4% per annum over the next two years), which is only partially offset by growth in India, countries in the MENA area, Africa, and in other European markets. World trade nevertheless increased in 2015, even though at a lower rate. China exported approximately 100 million tonnes, 20 million tonnes more than in 2014, especially in long products.

In response to the active role played by China in the world steel market combined with a general downward trend in prices, many countries implemented trade protection measures in their markets, which could limit future exports of Chinese material.

World raw material prices posted significant decreases throughout the entire past year.

IRON ORE PRICE (\$US PER TONNE)



Data: Bloomberg

CHINA'S TOP 10 EXPORT MARKETS FOR LONGS (mt)

| | 2014 | 2015 |
|---------------------|-------------------|-------------------|
| South Korea | 4,361,480 | 5,230,464 |
| Indonesia | 2,432,581 | 3,977,017 |
| Philippines | 2,769,334 | 3,771,399 |
| Vietnam | 1,827,705 | 3,485,956 |
| Thailand | 1,993,951 | 2,908,567 |
| Singapore | 2,207,422 | 2,473,706 |
| Malaysia | 1,534,691 | 2,267,088 |
| Hong Kong | 2,094,716 | 2,262,274 |
| Turkey | 402,765 | 1,834,318 |
| India | 1,290,418 | 1,456,935 |
| Total Top 10 | 20,915,063 | 29,667,724 |
| Total | 36,003,340 | 49,882,944 |

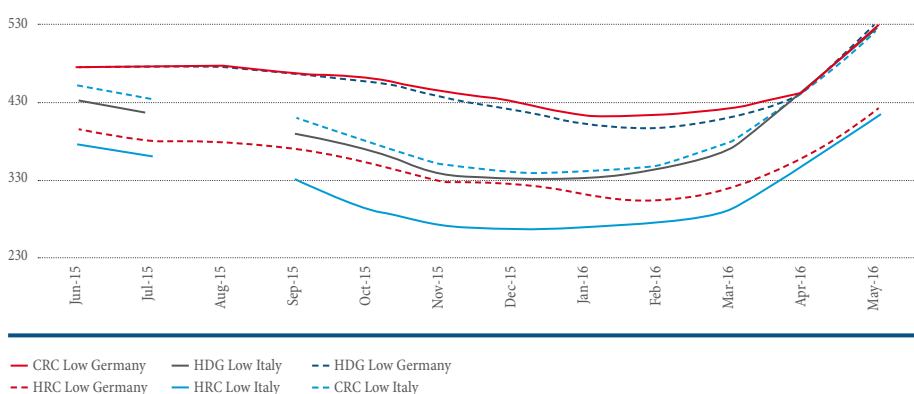
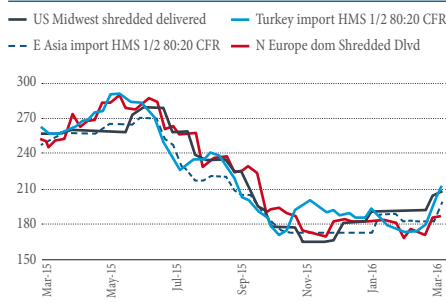
Source: China Customs, GTIS

CHINA'S TOP 10 EXPORT MARKETS FOR FLATS (mt)

| | 2014 | 2015 |
|---------------------|-------------------|-------------------|
| South Korea | 7,934,026 | 7,548,273 |
| Vietnam | 4,560,847 | 6,313,416 |
| India | 1,951,557 | 2,765,379 |
| Italy | 1,243,770 | 2,178,088 |
| Belgium | 1,273,606 | 1,845,978 |
| Pakistan | 996,787 | 1,683,564 |
| Philippines | 1,728,505 | 1,460,209 |
| Iran | 543,638 | 1,373,235 |
| United States | 2,105,737 | 1,346,023 |
| Taiwan | 1,633,539 | 1,319,853 |
| Total Top 10 | 23,972,012 | 27,834,018 |
| Total | 43,671,607 | 48,465,151 |

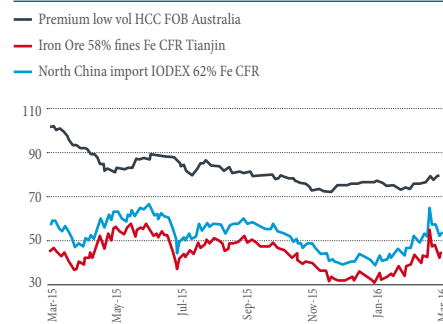
Source: China Customs, GTIS

Of particular significance was the decrease in iron ore prices, which last December reached their lowest level in 10 years, with a price of 37 dollars a tonne:

MEPS_HRC, CRC, HDG LOW GERMANY COMPARED TO LOW ITALY QUOTATIONS

SCRAP (\$/MT)


Source: Platts

major world producers took advantage of the economic situation and pushed prices further down in an attempt to drive smaller competitors out of the market and thereby redefine the market scenario. Steel prices remained relatively stable during the first 6-8 months of 2015, enabling the best positioned operators to achieve acceptable margins. However, in the second and third quarters of the year there was an unexpected collapse, the impact of which affected the excellent trend in the financial performance of operators in the fourth quarter of 2015 and in the first quarter of 2016.

RAW MATERIALS (\$/MT)


Source: Platts

The return to sustainable price levels for world steel industry operators occurred at the end of first quarter 2016, due also to significant corrections in raw materials prices and an improvement in expectations, which contributed to an increase in steel commodity prices in the international market.

The European and Italian steel industry scenario

In recent years the European steel industry has lost some of its competitiveness

in the world market due to excess Asian production capacity, high energy costs, the persistence of unfair competition situations favoured by lower production costs, along with different environmental rules and standards.

In 2015 European production decreased by 1.8% in Europe (the 28 countries), 7.4% in Turkey, and 4.3% in CIS countries.

By contrast, real and apparent consumption levels increased 1.7% and 3.5% respectively, due to the good performance (+2%) of major steel consuming sectors, in particular of the automotive segment and the household electrical product and transport segments, which boomed for the second consecutive year. Estimates predict a continuation of this positive trend in 2016 as well, and a further improvement in 2017.

Fourth quarter 2015 business activity regained strength, particularly due to private investment and consumption, which were more than offset by the weak performance of investments and the decrease in orders in the Oil & Gas segment.

In 2015 Italian steel production dropped sharply with a decline of 7.1%, which was specifically due to the persistence of the crisis situation of the national steel colossus ILVA, in Taranto. The same was true of the long products segment, which was hurt by weakness in the construction sector.

The imbalance between increasing demand and decreasing production forced European and Italian operators to make greater use of imports, particularly from China and Iran.

After having posted a new historic low

MONTHLY STEEL CRUDE PRODUCTION (in thousands of tonnes)

| | DECEMBER | | | 12 MONTHS | | |
|----------------------|---------------|---------------|--------------------|----------------|----------------|-------------|
| | 2015 | 2014 | % change 2015/2014 | 2015 | 2014 | % change |
| Austria | 656 | 607 | 8.0 | 7 691 | 7 876 | -2.3 |
| Belgium | 580 | 577 | 0.5 | 7 219 | 7 331 | -1.5 |
| Bulgaria | 50 e | 49 | 2.2 | 623 | 612 | 1.7 |
| Croatia | 5 e | 8 | -37.2 | 127 | 167 | -24.4 |
| Czech Republic | 392 | 461 | -15.0 | 5 262 | 5 360 | -1.8 |
| Finland | 316 | 310 | 2.0 | 3 988 | 3 807 | 4.8 |
| France | 978 | 1 113 | -12.2 | 14 984 | 16 143 | -7.2 |
| Germany | 2 987 | 3 257 | -8.3 | 42 678 | 42 943 | -0.6 |
| Greece | 90 e | 66 | 36.4 | 1 067 | 1 022 | 4.4 |
| Hungary | 106 | 100 | 6.0 | 1 675 | 1 152 | 45.4 |
| Italy | 1 496 | 1 465 | 2.1 | 22 022 | 23 714 | -7.1 |
| Luxembourg | 130 e | 132 | -1.2 | 2 129 | 2 193 | -2.9 |
| Netherlands | 516 | 603 | -14.4 | 6 995 | 6 964 | 0.4 |
| Poland | 560 e | 651 | -14.0 | 9 106 | 8 558 | 6.4 |
| Slovakia | 259 | 425 | -39.0 | 4 562 | 4 705 | -3.0 |
| Slovenia | 38 | 30 | 27.1 | 604 | 615 | -1.8 |
| Spain | 952 | 924 | 3.0 | 14 875 | 14 249 | 4.4 |
| Sweden | 338 | 379 | -11.0 | 4 376 | 4 539 | -3.6 |
| United Kingdom | 609 | 923 | -34.0 | 10 860 | 12 120 | -10.4 |
| Other E. U. (28) (e) | 405 e | 425 | -4.6 | 5 338 | 5 228 | 2.1 |
| European Union (28) | 11 463 | 12 504 | -8.3 | 166 181 | 169 301 | -1.8 |
| Bosnia-Herzegovina | 72 | 75 | -3.5 | 819 | 793 | 3.3 |
| Macedonia | 0 | 0 | .. | 121 | 188 | -35.5 |
| Norway | 49 | 45 | 10.1 | 578 | 600 | -3.7 |
| Serbia | 72 | 70 | 2.3 | 955 | 583 | 63.8 |
| Turkey | 2 671 | 2 715 | -1.6 | 31 517 | 34 035 | -7.4 |
| Other Europe | 2 865 | 2 905 | -1.4 | 33 991 | 36 199 | -6.1 |
| Byelorussia | 200 e | 225 | -11.0 | 2 615 | 2 513 | 4.0 |
| Kazakhstan | 280 e | 277 | 1.1 | 3 554 | 3 681 | -3.5 |
| Moldova | 45 e | 28 | 60.7 | 445 | 351 | 26.9 |
| Russia | 5 950 e | 6 152 | -3.3 | 71 114 | 71 461 | -0.5 |
| Ukraine | 1 900 e | 1 903 | -0.2 | 22 933 | 27 170 | -15.6 |
| Uzbekistan | 40 e | 41 | -2.4 | 637 | 723 | -11.9 |
| C.I.S. (6) | 8 415 | 8 626 | -2.4 | 101 298 | 105 899 | -4.3 |

Source: World Steel Association

in 2014, in 2015 apparent consumption of long products halted the decline which had persisted since 2012, by posting a slight increase (+138,400 tonnes, +1.6%) over the prior year. Despite that, the 2015 level remained well below the average for the period 2010-2014 (9.9 million tonnes) (a decrease of 995,400 tonnes). In 2015, demand for flat products confirmed the upward trend that has been in effect since 2012, and in the last year showed a marked acceleration,

which represented the main driver of the increase in domestic demand.

Specifically, in 2015 apparent consumption of flat products, 15.9 million tonnes, increased from the previous year (+1.9 million tonnes, +13.3%), as well as in relation to the average for the period 2010-2014 (14.2 million tonnes, +1.7 million tonnes, +12.3%).

DEVELOPMENT OF THE MAIN STEEL USING SECTORS % Change year on year in the SWIP (Steel Weighted Industrial Production) Index

| | % share in total Consumption | 2015 | Q116 | Q216 | Q316 | Q416 | 2016 | Q117 | Q217 | Q317 | Q417 | 2017 |
|------------------------|------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Construction | 35 | 1.3 | 0.0 | 2.8 | 2.9 | 2.1 | 2.0 | 2.3 | 1.9 | 2.7 | 3.1 | 2.5 |
| Mechanical engineering | 14 | -0.4 | 0.6 | 0.1 | 0.1 | 1.2 | 0.5 | 2.0 | 2.8 | 3.5 | 3.5 | 2.9 |
| Automotive | 18 | 8.3 | 3.4 | 3.6 | 2.4 | 2.5 | 3.0 | 3.3 | 4.1 | 4.6 | 3.3 | 3.8 |
| Domestic appliances | 3 | 4.1 | 1.9 | 3.4 | 3.1 | 2.2 | 2.6 | 2.5 | 2.1 | 1.9 | 2.2 | 2.2 |
| Other Transport | 2 | 6.5 | 3.1 | 3.3 | 1.7 | -2.1 | 1.4 | 2.5 | 2.8 | 2.6 | 3.2 | 2.8 |
| Tubes | 13 | -6.1 | -2.8 | 2.2 | 4.0 | 5.3 | 2.0 | 4.9 | 3.2 | 2.3 | 2.1 | 3.1 |
| Metal goods | 14 | 2.1 | 1.5 | 2.1 | 1.3 | 0.9 | 1.5 | 2.8 | 2.5 | 2.9 | 2.4 | 2.7 |
| Miscellaneous | 2 | 1.4 | 0.2 | 0.9 | 0.8 | 1.1 | 0.7 | 2.1 | 2.1 | 2.4 | 2.2 | 2.2 |
| Total | 100 | 2.0 | 0.9 | 2.4 | 2.2 | 2.0 | 1.9 | 2.8 | 2.8 | 3.2 | 3.0 | 2.9 |

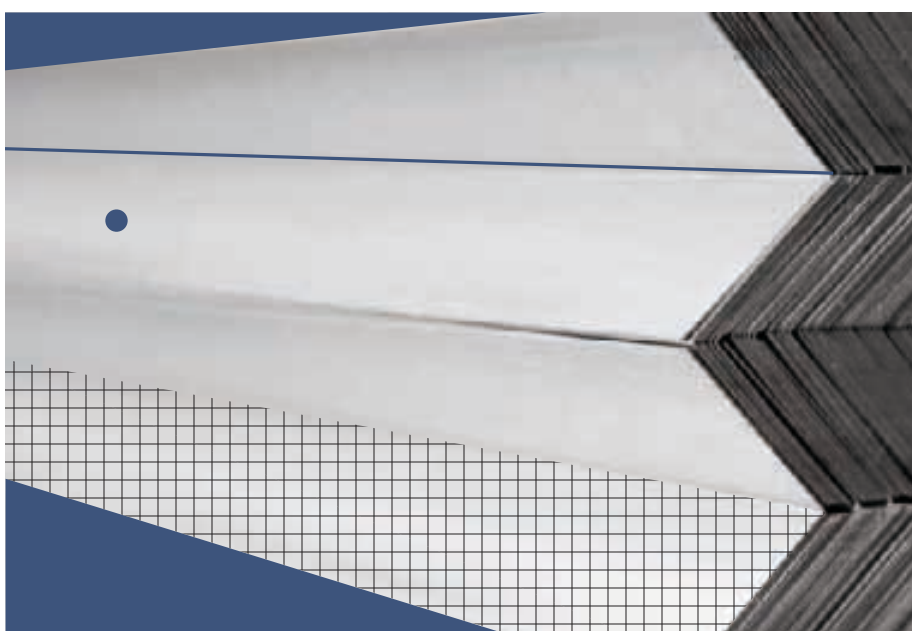
Source: Eurofer - forecast 2016

APPARENT CONSUMPTION FOR STEEL PRODUCT RANGE

000 t.

| | Steel long products | | | Steel flats products | | | Total steel products | | |
|-------------------------|---------------------|--------------|-------------|----------------------|---------------|--------------|----------------------|---------------|-------------|
| | 2014 | 2015 | Var. % | 2014 | 2015 | Var. % | 2014 | 2015 | Var. % |
| Delivery | 11.105 | 10.830 | -2,5% | 12.752 | 12.228 | -4,1% | 23.857 | 23.058 | -3,4% |
| Import | 1.976 | 2.294 | 16,1% | 10.171 | 12.524 | 23,1% | 12.147 | 14.817 | 22,0% |
| Import UE (28) | 1.499 | 1.676 | 11,8% | 6.223 | 6.369 | 2,3% | 7.722 | 8.045 | 4,2% |
| Import extra UE | 477 | 618 | 29,4% | 3.948 | 6.155 | 55,9% | 4.425 | 6.773 | 53,1% |
| Export | 4.288 | 4.191 | -2,3% | 7.143 | 6.698 | -6,2% | 11.432 | 10.889 | -4,7% |
| Export UE (28) | 2.160 | 2.092 | -3,1% | 5.345 | 4.936 | -7,7% | 7.505 | 7.028 | -6,4% |
| Export extra UE | 2.129 | 2.099 | -1,4% | 1.798 | 1.762 | -2,0% | 3.926 | 3.860 | -1,7% |
| App. consumption | 8.793 | 8.931 | 1,6% | 14.072 | 15.944 | 13,3% | 22.865 | 24.876 | 8,8% |

Source: Federacciai and ISTAT



Forecasts for 2016

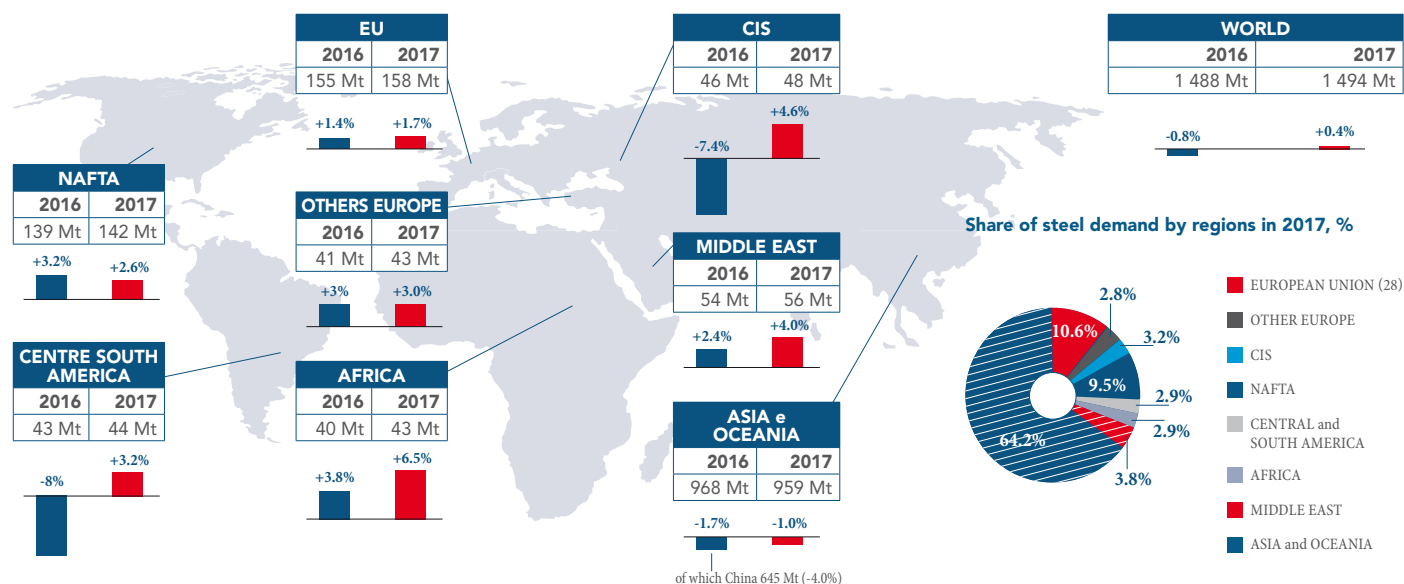
Many positive signs also suggest that European consumption will continue to grow in 2016, while worldwide consumption shall remain stable.

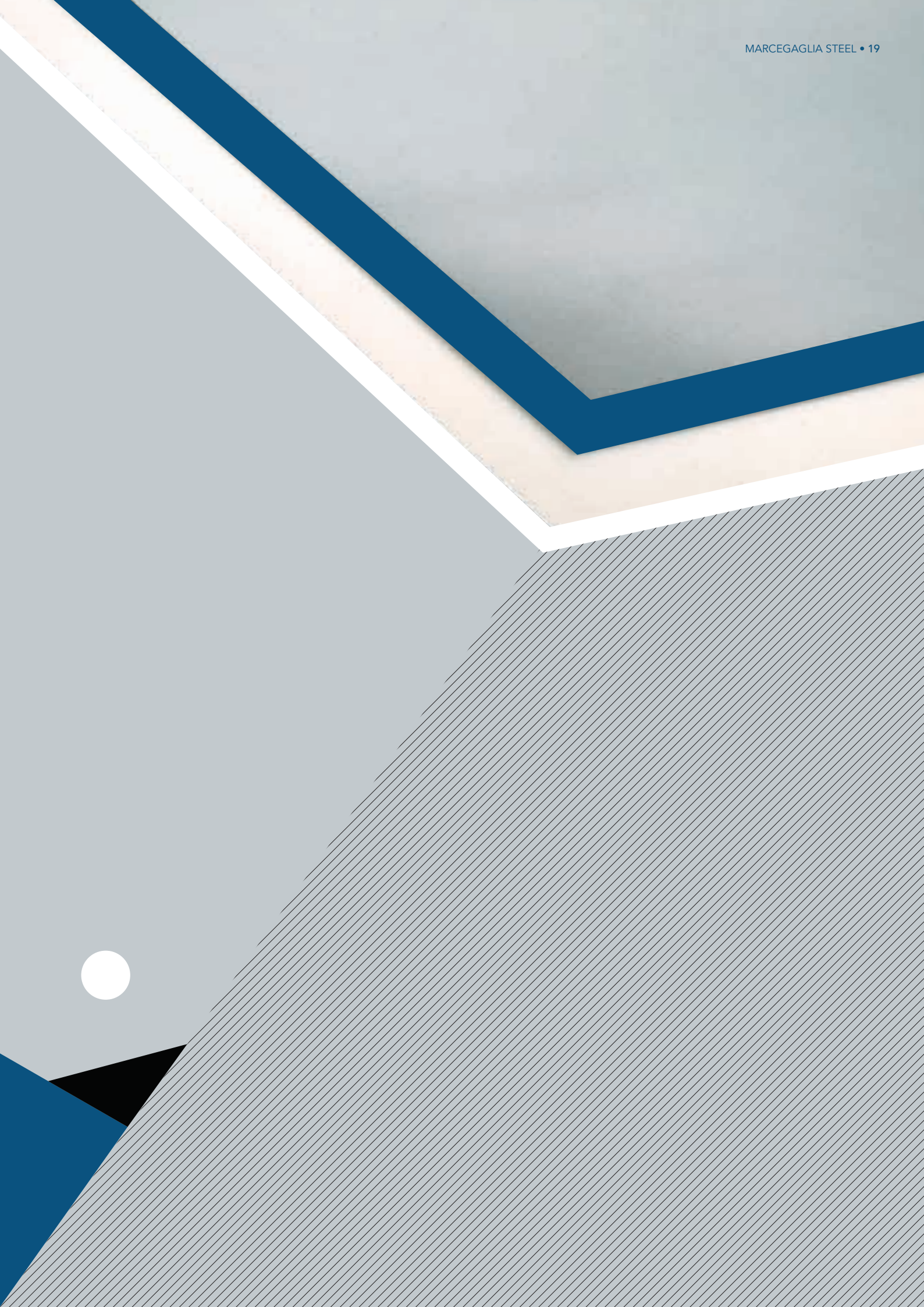
Prices of raw materials and finished products, after having bottomed out at the end of 2015, are recovering significantly throughout the world. For example, in Europe the price of hot coils reached 500 dollars a tonne (from 300 dollars a tonne), and slightly higher prices in NAFTA markets.

Improved consumption dynamics in major exporting countries such as China, India, Russia, Turkey and Iran consequently caused a decrease in export volumes, creating a temporary lack of supply.

Analysts and market operators believe a downward correction in prices is possible, which, however, should not again reach the unsustainable levels reached at the end of 2015.

SRO 2016-2017: REGIONAL OVERVIEW - Steel demand forecasts, finished steel (SRO April 2016)





Operating results

Methodology note

As anticipated, in 2015 a corporate re-organisation plan was completed which resulted in the organisation - as of 1 November 2015 - of three operating companies, Marcegaglia Carbon Steel S.p.A., Marcegaglia Specialties S.p.A. and Marcegaglia Plates S.p.A.

As until 31 October 2015 core businesses were carried out exclusively by Marcegaglia S.p.A., figures are reported on a "pro-forma" basis assuming the three new operating companies existed from 1 January 2015. Therefore a consolidated Profit and Loss Account for Marcegaglia Steel was drawn up for the entire financial year.

The first part of 2015 was characterised by relatively stable prices and consumption, whereas after the summer a situation of greater uncertainty prevailed, with significant decreases in the prices of various products.

However, even in this less than easy situation, Marcegaglia Carbon Steel confirmed the solidity of its industrial results, particularly in Europe, and also managed to improve its margins in the second half of the year as well, due to skilful management of purchases and

sales, as well as stringent control of costs, thereby reconfirming the merits of its business model, which is based upon considerable diversification of products and markets, a very extensive sales network, supported by appropriate levels of quality and service, combined with a high degree of operational flexibility.

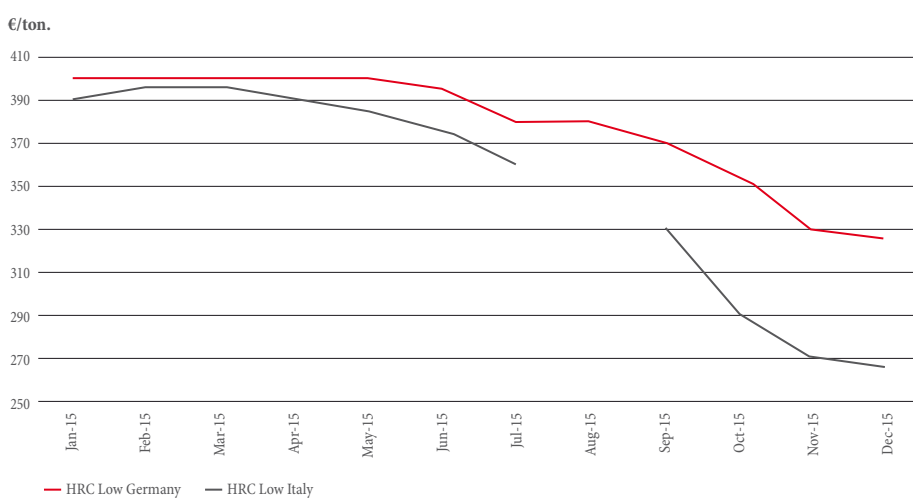
Revenues of "Steel Italia" amounted to Euro 3,422 million, slightly down from 2014 due to a 4.0% decline in average unit revenues (-5.1% for carbon steel products and -2.7% for stainless steel products,

following a significant drop in nickel prices on the London Metal Exchange).

Volumes, however, grew 3.7 % compared to 2014, especially in welded tubes (+5.9%) and stainless steel products (+7.1%).

In regard to foreign subsidiaries, the positive trend of Marcegaglia Poland continued (+17.6% in volume and +12.6% in revenues). The volumes of Marcegaglia UK and Marcegaglia China were basically stable. Marcegaglia Ru and Marcegaglia USA showed a decline in sales also due to

MEPS QUOTATION (HRC LOW ITALY, LOW GERMANY (Euro/ton.))



Source: dati MEPS

REVENUES ITALY (000/Euro)

| | 01/01-31/10 2015 | 01/11-31/12 2015 | total 2015 | total 2014 | Δ % | % export 2015 |
|--------------------------------------|---------------------|---------------------|------------------|------------------|--------------|------------------|
| MARCEGAGLIA CARBON STEEL | 1,975,901 | 312,196 | 2,288,098 | 2,314,069 | -1.1% | 1,107,681 |
| of which flat products | 1,256,682 | 205,382 | 1,462,064 | 1,495,953 | -2.3% | 711,505 |
| of which welded tubes | 581,644 | 94,549 | 676,193 | 678,338 | -0.3% | 391,602 |
| MARCEGAGLIA SPECIALTIES | 838,459 | 117,511 | 955,969 | 966,222 | -1.1% | 650,792 |
| of which stainless steel | 730,458 | 97,013 | 827,471 | 794,115 | 4.2% | 579,683 |
| of which cold-drawn bars | 99,477 | 14,713 | 114,190 | 116,815 | -2.2% | 68,925 |
| MARCEGAGLIA PLATES | 156,447 | 21,012 | 177,460 | 177,219 | 0.1% | 96,239 |
| of which heavy plates | 150,093 | 20,051 | 170,144 | 176,903 | -3.8% | 95,718 |
| Total MARCEGAGLIA STEEL Italy | 2,970,807 | 450,719 | 3,421,526 | 3,457,510 | -1.0% | 1,854,712 |

FINISHED GOOD SHIPMENT (ton.)

| | Volumes 2015 Finished Good | Volumes 2014 Finished Good | Δ % |
|--------------------------------------|-------------------------------|-------------------------------|-------------|
| MARCEGAGLIA CARBON STEEL | 3,575,010 | 3,451,995 | 3.6% |
| of which flat products | 2,543,417 | 2,476,429 | 2.7% |
| of which welded tubes | 1,020,845 | 964,385 | 5.9% |
| MARCEGAGLIA SPECIALTIES | 510,526 | 485,594 | 5.1% |
| of which stainless steel | 344,069 | 321,390 | 7.1% |
| of which cold-drawn bars | 159,453 | 155,136 | 2.8% |
| MARCEGAGLIA PLATES | 345,421 | 335,457 | 3.0% |
| of which heavy plates | 345,421 | 335,457 | 3.0% |
| Total MARCEGAGLIA STEEL Italy | 4,430,958 | 4,273,046 | 3.7% |

REVENUES (000/Euro)

| | 2015 Euro | 2014 Euro | Δ % |
|--|----------------|----------------|---------------|
| MARCEGAGLIA POLAND Sp z.o.o. | 201,852 | 179,323 | 12.6% |
| MARCEGAGLIA UK | 50,647 | 53,162 | -4.7% |
| MARCEGAGLIA DO BRASIL Ltda | 109,067 | 161,114 | -32.3% |
| MARCEGAGLIA CHINA | 27,388 | 33,110 | -17.3% |
| tot export Marcegaglia Carbon Steel | 388,954 | 426,709 | -8.8% |
| MARCEGAGLIA RU | 17,829 | 24,678 | -27.8% |
| MARCEGAGLIA USA | 44,139 | 57,862 | -23.7% |
| tot export Marcegaglia Specialties | 61,968 | 82,540 | -24.9% |
| tot export Marcegaglia Steel | 450,921 | 509,249 | -11.5% |

FINISHED GOOD SHIPMENT (ton.)

| | volumi 2015 | volumi 2014 | Δ % |
|--|------------------|------------------|---------------|
| MARCEGAGLIA POLAND Sp z.o.o. | 282,804 | 240,491 | 17.6% |
| MARCEGAGLIA UK | 66,423 | 70,754 | -6.1% |
| MARCEGAGLIA DO BRASIL Ltda | 124,649 | 206,342 | -39.6% |
| MARCEGAGLIA CHINA | 44,708 | 44,562 | 0.3% |
| tot export Marcegaglia Carbon Steel | 518,584 | 562,149 | -7.7% |
| MARCEGAGLIA RU | 7,079 | 10,369 | -31.7% |
| MARCEGAGLIA USA | 25,845 | 31,450 | -17.8% |
| tot export Marcegaglia Specialties | 32,924 | 41,819 | -21.3% |
| tot export Marcegaglia Steel | 551,508 | 603,968 | -8.7% |
| tot Marcegaglia Steel | 4,982,466 | 4,877,014 | 2.2% |

the nickel price weakness. Sales of Marcegaglia do Brasil, both in local currency and even more so in Euros, were hurt by the country's economic and financial crisis that had a dramatic impact on domestic activity.

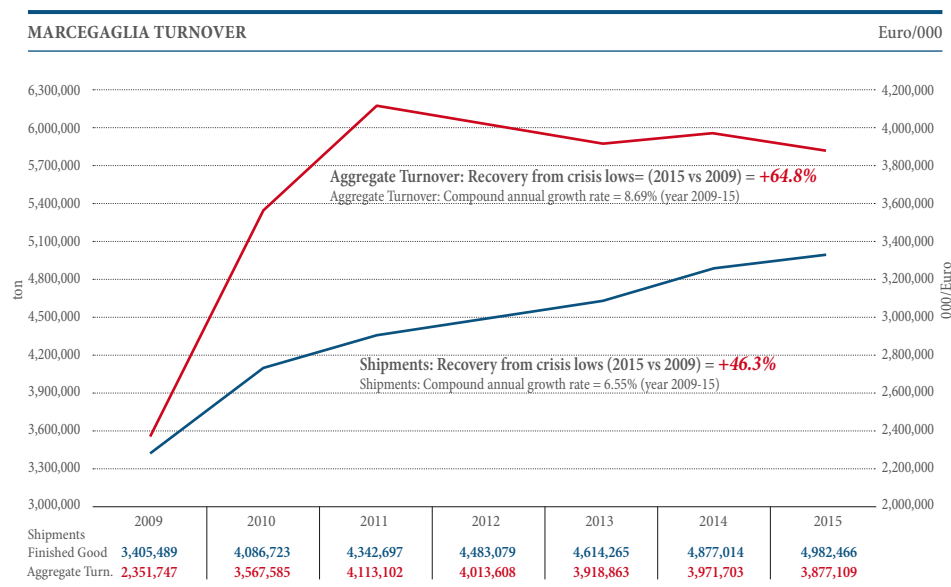
Worth noting is the commencement of operations in late 2015 of Marcegaglia Turkey, with the production of stainless steel tubes with decoration for the local market.

The consolidated revenues of Marcegaglia Steel are shown below by type of product and geographical area.

CONSOLIDATED SALES PER REGION (000/Euro)

| | total | export | % revenues | of which EU | of which extra EU |
|----------------------------|------------------|------------------|---------------|------------------|-------------------|
| carbon steel tubes | 903,652 | 618,648 | 68.46% | 459,427 | 159,221 |
| flat products (from HRC) | 1,540,308 | 789,639 | 51.27% | 675,604 | 114,035 |
| heavy plates | 170,144 | 95,718 | 56.26% | 82,097 | 13,621 |
| stainless steel | 890,222 | 641,446 | 72.05% | 532,204 | 109,242 |
| cold drawn steel | 129,374 | 84,109 | 65.01% | 64,893 | 19,216 |
| others | 243,409 | 74,156 | 30.47% | 54,797 | 19,359 |
| tot aggregated 2015 | 3,877,109 | 2,303,717 | | 1,869,023 | 434,694 |
| tot aggregated 2014 | 3,971,703 | 2,417,189 | | 1,925,188 | 492,001 |
| | -2.4% | -4.7% | | -2.9% | -11.6% |
| intercompany | (33,406) | (23,089) | 69.12% | (12,223) | (10,866) |
| tot revenues | 3,843,703 | 2,280,628 | 59.33% | 1,856,800 | 423,827 |

The following chart shows the continuous real growth of the group.



Marcegaglia RU also performed well. The performance of Marcegaglia China and Marcegaglia USA was again highly negative, also because of a significant inventory write-down made at the end of the year out of prudence.

Overall, Italian companies in the Steel sector performed well amid high uncertainty and volatility, with an Ebitda of approximately Euro 230 million. The overall group's net result was hurt by the high level of amortisation and depreciation (+30% over 2014) and the negative results of Marcegaglia China and Marcegaglia USA, even though they were affected by considerable inventory write-downs at the end of the year.

Margins gradually improved in the second half of the year on carbon steel products, while were higher than expected - except for the last quarter - on stainless steel products, as well as on heavy plates; margins on special drawn bars were stable and very satisfactory.

Among foreign companies, Marcegaglia Poland increased its profitability in line with higher volumes, and Marcegaglia UK confirmed its positive performance.

Despite the marked decrease in revenues, Marcegaglia do Brasil maintained a reasonable percentage operating margin thanks to a skilful cost control.

PROFITABILITY 2015

| | Revenues | EBITDA | EBITDA % |
|--|------------------|-----------------|---------------|
| Marcegaglia Carbon Steel | 2,288,098 | 137,197 | 6.0% |
| Marcegaglia Specialties | 955,969 | 95,990 | 10.0% |
| Marcegaglia Plates | 177,460 | 20,188 | 11.4% |
| Corp OH | | (24,726) | |
| tot. 3 newco Italy | 3,421,526 | 228,650 | 6.7% |
| Outsourcing inox/Mariven | 4,661 | 1,117 | |
| tot. Marcegaglia Specialties IT | 960,631 | 97,107 | 10.1% |
| MARCEGAGLIA Poland | 201,852 | 12,798 | 6.3% |
| MARCEGAGLIA UK | 50,647 | 2,775 | 5.5% |
| MARCEGAGLIA DO BRASIL Ltda | 109,067 | 7,921 | 7.3% |
| MARCEGAGLIA CHINA | 27,388 | (23,232) | -84.8% |
| Foreign Subsidiaries Marcegaglia Carbon Steel | 388,954 | 262 | 0.1% |
| MARCEGAGLIA USA | 44,139 | (15,037) | -34.1% |
| MARCEGAGLIA RU | 17,829 | 2,691 | 15.1% |
| Foreign Subsidiaries Marcegaglia Specialties | 61,968 | (12,346) | -19.9% |
| tot. Foreign Subsidiaries | 450,921 | (12,084) | -2.7% |
| tot. Marcegaglia Carbon Steel | 2,677,051 | 137,460 | 5.1% |
| tot. Marcegaglia Specialties | 1,022,598 | 84,761 | 8.3% |
| tot. Marcegaglia Plates | 177,460 | 20,188 | 11.4% |
| intercompany | (33,406) | | |
| tot. Marcegaglia Steel | 3,843,703 | 217,684 | 5.7% |

Financial management

The Net Financial Position of Marcegaglia Steel at 31 December 2015, understood to be the difference between payables to banks and other lenders maturing within and after the following financial year, on the one hand, and financial assets not held as fixed assets and cash and cash equivalents, on the other hand, was Euro 1,223 million.

As the transfer of credit lines and relevant uses from Marcegaglia S.p.A. now Marfin srl to Marcegaglia Steel S.p.A. was not completed at 31 December 2015, the pro-forma Net Financial Position at 31 December 2015 including Marcegaglia S.p.A. now Marfin srl is equal to Euro 1,452 million (Euro -46 million compared to 2014).

To be reported for 2015 are several important changes in group's financial management, particularly for "Marcegaglia Steel Italia", which were implemented as a corollary to the reorganisation plan:

- the group negotiated with its banks a concentration of all cash and endorsement credit facilities with Marcegaglia Steel (Holding), which effective 1 November 2015 implemented a cash pooling system with the operating companies. The latter remain the direct "owners" of credit relationships pertaining to factoring and securitisation, which is to say, "off balance sheet" debts;
- the group positively negotiated two

securitisation agreements totalling Euro 450 million, 50% of which was used as of 31 December 2015, which agreements remain "owned" by the operating companies;

- the group initiated negotiations for a medium-term line in the amount of Euro 450 million held by Marcegaglia Steel, with the principal objective of refinancing short-term lines in order to extend its average debt maturities.

This transaction was successfully concluded in March 2016, for a total amount of Euro 492.5 million (+10% compared to the original amount) in two tranches - the first as a mortgage loan, the second as an unsecured loan - with an average maturity of 4.3 years and final maturity of 7 years.

This important transaction involved the participation of all the major credit institutions, which totalled 12 in number.

The total net financial expenses, net of exchange rate fluctuations, amounted to approximately Euro 88 million.

Strategy and investments

Continuing along the path initiated in recent years, in 2015 as well Marcegaglia focused its attention on its core business, both domestically and internationally, giving priority to investments aimed at improving the use of existing capacity and processes.

Key factors for the successful implementation of core business strategies are:

- an increase in investments to enhance products with a higher added value and verticalisation of the cycle, with great attention paid to expected benefits in terms of margins and a rapid recovery;
- a unique combination of great operational flexibility and economies of scale to enable greater efficiency in purchasing, processing, and logistics costs;
- great product diversification to cover different markets and business segments;
- an extensive sales network and an international purchasing network.

The gradual divestment of non-core business continued:

in April 2015 the biomass plant in Cutro was sold, while in November 2015 the equity investment of 33.33% in Allu's was disposed of and negotiations for the sale of the equity investment in Fontana started.

Investments

2015 investments of the consolidated companies under Marcegaglia Steel totalled Euro 53 million. Also in 2016 investments mainly involved the optimisation of the existing production capacity. Capex focussed on energy saving and cost control projects, plant enhancements aimed at ensuring higher quality standards, measures to maintain excellent safety standards. Finally, renovation works were carried out in some plants to maintain production efficiency.

Euro 40 million were invested by the three operating companies resulting from the spin-off, Euro 12 million by foreign subsidiaries.

Capital expenditures of **Marcegaglia Carbon Steel** amounted to Euro 24 million, most of which (Euro 17 million) were spent in Ravenna for

several safety, environmental, and energy saving (specifically a tandem painting and rolling line) measures and for the completion of the automatic coil packaging station; elsewhere, Euro 4 million were invested in the Gazoldo degli Ippoliti site, for various efficiency measures.

The investments of **Marcegaglia Specialties** amounted to Euro 14 million, of which Euro 9 million at the production site of Forlì, largely for the expansion project of the production capacity of laser welded stainless steel tubes (6 lines).

It is the main investment performed in 2015 to boost production, justified by the high profitability of this high quality product.

Also the site of Gazoldo degli Ippoliti was affected by significant capital expenditures, consisting in Euro 4 million mainly related to interventions



on the pickling line and the Sendzimir rolling mill to reduce scrap metal.

Marcegaglia Plates completed investments for Euro 2 million in the plant in San Giorgio di Nogaro for the set up of a new pantograph, for unplanned maintenance on the furnace and for the upgrading of the overhead cranes.

For foreign companies 2015 was a year of standard investments in line with the overall objective of improving the efficiency and cost-effectiveness of production processes. Marcegaglia China, Marcegaglia do Brasil and Marcegaglia Poland each made approximately Euro 3 million in investments, while smaller companies Marcegaglia USA and Marcegaglia UK invested Euro 1.5 million each.

INVESTMENT BY COMPANY AND PLANTS (000/Euro)

| Steel Italy | 01/01-31/10 | 01/11-31/12 | tot. 2015 |
|---|--------------------|--------------------|------------------|
| Ravenna | 15,075 | 2,163 | 17,237 |
| Gazoldo degli Ippoliti | 3,609 | 678 | 4,286 |
| Casalmaggiore | 1,024 | 117 | 1,141 |
| Boltiere | 547 | 59 | 606 |
| Dusino | 247 | 124 | 371 |
| Lomagna | 252 | 8 | 260 |
| others | 321 | 29 | 350 |
| tot. Marcegaglia Carbon Steel | 21,075 | 3,177 | 24,252 |
| Forlimpopoli | 8,384 | 622 | 9,006 |
| Gazoldo degli Ippoliti | 3,422 | 644 | 4,066 |
| Contino | 810 | 228 | 1,038 |
| tot. Marcegaglia Specialties | 12,616 | 1,494 | 14,110 |
| San Giorgio di Nogaro | 768 | 1,069 | 1,837 |
| tot. Marcegaglia Plates | 768 | 1,069 | 1,837 |
| Marfin (HQ) | 1,244 | 184 | 1,428 |
| tot. Marcegaglia Italia | 35,703 | 5,924 | 41,627 |
| Outsourcing Inox | 6 | 171 | 178 |
| Total Domestic Companies Steel | 35,710 | 6,095 | 41,805 |
| Consolidated foreign companies (Steel) | 01/01-31/10 | 01/11-31/12 | tot. 2015 |
| Marcegaglia Poland | 2,434 | 133 | 2,566 |
| Marcegaglia do Brasil Ltda | 2,324 | 253 | 2,577 |
| Marcegaglia China | 2,437 | 916 | 3,353 |
| Marcegaglia UK | -9 | 1,584 | 1,575 |
| Marcegaglia USA | 956 | 475 | 1,431 |
| Marcegaglia RU | 15 | 3 | 17 |
| Total Foreign Companies (Steel) | 8,156 | 3,363 | 11,520 |
| Total Marcegaglia Steel | 43,866 | 9,458 | 53,325 |

Overview by Business Line



Marcegaglia Carbon Steel

Coils

Despite a difficult beginning of the year in terms of margins, and a significant decrease in deliveries in the second half of the year, in 2015 the coil division experienced a positive performance in terms of volumes and margins, even if imports dominated in all of Europe and particularly in Italy, where they increased 21.9% on average, with a peak of 31.2% for hot galvanised steel.

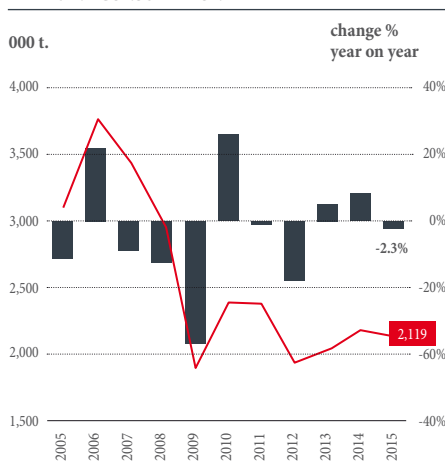
In this complex situation, in the first 10 months of 2015 the coil division posted a result that was all in all satisfactory with respect to deliveries (-1.87% over previous year) and more encouraging in terms of mark up (+19.34% over 2014). After a very weak first quarter, in fact, mark up steadily recovered while total deliveries were affected by the search for a better added value and heavy imports, especially in the case of cold products. The coil division's market mix was in balance in comparison with the prior year, if one considers deliveries in Italy representing 53% of its total volume (versus 56% in 2014). Exports decreased in the Euro area in relation to the significant increase in exports to third countries (+40% from 2014), due to the currency exchange rate and global protectionism. The total number of customers supplied rose to 527 (+16), with significant turnover of 29%. 6% of those customers represent 46% of the total volume.

Volumes of high added value products posted an increase of 13.7% compared with total deliveries (9.4% in 2014).

An extremely positive result, given the difficulties in supplying these manufactured goods during the period March through July.

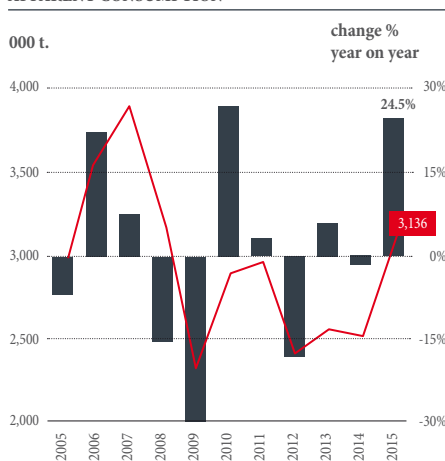
On 1 November 2015, Marcegaglia Carbon Steel (legally) commenced opera-

COLD ROLLED SHEETS
APPARENT CONSUMPTION



Source: Federacciai and ISTAT

HOT DIP GALVANIZED SHEETS
WITH DIFFERENT METALLIC COATING
APPARENT CONSUMPTION

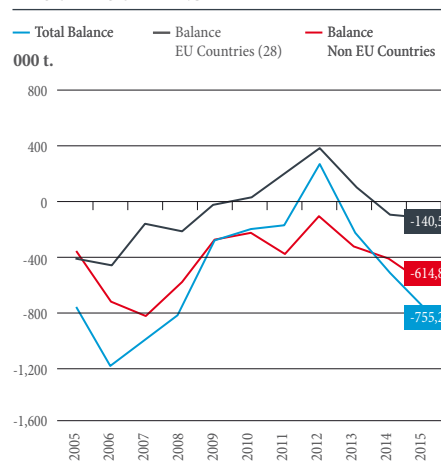


Source: Federacciai and ISTAT

tions during the most difficult part of the year in terms of the coils market.

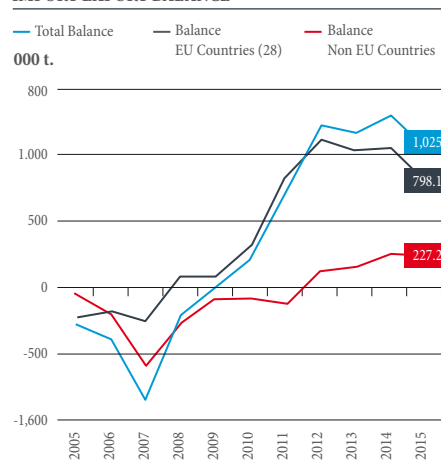
The drop in prices to 80 Euro/tonne, which persisted for the entire last quarter of 2015, had a negative impact on deliveries during the final part of the year, causing a reduction in the gradual recovery of mark ups, which nevertheless was at budgeted levels. Furthermore, in

COLD ROLLED SHEETS
IMPORT EXPORT BALANCE



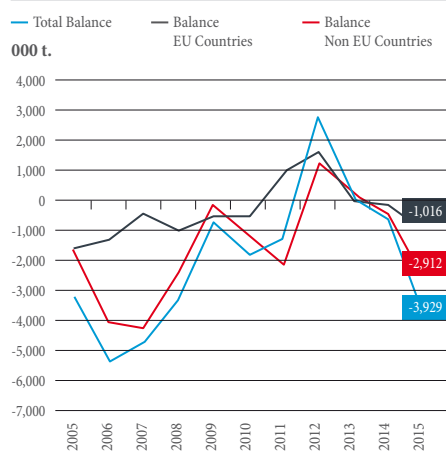
Source: Federacciai and ISTAT

HOT DIP GALVANIZED SHEETS
WITH DIFFERENT METALLIC COATING
IMPORT EXPORT BALANCE



Source: Federacciai and ISTAT

the first months of 2016 the coil division is posting an increase in margins over that same period of the prior year (+12.6%) and a slight increase in deliveries (+0.70%). Since February, moreover, there has been an extraordinary recovery in sales prices, which shall definitely have a positive impact on volumes and margins in the coming months.

TOTAL FLAT PRODUCTS
IMPORT EXPORT BALANCE

Source: Federacciai and ISTAT

Processed flat product

The year 2015 began with an thorough reorganisation of the marketing structure for products from service centres.

The heavy plates business was made independent, while a single sales department shall be in charge of sales of flat sheets and strips, serving all group service centres. The reorganisation aims to create greater internal efficiency, optimise production at the various plants, and achieve more fluid communications with the market.

Also presently in progress is a substantial revision of the product and customer mix for flat sheets, in order to increase our presence in new premium markets as well as the number of customers, as was previously accomplished in the sale of strips.

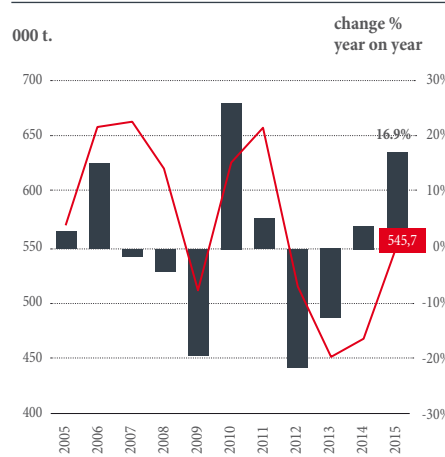
As with all flat products, margins were hurt in the first quarter by the increase in imports from third countries. Especially in regard to sheets, it was necessary for us to reduce total volumes and move the customer mix to the domestic market at the expense of exports, in an attempt to

realise higher margins. Beginning in the second quarter, a thorough sales policy was adopted that, by taking advantage of medium- and long-term contracts for strips, a reduction in the volatility of plate prices, and the drop in raw material costs, made it possible to increase margins and volumes. The first 10 months of the year ended with increases of 27.3% and 36.1%, respectively, in the mark-ups for strips and sheets in comparison with January, thereby exceeding pre-established objectives in the last months.

Volumes posted an increase of 5.7% over 2014 for strips and a basic balance for sheets.

In November and December 2015 the new corporate organisation continued the positive trend of the last months of Marcegaglia S.p.A..

Volumes for strips and sheets in the last two months increased by 9% and 15%, respectively, over the same period of 2014, with margins that were markedly higher than budget objectives.

ORGANIC COATED SHEETS
APPARENT CONSUMPTION

Source: Federacciai and ISTAT

Pre-painted products

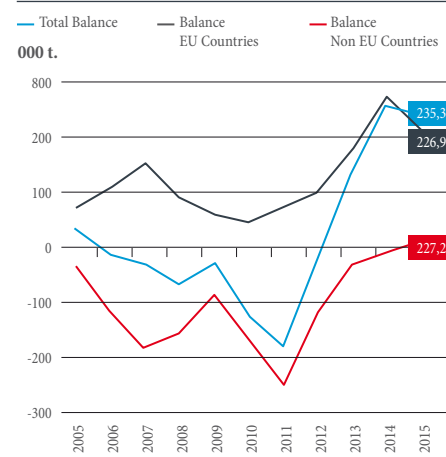
In 2015 as well, despite the fact that the consumption of painted pre-products was stable in the European market (4.8 million tonnes), Marcegaglia continued its upward trend posting a 5% increase over the prior year.

Sales activities yielded positive results by covering segments, including niche segments, in almost all user sectors in the European market.

In terms of market mix, 60% of products was exported while the remaining 40% continued to be domestic.

In regard to mark up, after a difficult first part of the year due to certain negative aspects, in the second part there was a satisfactory recovery in margins realised up to the end of the year.

In total, 386 customers were served, without any outstanding accounts.

ORGANIC COATED SHEETS
IMPORT EXPORT BALANCE

Source: Federacciai and ISTAT

TUBES

The European output in the range up to 406.4 mm o.d. peaked 6.9 million tonnes in 2015, which represents a little decrease on previous year.

Apparent consumption, estimated to be approximately 7.5 million tonnes, was essentially in line with 2014. Imports were stable at approximately 15%, with a total volume of 1.4 million tonnes.

During this period Marcegaglia S.p.A. confirmed its leadership on both the domestic and European markets, also thanks to an increasing contribution supplied by its production units in Poland and the UK.

The European macroeconomic situation remained uncertain with a positive trend in the automotive sector, but with no significant signs of recovery for the construction and infrastructure sectors.

The macroeconomic situation, structural overcapacity, and the weakness of raw materials, led to a gradual reduction in market prices, which was particularly pronounced in the last four months of 2015.

Despite the difficult economic situation, Marcegaglia managed to improve his position in the European market by containing the reduction in prices through a diligent pricing policy and constant product diversification.

The strategic orientation continues to be to increase the share of products with a higher added value, while maintaining a high degree of competitiveness, through constant attention to production costs.

The organisation of Carbon Steel on 1 November 2015 coincided with a particularly difficult time in terms of both prices and volumes.

The Italian market was particularly af-

ected by this situation. Especially in the distribution sector, major operators maintained a prudent approach by ending the year with low inventories, on average.

There was better performance in export markets, where demand confirmed expectations, including in the last part of the year.

A possible recovery in volumes and especially prices is expected in 2016.

Cold-drawn tubes

Overall performance was positive, in line with results for the prior year with respect to volumes, with an increase in unit margins (+2%).

The first part of the year saw an increase in all the sectors supplied, while in the second part of the year there was a general slowdown in several segments, particularly those connected to agriculture and plumbing, due in part to the seasonality of the products and in part to geopolitical situations, as well as the sudden drop in raw materials prices.

The automotive sector, and more generally the machinery sector, confirmed the recovery by maintaining a positive trend for the entire year.

Sales volumes of finished H8 tubes and tubes for telescopic cylinders posted a small increase.

For other products in the plumbing sector, on the other hand, 2015 went at two different rates of speed, with the first part of the year positive and a slowdown beginning in September, particularly for sales of manufactured items employed in agriculture and earthmoving machinery.

These sectors were directly or indirectly hit by various problems experienced in other parts of the world, such as Brazil,

Russia and China.

In Europe, Marcegaglia maintained the market share it achieved in 2014, with stable sales volumes. Exports outside the EU decreased, by contrast.

Our presence in the Italian market was approximately 40% of total shipments, with volumes increasing by 4% over the prior year. At the same time, the portion of exports in the European market was 60%, with an increase in sales in France, Poland, and Northern European countries.

The last quarter of 2015 showed a significant slowdown in several segments, particularly segments in the earth moving machinery and agricultural sector, which added to the usual decline toward the end of the year.

Furthermore, uncertainty regarding raw materials prices, which characterised the entire second half of 2015, had an impact on purchasing by distribution companies.

However, the year ended in line with budget forecasts with respect to volumes, with an increase in unit margins.

The first quarter of 2016 ended positively in line with performance in prior years as well as the budget.

Forecasts for upcoming months show an initial recovery in terms of volumes which, with the greater availability of raw materials, could lead to a further improvement in results.

The automotive business continues to be positive in all markets, with good forecasts, at least for the entire first half of 2016.

The Plumbing segment decreased over the same period of 2015, but increased from the end of the year, with forecasts for further improvement.

The beginning of 2016 confirmed posi-

ve results in the Italian market and in the northern European market

Distribution

2015 was characterised by mixed performances.

The volumes realised at the end of the year were in line with the previous year.

In terms of the types of products, there was a noticeable reduction in demand for cold tubes, which was more or less offset by pickled tubes, which were economically more advantageous for customers.

Sales of galvanised strip tubes increased, with good profits, even though with not very significant volumes.

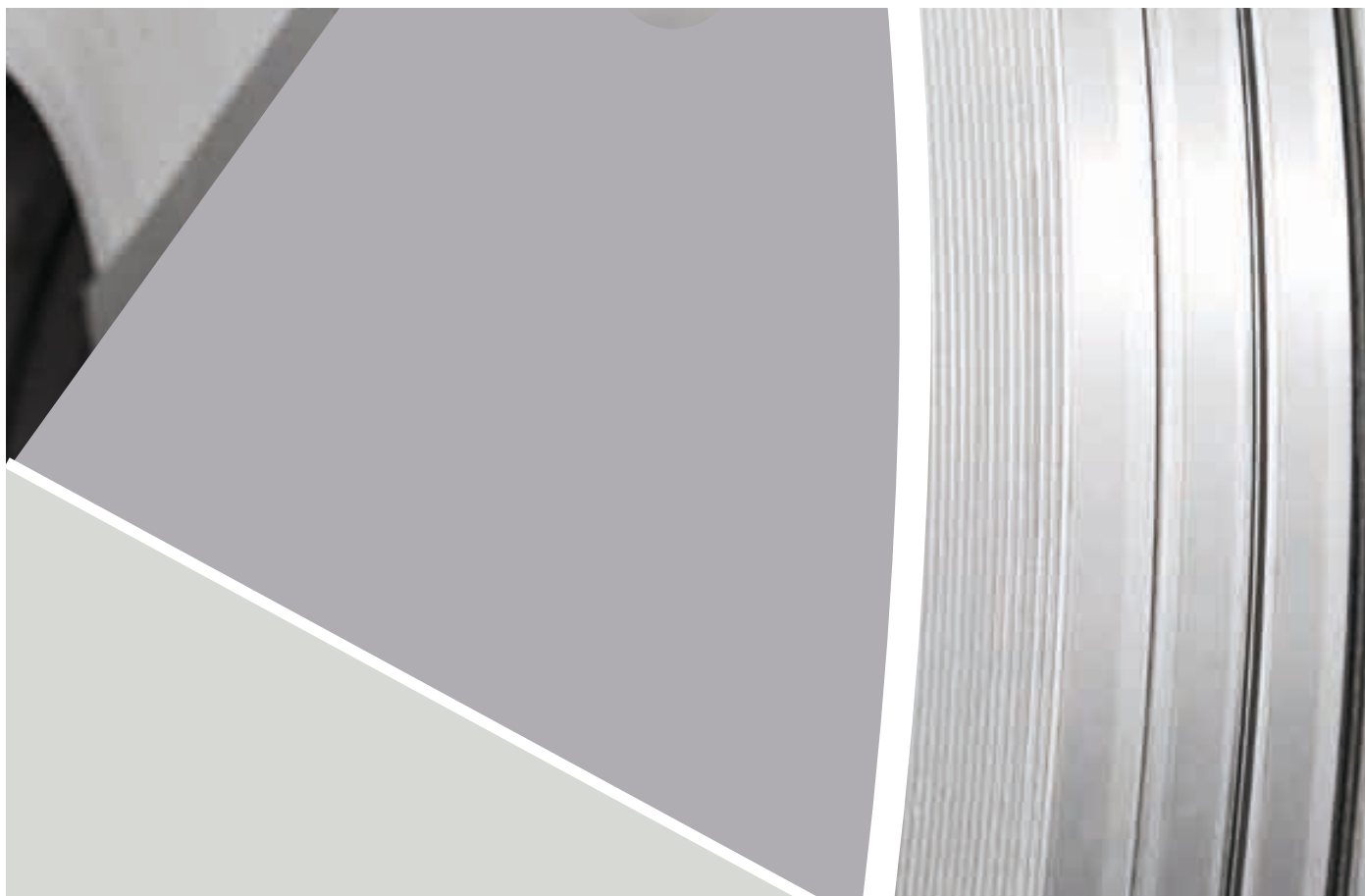
There was a small step forward in the volume of carbon drawn bars, in which the more economical “avz” line prevailed over the higher quality “avp” line.

Last but not least, stainless steel posted an 11% increase over 2014 volumes.

That figure could have been much better if it had been possible to expand the line of products covered.

In conclusion, despite the uncertainty

that still reigns and the drop in steel prices and stainless steel prices in particular, a higher mark-up was achieved than expected.



Marcegaglia Specialties

STAINLESS STEEL

For stainless steel the year 2015, although to a lesser extent than in 2014, has been another year of global growth, both in terms of production and consumption.

In Europe, the steel market was favorably impacted by the anti-dumping measure introduced on 1 April 2015 for imports of cold-rolled flat products from China (24%) and Taiwan (6.8%). A measure which dampened drastically the record volumes imported from these two countries between the end of 2014 and the beginning of 2015.

In the first months of the year there was a general recovery in prices and volumes for all stainless steel products.

The second half of the year was once again (as in 2014) strongly affected by the continued reduction in the price of nickel, which resulted in a decline in inventories by all industry operators and a continued fall in prices.

The year 2015 ended anyway with a growth in volumes and good results in terms of profitability.

Exports surged and accounted for 70% of the entire stainless steel industry, confirming the growth in volume of the core business (tubes) and, above all, the increase in sales of flat products, as already occurred in past years.

Commercial activities abroad have therefore increased further. There also was the inauguration of Marcegaglia Turkey with an HF line dedicated to the production of the mirror polished decoration tube for which the polishing lines have already been purchased.

Marcegaglia do Brasil, negatively impacted by the strong economic slowdown experienced by this country, saw a decrease in revenues and volumes but managed to increase its market share in carbon steel, stainless steel and refrigeration products.

The Marcegaglia Ru plant of Vladimir maintained its sales volumes stable, despite the negative impact of the ruble depreciation and a weaker investors' sentiment on the Russian economy.

In Europe, the beneficial effects that followed the anti-dumping measure have by now played out. Marcegaglia Specialties has however managed to maintain its market share by offering a wide range of manufactured products to satisfy the various demands of its customers.

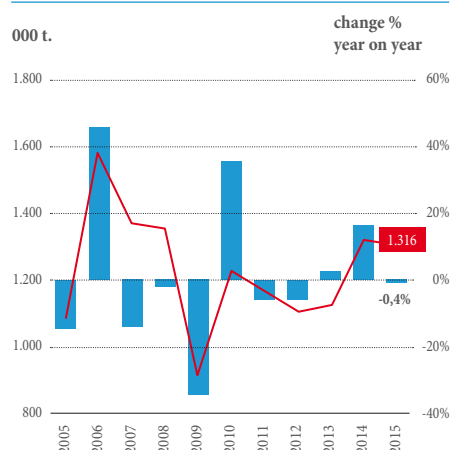
In the future we will further expand our product range, by offering new items that will enable us to withstand the competition of steel mills and price cuts, which negatively impact profit margins. We believe, however, that in 2016 commodity prices will begin to rise, allowing for an improvement in the overall picture.

The high demand for stainless steel tubes in 2015 has enabled Marcegaglia S.p.A. to take full advantage of all its plants dedicated to different types of production: from laser tube mills, to high-frequency induction for decoration and for the automotive sector.

During the course of the year we also finished installing some new laser production lines which have helped to further develop the growth programme in this area.

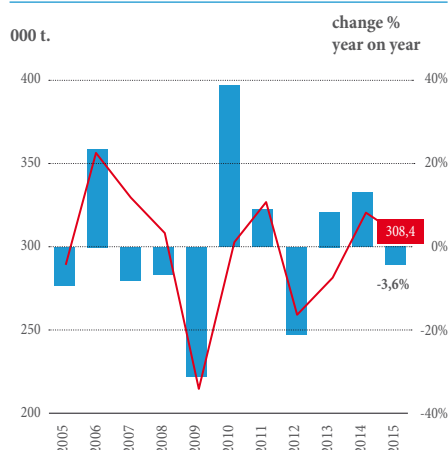
Again with a view towards development, the manufacture of tubes tied to specific projects and applications was increased. One of many is solar thermal.

STAINLESS STEEL FLATS PRODUCTS
APPARENT CONSUMPTION



Elaboration on ISTAT and Federacciai Data

STAINLESS STEEL LONG PRODUCTS
APPARENT CONSUMPTION



Elaboration on ISTAT and Federacciai Data

SPECIAL DRAWN-BARS

In the wake of the positive results obtained in previous years (+ 5% in 2013 and + 4.01% in 2014), the drawn bars division confirmed also in 2015 its growth trend with an increase of +3% in products sold. The trend further strengthened in the early months of this year, with volumes rising sharply.

The same positive trend was also recorded in terms of profitability.

This result is especially positive given the context of a decline of 2.2% in the Italian production (-3.8% for base steels and -4.8% for carbon steels).

The increase in sales, both in Italy and abroad, was achieved almost entirely on manufactured products with higher added value, such as flat, square and straightened products, as well as special steels.

The widening of the product range, the improvement in their quality and a more efficient production capacity have enabled us to acquire new customers and improve customer service to our existing clients.

The beginning of 2016 saw another increase in the number of customers: through brokers and, even more, through direct contact with the end user.

Marcegaglia plates

Heavy plates

The European market for heavy plates was marked in 2015 by a massive import of the product from the Far East, and China in particular, up to 25% of total demand. In Italy it actually came to close to 35-40%.

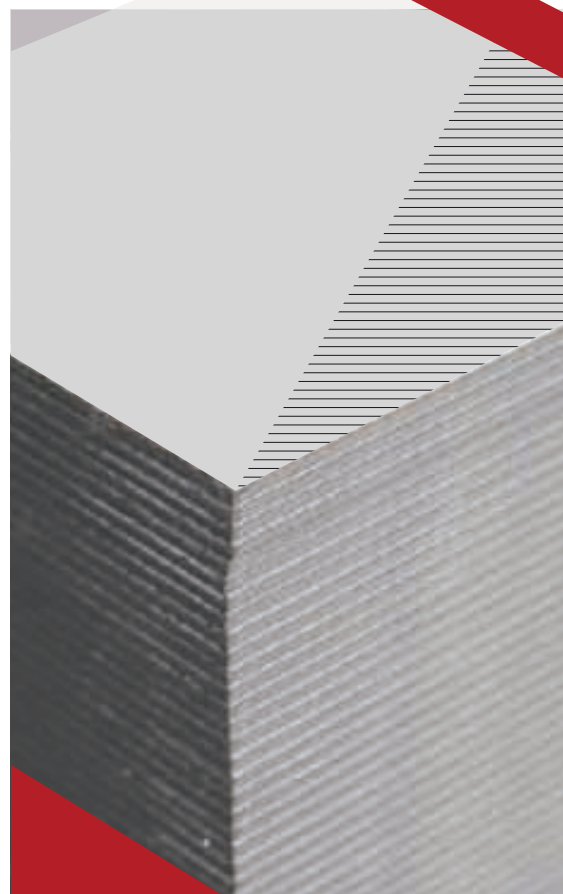
In spite of the negative context, Marcegaglia Plates was able to achieve budget forecasts thanks to the new business strategies and to previous investments. The enhancement of the Service Centre at the plant in San Giorgio di Nogaro (Udine), with the adoption of new and better performing machines, made it possible to implement and improve its product range, which is especially appreciated in new countries within Europe and overseas. The favourable exchange rate facilitated exports to North America and Mexico.

The company policy to market directly to end users, bypassing the middleman, with the resulting cost savings, turned out to be a winning strategy.

Raw material prices during 2015 were relatively stable until September, with a slight decline in sales prices, which was then followed by a comparable decline in raw materials during the last three months of the year.

Also in this case Marcegaglia Plates was able to implement a wise policy by buying large quantities of raw material in advance during the December-January period, ahead of the price increases which resulted from the commencement of the anti-dumping investigation by the European Commission in February 2016.

The improved technical capacity and the high level of expertise achieved by all the workers will help to achieve the goals indicated in the 2016 budget, as demonstrated by the positive evolution of the deliveries in the first quarter (+10%), with prices in rapid positive evolution.



MEPS_HOT ROLLED PLATE: LOW GERMANY COMPARED TO LOW ITALY QUOTATIONS

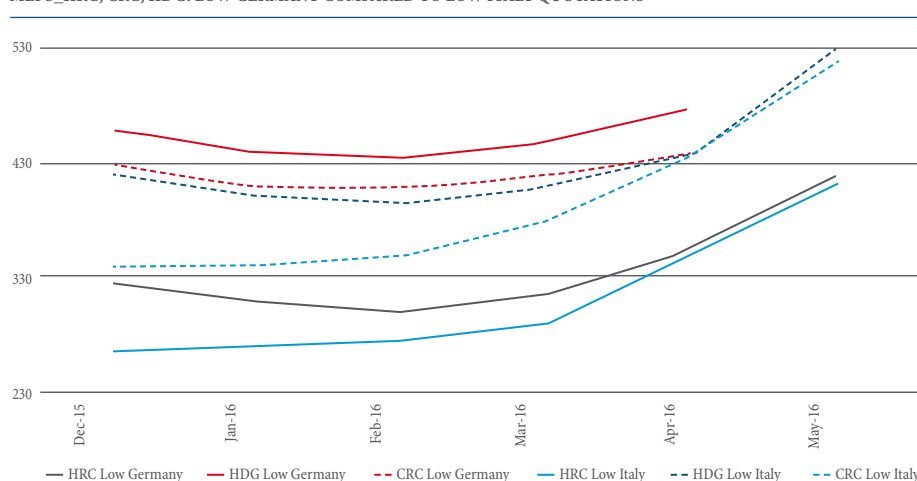


Significant events after the end of the financial year

After having reached the lowest levels in December 2015, the worldwide prices of steel products posted a significant upward trend - representing a recovery from an anomalous and unsustainable situation - which was particularly rapid in some markets (Turkey, CIS countries, as well as southern Europe). This price increase sparked apparent demand, creating a different sentiment among operators. Overall, Marcegaglia Steel benefitted from that situation, both in terms of prices and most especially margins, thereby creating the premises for a really better year than the previous ones. Therefore, planned results are expected to be exceeded both in terms of volumes and most especially EBITDA, the actual figure for which, as of 30 April 2016, was 10% of sales.

On 4 March 2016 the parent company Marcegaglia Steel S.p.A. obtained a 7-years loan from the twelve main Italian banks for a total of Euro 492.5 million, of which 362.5 Euro million as a mortgage

MEPS_HRC, CRC, HDG: LOW GERMANY COMPARED TO LOW ITALY QUOTATIONS



loan and Euro 130 million as an unsecured loan.

In addition to a certain amount of additional liquidity, the principal objective of this line is to better structure the time profile of the group's overall debt.

In January 2016 Ilva S.p.A. under extraordinary administration and its subsidiaries were again included in a structured

sale strategy. After showing interest in the acquisition, Marcegaglia Carbon Steel updated existing arrangements with Arcelor Mittal so as to prepare a binding offer. The sale is expected to materialise in the second half of the year. Marcegaglia Carbon Steel will manage this potential opportunity with a view to minimising the financial risk in its financial statements.

HIGHLIGHTS AFTER CLOSING OF THE YEAR

| Società | Quantity (ton) | | | Revenues (thousand Euro) | | EBITDA | |
|---|------------------|------------------|------------|--------------------------|----------------|--------------|--|
| | Jan-Apr'16 | Jan-Apr'15 | Δ % | Jan-Apr'16 | thousand Euro | % | |
| MARCEGAGLIA CARBON STEEL | 1,259,772 | 1,263,439 | 0% | 673,084 | 80,582 | 12.0% | |
| MARCEGAGLIA DO BRASIL Ltda | 40,053 | 49,037 | -18% | 31,657 | 2,930 | 9.3% | |
| MARCEGAGLIA CHINA | 9,763 | 11,593 | -16% | 8,062 | -1,869 | -23.2% | |
| MARCEGAGLIA POLAND Sp z o.o. | 100,311 | 98,068 | 2% | 59,457 | 2,758 | 4.6% | |
| MARCEGAGLIA UK | 24,262 | 22,232 | 9% | 14,997 | 775 | 5.2% | |
| | 1,434,161 | 1,444,370 | -1% | 787,258 | 85,176 | 10.8% | |
| MARCEGAGLIA SPECIALTIES | 200,851 | 190,700 | 5% | 297,226 | 29,028 | 9.8% | |
| MARCEGAGLIA RU | 2,646 | 2,165 | 22% | 6,517 | 373 | 5.7% | |
| MARCEGAGLIA TR | 3,919 | - | 0% | 3,697 | np | | |
| MARCEGAGLIA USA | 13,025 | 5,947 | 119% | 14,686 | 875 | 6.0% | |
| | 220,440 | 198,813 | 11% | 322,126 | 30,275 | 9.4% | |
| MARCEGAGLIA PLATES | 127,897 | 129,514 | -1% | 52,444 | 6,898 | 13.2% | |
| | 127,897 | 129,514 | -1% | 52,444 | 6,898 | 13.2% | |
| Corporate overhead and royalties | | | | | (8,334) | | |
| MARCEGAGLIA STEEL | 1,782,499 | 1,772,697 | 1% | 1,161,828 | 114,015 | 9.8% | |

Research and development

In addition to annual investments aimed at maintaining an optimal level of efficiency in production facilities, so as to guarantee product quality standards, considerable resources were employed in research and development projects to promote new technical and technological solutions aimed at improving processes such as a **crown measuring system for stripes on the lines**, activities aimed at improving the performance of both the welding systems at the tube manufacturing plants and the **new stainless steel rolling mill IV** in Gazoldo degli Ippoliti, as well as a **sludge settling unit on the electrolytic circuit** of Line 2.

2015 saw the implementation of the **study and experimentation** activities in the context of the EU-funded project *"First Worldwide full-scale demonstration of Alternative Current (AC) Electrolytic Pickling on carbon and stainless coils (ACE PICK)"*.

The project concerns the modernisation of stainless steel Line 1 and the thermal treatment and pickling plant for both ferritic and austenitic stainless steel, in order to increase the **surface quality** of processed products and at the same time increase the productivity and flexibility of the line.

This result was achieved through the development of an innovative, highly efficient electrolytic pickling process, based on the use of alternating current (AC) in place of the direct current (DC) normally used in conventional processes.

In fact, the AC process can significantly

reduce, by up to 50%, the times normally necessary with conventional processes for the pickling and descaling process.

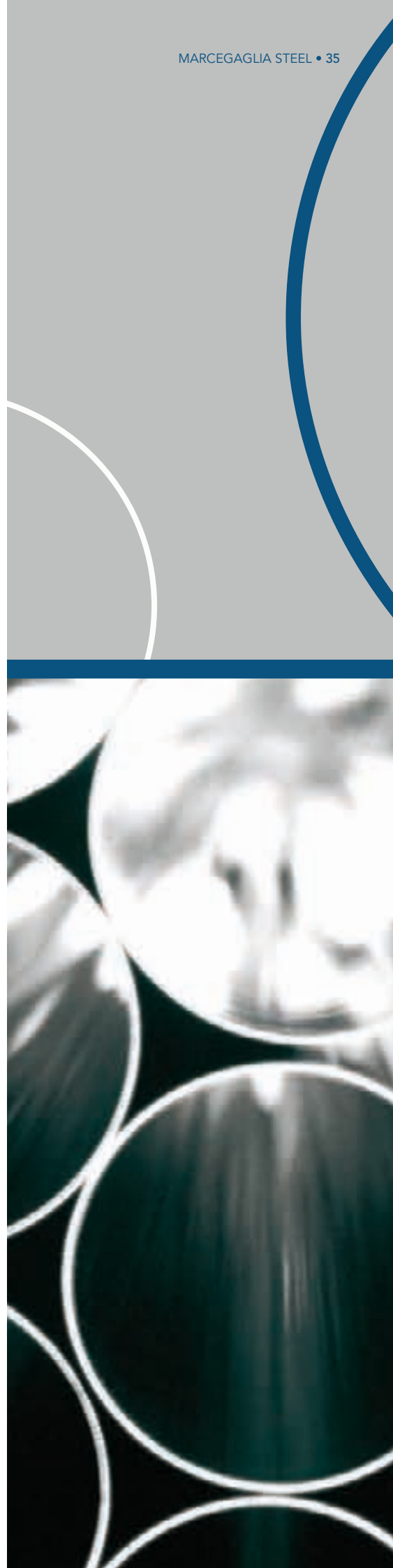
This is achieved even without the use of blasting and live face sections, in relation to the duration and intensity of treatment using alternating current (AC).

In the context of the lines for continuous treatment for flat rolled steel, the alternating current process can be used to:

- replace all or part of the treatment/ blasting and/or abrasive brushing system with benefits in terms of surface quality with productivity and line length being equal;
- increase, line length being equal, the productivity of the pickling section;
- it can be applied on both hot and cold-rolled steel in AISI 3XX and 4XX, significantly reducing both electrolytic and chemical pickling times, while at the same time obtaining a superior surface from an aesthetic point of view.

Analyses and diagnoses were also performed for the purpose of identifying **energy cost savings and efficiency** improvement measures in all the group's plants.

This led to the development of several projects which are in the process of implementation such as, for example, the installation of a fume recovery boiler at the galvanisation plant and the installation of hot air recirculation systems in the drying sections of the Ravenna plant's pickling facilities, as well as replacement of existing lighting with LED technology lighting at several plants of the group.



Sustainability and safety

Also in 2015 the companies of the Marcegaglia Group continued to meet pre-established sustainability and safety objectives, carrying out their business in full compliance with the principles of protecting the safety of workers, from a psychological and physical point of view, and the environment, paying attention also to social and ethical responsibility. These objectives were met once again thanks to the principles on which Marcegaglia bases its company policy, including:

- **constant improvement**, applicable to processes, operating systems, environmental impact and, most of all, safety and health at work, which Marcegaglia has always considered a primary and priority issue, not in conflict with other company objectives;
- the **prevention** of potential non-compliance in relation to safety risks, health at work and pollution;
- full compliance with **legislation on the environment, safety and health** at work and the involvement and commitment of all company staff to pursue environmental protection and a safe and healthy workplace;
- the management of any possible emergency that might take place, reduction as much as possible of accidents, the adoption of the best technologies available to ensure and improve the reliability of the manufacturing plants.

The constant investments and the increasing strengthening of prevention, in relation to safety at work, has resulted in the past 10 years in a constant and dramatic decline of injuries. Injuries in Group companies have more than halved, in terms of number and seriousness. Frequency rates are now very low in ab-

ACCIDENT TRENDS 2016

| | 2015 | | | 2016 | |
|------------------------------|---------|-----------------|-------|-----------------|-------|
| | N. inf. | N. inf. jan-apr | index | N. inf. jan-apr | index |
| Gazoldo degli Ippoliti | 68 | 24 | | 18 | 1,07 |
| Casalmaggiore | 56 | 21 | 2,12 | 12 | 0,64 |
| Ravenna | 25 | 8 | 0,07 | 6 | 0,28 |
| Dusino | 23 | 7 | 1,18 | 1 | 0,24 |
| Lomagna | 9 | 3 | 0,98 | 2 | 1,63 |
| Boltiere | 23 | 8 | 1,58 | 8 | 1,61 |
| Padova | 2 | 1 | 0,29 | 4 | 2,66 |
| Corsico | 1 | 0 | - | 2 | 4,17 |
| Lainate | 3 | 2 | 1,44 | 1 | 1,59 |
| Bologna | 2 | | | 1 | 3,07 |
| Tezze sul Brenta | 1 | 1 | 0,52 | | |
| | 213 | 75 | | 55 | |
| | | | | -27% | |
| Gazoldo degli Ippoliti | 8 | 5 | | 5 | 0,97 |
| Contino | 6 | 2 | 2,58 | 3 | 1,13 |
| Forlì | 43 | 16 | 1,28 | 9 | 0,91 |
| | 57 | 23 | | 17 | |
| | | | | -26% | |
| Gazoldo degli Ippoliti | | | | 0 | - |
| San Giorgio di Nogaro | 5 | 2 | 3,08 | 1 | 0,39 |
| | 5 | 2 | | 5 | |
| Total Gazoldo degli Ippoliti | | 29 | 0,731 | | |

solute terms and significantly lower than the national average.

In addition to the improvements achieved, the Company also performed a technical analysis of its work equipment, procedures and culture of safety.

Following the encouraging results obtained, and with the objective to continue to lower to a minimum all sorts of risks, in 2015 the Company increased in all its plants and offices the activities to implement safety management systems, so as to extend, by the end of 2016, OHSAS18001 (*Occupational Health and Safety Assessment Series*) certification also to all the other units of its production system that

have not yet been certified.

Despite the attention, the commitment and the constant improvement of the system to protect the health of workers and provide a healthy workplace, an accident occurred in the Gazoldo degli Ippoliti plant in December 2015, in the restart phase after the fitting out of a plant. Unfortunately, this resulted in the death of an operator, despite his long experience and full knowledge of all the procedures related to the use of the equipment in question.

Also due to this unfortunate event, plans to improve the culture of safety were intensified.

In particular, in keeping with the continuation of the “**zero injury**” project at the Ravenna plant and the communication campaign “set a value for safety”, in the productive unit in Forlimpopoli, starting from the Laser department (113 employees), another pilot project was activated to implement the **B-BS** (*Behaviour Based Safety*) to promote awareness of “safety as a common good”, with the objective to increase behaviours intended to reduce the frequency and seriousness of injuries, improving quality and the work environment.

To keep workers’ health adequately protected, programmes to monitor chemical and physical agents were conducted and completed, by undertaking over 150 actions in all productive units to measure and control noise, chemical agents, electromagnetic fields, light levels, biological agents, microclimate, vibrations, manual handling of load, assessment of upper limb biomechanical overload, artificial optical radiation, risk assessments, fire prevention and so on. Moreover, during the year extensive **train-**

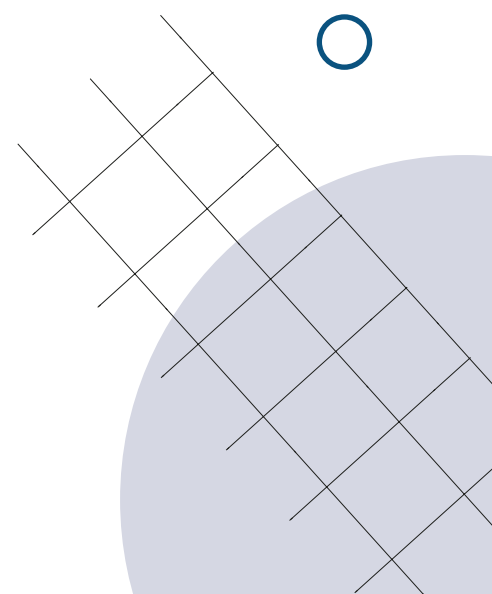
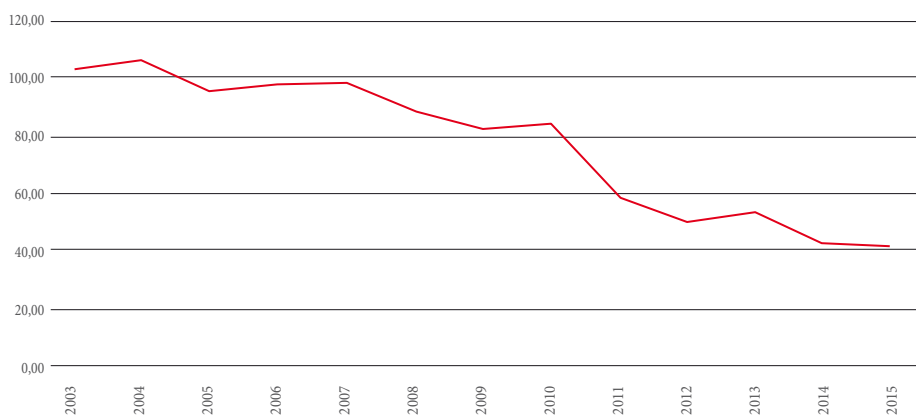
ing activities were performed, with the completion of about 60 training sessions in 10 Group plants and 13 training sessions funded by Fondimpresa, focusing on safety at work, organisational innovation and environmental protection. Classical classroom training involved approximately 1950 workers, for more than 20,000 training hours delivered. Training activities are still continuing through the fixed training structures (*HSE Learning Pointscon*) and the activities of the “videoprocedures” project.

Also in the environmental field, all productive units continued to monitor the environmental matrices (**check of waste water and emissions into the atmosphere**), within the scope of the programmes established by the various measures for Integrated Environmental Authorization. On the environmental management front, in 2015 the groundwork was laid for the start of the project that will extend to all productive units, not including those that already have it, certification according to the **UNI EN ISO 14001:2015** by 2016.

Management systems already certified pursuant to the UNI EN ISO 14001 standard are maintained through constant improvement according to the virtuous cycle of planning, implementation, surveillance and review. These systems are integrated and consolidated at the plants in Boltiere, Forlì, Ravenna and Lomagna. The objective for the near future is to pursue multi-site certification, involving all the other productive units.

From the point of view of energy, group companies complied with established legal requirements for energy consuming companies and large companies, by preparing specific site energy diagnoses, along with a definition of specific energy performance indicators (EnPIs) and energy improvement objectives. Energy audit cycles are presently in progress at the Gazoldo degli Ippoliti, Forlì and Contino plants for the purpose of auditing compliance with applicable energy laws and regulations and monitoring improvement projects, in order to achieve certification under the UNI CEI EN ISO 50001 standard in the near future.

FREQUENCY INDEX



Many initiatives such as the partnership with Festivaletteratura of Mantua, the unfailing support of the Chamber Orchestra of Mantua and the sponsorship of various sporting and social activities are backing the values of **corporate culture in the territory**.

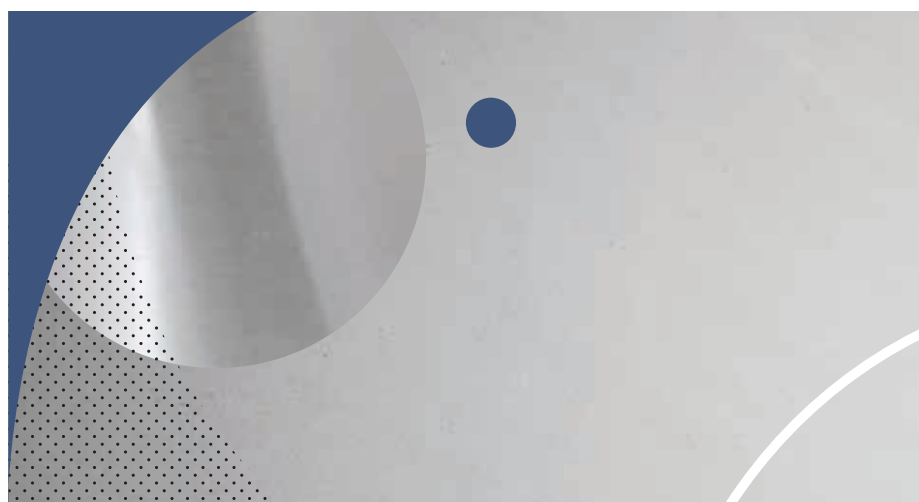
The culture of “know-how”, the passion and the vocation towards internationalisation have found their place in the **Fondazione Marcegaglia Onlus**.

Founded in 2010 at the behest of the Marcegaglia family, the foundation operates in Italy and around the world with the intent to promote actions and collaborative development projects of social solidarity oriented towards the construction of a world in which disparity is increasingly reduced and the role of women is enhanced.

Worthy of note is the *Rwanda One Cow Project*, which promotes the development of the local community through livestock raising in the most disadvantaged family units, as well as the project for supporting the *Mantua Violence Prevention Centre* in providing a haven for women who are victims of violence.

In 2015, there was a continuation of the “**employee project**” organised in 2014 to create opportunities for involving employees.

The 2015 initiative awarded 20 scholarships to deserving students who are the children of Marcegaglia employees.



Human resources

Employees of Marcegaglia Steel averaged 5,383 units in 2015, of which 3,689 in Italy and 1,694 abroad.

The overall data was stable compared to 2014, but with a small increase in the Italian employees (+15 units).

In 2015 programs targeting flow investment and revision were continued in order to enhance the productivity of facilities and organisation, which increased at all sites.

There was further implementation of **occupational safety training activities**, involving production workers and union representatives, to develop a safety culture at all levels.

Production efficiency and management of operations were improved particularly at the main plants, through changes in production shifts and analysis of previously outsourced activities, such as the management of the port dock at the Ravenna site.

In the second half of the year, **supplementary company collective bargaining agreements were renewed** at all sites, and were finally signed in the first months of 2016. All contracts provide recognition to all employees through variable bonuses based on improvement in hourly productivity and attendance rates.

The **Processed Flat Products Sales Department** was created at the beginning of 2015 in order to centralise the sale of products from service centres, by separating the sale of heavy plates.

This decision is in line with the spin-off of activities carried out at the end of 2015 and allows for a full exploitation of the commercial synergies among overall strategies.

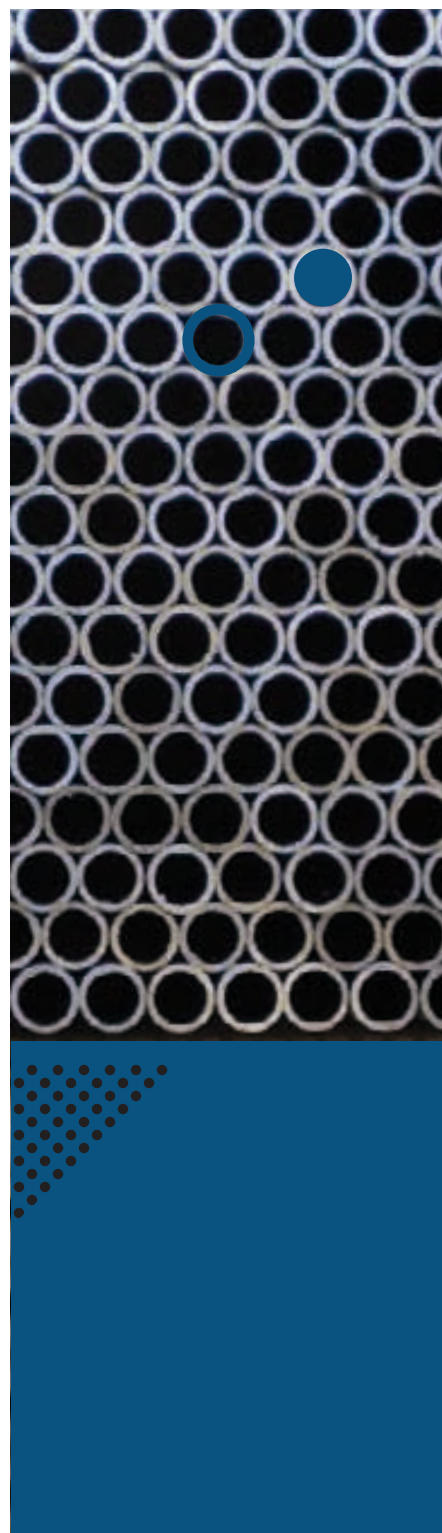
After the reorganisation carried out at the end of last year, the employees of the Steel business are broken down as follows:

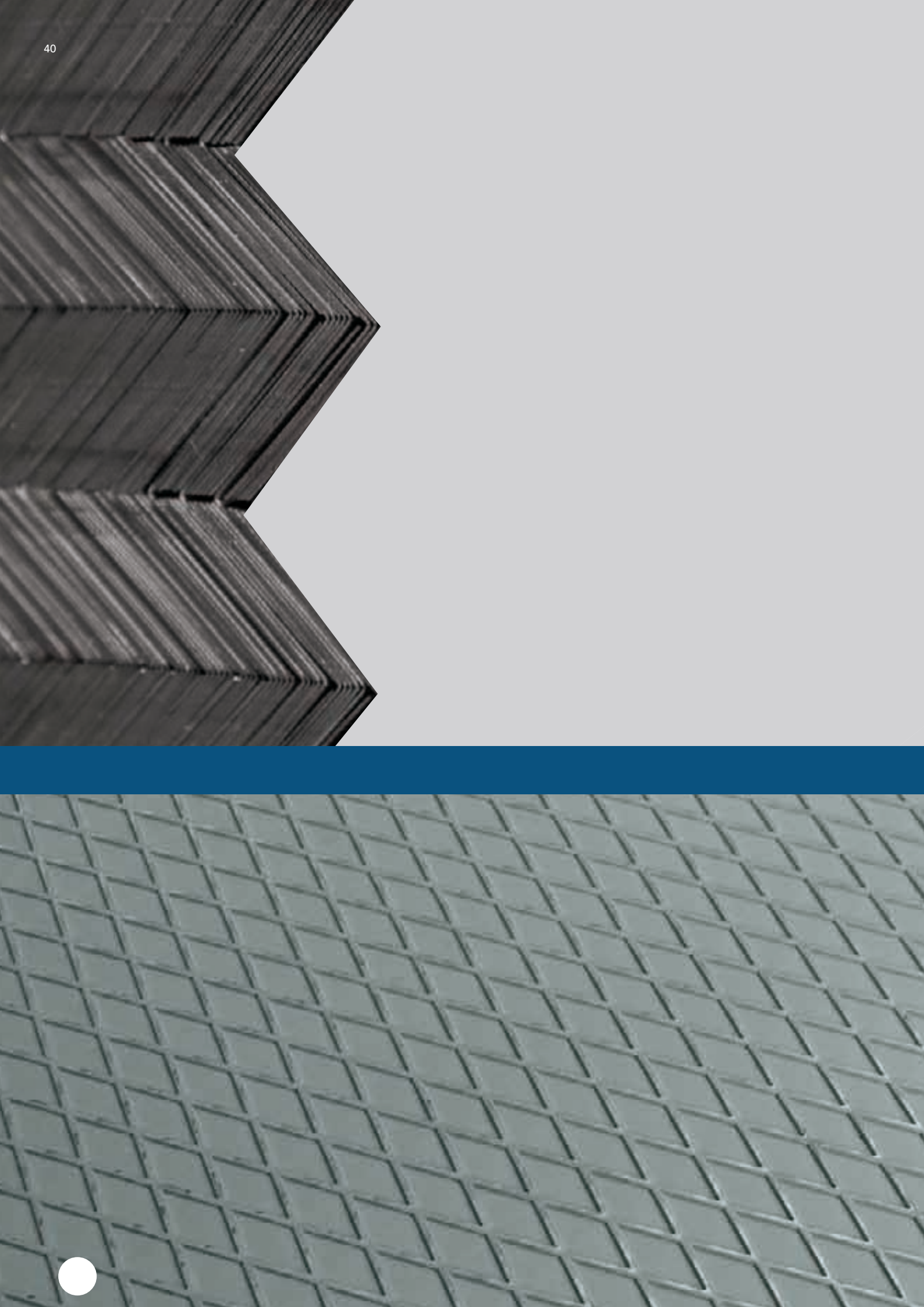
EMPLOYEES

| | Italy | Outside Italy | Total |
|---------------------------------------|--------------|---------------|--------------|
| CARBON STEEL | 2,734 | 1,477 | 4,211 |
| SPECIALTIES | 755 | 217 | 972 |
| PLATES | 82 | | 82 |
| MARFIN (Corporate activity) | 118 | | 118 |
| Total | 3,689 | 1,694 | 5,383 |

MARFIN still provides corporate administration, financial, organisational, purchasing and IT services (previously provided by Marcegaglia S.p.A). Such functions will be carried out for the operating companies by a single provider, by means of service agreements.

Together with the corporate reorganisation, several projects involving management training and function co-ordination enhancement were started in order to improve corporate management in every aspect





Marcegaglia Steel

Pro-forma Consolidated Profit and Loss Account



MARCEGAGLIA STEEL S.p.A.

Registered Office: via Bresciani, 16 - Gazoldo degli Ippoliti, Mantova - Italy

Share capital: Euro 695.318.116 fully paid up

Tax code and Mantua Company Register No.: 02467550204

VAT No.: 02467550204

Independent auditor's report on the examination of the pro-forma consolidated Profit and Loss Account of the Marcegaglia Steel Group at 31 December 2015

To the Board of Directors of
Marcegaglia Steel S.p.A.

1. We have examined the pro-forma consolidated Profit and Loss Account and accompanying Notes (hereunder also "the Pro-forma Consolidated Statement") of the Marcegaglia Steel Group at 31 December 2015.

The Pro-forma Consolidated Statement is based on historical data relating to the Profit and Loss Account at 31 December 2015 of Marfin S.r.l., Marcegaglia Steel S.p.A., Marcegaglia Carbon Steel S.p.A., Marcegaglia Specialties S.p.A., Marcegaglia Plates S.p.A., Marcegaglia do Brasil Ltda, Marcegaglia Poland Sp.z.o.o., Marcegaglia China Co. Ltd, Marcegaglia UK Ltd, Marcegaglia USA Inc., OOO "Marcegaglia Ru", Mariven S.r.l., Outsourcing Inox S.r.l. and pro-forma adjusting entries applied thereto and examined by us. We have conducted a limited audit on the financial statements of Marfin S.r.l. after which the related report was issued on 30 May 2016. We have audited the financial statements of Marcegaglia Steel S.p.A., Marcegaglia Carbon Steel S.p.A., Marcegaglia Specialties S.p.A. and Marcegaglia Plates S.p.A. after which the related reports were issued on 30 May 2016. Another auditor audited the financial statements of Marcegaglia do Brasil Ltda, Marcegaglia Poland Sp.z.o.o., Marcegaglia China Co. Ltd, Marcegaglia USA Inc. and OOO "Marcegaglia Ru" after which the related reports were issued on 31 March 2016, 31 March 2016, 31 March 2016, 26 April 2016 and 15 March 2016, respectively. We have examined the financial statements of Marcegaglia UK Ltd, Mariven S.r.l. and Outsourcing Inox S.r.l. within the limits required to issue this report on the Pro-forma Consolidated Statement.

The Pro-Forma Consolidated Statement has been prepared based on the assumptions described in the explanatory notes to retroactively reflect the effects of the reorganisation operation of Marcegaglia S.p.A. (now merged by incorporation into Marfin S.r.l. as from 31 December 2015) carried out in 2015 and designed essentially to split its activities based on a clear rationale, separating the core business sector (steel processing) from the diversified activities. Although the business scope is essentially unchanged, three operating companies have been formed, namely Marcegaglia Carbon Steel S.p.A., Marcegaglia Specialties S.p.A. and Marcegaglia Plates S.p.A. (the "operating companies"), to which the businesses have been transferred, as from 1 November 2015. Subsequently, the interests held by Marcegaglia S.p.A. in the three operating companies were transferred to a specially formed company with the name Marcegaglia Steel S.p.A.

2. The Pro-Forma Consolidated Statement has been prepared solely for illustration purposes and to comply with the provisions of art. 21.1 (a) (i) (4) of the contract relating to the loan taken out on 4 March 2016 with a pool of credit institutions.

The objective of preparing the Pro-Forma Consolidated Statement is to represent, in accordance with valuation criteria consistent with the historical data and compliant with the reference legislation, the effects of the aforementioned operation on the economic

performance of the Marcegaglia Steel Group, as if it had taken place virtually on 1 January 2015. However, it should be noted that, if the reorganisation operation had actually taken place on the date assumed, the same results reported in the Pro-Forma Consolidated Statement would not necessarily have been achieved.

Responsibility for preparing the Pro-Forma Consolidated Statement lies with the Directors of Marcegaglia Steel S.p.A.. We are responsible for providing a professional opinion on the reasonableness of the assumptions adopted by the Directors to prepare the Pro-Forma Consolidated Statement and the appropriateness of the methodology used by them to prepare the same statement. In addition, we are responsible for providing a professional opinion on the appropriateness of the valuation criteria and accounting principles used.

3. Our examination was carried out making reference to the criteria specified by Consob in Recommendation no. DEM/1061609 of 9 August 2001, where applicable, for auditing the pro-forma data and carrying out the checks we considered necessary for the purposes of the task we were charged with.
4. The work carried out has revealed nothing that would lead us to believe that the basic assumptions adopted by the Marcegaglia Steel Group to prepare the Pro-Forma Consolidated Statement at 31 December 2015, accompanied by the explanatory notes to retroactively reflect the effects of the reorganisation operation, are not reasonable and that the methodology used to prepare the aforesaid statement has not been applied correctly for the reporting purposes described previously and, finally, that inappropriate valuation criteria and accounting principles have been used to prepare the same statement.

Verona, 30 May 2016

Mazars Italia S.p.A.
(signed on the original)
Alfonso Iorio
Partner – Registered Auditor

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

MARCEGAGLIA STEEL PRO FORMA S.P.A.

PROFIT & LOSS 2015

Currency: EUR

2015 December

| A VALUE OF PRODUCTION | |
|---|--|
| 1 | Revenues from sales and services |
| 2 | Changes in work in progress and finished goods |
| 3 | Variations in contracted work in progress |
| 4 | Increase in internal construction capitalized |
| 5 | Other income |
| | - Grants and subsidies |
| | - Others income |
| | Total other income (5) |
| | Total Value of production A |
| B COST OF PRODUCTION | |
| 6 | Cost of raw materials, auxiliary materials, spare parts and goods |
| 7 | Costs for services |
| 8 | Cost for utilization of third parties' assets |
| 9 | Personnel costs |
| | a) Salaries and wages |
| | b) Social contributions |
| | c) Staff leaving indemnity |
| | d) Other social contributions |
| | e) Other costs |
| | Total Personnel costs (9) |
| 10 | Depreciation and write downs |
| | a) Amortization of intangible assets |
| | b) Depreciation of tangible fixed assets |
| | c) Other write downs of assets |
| | d) Write down of receivables recorded among current assets |
| | Total Depreciation and write downs (10) |
| 11 | Change in inventory of raw materials, auxiliary materials, spare parts and goods |
| 12 | Accruals for contingencies |
| 13 | Other accruals |
| 14 | Other operating charges |
| | Total Cost of production B |
| | Difference between value of production and costs of production A - B |
| C FINANCIAL INCOME AND CHARGES | |
| 15 | Income from investments |
| | - Dividends from subsidiaries |
| | - Dividends from associated companies |
| | - Dividends and other income from investments |
| | Total Income from investments (15) |
| 16 | Other financial income: |
| | a) Other income from receivables recorded as fixed assets |
| | c) Other income from securities recorded as current assets |
| | d) Other financial income: |
| | - Interest income from subsidiaries |
| | - Interest income from associated companies |
| | - Interest income from parent companies |
| | - Other financial income |
| | Total other financial income (d) |
| | Total other financial income (16) |
| 17 | Interest and other financial charges: |
| | - Interest paid to subsidiaries |
| | - Interest paid to associated companies |
| | - Interest paid to parent companies |
| | - Bank interest |
| | - Other financial charges |
| | Total interest and other financial charges (17) |
| 17-bis | Total exchange gains/losses |
| | Total financial income and charges C |
| D ADJUSTMENTS TO THE VALUE OF FINANCIAL OPERATIONS | |
| 18 | Revaluation |
| | investments in share capital |
| | other investments |
| | securities recorded as current assets |
| | Total Revaluation (18) |
| 19 | Write down |
| | of investments in share capital |
| | other investments |
| | securities recorded as current assets |
| | Total Write down (19) |
| | Total Adjustments to the value of financial operations D |

Currency: EUR

2015 December

| E EXTRAORDINARY INCOME AND EXPENSES | |
|--|---|
| 20 | Income |
| | - Extraordinary capital gains on disposal of assets |
| | - Other extraordinary income |
| | Total Income (20) |
| 21 | Expenses: |
| | - Other extraordinary charges |
| | - Income taxes relating to previous periods |
| | - Losses on disposal of assets |
| | Total Expenses (21) |
| | Total Extraordinary income and expenses E |
| | PROFIT (LOSS) BEFORE TAXATION A-B+/-C+/-D+/-E |
| | Profit (loss) before taxation A-B+/-C+/-D+/-E |
| 22 | Income taxes for the period deferred assets/liabilities |
| | - Income taxes for the current period |
| | - Deferred taxes |
| | - Prepaid income taxes |
| | - Income (expenses) from fiscal consolidation |
| | Total Income taxes for the period deferred assets/liabilities (22) |
| | PROFIT (LOSS) FOR THE PERIOD |

(1)

163,910

163,909

(213,758)

0

1

(213,757)

(49,848)

(64,491,815)

(820,341)

28,542,804

(45,900,058)

0

(18,177,595)

(82,669,410)

MARCEGAGLIA STEEL
PRO-FORMA CONSOLIDATED
PROFIT AND LOSS ACCOUNT
from 1 January to 31 December 2015

Approved with Directors' resolution of 25 May 2016

Operation description

In 2015 Marcegaglia S.p.A. (which became Marcegaglia Srl on 30 October and was merged by incorporation with Marfin Srl effective 31 December) completed an important Reorganisation Operation (the "OPERATION"), the basic purpose of which was to split its activities based on a clear rationale, separating its core business (steel processing) from its diversified businesses (tourism, energy, etc.).

While keeping the corporate consolidation area basically unchanged, three operating companies were established, **Marcegaglia Carbon Steel S.p.A.**, **Marcegaglia Specialties S.p.A.** and **Marcegaglia Plates S.p.A.** (the "Operating Companies"), to which, effective 1 November 2015, business units were contributed - including all Marcegaglia S.p.A. plants - namely the "Flat" and "Welded Tubes" division, the "Stainless Products" and "Carbon Specialty Bars" division, and the division responsible for the processing of rolled heavy plates (Quarto Plate), as well as equity stakes in foreign operating companies in the same sectors. Subsequently, the equity stakes held by Marcegaglia S.p.A. in the three Operating Companies were transferred to a newly established company named Marcegaglia Steel S.p.A., which therefore constitutes the holding company for the core business sector.

In 2015, all the Italian and foreign controlling interests held by Marfin Srl and Marcegaglia S.p.A. were also transferred to the new Marcegaglia Group (with the exception of certain minority equity investments of little significance).

At the end of December 2015, the merger deeds were finalised for Marfin Srl, which absorbed: **a)** Marcegaglia Srl (formerly a public limited company [S.p.A.]) and **b)** Marcegaglia Ireland Limited and Sipac Srl. All that is left at Marfin Srl (through the absorption of Marcegaglia S.p.A) is: **a)** a *captive* business providing services to the

new Marcegaglia Group performed at the management offices in Gazoldo degli Ippoliti (historical office of the Marcegaglia Group that remained with Marfin Srl) and **b)** ownership/management of several properties that were mainly leased to companies operating in the diversified businesses in the new Marcegaglia Group.

For the sake of clarity: Marcegaglia Steel S.p.A. is now entirely controlled by Marcegaglia Holding S.p.A., which, in turn, is held and controlled by two holding companies entirely under Marcegaglia family's control.

The purpose of the OPERATION can be summarised as follows:

- a)** seizing the best growth opportunities in each segment through internal growth or possible alliances with qualified partners;
- b)** clearly separating core business activities - which will be strengthened and expanded - from non-core operations (diversified businesses), in view of possible divestments;
- c)** improving the degree of accountability for results for internal purposes and transparency outside the Group, for each business division.

Furthermore, the reorganisation operation carried out in 2015 involved some significant changes in the financial management of the group. In particular:

- a)** the concentration of all cash and endorsement credit facilities with Marcegaglia Steel S.p.A. was negotiated with the relevant banks. Effective 1 November 2015 Marcegaglia Steel S.p.A. implemented a cash pooling system for the Operating Companies, which remain the direct "owners" of credit relationships, factoring and securitisation operations, or "off balance sheet" liabilities;
- b)** two securitisation agreements were successfully negotiated for a total of Euro 300 million (the amount can be increased), most of which was used as of 31 December 2015; said agreements remain with the Operating Companies;
- c)** negotiations with major banks were initiated for a medium-term credit line in the amount of Euro 450 million held by Marcegaglia Steel (the "Loan"), with the main objective of refinancing short-term lines in

order to extend the average debt maturities. The Loan was granted and disbursed in March 2016, for a total of Euro 492.5 million (+10% compared to the original requested amount), partly as a mortgage loan and partly as an unsecured loan, with an average maturity of 4.3 years and final maturity of approximately 7 years. The Loan involved the 12 major Italian banks and represents a "system operation".

Drafting of the Pro-Forma Consolidated Accounts

The Marcegaglia Steel group pro-forma consolidated profit and loss account from 1 January to 31 December 2015 (the "Consolidated Pro-Forma Accounts" at the foot of this document) has been drafted on the basis of the scenarios described in the notes included in this document solely for descriptive purposes and to fulfil the requirements of Article 21.1 (a) (i) (4) of the Loan agreement concluded on 4 March 2016 with the pool of banks indicated above.

Bearing in mind that the described contribution transactions took place on 31 October 2015 and that therefore the financial results of the entire financial year 2015 of the Steel Group are inevitably split up between the various parties taking part in the OPERATION (Marcegaglia S.p.A. merged into Marfin Srl for the first ten months of 2015, and Marcegaglia Steel S.p.A., Marcegaglia Carbon Steel S.p.A., Marcegaglia Specialties S.p.A. and Marcegaglia Plates S.p.A. for the remaining two months), the Consolidated Pro-Forma Accounts includes in the consolidation area, in addition to the profit and loss accounts of the aforementioned companies, also the profit and loss account of the following investee companies, all attributable to the STEEL core business:

- 1) Marcegaglia do Brasil
- 2) Marcegaglia Poland
- 3) Marcegaglia China
- 4) Marcegaglia UK
- 5) Marcegaglia USA
- 6) Marcegaglia Russia
- 7) Mariven Srl
- 8) Outsourcing Srl

Therefore, the Consolidated Pro-Forma Accounts have been drawn up, as requi-

red pursuant to the Loan Agreement, as if the OPERATION had already become operative on 1 January 2015.

However, given that this document is an a posteriori reformulation of the final balance data from the Companies taking part in the OPERATION, in the event that said operation had actually been completed and performed on that date and not on the actual dates, the final balance data would not necessarily be equal to the pro-forma data. Therefore the information contained in the Consolidated Pro-Forma Accounts is not to be considered completely representative of the results that would have been obtained had the OPERATION really taken place on 1 January 2015.

For a better understanding of the Consolidated Pro-Forma Accounts, it is pointed out that in the profit and loss account, the pro-forma adjustments of a negative nature and in brackets show “debit” accounting movements which represent costs or lower revenues or reversals of revenue while those of a positive nature show “credit” accounting movements which represent revenues or lower costs or reversals of costs.

To assist comprehension of the information provided in the Consolidated Pro-Forma Accounts, the following aspects are emphasised:

- the Consolidated Pro-Forma Accounts do not show forecast data insofar as drawn up in such a way as to represent only the isolatable and objectively measurable effects of the OPERATION, without taking account of the potential effect of variations in corporate strategies and operative decisions consequent to the OPERATION. Therefore the information contained in the pro-forma consolidated statement is not intended to represent in any way a forecast of the future financial situation;
- although the Consolidated Pro-Forma Accounts are drafted according to the layout for profit and loss accounts pursuant to Article 2425 of the Italian Civil Code and, so far as applicable, in compliance with OIC accounting principles, in view of the different representative purposes of the Consolidated Pro-Forma Accounts

with respect to the statutory and consolidated financial statements for the year and the various methods of calculation of the financial effects of the OPERATION, the Consolidated Pro-Forma Accounts must be read and interpreted separately, without necessarily identifying accounting connections, on the one part, between the financial statements for the year of the individual companies, the consolidated financial statements relative to the two months of management and the financial statements for the year of Marfin and, on the other hand, these Consolidated Pro-Forma Accounts.

The Consolidated Pro-Forma Accounts Drafting criteria for the Consolidated Pro-Forma Accounts

The pro-forma adjustments are shown separately in the Consolidated Pro-Forma Accounts.

The Consolidated Pro-Forma Accounts have been prepared considering:

- the financial statements as at 31 December 2015 of Marcegaglia Steel S.p.A., Marcegaglia Carbon Steel S.p.A., Marcegaglia Specialties S.p.A., Marcegaglia Plates S.p.A., approved by the respective Boards of Directors and undergoing certification by Mazars Italia S.p.A.;
- the financial statements as at 31 December 2015 of the Marcegaglia do Brasil, Marcegaglia Poland, Marcegaglia China, Marcegaglia USA, Marcegaglia Russia certified by the respective external audit firms;
- the financial statements as at 31 December 2015 of the Marcegaglia UK approved by the Board of Directors, undergoing certification by the external audit firm;
- the financial statements as at 31 December 2015 of Mariven Srl and Outsourcing Srl, approved by the respective Boards of Directors;
- the draft financial statements as at 31 December 2015 of Marfin Srl (in its capacity as acquiring company of Marcegaglia S.p.A. with retrospective effect for accounting and taxation purposes to 1 January 2015) approved by the Board of Directors;
- the pro-forma consolidation entries and adjustment entries applied (in a single column of the pro-forma consolidated statement) to the aggregated profit and loss

account in order to eliminate revenues and charges relative to the reciprocal transactions performed between the abovementioned companies and transactions not pertaining to the consolidation area of the Steel sector, as well as those arising out of the OPERATION.

In particular the main adjustments pertaining to the effects of the OPERATION relate to:

- reduction of the cost of the initial inventories as at 1 January 2015 by an amount equal to the write-down of the inventories (as per appraisal as at 30 April 2015 by the expert appointed pursuant to Article 2465 of the Italian Civil Code) increased by a further prudential write-down of 10% to take account of a possible misalignment between the values as at 1 January 2015 and those considered by the expert as at 30 April 2015;
- reversal of the capital gain from contribution;
- reversal of intermediary inventories as at 1 November 2015, final for the transferor and initial for the transferees;
- attribution of the differential of amortisation/depreciation for the period 1 January – 31 October 2015 to take account of the higher amortisation/depreciation calculated on the value of the fixed assets revalued following the contribution;
- reversal of the financial effects of the consolidation operations as for example reversal of the write-down of the equity stakes in the consolidated companies whose financial results already contribute to the results of the Consolidated Profit And Loss Account;
- reversal of the financial effects of the main operations not inherent in the Steel sector such as for example the capital losses and gains made in relation to the sale of the equity stakes in the diversified companies;
- recalculation of current taxation on the pro-forma results, taking account of the aforementioned adjustments which brought about a tax loss in the Consolidated Pro-Forma Accounts and the recognition of the effects of the deferred tax assets and liabilities to the Consolidated Pro-Forma Accounts.

Having made the abovementioned adjustments the results are as follows

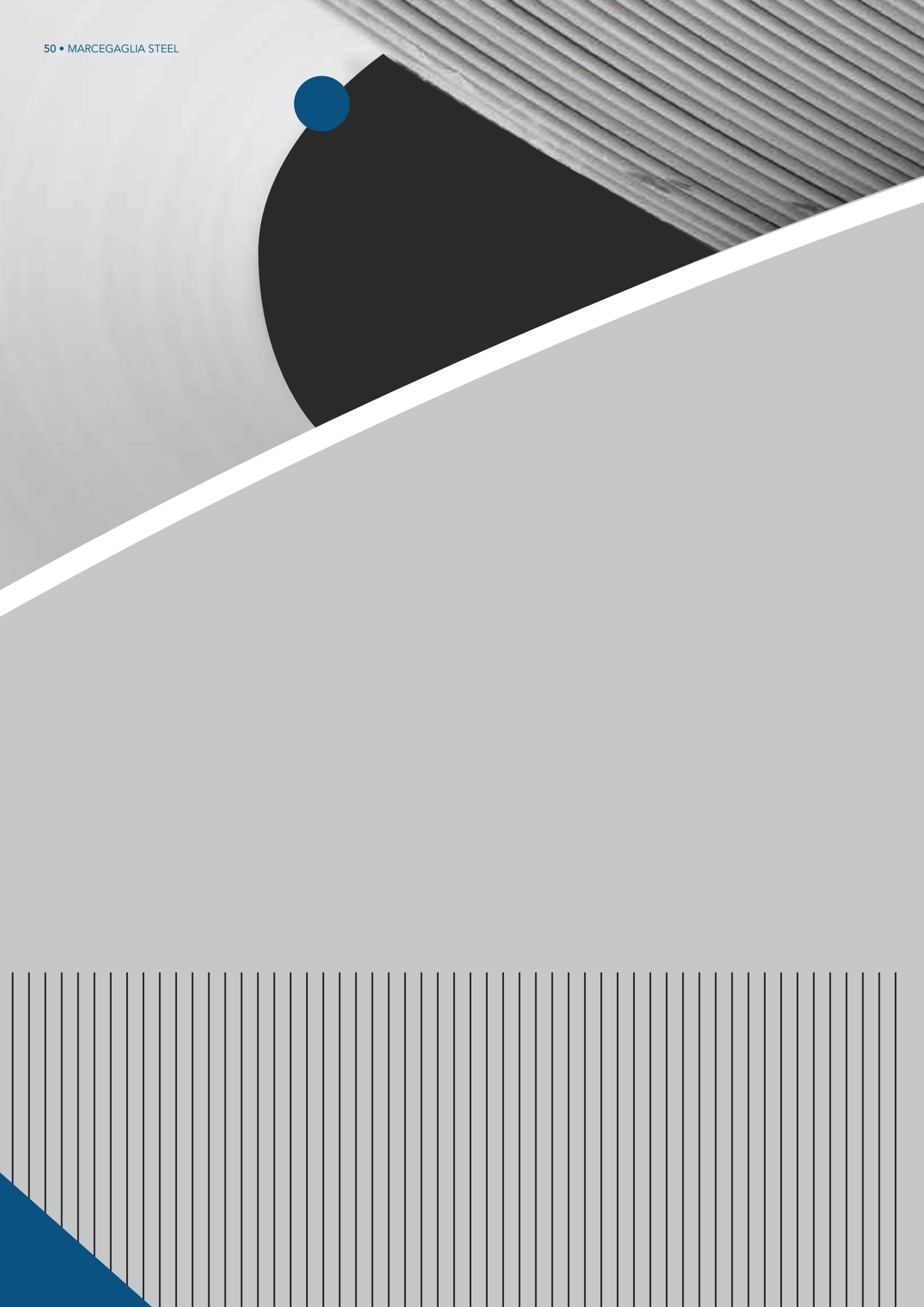
| | values in Eur | Aggregate | Adjustments | Proforma Consolidated |
|----------|--|------------------------|---------------------|------------------------|
| A | VALUE OF PRODUCTION | | | |
| 1 | Revenues from sales and services | 3,877,109,156 | (33,406,048) | 3,843,703,108 |
| 2 | Changes in work in progress and finished goods | (37,106,864) | 31,209,804 | (5,897,060) |
| 3 | Variations in contracted work in progress | 254,868 | 0 | 254,868 |
| 4 | Increase in internal construction capitalized | 92,954 | 294,295 | 387,249 |
| 5 | Other income | | | |
| | - Grants and subsidies | 1,972,522 | 0 | 1,972,522 |
| | - Others income | 40,361,471 | (22,151,275) | 18,210,196 |
| | Total other income (5) | 42,333,993 | (22,151,275) | 20,182,718 |
| | Total Value of production A | 3,882,684,107 | (24,053,224) | 3,858,630,883 |
| B | COST OF PRODUCTION | | | |
| 6 | Cost of raw materials, auxiliary materials, spare parts and goods | (3,033,863,628) | 26,186,993 | (3,007,676,635) |
| 7 | Costs for services | (540,155,070) | 24,993,550 | (515,161,520) |
| 8 | Cost for utilization of third parties ' assets | (19,793,619) | 14,234,349 | (5,559,270) |
| 9 | Personnel costs | | | |
| a) | Salaries and wages | (172,613,771) | 0 | (172,613,771) |
| b) | Social contributions | (57,582,390) | 0 | (57,582,390) |
| c) | Staff leaving indemnity | (10,897,108) | 0 | (10,897,108) |
| d) | Other social contributions | (483,996) | 0 | (483,996) |
| e) | Other costs | (2,167,861) | 412 | (2,167,449) |
| | Total Personnel costs (9) | (243,745,126) | 412 | (243,744,714) |
| 10 | Depreciation and write downs | | | |
| a) | Amortization of intangible assets | (6,309,567) | (16,749,998) | (23,059,565) |
| b) | Depreciation of tangible fixed assets | (116,464,769) | (30,380,304) | (146,845,073) |
| c) | Other write downs of assets | (185) | 0 | (185) |
| d) | Write down of receivables recorded among current assets | (21,874,178) | 10,000,000 | (11,874,178) |
| | Total Depreciation and write downs (10) | (144,648,699) | (37,130,302) | (181,779,001) |
| 11 | Change in inventory of raw materials, auxiliary materials, spare parts and goods | 135,832,821 | 12,990,933 | 148,823,754 |
| 12 | Accruals for contingencies | 0 | 0 | 0 |
| 13 | Other accruals | 0 | 0 | 0 |
| 14 | Other operating charges | (17,628,853) | 10 | (17,628,843) |
| | Total Cost of production B | (3,864,002,174) | (41,275,945) | (3,822,726,229) |
| | Difference between value of production and costs of production A - B | 18,681,933 | 17,222,721 | 35,904,654 |
| C | FINANCIAL INCOME AND CHARGES | | | |
| 15 | Income from investments: | | | |
| | - Dividends from subsidiaries | 0 | (12,298) | 0 |
| | - Dividends from associated companies | 12,298 | 0 | 0 |
| | - Dividends and other income from investments | 1,325,881 | (5,808) | 1,320,073 |
| | Total Income from investments (15) | 1,338,179 | 18,106 | 1,320,073 |
| 16 | Other financial income: | | | |
| a) | Other income from receivables recorded as fixed assets | 37 | (6) | 31 |
| c) | Other income from securities recorded as current assets | 5,746,462 | 0 | 5,746,462 |
| d) | Other financial income: | | | |
| | - Interest income from subsidiaries | 12,493,939 | (9,006,516) | 3,487,423 |
| | - Interest income from associated companies | 0 | 0 | 0 |
| | - Interest income from parent companies | 1,488,983 | (1,445,918) | 43,065 |
| | - Other financial income | 6,607,605 | (2,177,502) | 4,430,103 |
| | Total Other financial income (d) | 20,590,527 | (12,629,936) | 7,960,591 |
| | Total Other financial income (16) | 26,337,026 | (12,629,942) | 13,707,084 |
| 17 | Interest and other financial charges: | | | |
| | - Interest paid to subsidiaries | (2,756,272) | 2,615,811 | (140,461) |
| | - Interest paid to associated companies | 0 | 0 | 0 |
| | - Interest paid to parent companies | (8,977,413) | 8,977,413 | 0 |
| | - Bank interest | (63,212,727) | 134,909 | (63,077,818) |
| | - Other financial charges | (41,141,192) | 1,527,329 | (39,613,863) |
| | Total Interest and other financial charges (17) | (116,087,604) | 13,255,462 | (102,832,142) |
| 17-bis | Total exchange gains/losses | (13,111,802) | 570,166 | (12,541,636) |
| | Total Financial income and charges C | (101,524,201) | 1,177,580 | (100,346,621) |
| D | ADJUSTMENTS TO THE VALUE OF FINANCIAL OPERATIONS | | | |
| 18 | Revaluation | | | |
| | Revaluation investments in share capital | 880,000 | (880,000) | 0 |
| | Revaluation other investments | 0 | 0 | 0 |
| | Revaluation securities recorded as current assets | 48,096 | (48,096) | 0 |
| | Total Revaluation (18) | 928,096 | (928,096) | 0 |
| 19 | Write down | | | |
| | Write down of investments in share capital | (60,835,395) | 60,835,395 | 0 |
| | Write down other investments | 0 | 0 | 0 |
| | Write down securities recorded as current assets | 0 | 0 | 0 |
| | Total Write down (19) | (60,835,395) | 60,835,395 | 0 |
| | Total Adjustments to the value of financial operations D | (59,907,299) | 59,907,299 | 0 |

| | values in Eur | Aggregate | Adjustments | Proforma Consolidated |
|----------|---|---------------------|----------------------|-----------------------|
| E | EXTRAORDINARY INCOME AND EXPENSES | | | |
| 20 | Income | | | |
| | - Extraordinary capital gains on disposal of assets | 424,762,899 | 426,438,990 | 0 |
| | - Other extraordinary income | 1,676,091 | 163,910 | 163,910 |
| | Total Income (20) | 426,438,990 | (426,275,080) | 163,910 |
| 21 | Expenses: | | | |
| | - Other extraordinary charges | (1,286,998) | 1,073,239 | (213,759) |
| | - Income taxes relating to previous periods | (7,490) | 7,490 | 0 |
| | - Losses on disposal of assets | (85,808,014) | 85,808,015 | 1 |
| | Total Expenses (21) | (87,102,502) | 86,888,744) | (213,758) |
| | Total Extraordinary income and expenses E | 339,336,488 | (339,386,336) | (49,848) |
| | PROFIT (LOSS) BEFORE TAXATION A-B+/-C+/-D+/-E | | | |
| | Profit (loss) before taxation A-B+/-C+/-D+/-E | 196,586,921 | (261,078,736) | (64,491,815) |
| 22 | Income taxes for the period deferred assets/liabilities | | | |
| | - Income taxes for the current period | (820,341) | 0 | (820,341) |
| | - Deferred taxes | 8,934,520 | 19,608,284 | 28,542,804 |
| | - Prepaid income taxes | (8,833,724) | (37,066,334) | (45,900,058) |
| | - Income (expenses) from fiscal consolidation | 0 | 0 | 0 |
| | Total Income taxes for the period deferred assets/liabilities (22) | (719,545) | (17,458,050) | (18,177,595) |
| | PROFIT (LOSS) FOR THE PERIOD | 195,867,376 | (278,536,786) | (82,669,410) |

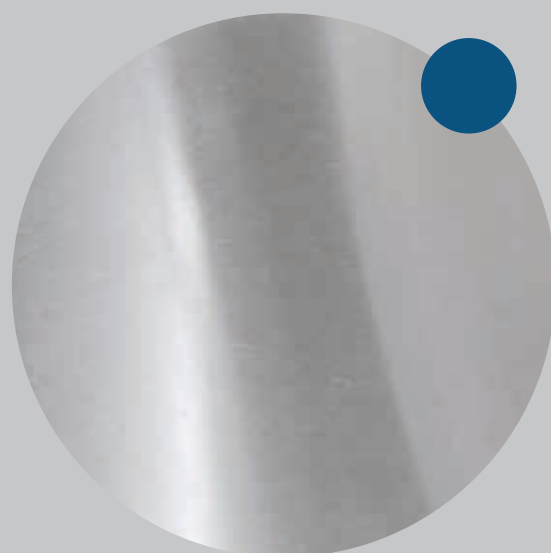
It is pointed out that line 17 bis of the Consolidated Pro-Forma Profit and Loss Account, amounting to EUR -12,541,636, includes the financial effects of exchange rates as at 31 December 2015 which resulted in the posting of foreign exchange translation gains of EUR 1,446,941.

Gazoldo degli Ippoliti, 25 May 2016

The Chairman
of the Board of Directors
Antonio Marcegaglia



Consolidated Financial Statements Marcegaglia Steel



MARCEGAGLIA STEEL S.p.A.

Registered Office: via Bresciani, 16 - Gazoldo degli Ippoliti, Mantova - Italy

Share capital: Euro 695.318.116 fully paid up

Tax code and Mantua Company Register No.: 02467550204

VAT No.: 02467550204



Independent auditors' report

To the shareholders of
Marcegaglia Steel S.p.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Marcegaglia Steel Group, which comprises the balance sheet as of 31 December 2015, the income statement for the period then ended and the related explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that gives a true and fair view in compliance with the Italian laws governing the financial statements.

Auditor's responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA Italia) drawn up pursuant to article 11, paragraph 3, of Legislative Decree No. 39/2010. 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 procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The 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 making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Marcegaglia Steel Group as of 31 December 2015 and the result of its operations for the year then ended, in accordance with the Italian laws governing the financial statements.

Emphasis of matter

The reorganisation operation

Without altering our opinion, we draw attention to the matter described more fully in the introduction to the explanatory notes with reference to the "Marcegaglia Group's reorganisation operation started and concluded in 2015, designed essentially to split, based on a clear rationale, the different businesses relating to the steel processing sectors in which Marcegaglia S.p.A. operated (i.e., carbon steel, stainless steel and specialties and plates).

To sum up very briefly:

- A) Marcegaglia S.p.A. (subsequently converted to a limited liability company (srl) with the name of Marcegaglia srl) formed three new companies, "Marcegaglia Carbon Steel", "Marcegaglia Specialties" and "Marcegaglia Plates", to which the businesses, including all Marcegaglia S.p.A.'s industrial plants involved in the different processing activities, were transferred as from 1 November 2015;
- B) the shareholdings in the transferee companies were then transferred by Marcegaglia srl to the new Marcegaglia Group, of which Fin.mar srl (newly formed company) is the parent company. Fin.mar srl controls Marcegaglia Holding (newly formed limited liability company then changed into a public limited company (spa)) of which Marfin Srl (the previous parent company of the Marcegaglia Group) purchased, at the end of 2015, a significant non-controlling interest; Marcegaglia Holding spa, in turn, controls: a) Marcegaglia Investments srl (newly formed company) and b) Marcegaglia Steel (newly formed limited liability company then changed into a public limited company); the latter controls: a) Marcegaglia Carbon Steel, b) Marcegaglia Specialties and c) Marcegaglia Plates (all set up as limited liability companies and then changed into public limited companies).".

Other aspects

Comparability with the previous financial year

As indicated by the directors in the notes to the financial statements, the parent company Marcegaglia Steel S.p.A. was formed on 18 June 2015. Therefore, the consolidated financial statements for the year ended at 31 December 2015, relating to the first year of operation of the Marcegaglia Steel Group, do not indicate the previous year's figures.

Verona, 30 May 2016

Mazars Italia S.p.A.
(signed on the original)
Alfonso Iorio
Partner – Registered Auditor

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

MARCEGAGLIA STEEL S.P.A.

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2015

ASSETS values in EUR

as of 12/31/2015

| | | |
|--|---|----------------------|
| A SHARE CAPITAL ISSUED AND NOT YET PAID | | |
| 1 | Share capital issued and not yet paid uncalled | - |
| 2 | Share capital issued and not yet paid called | - |
| | Total Share capital issued and not yet paid A | - |
| B FIXED ASSETS | | |
| I Intangible fixed assets | | |
| 1 | Installation and expansion cost | 1,240,944 |
| 2 | Research, development and advertising cost | 14,232 |
| 3 | Industrial and other patent rights | 2,065,891 |
| 4 | Concessions, licenses, trademarks and similar rights | 197,657,888 |
| 5 | Goodwill | 68,870,561 |
| 6 | Assets under construction and advances | 4,348,630 |
| 7 | Other intangible assets | 23,241,022 |
| | Total intangible fixed assets (B-I) | 297,439,168 |
| II Tangible fixed assets | | |
| 1 | Land and buildings | 751,911,487 |
| 2 | Plant and machinery | 998,952,846 |
| 3 | Industrial and commercial equipment | 52,421,447 |
| 4 | Other goods | 11,297,047 |
| 5 | Construction in progress and advances | 33,551,222 |
| | Total tangible fixed assets (B-II) | 1,848,134,049 |
| III Financial assets | | |
| 1 | Investments: | |
| | - subsidiaries non consolidate | 4,599,133 |
| | - associated companies | 1,704,623 |
| | - other companies | 13,331 |
| | | 6,317,087 |
| 2 | Receivables after 12 months: | |
| | - from subsidiaries - after 12 months non consolidate | - |
| | - from associated companies | - |
| | - from others | 46,115 |
| | | 46,115 |
| | Receivables within 12 months | |
| | - from others - within 12 months non consolidate | - |
| 3 | Other securities | 15,175 |
| 4 | Own shares | - |
| | Total financial assets (B-III) | 6,378,377 |
| | Total fixed assets B | 2,151,951,594 |
| C CURRENT ASSETS | | |
| I Inventory | | |
| 1 | Raw materials, auxiliary materials and spare parts | 625,395,927 |
| 2 | Work in progress | 300,144,392 |
| 3 | Contract work in progress | 282,181 |
| 4 | Finished goods | 350,364,324 |
| 6 | Advances | 14,163 |
| | Total inventory (C-I) | 1,276,200,987 |
| II Receivables within 12 months | | |
| 1 | Trade receivables | 213,229,631 |
| 2 | Receivables from subsidiaries | 2,311,999 |
| 3 | Receivables from associated companies | 1,697,479 |
| 4 | Receivables from parent companies | 115,124 |
| 4-bis | Tax debtors | 29,810,337 |
| 4-ter | Deferred tax liabilities | 45,054,395 |
| 6 | Other receivables | 348,021,593 |
| | | 640,240,558 |
| | Receivables after 12 months | |
| 1 | Trade receivables | - |
| 4-bis | Tax debtors | 2,002,511 |
| 4-ter | Deferred tax liabilities | 14,979,069 |
| 6 | Other receivables | 1,066,088 |
| | | 18,047,668 |
| | Total receivables (C-II) | 658,288,226 |
| III Short-term investment | | |
| 4 | Other Investments | 159,024 |
| 6 | Other securities | 3,906,645 |
| | Total short-term investment (C-III) | 4,065,669 |
| IV Cash and banks | | |
| 1 | Bank and postal deposits | 11,300,463 |
| 2 | Cheques | - |
| 3 | Cash on hand | 20,486 |
| | Total cash and banks (C-IV) | 11,320,949 |
| | Total current assets C | 1,949,875,831 |
| D PREPAYMENTS AND ACCRUED INCOME | | |
| 1 | Deferred discount on loans | - |
| 2 | Others prepayments and accrued income | 1,823,312 |
| | Total prepayments and accrued income D | 1,823,312 |
| | TOTAL ASSETS | 4,103,650,737 |

LIABILITIES values in EUR

as of 12/31/2015

| | | |
|---|--|----------------------|
| A SHAREHOLDERS' EQUITY | | |
| I | Share capital | 693,914,175 |
| II | Share premium reserve | - |
| III | Revaluation reserve | - |
| IV | Legal reserve | - |
| VII | Other reserves | |
| | - Extraordinary reserve | - |
| | - Consolidation process reserve of the group | 21,982,267 |
| | - Currency conversion reserve on consolidation process of the group | (1,897,833) |
| | - Reserve for profit on exchange rates from conversions at the end of the year | - |
| | - Surplus on merger | - |
| | - Reserve under Italian law 10/91 | - |
| | - Reserve under Italian law 130/83 | - |
| | - Reserve under Italian law 193/84 | - |
| | - Reserve under Italian law 19/87 | - |
| | - Reserve under Italian law 30/84 | - |
| | - Others available reserves | - |
| | - Euro rounding difference | 4 |
| | Total reserves (VII) | 20,084,438 |
| IX | Profit (loss) for the year | (23,308,171) |
| | Total shareholders' equity of the group | 690,690,442 |
| | Capital and reserves belonging to third parties | 13,922,830 |
| | Profit (loss) for the year of third parties | (2,862,740) |
| | Total shareholders' equity of third parties | 11,060,090 |
| | Total shareholders' equity consolidated A | 701,750,532 |
| B PROVISIONS FOR CONTINGENCIES AND COMMITMENTS | | |
| 1 | Provision for severance indemnities and similar commitments | 3,291,338 |
| 2 | Provision for deferred taxes | 322,915,776 |
| 3 | Other provisions | 24,017,868 |
| | Total provisions for contingencies and commitments B | 350,224,982 |
| C STAFF LEAVING INDEMNITY | | |
| | Total staff leaving indemnity C | 16,831,839 |
| D PAYABLES | | |
| | <i>payables within 12 months</i> | |
| 3 | Shareholder's loans | - |
| 4 | Banks loans and overdrafts | 1,054,295,627 |
| 5 | Other financial payables | 9,283,140 |
| 6 | Advances | 11,785,128 |
| 7 | Trade payables | 1,193,109,544 |
| 8 | Notes payables | - |
| 9 | Payables to subsidiaries | 3,439,397 |
| 10 | Payables to associated companies | 2,045,162 |
| 11 | Payables to parent companies | 16,656 |
| 12 | Taxes payable | 14,421,471 |
| 13 | Social security payables | 13,079,997 |
| 14 | Other payables | 539,732,896 |
| | 2,841,209,018 | |
| | <i>payables after 12 months</i> | |
| 4 | Banks loans and overdrafts | 156,300,123 |
| 5 | Other financial payables | 18,446,539 |
| 7 | Trade payables | - |
| 12 | Taxes payable | 527,474 |
| 14 | Other payables | 10,220,620 |
| | 185,494,756 | |
| | Total Payables D | 3,026,703,774 |
| E ACCRUED LIABILITIES AND DEFERRED INCOMES | | |
| 2 | Others accrued liabilities and deferred incomes | 8,139,610 |
| | Total Accrued liabilities and deferred incomes E | 8,139,610 |
| | TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 4,103,650,737 |
| MEMORANDUM ACCOUNTS | | |
| | RISKS | |
| | Bank Guarantees: to subsidiaries | - |
| | to associated companies | - |
| | to other companies | 31,019,043 |
| | Total Bank Guarantees | 31,019,043 |
| | Non bank guarantees: to subsidiaries | - |
| | to associated companies | - |
| | to parent company | - |
| | to affiliated companies | - |
| | to other companies | - |
| | Total non bank guarantees | - |
| | Real securities: to other companies | - |
| | Total real securities | - |
| | OTHER RISKS | |
| | Factoring with recourse | - |
| | Total other risks | - |
| | Total risks | 31,019,043 |
| | UNDERTAKINGS | |
| | Total undertakings | 326,076,446 |
| | THIRD PARTY GOODS | |
| | others | - |
| | Total third party goods | - |
| | TOTAL MEMORANDUM ACCOUNTS | 357,095,489 |

MARCEGAGLIA STEEL S.P.A.

CONSOLIDATED PROFIT AND LOSS ACCOUNT COVERING FINANCIAL YEARS 2015

values in EUR

year 2015

| A VALUE OF PRODUCTION | |
|---|--|
| 1 | Revenues from sales and services |
| 2 | Changes in work in progress and finished goods |
| 3 | Variations in contracted work in progress |
| 4 | Increase in internal construction capitalized |
| 5 | Other income |
| | - grants and subsidies |
| | - others income |
| | Total other income (5) |
| | Total Value of production A |
| B COST OF PRODUCTION | |
| 6 | Cost of raw materials, auxiliary materials, spare parts and goods |
| 7 | Costs for services |
| 8 | Cost for utilization of third parties' assets |
| 9 | Personnel costs |
| | a) salaries and wages |
| | b) social contributions |
| | c) staff leaving indemnity |
| | d) other social contributions |
| | e) other costs |
| | Total Personnel costs (9) |
| 10 | Depreciation and write downs |
| | a) amortization of intangible assets |
| | b) depreciation of tangible fixed assets |
| | c) other write downs of assets |
| | d) write down of receivables recorded among current assets |
| | Total Depreciation and write downs (10) |
| 11 | Change in inventory of raw materials, auxiliary materials, spare parts and goods |
| 12 | Accruals for contingencies |
| 13 | Other accruals |
| 14 | Other operating charges |
| | Total Cost of production B |
| | Difference between value of production and costs of production A - B |
| C FINANCIAL INCOME AND CHARGES | |
| 15 | Income from investments: |
| | - dividends from subsidiaries |
| | - dividends from associated companies |
| | - dividends other income from investments |
| | Total income from investments (15) |
| 16 | Other financial income: |
| | a) from receivables recorded as fixed from others |
| | c) from securities recorded as current assets |
| | d) financial income: |
| | - interest income from subsidiaries |
| | - interest income from associated companies |
| | - interest income from parent companies |
| | - other financial income |
| | Total other financial income (d) |
| | Total other financial income (16) |
| 17 | Interest and other financial charges: |
| | - interest paid to subsidiaries |
| | - interest paid to associated companies |
| | - interest paid to parent companies |
| | - bank interest |
| | - other financial charges |
| | Total interessi ed altri oneri finanziari (17) |
| 17-bis | Exchange gains/losses |
| | Total financial income and charges C |
| D ADJUSTMENTS TO THE VALUE OF FINANCIAL OPERATIONS | |
| 18 | Revaluation |
| | investments in share capital |
| | other investments |
| | securities recorded as current assets |
| | Total revaluation (18) |
| 19 | Write down |
| | of investments in share capital |
| | other investments |
| | securities recorded as current assets |
| | Total write down (19) |
| | Total adjustments to the value of financial operations D |

values in EUR

year 2015

| E EXTRAORDINARY INCOME AND EXPENSES | |
|--|---|
| 20 | Income |
| | - extraordinary capital gains on disposal of assets |
| | - other extraordinary income |
| | Total income (20) |
| 21 | Expenses: |
| | - other extraordinary charges |
| | - income taxes relating to previous periods |
| | - losses on disposal of assets |
| | Total expenses (21) |
| | Total extraordinary income and expenses E |
| | PROFIT (LOSS) BEFORE TAXATION A-B+/-C+/-D+/-E |
| | Profit (loss) before taxation A-B+/-C+/-D+/-E |
| 22 | Income taxes for the period deferred assets/liabilities |
| | - income taxes for the current period |
| | - deferred taxes |
| | - prepaid income taxes |
| | - income (expenses) from fiscal consolidation |
| | Total income taxes for the period deferred assets/liabilities (22) |
| | PROFIT (LOSS) FOR THE PERIOD |
| | PROFIT (LOSS) FOR THE YEAR OF THIRD PARTIES |
| | PROFIT (LOSS) FOR THE YEAR OF THE GROUP |

NOTES

Preliminary remarks

The financial year ending 31 December 2015 is the first financial year of the parent company Marcegaglia Steel S.p.A., which was established on 18 June 2015 as a part of the more general reorganisation of the Marcegaglia Group (which was started and completed in 2015) aimed primarily at separating - based on a clear rationale - the various business divisions related to the steel processing business segments in which Marcegaglia S.p.A. operated (i.e., carbon steel, stainless steel and specialties, and plates).

To summarise:

- Three new companies were established by Marcegaglia S.p.A. (which was subsequently transformed into a limited liability company named Marcegaglia Srl): **Marcegaglia Carbon Steel**, **Marcegaglia Specialties** and **Marcegaglia Plates**.

On 1 November 2015 the business divisions including all the industrial plants of Marcegaglia S.p.A. engaged in various processing activities were transferred to these companies;

- The equity investments in the transferee companies were then transferred by Marcegaglia srl to the new Marcegaglia Group, of which Fin.mar srl (a newly established company) is the parent company. Fin.mar srl controls Marcegaglia Holding (a newly established limited liability company [Srl] later converted to a public liability company [SpA]), in which Marfin Srl (the previous parent company of the Marcegaglia Group) acquired a significant non-controlling interest at the end of 2015; Marcegaglia Holding S.p.A. in turn controls: **a)** Marcegaglia Investments Srl (a newly established company) and **b)** Marcegaglia Steel (a newly established Srl later converted to an SpA); the latter controls: **a)** Marcegaglia Carbon Steel, **b)** Marcegaglia Specialties and **c)** Marcegaglia Plates (all established as Srls and later converted to SpAs);

- In 2015, all the Italian and foreign controlling interests held by Marfin Srl and Marcegaglia SpA /Srl were transferred to the new Marcegaglia Group (with the

exception of certain minority equity investments of little significance);

- At the end of December 2015, the merger deeds were finalised for Marfin Srl, which absorbed: a) Marcegaglia Srl; b) Marcegaglia Ireland Limited and Sipac Srl;
- All that is left at Marfin Srl (through the absorption of Marcegaglia Srl) is a) a captive business providing services to the new Marcegaglia Group performed at the management offices at Gazoldo degli Ippoliti (historical office of the Marcegaglia Group that remained with Marfin Srl); b) ownership/management of several properties that were mainly leased to the new Marcegaglia Group.

Specifically, at the end of October 2015 Marcegaglia Steel S.p.A.:

- obtained appropriate bank facilities to allow it to provide an interest-bearing loan to Marcegaglia Srl aimed at closing the credit lines in the name of the latter. The payable thus generated by Marcegaglia Srl to Marcegaglia Steel S.p.A. was then transferred to the three new companies Marcegaglia Carbon Steel, Marcegaglia Specialties and Marcegaglia Plates;
- entered into and managed *cash pooling* agreements with the subsidiaries Marcegaglia Carbon Steel, Marcegaglia Specialties and Marcegaglia Plates, acting as *Cash Pooler*;
- managed relationships with credit institutions for itself and for all the new Marcegaglia group and issued corporate guarantees.

Basis of presentation of the Consolidated Financial Statements

The Consolidated Financial Statements for the financial year ended on 31 December 2015 was prepared according to the provisions of Legislative Decree no. 127 of 9 April 1991.

The basis of presentation of the Consolidated Balance Sheet and Profit and Loss Account is the one required for the financial statements of the companies included in the consolidation, suitably adjusted to consider the broader concept of "group". Therefore, in order to provide a clear, truthful and accurate representation of the Group's equity and financial positions as well as its operating result, the layouts for

balance sheets and profit and loss accounts set forth in Articles 2424 and 2425 of the Italian Civil Code provided for industrial and commercial companies were used, and adjusted - as provided by the Italian Accounting Standard Setter [OIC] no. 17, paragraph 28 - by:

- the inclusion of the separate line item "Difference from consolidation" in the Balance Sheet assets, among the line items of the group "Intangible fixed assets", after the line item "Goodwill";
- the inclusion of the line item "Consolidation reserve" in the Shareholders' Equity;
- the inclusion of the line items "Minority interest in capital and reserves" and "Profit (loss) for the year pertaining to minority interest" among Shareholders' Equity line items;
- the indication, in consolidated shareholders' equity, of the sub-total related to all of the components pertaining to the group, followed by the components corresponding to minority shareholdings;
- the inclusion of the line item "Reserve from conversion differences" in the Shareholders' Equity;
- the inclusion of the line item "Consolidation reserve for future risks and expenses" among the group line items "Risk and expense funds".
- the inclusion of line items "Profit/(Loss) pertaining to the Group" and "Profit/(Loss) pertaining to the Group" [sic] among Profit and Loss Account line items, after the line item 23) "Net profit (loss)", in order to clearly separate the portion of the consolidated operating result pertaining to minority shareholders.

The amount of each item of the Consolidated Balance Sheet and the Consolidated Profit and Loss Account referred to the previous year was not reported as the financial year at 31 December 2015 was the first financial year of the parent company Marcegaglia Steel S.p.A. (established on 18 June 2015); therefore, the consolidated financial statements were prepared for the first time in 2015.

These Notes contain the information required by Art. 38 of Legislative Decree 127/91, as well as other information required by such Decree. Furthermore, a

reconciliation was prepared between shareholders' equity and the statutory result of the parent company Marcegaglia Steel spa, and consolidated shareholders' equity and consolidated operating result. No cash-flow statement was prepared because it is hardly significant, as this is the first financial year for the Company.

SCOPE OF CONSOLIDATION

Equity investments in subsidiaries

1) subsidiaries included in the consolidation using the line-by-line method

Below is a list of the equity investments in subsidiaries as at 31 December 2015, consolidated using the line-by-line method pursuant to Art. 31 of Legislative Decree 127/91:

| Name Registered office | Share Capital | Direct stake | Indirect stake | Company |
|---|-------------------|-----------------|-------------------|------------------------------------|
| Marcegaglia Steel S.p.A. via Bresciani, 16 - Gazoldo degli Ippoliti, Mn | 693,914,175 EUR | | | Capogruppo |
| Marcegaglia Carbon Steel S.p.A. via Bresciani, 16 - Gazoldo degli Ippoliti, Mn | 496,118,598 EUR | 100% | | |
| Marcegaglia Specialties S.p.A. via Bresciani, 16 - Gazoldo degli Ippoliti, Mn | 161,000,000 EUR | 100% | | |
| Marcegaglia Plates S.p.A. via Bresciani, 16 - Gazoldo degli Ippoliti, Mn | 35,000 EUR | 100% | | |
| Marcegaglia do Brasil Ltda Rodovia BR 101 km 11 Garuva (SC) (Brasile) | 306,000,000 BRL | 89.9098% | | Marcegaglia Carbon Steel S.p.A. |
| Marcegaglia Poland Sp.z.o.o. Kaliska 72 int - Praszka (Poland) | 100,000,000 PLN | 99.6% | | Marcegaglia Carbon Steel S.p.A. |
| Marcegaglia UK Ltd New Road, Netherton, Dudley (UK) | 16,650,200 GBP | | 100% | Marcegaglia Carbon Steel S.p.A. |
| Marcegaglia USA Inc. 1001 East Waterfront Drive, Munhall, (Pa) (USA) | 86,876,440 USD | | 100% | Marcegaglia Specialties S.p.A. |
| Mariven S.r.l. via Bresciani, 16 - Gazoldo degli Ippoliti, Mn | 100,000 EUR | 65% | | Marcegaglia Specialties S.p.A. |
| Marcegaglia China Co. Ltd Chuang Ye Road 7 Guangling Industrial Park - Yangzhou | 128,000,000 EUR | 91.4063% | | Marcegaglia Carbon Steel S.p.A. |
| Marcegaglia RU Bolshaja Nizhegorodskaja 92B - Vladimir (Russia) | 1,099,325,274 RUB | | 51.03% | Mariven S.r.l. |
| Outsourcing Inox S.r.l. via Bresciani, 16 - Gazoldo degli Ippoliti, Mn | 10,000 EUR | 100% | | Marcegaglia Specialties S.p.A. |

As mentioned in the preliminary remarks:

- the equity investments in Marcegaglia Carbon Steel S.p.A., Marcegaglia Specialties S.p.A. and Marcegaglia Plates S.p.A. were purchased on 30 October 2015 by Marcegaglia srl after the contribution;
- the equity investments in Marcegaglia do Brasil Ltda, Marcegaglia Poland Sp.z.o.o., Marcegaglia China Co. Ltd, formerly controlled directly by Marcegaglia S.p.A. and now by Marcegaglia Carbon Steel S.p.A., were purchased after the contribution on 30 October 2015;
- the equity investment in Marcegaglia UK Ltd., controlled by Marcegaglia Carbon Steel S.p.A., was purchased by the holding company S.i.p.a.c. sa on 30 November 2015;
- the equity investments in Mariven srl (and in its subsidiary Marcegaglia RU) and Outsourcing Inox srl, formerly controlled directly by Marcegaglia S.p.A. and now by Marcegaglia Specialties S.p.A., were purchased after the contribution on 30 October 2015;
- the equity investment in Marcegaglia USA Inc., controlled by Marcegaglia Specialties S.p.A., was purchased by the holding company S.i.p.a.c. sa on 30 September 2015.

At the consolidated level, the opening balance sheet values of the investee companies relate to the moment when they became a part of the new Marcegaglia group, and thus to the date the equity investments were transferred or acquired; the operating results of these investee companies were also related to the portion of the financial year during which Marcegaglia Steel S.p.A. became the parent company.

2) direct or indirect subsidiaries measured at cost

| Name Registered office | Share Capital | Direct stake | Indirect stake | Company |
|--|------------------|-----------------|-------------------|------------------------------------|
| Marcegaglia Benelux n.v. Dendermondestraat, 44-46 - Anversa (Belgio) | EUR 100,000 | | 99% | Marcegaglia Carbon Steel S.p.A. |
| Marcegaglia Deutschland GmbH Vogelsanger Weg 38, Dusseldorf (Germania) | EUR 153,388 | | 100% | Marcegaglia Carbon Steel S.p.A. |
| Marcegaglia France Sarl Le Bois des Cotes II Route Nationale 6, 300 - Limonest (Francia) | EUR 50,000 | | 100% | Marcegaglia Carbon Steel S.p.A. |
| Marcegaglia Iberica s.a. Calle Solsona, 3 - S.P. de Magoda-B - (Spagna) | EUR 120,220 | | 51% | Marcegaglia Carbon Steel S.p.A. |
| | | | 90% | Marcegaglia Carbon Steel S.p.A. |
| Marcegaglia India Private Limited EC 58, Sector 1, Sal Lake, Kolkata-700064, West Bengal (India) | INR 100,000 | | 10% | Marcegaglia Specialties S.p.A. |
| Marcegaglia Tr Paslanmaz Çelik Sanayi Ve Ticaret Anonim Şirketi Kazimiye Mahallesi, Yakut Sokak, Nova Center 39/27, Çorlu, Tekirdağ (Turchia) | TRY 5,600,000 | | 65% | Marcegaglia Specialties S.p.A. |

As mentioned in the preliminary remarks:

- the equity investments in Benelux n.v. and Marcegaglia Deutschland GmbH, Marcegaglia India Private Limited, formerly controlled directly by Marcegaglia S.p.A. and now by Marcegaglia Carbon Steel S.p.A., were purchased after the contribution on 30 October 2015;
- the equity investment in Marcegaglia France sarl was purchased by Marcegaglia S.p.A (95%) and by the holding company S.i.p.a.c. sa (5%) on 21 July 2015;
- the equity investment in Marcegaglia Iberica sa was purchased by the holding company S.i.p.a.c. sa on 22 July 2015;
- the equity investment in Marcegaglia Tr Paslanmaz Çelik Sanayi Ve Ticaret Anonim Şirketi, formerly controlled directly by Marcegaglia S.p.A. and now by Marcegaglia Specialties S.p.A., was purchased after the contribution on 30 October 2015.

In accordance with Art. 28 of the above Legislative Decree, it is specified that such equity investments are measured “at cost” since their impact in terms of the total value of assets, shareholders’ equity, revenue and net profit, when considered overall, is scarcely significant for the truthful and accurate representation of the group’s balance sheet, financial position and operating result.

Equity investments in associates

1) direct or indirect associates measured at cost:

| Name Registered office | Share Capital | Direct stake | Indirect stake | Company |
|---|------------------|-----------------|-------------------|------------------------------------|
| SIM S.r.l. (*) Zona Industriale S.Atto - Teramo | EUR 780,000 | | 50% | Marcegaglia Carbon Steel S.p.A. |
| Fontana S.p.A. Strada San Giorgio, 23 - Settimo Torinese, To | EUR 50,000 | | 32% | Marcegaglia Carbon Steel S.p.A. |

(*) financial statements as at 30 September 2015

The equity investments, previously held by Marcegaglia S.p.A. and now by Marcegaglia Carbon Steel S.p.A., were purchased after the contribution on 30 October 2015. In accordance with Art. 36(2) of the above Legislative Decree, it is specified that such equity investments are measured “at cost” since their impact, even considered overall, is scarcely significant for the truthful and accurate representation of the Group’s balance sheet, financial position and operating result.

CONSOLIDATION CRITERIA

Consolidation using the line-by-line method

All of the companies in which Marcegaglia Steel S.p.A. has, directly or indirectly, a majority stake have been consolidated using the line-by-line method, with the exception of the subsidiaries included in table 2) above.

Through the line-by-line consolidation method, the accounting values of equity investments are derecognised in exchange of the total takeover of the assets and liabilities, income and expenses of the investee companies.

As 2015 is the first financial year of Marcegaglia Steel S.p.A. and as the Company acquired control of the companies within the consolidation area during the year, the subsidiaries’ assets and liabilities used for the establishment of the initial consolidation reserve were calculated based on interim financial statements of each subsidiary at the end of the month when Marcegaglia Steel S.p.A. acquired the company. In order to determine such initial consolidation reserve, subsidiaries’ assets and liabilities expressed in foreign currencies were converted using the exchange rates applicable at the closing dates of the relevant interim financial statements.

Any portion of the shareholders’ equity and the operating result relating to the minority shareholders of consolidated subsidiaries are respectively disclosed in a specific line item of the consolidated shareholders’ equity and the consolidated profit and loss account.

Any differences resulting from the comparison between the accounting values of equity investments and the stakes of shareholders’ equity of the investee companies are recognised in line item “Goodwill” among intangible fixed assets if positive and if prerequisites are met, and in line item “Consolidation Reserve” in the shareholders’ equity if negative.

Payables and receivables and transactions among the companies included in the scope of consolidation have been derecognised. Any adjustments related to dividends distributed to the parent company were instead considered.

Equity investments measured using the equity method

According to this procedure, the Consolidated Financial Statements only reflect the relevant portion of shareholders' equity of the investee company, but not the values of the individual line items of the financial statements.

Once again, any differences resulting from a comparison of the carrying amounts of the equity investments and the shares of the shareholders' equity of the investee companies are recorded in the shareholders' equity item "Consolidation reserve" for the portion arising before the year in question. On the other hand, the investee company's profit or loss for the year is allocated, according to the accrual principle, to the consolidated profit and loss account under "Value adjustments of financial assets" (revaluations or write-downs of equity investments) with a balancing entry in the item "Equity investments in subsidiaries/associates" in the balance sheet.

As already indicated, due to the little impact of the equity investments in associates for the purposes of a true and correct representation of the group's balance sheet, financial position and operating result, in FY 2015 said equity investments were recognised at the book value recorded in the financial statements of the investee Marcegaglia Carbon Steel S.p.A., resulting from the above mentioned contribution of 30 October 2015.

The accounting currency

For line-by-line consolidation of financial statements expressed in a foreign currency the current rate method was used since the foreign investee companies to which those financial statements refer are essentially independent of the parent company. According to such method, all assets and liabilities, with the exception of the entries in shareholders' equity (which are converted at the historical exchange rates), are converted using the exchange rate at the date of the financial statements, whereas the line items of the profit and loss account were converted at the average exchange rate of the period.

The resulting differences are recognised

in a specific reserve of the shareholders' equity: "Reserve from conversion differences". The exchange rates applied are indicated in the following table:

| Currency | Exchange rate as at 12/31/15 | Average exchange rate of the period between the date of consolidation and 12/31/15 |
|-------------------------|------------------------------|--|
| US Dollar (USD) | 1.08870 | 1.094943 |
| UK Pound Sterling (GBP) | 0.73395 | 0.721799 |
| Brazilian Real (BRL) | 4.31170 | 4.137275 |
| Polish Zloty (PLN) | 4.26390 | 4.269725 |
| Russian Ruble (RUB) | 80.67360 | 73.07375 |
| Chinese Renminbi (CNY) | 7.06080 | 6.929565 |

Reference date of the Consolidated Financial Statements

The financial year of the parent company (Marcegaglia Steel spa) and the other consolidated companies closed on 31 December 2015.

Financial statements used for the consolidation

The financial statements prepared by the administrative bodies of the Italian subsidiaries were used for the consolidation of such companies.

With respect to the consolidation of foreign subsidiaries included within the consolidation perimeter, the financial statements used were specifically prepared by the respective administrative bodies according to measurement criteria used by the parent company, in compliance with the "Manual of the group's accounting standards" prepared expressly for such purpose, and certified by local independent auditors.

VALUATION CRITERIA

The criteria used to measure the line items of the Consolidated Financial Statements conform to those required by law. See details here below.

Intangible Fixed Assets

Intangible fixed assets are recognised in the financial statements at purchase cost or production cost and are amortised in relation to their residual potential uses.

The line item "goodwill" reflects the positive initial difference from the cancellation of the equity investments in the indirect subsidiaries Marcegaglia USA Inc., Marcegaglia do Brasil Lda and Marcegaglia RU, which was generated from comparing the cost incurred for the purchase of these equity investments and the portion of the book value of the respective shareholders' equity held. We believe that this difference can be categorised as goodwill since it meets the requirements of Accounting Standard OIC 24, Section 69 - Intangible Fixed Assets.

The amount recorded, Euro 68,870,561, will be amortised regularly on a straight-line basis over a ten-year period. This decision was based on the fact that the assumed utilisation period, in terms of projected profitability, was estimated to be an equal period. A goodwill amortisation period of over five years appears to be in line with national accounting standards (Document OIC 24) provided the reasons for this period are substantiated. For 2015, amortisation was calculated only for two months since the equity investments became a part of the consolidation area following the reorganisation transaction, which was referenced in the preliminary remarks, and described in the "SCOPE OF CONSOLIDATION" section. Lastly, no deferred taxes were recorded based on the provisions of OIC 25 for extraordinary transactions that generate "goodwill", and in view of the similar nature of the goodwill concerned.

Among the *intangibles* recognised in the Consolidated Financial Statements there is also the 'Marcegaglia' brand name, both in its patronymic variation and in the 'MM Marce-

gaglia' figurative form (represented by two mirroring capital "M" letters). It was recognised in the statutory Financial Statements of Marcegaglia Specialties S.p.A. after the contribution under the reorganisation plan mentioned in the preliminary remarks. The word mark 'Marcegaglia' has been protected by the transferring company Marcegaglia S.p.A. by filing of several applications for word mark, in order to guarantee, in relation to the goods and services claimed, the exclusive use of the word or expression subject to the filing, whichever form and character is used. The figurative trademark 'MM Marcegaglia', used by the transferring company Marcegaglia S.p.A. since 1969 in accounting, administrative, advertising and promotional material, in exhibitions and fairs, in the press and on the products, has been in extremely widespread use, so as to generate that level of general awareness required by the Italian law (and by some other countries) to give "rise" to a so-called common law / unregistered trademark, which allows the user to claim exclusive rights over the use of the mark used in relation to the products for which it was used. However, in 2015, as part of the company reorganisation, the transferring company Marcegaglia S.p.A. commenced the filing of a series of trademark applications concerning the figurative mark.

The aforementioned trademarks were filed mainly for the following products:

- *Classe 6*: common metals and their alloys, including steel, metal construction materials, metal transportable buildings; metal materials for railways; aluminium tubes; metal building panels; strips and sheets; bright bars drawn and steel sections; metal coverings; metal scaffolding; fences; minerals; common metals and their alloys; metal strips; non-electric metal cables and wires; metal structures; safes; metal fancy goods; metal security barriers for roads; steel pipes; steel strips; metal sheets; metal fences; metal gates; metal enclosures;
- *Classe 37*: construction of metallurgical plants and facilities and for the production of energy; painting work;
- *Classe 39*: distribution of steel products; travel arrangements;

- *Classe 42*: services in the steel industry and its applications, in particular designing, testing and commissioning of plants for the processing of steel; services in relation to environmental protection, ecological research, analysis and consulting;

- *Classe 43*: hotel services.

In the expert's report annexed to the deed of transfer, the appraiser has attributed to the trademark a value of Euro 201 million (before the resulting deferred taxes), considering a royalty rate of 0.81% and expected sales revenue on a time horizon of 20 years.

With reference to the systematic allocation over time of the trademark registration cost, equal to the estimated value, it was considered prudent to ascribe to the profit and loss account a constant rate of amortisation over a period of 10 years. For the year 2015, amortisation was calculated only for 2 months, as the transfer was concluded on 1 November 2015.

Property, plant and equipment and depreciation funds

Property, plant and equipment are recognised in the financial statements at purchase cost or production cost, increased by statutory monetary revaluations, and are disclosed in the financial statements net of the relative depreciation funds; it is specified that, with the exception of the companies having their registered office in countries with strong inflation, revaluations are only maintained if required by law.

Depreciation is calculated on the basis of the estimated future usefulness of such fixed assets.

These items include assets of the subsidiaries Marcegaglia Carbon Steel S.p.A., Marcegaglia Specialties S.p.A. and Marcegaglia Plates S.p.A. which are recognised based on the expert valuation prepared under Art. 2465 of the Italian Civil Code before the above-mentioned contribution.

Finance lease assets

Pursuant to the requirements of Accounting Standard OIC 17, transactions of this sort were recognised for properties and major plant assets using the

finance method (governed by IAS 17). Small leases continue to be recorded using the equity method.

This resulted in the balance sheet recognition of: Plant and machinery for Euro 70,981,851, Payables to other lenders due within and after the following year for a total of Euro 24,983,821, a reduction in pre-paid expenses as compared to the aggregate value proposed by the companies that are parties to lease agreements recorded using the equity method for Euro 5,223,002, receivables for total pre-paid taxes due within and after the following year for Euro 1,522,202, an incremental deferred tax provision for Euro 398,575 and a restatement of payables from "trade payables" to "payables to other lenders" for Euro 706,796. The increase in line item Plant and machinery referred to above also includes the re-allocation of the line item "Property, plant and machinery - assets in progress" for Euro 45,435,479 as, after the business unit contribution from Marcegaglia S.p.A. effective from 1 November 2015, the subsidiaries Marcegaglia Carbon Steel S.p.A. and Marcegaglia Specialties S.p.A. recognised among their "Property, plant and machinery - assets in progress" the market value of assets under outstanding lease agreements, net of payables to the lease company discounted to the implicit rate of the leasing.

Looking at the profit and loss account, the financial year 2015 resulted in a benefit for a total amount of Euro 2,057,728, represented by the reversal of the lease payments already recognised in line item B8) of the aggregate Profit and Loss Account in the amount of Euro 2,496,108, by the recognition of amortization in line item B10b) of the consolidated Profit and Loss Account in the amount of Euro 846,949, the recognition in line item C17) of the consolidated Profit and Loss Account of financial expenses included in the lease payments for the amount of Euro 69,628, and by the recognition in line item 22) of the consolidated Profit and Loss Account of the net (negative) ef-

fect of deferred and pre-paid taxes in the amount of Euro 495,973.

Financial Fixed Assets

Equity investments in companies that are not entirely consolidated are measured using the shareholders' equity method or at the historical cost.

No write-downs or revaluations of equity investments were recognised in items D18) and D19) of the consolidated profit and loss account.

Inventory

Inventory is recognised at the lower of purchase cost or production cost, calculated as specified below, and the estimated sales value that can be inferred from market trends. The purchase cost includes ancillary costs of transportation and customs clearance of raw materials; production costs include all of the costs directly allocated to the product (raw materials and subsidiary materials, direct labour, depreciation of the capital goods used in production), in addition to the portion of indirect industrial costs relating to the manufacturing period (maintenance costs, consumables, electric power, outsourced processes, etc.).

The value of the final inventory was calculated using the weighted average cost method.

Inventories other than interchangeable assets are recognised among the inventories of finished products and are measured at purchase cost or production cost calculated according to Article 2426(1) of the Italian Civil Code, since said cost is deemed not to exceed the estimated sales market value.

The line item Raw materials, subsidiary materials and consumables also includes inventories of subsidiary materials and consumables such as paints, lubricants, fuels, zinc and miscellaneous materials in general. Such inventories are recognised in the financial statements at the lesser of the value calculated by the moving average and their replacement value inferred from market trends.

Inventory other than interchangeable as-

sets are recognised at purchase cost or production cost, calculated according to Article 2426(1) of the Italian Civil Code, since they are deemed not to exceed their estimated realisable market value.

Inventories of work in progress on order are measured, if applicable, using the method of the completion percentage, also in view of Accounting Standard OIC 23 "Work in progress on order", whose revised version published during the month of August 2014 is applicable starting from the financial statements at 31 December 2014.

Receivables and payables

Receivables (both fixed assets and current assets) are recognised in the financial statements at nominal value. Such value was decreased to that of the estimated sales value through specific funds, whose changes are summarised below:

| | |
|--|-----------|
| Opening bad debts fund for trade receivables | 2,978,283 |
| Exchange rate differences on the opening balance | -16,021 |
| Provisions during the year | 3,871,336 |
| Uses during the year | -95,845 |
| Exchange rate differences on changes during the year | -30,378 |
| Changes in the consolidation area | 0 |
| Bad debts fund for trade receivables at year end | 6,707,375 |

As mentioned in the preliminary remarks, the opening balance corresponds to the bad debt fund of the companies included in the consolidation area at the date they became part of the new Marcegaglia group.

Allocations to the bad debt fund recognised in line item B10D of the Profit and Loss Account amount to Euro 3,871,336.

Allocation to the bad debt fund refer to subsidiaries Marcegaglia Carbon Steel S.p.A. (Euro 3,391,610), Marcegaglia Ru (Euro 344,257), Marcegaglia Plates S.p.A. (Euro 73,254), Marcegaglia USA (Euro 55,703) and Marcegaglia China (Euro 6,512).

Exchange rate differences from forex transactions and conversion criteria for items in foreign currency

Receivables and payables expressed in fo-

reign currencies are originally converted in Euro on the basis of the exchange rates recognised at the date of the relevant transactions. The exchange rate differences realised at the time of collection of receivables and payment of liabilities in foreign currency are recognised in the Profit and Loss Account in line item 17-bis "gains and losses on exchange rates".

Receivables and payables expressed in foreign currency in the financial statements are measured on the basis of the relative exchange rates at the end of the year (31.12.2015). Exchange rate differences emerging from such valuation are allocated to the Profit and Loss Account in line item 17 bis "gains and losses on exchange rates".

Equity investments and securities not held as financial fixed assets

Securities held as financial fixed assets are recorded in the financial statements of the investee company Marcegaglia do Brasil and refer to bank certificates of deposit with immediate liquidity, which are valued at purchase cost plus accrued interest.

Cash and cash equivalents

Cash and cash equivalents (bank and postal deposits, cash and cash on hand) are recognised based on their actual worth.

Accruals and Deferrals

This item includes portions of costs and income items related to two or more financial years in order to comply with the accrual principle.

Risk and expense funds

Risk and expense funds are allocated in the financial statements in order to cover losses or liabilities having a specific, certain or probable nature, for which the amount or realisable date cannot be determined at the end of the financial year.

The allocations reflect the best possible estimate based on available information.

Employee Severance Pay

Provisions are made in conformity with law and outstanding labour contracts, and reflect liabilities accrued with respect to

all employees at the date of the Financial Statements.

Tax fund, including deferred taxes

The fund includes deferred taxes allocated, mainly, as a result of the recognition of leased assets according to the financial method and consistency in measurement criteria.

As more fully explained in the appendix on changes in funds, most of this item includes funds of the subsidiaries Marcegaglia Carbon Steel S.p.A., Marcegaglia Specialties S.p.A. and Marcegaglia Plates S.p.A. which were set up to record deferred taxes on the higher amounts assigned to assets at the time of contribution as indicated in the appraisals prepared by the expert for this purpose pursuant to Article 2465 of the Italian Civil Code.

Recognition of revenue

Revenue from the sale of products is recognised at the time of the transfer of ownership, which occurs upon the shipment of the goods. Revenue from services is recognised at the time of completion of such service.

OTHER INFORMATION

Pursuant to Article 38(1)(o-quinquies), of Legislative Decree 127/91, it is noted that there are no transactions for significant amounts with related parties of an ordinary nature other than arm's length transactions.

Reference is made to the Report on Operations relating to these Consolidated Financial Statements with specific regard to relations with subsidiaries and associates.

REFERENCE TO THE REPORT ON OPERATIONS ACCOMPANYING THE CONSOLIDATED FINANCIAL STATEMENTS

In respect of information regarding:

- the nature of the business
- significant events that occurred after the end of the financial year
- relations with subsidiaries, associates, parent companies and companies subject to the control of the latter,

please refer to the Report on Operations relating to these Consolidated Financial Statements.

CHANGES IN THE ASSET AND LIABILITY LINE ITEMS

The following table indicates the most significant changes in other asset and liability items excluding funds (Annex 2), shareholders' equity (the section below) and property, plant, equipment, intangible fixed assets and financial fixed assets (Annexes 1a and 1b), which will be covered separately in greater detail:

| Current assets | Change in the scope of consolidation | Impact of exchange rate difference on the scope of consolid. | Impact of changes in the scope of consolid. | Increases / Decreases during the year | Balance at 12.31.2015 |
|---|--------------------------------------|--|---|---------------------------------------|-----------------------|
| A) Receivables from shareholders for outstanding contributions | | | | | |
| - portion not previously called | | | | | |
| - portion previously called | | | | | |
| TOTAL | | | | | |
| I - INVENTORY | | | | | |
| 1. Raw materials, subsidiary materials and consumables | 582,275,320 | -378,930 | - | 43,499,537 | 625,395,927 |
| 2. Work in progress and semi-finished goods | 297,425,668 | -107,475 | - | 2,826,199 | 300,144,392 |
| 3. Work in progress on order | 176,117 | -22,059 | - | 128,123 | 282,181 |
| 4. Finished goods and products | 332,987,545 | 52,057 | - | 17,324,722 | 350,364,324 |
| 5. Advance payments | 33,913 | -1,553 | - | -18,197 | 14,163 |
| TOTAL | 1,212,898,563 | -457,960 | - | 63,760,384 | 1,276,200,987 |
| II - RECEIVABLES | | | | | |
| 1. Trade receivables | 473,824,242 | -305,257 | - | -260,289,354 | 213,229,631 |
| 2. Receivables from non-consolid. subsidiaries | 2,480,362 | - | - | -168,363 | 2,311,999 |
| 3. Receivables from associates | 1,092,484 | - | - | 604,995 | 1,697,479 |
| 4. Receivables from parent companies | 29,164,063 | 147,313 | - | -29,96,252 | 115,124 |
| 4-bis. Tax receivables | 8,909,006 | -91,545 | - | 22,995,387 | 31,812,848 |
| 4-ter. Pre-paid taxes | 70,293,643 | -497,257 | - | -9,762,922 | 60,033,464 |
| 5. Receivables from others | 454,124,479 | -284,736 | - | -104,752,062 | 349,087,681 |
| TOTAL | 1,039,888,279 | -1,031,482 | - | -380,568,571 | 658,288,226 |
| III - FINANCIAL ASSETS NOT HELD AS FIXED ASSETS | | | | | |
| 4. Other equity investments | - | - | - | 159,024 | 159,024 |
| 5. Treasury shares | - | - | - | - | - |
| 6. Other securities | 3,465,165 | -31,584 | - | 473,064 | 3,906,645 |
| TOTAL | 3,465,165 | -31,584 | - | 632,088 | 4,065,669 |
| IV - CASH AND CASH EQUIVALENTS | | | | | |
| 1. Bank and postal deposits | 14,297,401 | -162,287 | - | -2,834,651 | 11,300,463 |
| 2. Checks | - | - | - | - | - |
| 3. Cash and cash equivalents | 28,484 | -119 | - | -7,879 | 20,486 |
| TOTAL | 14,325,885 | -162,406 | - | -2,842,530 | 11,320,949 |

Line item "Receivables from others" is detailed below:

| | Change in the scope of consolidation | Balance at 12.31.2015 | Changes |
|-------------------------------------|--------------------------------------|-----------------------|---------------------|
| Advance payments to suppliers | 2,328,143 | 2,276,102 | -52,041 |
| Receivables from factoring entities | 206,374,738 | 63,942,701 | -142,432,036 |
| Receivables from affiliates | 238,015,683 | 273,668,369 | 35,652,686 |
| Other receivables | 7,405,914 | 9,200,509 | 1,794,595 |
| TOTAL | 454,124,478 | 349,087,681 | -105,036,796 |

| Accrued income and pre-paid expenses | Change in the scope of consolidation | Exchange rate difference impact on the scope of consolid. | Impact of changes in the scope of consolid. | Increases / Decreases during the year | Balance at 12.31.2015 |
|--------------------------------------|--------------------------------------|---|---|---------------------------------------|-----------------------|
| Discounts on loans | | | | | |
| Other accruals and deferrals | 8,828,566 | 16,310 | - | -7,021,564 | 1,823,312 |
| TOTAL | 8,828,566 | 16,310 | - | -7,021,564 | 1,823,312 |

The amount of Euro 1,823,312 recognised under accruals and deferrals is entirely due within the following year.

| Payables | Change in the scope of consolidation | Exchange rate difference impact on the scope of consolid. | Impact of changes in the scope of consolid. | Increases / Decreases during the year | Balance at 12.31.2015 |
|---|--------------------------------------|---|---|---------------------------------------|-----------------------|
| 1. Bonds | - | - | - | - | - |
| 2. Convertible bonds | - | - | - | - | - |
| 3. Payables to shareholders for loans | 8,846,877 | -113,393 | - | -8,733,484 | - |
| 4. Payables to banks | 520,540,662 | -1,379,333 | - | 691,434,421 | 1,210,595,750 |
| 5. Payables to other lenders | 2,818,966 | -8,107 | - | 24,918,820 | 27,729,679 |
| 6. Advance payments | 1,861,091 | -17,358 | - | 9,941,395 | 11,785,128 |
| 7. Trade payables | 1,147,978,441 | -728,946 | - | 45,860,049 | 1,193,109,544 |
| 8. Payables consisting of debt securities | - | - | - | - | - |
| 9. Payables to non-consolidated subsidiaries | 7,962,262 | - | - | -4,522,865 | 3,439,397 |
| 10. Payables to associates | 1,441,520 | - | - | 603,642 | 2,045,162 |
| 11. Payables to parent companies | 45,878,753 | -209,778 | - | -45,652,319 | 16,656 |
| 12. Tax payables | -15,230,807 | 232,670 | - | 29,947,082 | 14,948,945 |
| 13. Payables to welfare and social security organisations | 3,404,726 | -1,369 | - | 9,676,640 | 13,079,997 |
| 14. Other payables | 766,960,335 | 1,250,505 | - | -218,257,324 | 549,953,516 |
| TOTAL | 2,492,462,826 | -975,109 | - | 535,216,057 | 3,026,703,774 |

Line item “Other payables” is detailed below:

| | Change in the scope of consolidation | Balance at 12.31.2015 | Changes |
|--------------------------------|--------------------------------------|-----------------------|---------------------|
| Payables to affiliates | 48,304,521 | 262,863,078 | 214,558,557 |
| Payables to employees | 20,350,820 | 16,203,148 | -4,147,672 |
| Payables to factoring entities | 659,848,384 | 235,449,390 | -424,398,994 |
| Other payables | 38,456,610 | 35,437,900 | -3,018,710 |
| TOTAL | 766,960,335 | 549,953,516 | -217,006,819 |

| Breakdown of payables to associates | Change in the scope of consolidation | Balance at 12.31.2015 | Changes |
|---|--------------------------------------|-----------------------|--------------------|
| Debiti verso Marfin srl | 46,772,011 | 259,758,995 | 212,986,984 |
| Debiti verso Oskar srl | 108,430 | 155,996 | 47,566 |
| Debiti verso Made HSE s.r.l. | 403,100 | 971,777 | 568,677 |
| Debiti verso Marcegaglia Buildtech srl | 783,538 | 811,589 | 28,051 |
| Debiti verso Sc. Marcegaglia Romania srl | - | 309,226 | 309,226 |
| Debiti verso Marcegaglia Deutschland GmbH | 77,223 | 100,000 | 22,777 |
| Debiti verso Imat spa | 160,219 | 320,309 | 160,090 |
| Debiti verso Marcegaglia Turkey | - | 125,000 | 125,000 |
| Debiti verso Abaco Servizi srl | - | 310,186 | 310,186 |
| TOTAL | 48,304,521 | 262,863,078 | 214,558,557 |

| Accrued expenses and deferred income | Change in the scope of consolidation | Exchange rate difference impact on the scope of consolidation | Impact of changes in the scope of consolid. | Increases / Decreases during the year | Balance at 12.31.2015 |
|--------------------------------------|--------------------------------------|---|---|---------------------------------------|-----------------------|
| Premium on loans | 13,892 | - | - | -13,892 | - |
| Other accruals and deferrals | 11,995,164 | -80,363 | - | -3,775,191 | 8,139,610 |
| TOTAL | 12,009,056 | -80,363 | - | -3,789,083 | 8,139,610 |

The amount of Euro 8,139,610 in accrued expenses and deferred income is due within the following year only for Euro 3,188,283, while the balance is due after FY 2016.

Table detailing changes in consolidated shareholders' equity:

| Shareholders' equity item | Formation balance | Capital increases | Payment of dividends | Change in the scope of consolidation | Other changes in consolidated shareholders' equity | Net profit (loss) for the year | Balance at 12.31.2015 |
|--|-------------------|-------------------|----------------------|--------------------------------------|--|--------------------------------|-----------------------|
| Share capital | 10,000 | 693,904,175 | - | - | - | - | 693,914,175 |
| Share premium reserve | - | - | - | - | - | - | - |
| Revaluation reserves | - | - | - | - | - | - | - |
| Legal reserve | - | - | - | - | - | - | - |
| Statutory reserves | - | - | - | - | - | - | - |
| Reserves for treasury shares of the group in portfolio | - | - | - | - | - | - | - |
| Other reserves | | | | | | | |
| - extraordinary reserve | - | - | - | - | - | - | - |
| - consolidation reserve | - | - | - | 27,352,365 | -5,370,098 | - | 21,982,267 |
| - reserve from conversion differences | - | - | - | - | -1,897,833 | - | -1,897,833 |
| - difference from rounding off in Euro | - | - | - | - | 3 | - | 3 |
| Total other reserves | - | - | - | 27,352,365 | -7,267,928 | - | 20,084,437 |
| Profit (loss) carried forward | - | - | - | - | - | - | - |
| Group profit (loss) for the year | - | - | - | - | - | -23,308,171 | -23,308,171 |
| Total group shareholders' equity | 10,000 | 693,904,175 | - | 27,352,365 | -7,267,928 | -23,308,171 | 690,690,441 |
| Minority interests in capital and reserves | - | - | - | 14,372,777 | -449,946 | - | 13,922,830 |
| Minority interest in profit (loss) for the year | - | - | - | - | - | -2,862,740 | -2,862,740 |
| Total minority interests in shareholders' equity | - | - | - | 14,372,777 | -449,946 | -2,862,740 | 11,060,090 |
| TOTAL CONSOLID. SHAREHOLDERS' EQUITY | 10,000 | 693,904,175 | - | 41,725,142 | -7,717,875 | -26,170,911 | 701,750,531 |

START-UP AND EXPANSION COSTS, RESEARCH AND DEVELOPMENT COSTS, AND ADVERTISING EXPENSES

Such costs are suitably broken down in the following tables, with details on the nature and amount of each component:

| Start-up and expansion costs | Balance at 12.31.2015 |
|--|-----------------------|
| Capitalised start-up costs of the subsidiary Marcegaglia do Brasil Ltd | 1,011,734 |
| Other | 229,210 |
| Total | 1,240,944 |

| Research and development costs and advertising expenses | Balance at 12.31.2015 |
|--|-----------------------|
| Expenses for innovative software applications for plants | 14,232 |
| Total | 14,232 |

RECEIVABLES AND PAYABLES HAVING A RESIDUAL DURATION IN EXCESS OF FIVE YEARS

The following payables have a residual duration that exceeds 5 years:

| Creditor | Line item of the Financial Statements | Amount |
|-----------------------------------|---|----------------|
| Banco Regional de Desenvolvimento | D.4.b) payables to banks due after the financial year | 141,379 |
| Banco do Brasil | D.4.b) payables to banks due after the financial year | 263,788 |
| Total payables | | 405,167 |

The following receivables have a residual duration that exceeds 5 years:

| Debitor | Line item of the Financial Statements | Amount |
|--------------------------|---|----------------|
| Armada Tube | C.6) receivables from others due after the following year | 248,594 |
| Total receivables | | 248,594 |

Receivables from Armada Tube, recognised in the financial statements of the subsidiary Marcegaglia UK, refers to a payment plan agreed upon with such customer in the context of the Creditor Voluntary Agreement (CVA) procedure provided by British legislation.

PAYABLES SECURED BY COLLATERAL ON CORPORATE ASSETS

Payables secured by collateral on corporate assets are summarised below:

| | Amount of residual secured debt at 12.31.2015 | Security |
|---------------------------|---|-----------------------------|
| Payables to banks | 236,021,690 | Mortgage on buildings |
| Payables to banks | 31,492,765 | Pledge on securities |
| Payables to other lenders | 1,594,354 | Collateral on leased assets |
| Trade payables | 32,030,292 | Pledge on securities |
| Total | 301,139,101 | |

Payables to other lenders refer to the residual principal payables at 31 December 2015 due to leasing companies and secured by the underlying equipment and machinery under lease agreements recognised among property, plant and equipment.

The collateral on trade payables refer to a pledge on black coils stored at the Ravenna plant (Marcegaglia Carbon Steel S.p.A.) established for the benefit of an international raw material trader. The total maximum amount of such pledge is Euro 60 million.

ACCRUALS AND DEFERRALS

The breakdown of the equity components recognised in the financial statements is shown below:

| Accrued income | Breakdown of balance at end of year |
|--|-------------------------------------|
| Interest earned on securities and deposits | 455,803 |
| Other | 198,892 |
| Total | 654,695 |

| Pre-paid expenses | Breakdown of balance at end of year |
|--|-------------------------------------|
| Insurance premiums | 292,464 |
| Royalties/maintenance fees for software/hardware | 22,610 |
| Interest expenses | 97,786 |
| Other | 755,757 |
| Total | 1,168,617 |

| Accrued expenses | Breakdown of balance at end of year |
|-------------------|-------------------------------------|
| Interest expenses | 1,682,887 |
| Other | 1,505,396 |
| Total | 3,188,283 |

| Deferred income | Breakdown of balance at end of year |
|-----------------|-------------------------------------|
| Other | 4,951,327 |
| Total | 4,951,327 |

CAPITALISED FINANCIAL EXPENSES

During the financial year, financial expenses referred to 2015 were capitalised for the total amount of Euro 1,458,314; they were all recognised among property, plant and equipment.

COMMITMENTS AND MEMORANDUM ACCOUNTS

There are no commitments or memorandum accounts related to third parties other than those reported at the end of the Balance Sheet under “Memorandum Accounts”, which have been appropriately adjusted to exclude guarantees provided among consolidated companies. The breakdown of commitments and Memorandum Accounts is clearly indi-

cated in the specific section of the Balance Sheet.

The item “Total commitments entered into by the Company” includes the notional value for derivative contracts entered into by Marcegaglia Carbon Steel S.p.A. totalling Euro 325 million, and lease payments that will become due starting in 2015 under the lease agreements transferred to Marcegaglia Carbon Steel S.p.A. and Marcegaglia Specialties S.p.A.

Memorandum Accounts do not include notional values for USD 70 million relating to speculative forward currency purchase agreements (see paragraph “DERIVATIVE FINANCIAL INSTRUMENTS” below).

BREAKDOWN OF REVENUE

The breakdown of revenue according to the most significant geographic areas is provided below:

| Geographic area | 12.31.2015 | % |
|---|--------------------|---------------|
| Italy | 216,274,485 | 42.52 |
| European Union | 231,816,644 | 45.56 |
| Other European countries | 30,908,740 | 6.08 |
| North America | 10,787,015 | 2.12 |
| Central and South America | 12,231,636 | 2.40 |
| Middle East | 365,680 | 0.07 |
| Far East and Oceania | 4,453,084 | 0.88 |
| Africa | 1,814,002 | 0.37 |
| Tot. revenue from sales and services | 508,651,286 | 100.00 |

BREAKDOWN OF FINANCIAL EXPENSES RECOGNISED IN THE PROFIT AND LOSS ACCOUNT

The following is the breakdown of line item C17 of the Consolidated Profit and Loss Account:

| | 2015 |
|--|-------------------|
| Interest due to banks | 7,644,146 |
| Interest due to affiliates | 1,717,140 |
| Other financial expenses | 7,783,363 |
| Total interest and financial expenses | 17,144,649 |

Other financial expenses include interest due to factoring entities in the amount of approximately Euro 3.4 million and expenses on derivatives amounting to approximately Euro 2.5 million.

EXTRAORDINARY INCOME AND EXPENSES

The line item “Extraordinary income and expenses” includes income components other than referable to the Company’s ordinary operations, which are detailed as follows:

| Extraordinary income | 2015 |
|--|----------------|
| Adjustments due to leasing recognition with the financial method | 704,194 |
| Other extraordinary income | 56,235 |
| | 760,429 |

| Extraordinary expenses | 2015 |
|--|---------------|
| Costs attributed to previous financial years | 37,518 |
| | 37,518 |

PREPAID AND DEFERRED TAXES

The value of deferred and prepaid taxes included in the Profit and Loss Account is disclosed directly in the Financial Statements, through the breakdown of line item 22 “Income taxes” in its components (for the year, deferred and prepaid taxes). In respect of the parent company and Italian subsidiaries, prepaid and deferred taxes were calculated considering a tax rate for IRES [corporate income tax] of 27.5% (24% on temporary differences which are expected to be reversed starting in 2017) and a tax rate for IRAP [regional tax on productive activity] of 3.9%. Foreign subsidiaries used the outstanding tax rates in their respective countries.

AVERAGE NUMBER OF EMPLOYEES BROKEN DOWN BY CATEGORY

| Category | Average 2015 | December 2015 |
|------------------------|--------------|---------------|
| Managers | 52 | 51 |
| Office workers | 1,080 | 1,070 |
| Factory workers | 3,712 | 3,703 |
| Total | 4,844 | 4,824 |

REMUNERATION OF DIRECTORS, STATUTORY AUDITORS AND INDEPENDENT AUDITOR

No compensation was paid to the Directors of the parent company Marcegaglia

Steel S.p.A. for the performance their respective functions in 2015, neither for the parent company nor for the other consolidated companies.

The Board of Statutory Auditors of the parent company Marcegaglia Steel S.p.A. was appointed by the Extraordinary Shareholders’ Meeting of 27 November 2015. The regular members who are also regular members of the Board of Control of other companies included in the consolidation area received fees for a total of Euro 10,920 for the performance their respective functions.

The Extraordinary Shareholders Meeting held on 27 November 2015 charged the audit firm MAZARS ITALIA Spa with the responsibility for statutory audits of the annual financial statements, in compliance with and for the purposes and effects of Article 14 of Legislative Decree No. 39 of 27 January 2010, for a period of 3 financial years.

Remuneration was determined as follows:

- for financial year 2015: a total of Euro 21,199 of which Euro 9,180 for the audit of the financial statements of the parent company Marcegaglia Steel S.p.A., Euro 459 for the account auditing of the fourth quarter of the parent company Marcegaglia Steel S.p.A., Euro 3,060 for the voluntary revision of these Consolidated Financial Statements, and Euro 8,500.00 for the covenant certification;
- for financial years 2016 and 2017: a total of Euro 45,304 of which Euro 18,360 for the audit of the financial statements of the parent company Marcegaglia Steel S.p.A., Euro 3,824 for the account auditing of the parent company Marcegaglia Steel S.p.A., Euro 6,120 for the voluntary revision of consolidated financial statements and euro 17,000.00 for the covenant certification.

The independent auditor was not appointed for tax consulting services or for different services other than the legal audit.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives on interest rates: at 31 December 2015 the subsidiary Marcegaglia

Carbon Steel S.p.A. held interest rate swaps, both for the specific purpose of hedging some medium/long term variable-rate loans (whose reference rate is the Euribor for the period), and for generally mitigating the risks connected to the financial expense deriving from variable-rate bank payables; however they are not related to the concept of a hedging transaction set forth in Article 112 (6) T.U.I.R.

The hedge instruments held provide for fixed-rate payments for Marcegaglia Carbon Steel S.p.A. vs. collections linked to the Euribor rate for the period, having the same duration and frequency of the loans to which they are linked.

Such instruments have a residual maturity of 2 years and a cumulative notional value of Euro 325 million at 31 December 2015. Their negative fair value (calculated with the mark-to-market approach at 12.31.2015) amounts to Euro 29,624,712. The interest rate swap held for the purpose of generally mitigating the risks connected to the financial burden deriving from variable-rate bank payables, but not related to the concept of a hedging transaction set forth in Article 112(6) T.U.I.R. have a residual duration of 5 years and a cumulative notional value of Euro 170,000,000 at 31 December 2015. Comparing their fair value valuation calculated by mark to market at 31 December 2015, equal to Euro -22,517,868, and their fair value calculated by mark to market at 31 October 2015 (effective date of the contribution), it appears that the specific risks fund created to hedge such liabilities had a net surplus of Euro 727,266.

Forward currency transactions:

at 31 December 2015 the parent company Marcegaglia Steel S.p.A. had some outstanding forward currency purchase agreements (USD) other than for hedging purposes, with a positive mark-to-market value of Euro 575 thousand on such date. Such positive balance was not recognised in the financial statements out of prudence.

In conclusion, it is noted that the direct recognition in the Profit and Loss Account of the fair value at 31 December of

transactions in derivatives not used for hedging purposes pursuant to Art.112(6) of T.U.I.R. was made to comply with the requirements of Accounting Standard OIC 3.

AGREEMENTS NOT REFLECTED IN THE BALANCE SHEET

(Art. 38(1)(o-sexies) of Legislative Decree 127/91)

Neither the parent company Marcegaglia Steel S.p.A. nor any other company included in the consolidation entered into transaction regulated by Article 38(1)(o-sexies) of Legislative Decree 127/91.

OTHER INFORMATION

RECONCILIATION BETWEEN THE PARENT COMPANY'S SHAREHOLDERS' EQUITY AND NET PROFIT (LOSS) AT 31 DECEMBER 2015 AND THE SHAREHOLDERS' EQUITY AND NET PROFIT (LOSS) REPORTED IN THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2015

| | FY 2015 | | |
|---|----------------------------|---------------------|--------------------|
| | Share capital and reserves | Result for the year | Total |
| Shareholders' equity reported in parent company's statutory financial statements | 693,914,174 | 30,527 | 693,944,701 |
| Difference between shareholders' equity of consolidated companies and the book value of the relevant equity investments | -41,788,341 | - | -41,788,341 |
| Reserve from conversion differences resulting from the elimination of equity investments in foreign subsidiaries | -1,897,833 | - | -1,897,833 |
| Net profit (loss) for the year of fully consolidated companies net of minority interests | - | -82,961,427 | -82,961,427 |
| Derecognition of write-downs and revaluations of equity investments/receivables within the consolidation scope | - | 59,383,075 | 59,383,075 |
| Derecognition of intra-group capital gains/losses and derecognition of write-downs/revaluations of other equity items other than equity investments | - | -236,208 | -236,208 |
| Goodwill arising from consolidation - group | 67,684,195 | -1,128,077 | 66,556,118 |
| Adjustments to bring financial statements in line with the accounting standards of the consolidated financial statements (*) | -3,913,586 | 1,083,558 | -2,830,028 |
| Other consolidation entries | - | 520,381 | 520,381 |
| Increase/decrease in reserve to round amounts to whole Euros | - | 3 | 3 |
| Group consolidated shareholders' equity | 713,998,609 | -23,308,168 | 690,690,441 |

(*) The adjustments are made in order to measure finance leases according to the financial method as suggested by accounting standard OIC no. 17.

ANNEXES THAT ARE AN INTEGRAL PART OF THESE NOTES

Annexes 1a-1b-1c: Tables of the changes in property, plant and equipment, intangible fixed assets and financial fixed assets

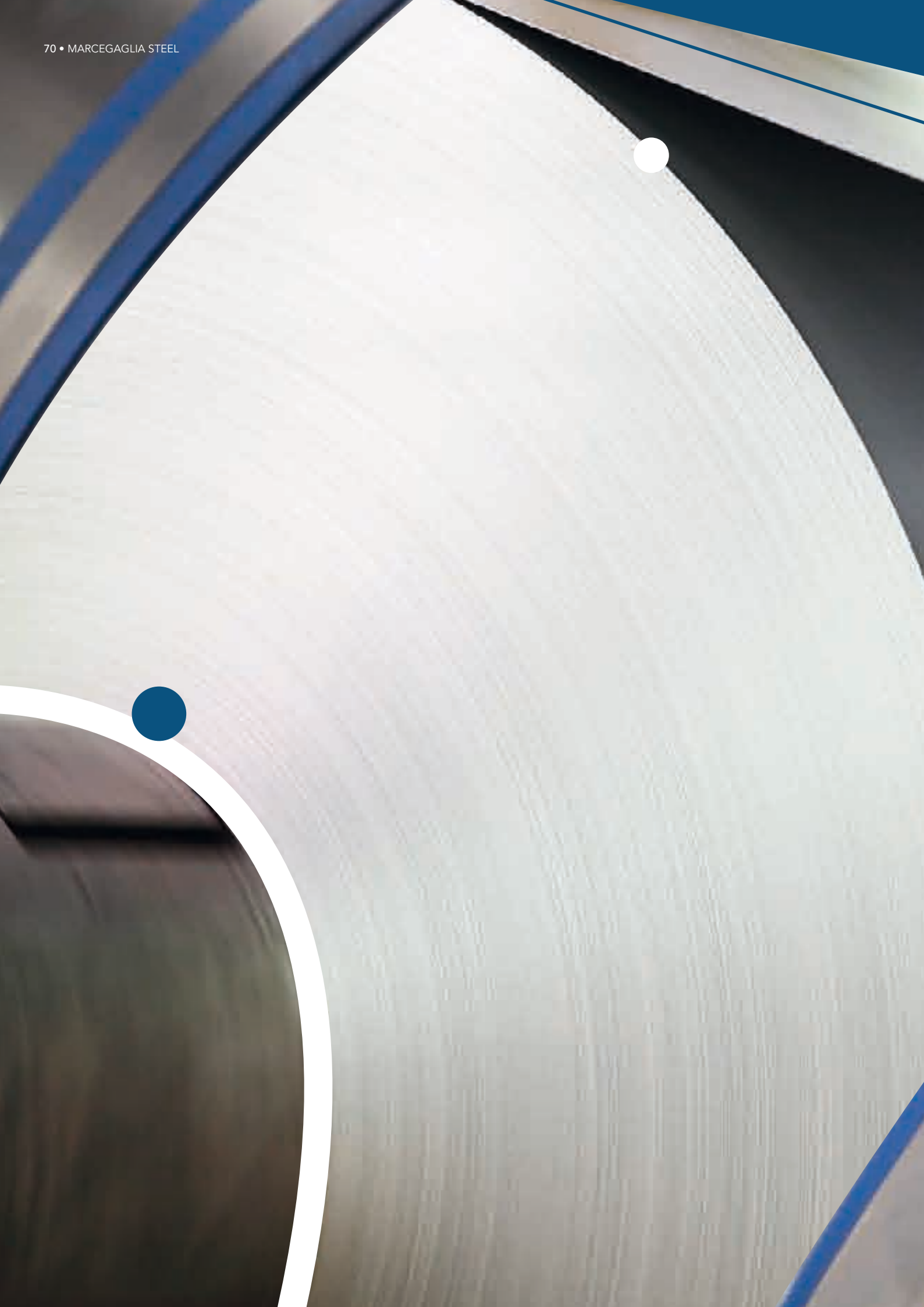
Annex 2: Table of the changes in risk and expense funds and employee severance pay.

Statement of changes in financial condition

Gazoldo degli Ippoliti, 25 May 2016

The Chairman of the
Board of Directors

Antonio Marcegaglia





annex 1a - TABLE OF THE MOVEMENTS OF TANGIBLE FIXED ASSETS

| | | Change in the scope of consolidation | Exchange rate difference on the scope of consolid. | Increases | Decreases | Re-classifications | Movement Exchange R. Diff. | End-of-year balance |
|--|----------------------------|---|--|--------------------|----------------|--------------------|----------------------------------|------------------------|
| Lands and buildings | Original Cost | 801,963,353 | -1,471,770 | 508,442 | 0 | 27,412 | -3,758 | 801,023,679 |
| | Revaluation | 8,597,243 | -78,362 | 0 | 0 | 0 | 0 | 8,518,881 |
| | Devaluation | 4,639,341 | 0 | 0 | 0 | 0 | 0 | 4,639,341 |
| | Ordinary Depreciation Fund | 48,725,487 | -250,098 | 4,544,604 | 0 | 0 | -28,261 | 52,991,732 |
| | Tot. Amt. | 757,195,768 | -1,300,034 | -4,036,162 | 0 | 27,412 | 24,503 | 751,911,487 |
| Plants and machines | Original Cost | 1,119,978,294 | -2,567,493 | 2,945,996 | 1,234 | 956,557 | -23,212 | 1,121,288,908 |
| | Revaluation | 9,421,678 | -85,876 | 0 | 0 | 0 | 0 | 9,335,802 |
| | Devaluation | 13,678 | 1 | 0 | 0 | 0 | 0 | 13,679 |
| | Ordinary Depreciation Fund | 116,265,870 | -1,162,507 | 16,891,496 | 1,234 | 0 | -335,440 | 131,658,185 |
| | Tot. Amt. | 1,013,120,424 | -1,490,863 | -13,945,500 | 0 | 956,557 | 312,228 | 998,952,846 |
| Industrial and commercial equipment | Original Cost | 102,277,049 | 1,273,953 | 960,579 | 0 | 17,317 | 923 | 104,529,821 |
| | Revaluation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Devaluation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Ordinary Depreciation Fund | 48,063,143 | 1,250,949 | 2,507,020 | 0 | 0 | 287,262 | 52,108,374 |
| | Tot. Amt. | 54,213,906 | 23,004 | -1,546,441 | 0 | 17,317 | -286,339 | 52,421,447 |
| Other assets | Original Cost | 18,034,449 | -16,151 | 104,245 | 13,917 | 172,485 | 12 | 18,281,123 |
| | Revaluation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Devaluation | 0 | 0 | 172 | 0 | 0 | -16 | 156 |
| | Ordinary Depreciation Fund | 6,517,952 | 5,555 | 463,481 | 937 | 0 | -2,131 | 6,983,920 |
| | Tot. Amt. | 11,516,497 | -21,706 | -359,408 | 12,980 | 172,485 | 2,159 | 11,297,047 |
| Fixed assets in progress | Original Cost | 31,059,116 | -144,443 | 2,742,083 | 0 | -1,173,771 | 352 | 32,483,337 |
| | Revaluation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Devaluation | 5,867,266 | -7,123 | 0 | 0 | 0 | 0 | 5,860,143 |
| | Ordinary Depreciation Fund | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Tot. Amt. | 25,191,850 | -137,320 | 2,742,083 | 0 | -1,173,771 | 352 | 26,623,194 |
| Advances | Original Cost | 6,409,896 | -751 | 1,102,667 | 583,784 | 0 | 0 | 6,928,028 |
| | Revaluation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Devaluation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Ordinary Depreciation Fund | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Tot. Amt. | 6,409,896 | -751 | 1,102,667 | 583,784 | 0 | 0 | 6,928,028 |
| ii - tangible fixed assets | Original Cost | 2,079,722,157 | -2,926,655 | 8,364,012 | 598,935 | 0 | -25,683 | 2,084,534,896 |
| | Revaluation | 18,018,921 | -164,238 | 0 | 0 | 0 | 0 | 17,854,683 |
| | Devaluation | 10,520,285 | -7,122 | 172 | 0 | 0 | -16 | 10,513,319 |
| | Ordinary Depreciation Fund | 219,572,452 | -156,101 | 24,406,601 | 2,171 | 0 | -78,570 | 243,742,211 |
| | Tot. Amt. | 1,867,648,341 | -2,927,670 | -16,042,761 | 596,764 | 0 | 52,903 | 1,848,134,049 |

The greater increase in equipment and machinery refers to Marcegaglia Carbon Steel (Euro 2,083,221).

Increases in advance payments mainly refer to Marcegaglia Carbon Steel (Euro 1,006,250).

annex 1b - TABLE OF THE MOVEMENTS OF INTANGIBLE FIXED ASSETS

| | | Change in the scope of consolidation | Exchange rate difference on the scope of consolid. | Increases | Decreases | Re-classifications | Movement Exchange R. Diff. | End-of-year balance |
|--|----------------------------|---|--|-------------------|------------------|--------------------|----------------------------------|------------------------|
| Installation and enlargement costs | Original Cost | 3,231,485 | -29,437 | 241,651 | 0 | 0 | 0 | 3,443,699 |
| | Revaluation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Devaluation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Ordinary Depreciation Fund | 2,183,773 | -19,888 | 39,984 | 0 | 0 | -1,114 | 2,202,755 |
| | Tot. Amt. | 1,047,712 | -9,549 | 201,667 | 0 | 0 | 1,114 | 1,240,944 |
| Research, development and advertisement costs | Original Cost | 14,363 | -131 | 0 | 0 | 0 | 0 | 14,232 |
| | Revaluation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Devaluation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Ordinary Depreciation Fund | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Tot. Amt. | 14,363 | -131 | 0 | 0 | 0 | 0 | 14,232 |
| Industrial patent rights and use of original works | Original Cost | 2,825,182 | -31,405 | 4,000 | 0 | 0 | 0 | 2,797,777 |
| | Revaluation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Devaluation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Ordinary Depreciation Fund | 686,155 | -6,927 | 54,041 | 0 | 0 | -1,383 | 731,886 |
| | Tot. Amt. | 2,139,027 | -24,478 | -50,041 | 0 | 0 | 1,383 | 2,065,891 |
| Concessions, licenses, trademarks, rights and alike | Original Cost | 201,255,472 | -2,667 | 0 | 0 | 0 | 0 | 201,252,805 |
| | Revaluation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Devaluation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Ordinary Depreciation Fund | 247,226 | -2,667 | 3,350,358 | 0 | 0 | 0 | 3,594,917 |
| | Tot. Amt. | 201,008,246 | 0 | -3,350,358 | 0 | 0 | 0 | 197,657,888 |
| Goodwill | Original Cost | 42,190 | 0 | 70,037,859 | 0 | 0 | 0 | 70,080,049 |
| | Revaluation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Devaluation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Ordinary Depreciation Fund | 0 | 0 | 1,209,488 | 0 | 0 | 0 | 1,209,488 |
| | Tot. Amt. | 42,190 | 0 | 68,828,371 | 0 | 0 | 0 | 68,870,561 |
| Fixed assets in progress | Original Cost | 8,615,481 | -110,427 | 14,629 | 4,250,046 | 0 | 78,993 | 4,348,630 |
| | Revaluation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Devaluation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Tot. Amt. | 8,615,481 | -110,427 | 14,629 | 4,250,046 | 0 | 78,993 | 4,348,630 |
| Advances on intangible fixed assets | Original Cost | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Revaluation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Devaluation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Tot. Amt. | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Others | Original Cost | 34,145,753 | -355,101 | 0 | 1,963,380 | 0 | 79,426 | 31,906,698 |
| | Revaluation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Devaluation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Ordinary Depreciation Fund | 8,440,831 | -96,013 | 329,665 | 0 | 0 | -8,807 | 8,665,676 |
| | Tot. Amt. | 25,704,922 | -259,088 | -329,665 | 1,963,380 | 0 | 88,233 | 23,241,022 |
| i - Intangible fixed assets | Original Cost | 250,129,926 | -529,168 | 70,298,139 | 6,213,426 | 0 | 158,419 | 313,843,890 |
| | Revaluation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Devaluation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Ordinary Depreciation Fund | 11,557,985 | -125,495 | 4,983,536 | 0 | 0 | -11,304 | 16,404,722 |
| | Tot. Amt. | 238,571,941 | -403,673 | 65,314,603 | 6,213,426 | 0 | 169,723 | 297,439,168 |

annex 1c - TABLE OF THE MOVEMENTS OF FINANCIAL FIXED ASSETS

| | | Change in the scope of consolida- tion | Exchange rate difference on the scope of consolid. | Acquisitions/ Subscriptions | Capital increases | Increases | Decreases | Reclassifica- tions | Movement exchange rate diffe- rences | End-of-year balance |
|---|-------------------------|---|--|--------------------------------|----------------------|---------------|------------------|------------------------|---|------------------------|
| 1) Shares held in | | | | | | | | | | |
| shares held in controlled companies valued at cos | Original Cost | 4,595,122 | 0 | 0 | 0 | 0 | 0 | 4,011 | 0 | 4,599,133 |
| | Provision for bad debts | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Revaluation Fund | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Total | 4,595,122 | 0 | 0 | 0 | 0 | 0 | 4,011 | 0 | 4,599,133 |
| shares held in associated companies valued at cost | Original Cost | 3,144,042 | -52 | 0 | 0 | 0 | 1,435,356 | -4,011 | 0 | 1,704,623 |
| | Provision for bad debts | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Revaluation Fund | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Total | 3,144,042 | -52 | 0 | 0 | 0 | 1,435,356 | -4,011 | 0 | 1,704,623 |
| shares held in associated companies | | | | | | | | | | |
| shares held in other companies | Original Cost | 13,331 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 13,331 |
| | Provision for bad debts | | | | | | | | | |
| other companies | Total | 13,331 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 13,331 |
| total shareholdings | Original Cost | 7,752,495 | -52 | 0 | 0 | 0 | 1,435,356 | 0 | 0 | 6,317,087 |
| | Provision for bad debts | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Revaluation Fund | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Total | 7,752,495 | -52 | 0 | 0 | 0 | 1,435,356 | 0 | 0 | 6,317,087 |
| 2) Receivables included in financial fixed assets | | | | | | | | | | |
| <i>receivables over the next financial year</i> | | | | | | | | | | |
| receivables from controlled non-consolidated compa- nies | | 0 | | | | 0 | | 0 | | 0 |
| receivables from associates | | 37,088 | | | | 10,227 | 1,200 | | | 46,115 |
| receivables from others | | 37,088 | 0 | | | 10,227 | 1,200 | 0 | 0 | 46,115 |
| tot. receivables over the next FY | | | | | | | | | | |
| <i>receivables within the next fiscal year</i> | | | | | | | | | | |
| receivables from others | | | | | | | | | | 0 |
| tot. receivables within the next FY | | 0 | 0 | | | 0 | 0 | 0 | 0 | 0 |
| 3) Other securities | | | | | | | | | | |
| | | 17,961 | 2 | | | 0 | 2,784 | 0 | -4 | 15,175 |
| total financial fixed assets | | | | | | | | | | |
| | | 7,807,544 | -50 | 0 | 0 | 10,227 | 1,439,340 | 0 | -4 | 6,378,377 |

annex 2 - TABLE OF THE MOVEMENTS OF THE FUNDS FOR RISKS AND CHARGES AND SEVERANCE INDEMNITY

| | Change in the scope of consolidation | Exchange rate difference on the scope of consolid. | Provisions | Utilisation | Movement Exchange R. Diff. | End-of-year balance |
|---|---|--|------------------|------------------|----------------------------------|------------------------|
| for severance indemnity and similar obligations | 3,404,678 | 37,426 | 31,160 | 180,889 | -1,037 | 3,291,338 |
| 1) for severance indemnity and sim. obl. | 3,404,678 | 37,426 | 31,160 | 180,889 | -1,037 | 3,291,338 |
| for taxes, even deferred ones | 327,592,806 | -34,483 | 2,324,151 | 6,971,075 | 4,377 | 322,915,776 |
| 2) for taxes, even deferred ones | 327,592,806 | -34,483 | 2,324,151 | 6,971,075 | 4,377 | 322,915,776 |

Allocations to deferred tax provision refer almost entirely to taxes on positive effects recognised in the profit and loss account of Marcegaglia Specialties arising from foreign exchange translation gains.

Uses mainly refer to Marcegaglia Carbon Steel (Euro 2,274,147) and Marcegaglia Specialties (Euro 1,751,423). They refer to the absorption, through amortisation, of the deferred taxes arising from the contribution and pertaining to the greater values of property, plant and equipment contributed in comparison with the values applicable to the transferring company for tax purposes. For details please refer to the Notes of the relevant statutory financial statements of Marcegaglia Carbon Steel and Marcegaglia Specialties.

| | Change in the scope of consolidation | Exchange rate difference on the scope of consolid. | Provisions | Utilisation | Movement Exchange R. Diff. | End-of-year balance |
|---|---|--|------------------|----------------|----------------------------------|------------------------|
| others | 23,245,134 | 0 | 1,561,928 | 789,194 | 0 | 24,017,868 |
| of consolidation for future risks and charges | 0 | 0 | 0 | 0 | 0 | 0 |
| 3) others | 23,245,134 | 0 | 1,561,928 | 789,194 | 0 | 24,017,868 |

Allocations consist of allocations to the sundry litigation risks provision (Euro 1,500,000) of Marcegaglia Carbon Steel. They pertain to prudential provisioning of the maximum amount of a possible penalty under Legislative Decree No. 231/2001 that might be imposed on the company at the conclusion of the current criminal proceeding pursuant to a work accident that occurred during the month of December 2015.

Uses consist for Euro 736,043 of uses of the "Fund for the mark-to-market valuation" by Marcegaglia Carbon Steel in order to release the fund after the improvement of the mark-to-market valuation at 31 December 2015 compared to the contribution value of some speculative interest rate swap agreements. The additional use of approximately Euro 53,150 pertains to the maturity in financial year 2015 of a contributed speculative interest rate swap agreement.

| | Change in the scope of consolidation | Exchange rate difference on the scope of consolid. | Provisions | Utilisation | Movement Exchange R. Diff. | End-of-year balance |
|--|---|--|------------------|------------------|----------------------------------|------------------------|
| B) FUNDS FOR RISKS AND CHARGES | 354,242,618 | 2,943 | 3,917,239 | 7,941,158 | 3,340 | 350,224,982 |
| C) SEVERANCE INDEMNITY FOR SUBORDINATE EMPLOYMENT | 17,000,503 | 0 | 2,184,810 | 2,353,474 | 0 | 16,831,839 |

Provisions and uses of the employee severance pay fund mainly refer to Marcegaglia Carbon Steel (provisions: Euro 1,668,903; uses: Euro 1,809,595).



Financial Statements 2015

Marcegaglia Carbon Steel

MARCEGAGLIA CARBON STEEL S.p.A.

Registered Office: via Bresciani, 16 - Gazoldo degli Ippoliti, Mantova - Italy

Share capital: Euro 496.118.598 fully paid up

Fiscal Code and VAT No.: 02466220205

Registered with the Mantua Chamber of Commerce
and Administrative Economic Index [REA] under No. 255216



Independent auditors' report in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 165 of Legislative Decree No. 165 of 24 February 1998

To the shareholders of
Marcegaglia Carbon Steel S.p.A.

Report on the financial statements

We have audited the accompanying financial statements of Marcegaglia Carbon Steel S.p.A., which comprises the balance sheet as of 31 December 2015, the income statement for the period then ended and the related explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of the financial statements that gives a true and fair view in compliance with the Italian laws governing the financial statements.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA Italia) drawn up pursuant to article 11, paragraph 3, of Legislative Decree No. 39/2010. 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 procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The 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 and fair presentation of the financial statements 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 financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Marcegaglia Carbon Steel S.p.A. as of 31 December 2015 and the result of its operations for the year then ended, in accordance with the Italian laws governing the financial statements.

Emphasis of matter

The reorganisation operation

Without altering our opinion, we draw attention to the matter described more fully in the introduction to the explanatory notes with reference to the "important Reorganisation Operation (the OPERATION), designed essentially to split its activities based on a clear rationale, separating the core business sector (steel processing) from the diversified activities (tourism, energy, ...).

Although the business scope remains essentially unchanged, three operating companies have been formed, namely Marcegaglia Carbon Steel S.p.A., Marcegaglia Specialties S.p.A. and Marcegaglia Plates S.p.A. (the "Operating Companies"), to which, as from 1 November 2015, the businesses – including all Marcegaglia S.p.A.'s plants – relating to the "Flat" and "Welded Tubes" division, the "Stainless Products" and "Carbon Specialty Bars" division and the Quarto plate processing division, as well as the stakes in the foreign companies operating in the same business sectors were transferred.

Subsequently, the interests held by Marcegaglia S.p.A. in the three Operating Companies were transferred to a specially formed company, with the name of Marcegaglia Steel S.p.A. which is, therefore, now the Holding company for the core business sector."

Other aspects

Comparability with the previous financial year

As indicated by the directors in the notes to the financial statements, the company was formed on 29 May 2015. Therefore, the financial statements for the year ended at 31 December 2015, relating to the first year of operation of the company, do not indicate the previous year's figures.

Report on compliance with other laws and regulations

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

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 with the financial statements of Marcegaglia Carbon Steel S.p.A. as of 31 December 2015. In our opinion, the report on operations is consistent with the financial statements of Marcegaglia Carbon Steel S.p.A. as of 31 December 2015.

Verona, 30 May 2016

Mazars Italia S.p.A.
(signed on the original)
Alfonso Iorio
Partner – Registered Auditor

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

MARCEGAGLIA CARBON STEEL S.P.A.

BALANCE SHEET AS OF 31 DECEMBER 2015

ASSETS values in EUR

as of 12/31/2015

| A SHARE CAPITAL ISSUED AND NOT YET PAID | | |
|--|--|----------------------|
| 1 | Share capital issued and not yet paid uncalled | - |
| 2 | Share capital issued and not yet paid called | - |
| | Total Share capital issued and not yet paid A | - |
| B FIXED ASSETS | | |
| I Intangible fixed assets | | |
| 1 | Installation and expansion cost | 109,565 |
| 2 | Research, development and advertising cost | 0 |
| 3 | Industrial and other patent rights | 79,556 |
| 4 | Concessions, licenses, trademarks and similar rights | 1,330 |
| 5 | Goodwill | 0 |
| 6 | Assets under construction and advances | 14,630 |
| 7 | Other intangible assets | 870,589 |
| | Total intangible fixed assets (B-I) | 1,075,670 |
| II Tangible fixed assets | | |
| 1 | Land and buildings | 483,343,837 |
| 2 | Plant and machinery | 587,964,151 |
| 3 | Industrial and commercial equipment | 30,557,929 |
| 4 | Other goods | 4,215,139 |
| 5 | Construction in progress and advances | 24,782,024 |
| | Total tangible fixed assets (B-II) | 1,130,863,080 |
| III Financial assets | | |
| 1 | Investments: | |
| | - subsidiaries non consolidate | 176,244,466 |
| | - associated companies | 1,704,622 |
| | - other companies | 13,331 |
| | | 177,962,419 |
| 2 | Receivables | |
| | d) from others | |
| | - receivables within 12 months | - |
| | - receivables after 12 months | 25,386 |
| | | 25,386 |
| | Total financial assets (B-III) | 177,987,805 |
| | Total fixed assets B | 1,309,926,555 |
| C CURRENT ASSETS | | |
| I Inventory | | |
| 1 | Raw materials, auxiliary materials and spare parts | 404,960,704 |
| 2 | Work in progress | 189,965,025 |
| 3 | Contract work in progress | - |
| 4 | Finished goods | 163,628,237 |
| 6 | Advances | - |
| | Total inventory (C-I) | 758,553,966 |
| II Receivables | | |
| 1 | Trade receivables | |
| | - receivables within 12 months | 99,216,200 |
| | - receivables after 12 months | - |
| | | 99,216,200 |
| 2 | Receivables from subsidiaries | |
| | - receivables within 12 months | 19,777,378 |
| | - receivables after 12 months | 24,000,000 |
| | | 43,777,378 |
| 3 | Receivables from associated companies | |
| | - receivables within 12 months | 1,697,479 |
| | - receivables after 12 months | - |
| | | 1,697,479 |
| 4-bis | Tax debtors | |
| | - receivables within 12 months | 424,368 |
| | - receivables after 12 months | - |
| | | 424,368 |
| 4-ter | Deferred tax liabilities | |
| | - receivables within 12 months | 24,207,603 |
| | - receivables after 12 months | 1,770,586 |
| | | 25,978,189 |
| 5 | From others | |
| | - receivables within 12 months | 93,439,560 |
| | - receivables after 12 months | - |
| | | 93,439,560 |
| | Total receivables (C-II) | 264,533,174 |
| IV Cash and banks | | |
| 1 | Bank and postal deposits | 3,073,307 |
| 2 | Cheques | - |
| 3 | Cash on hand | 10,933 |
| | Total cash and banks (C-IV) | 3,084,240 |
| | Total current assets C | 1,026,171,380 |
| D PREPAYMENTS AND ACCRUED INCOME | | |
| | Others prepayments and accrued income | 2,142,653 |
| | Deferred discount on loans | - |
| | Total prepayments and accrued income D | 2,142,653 |
| | TOTAL ASSETS | 2,338,240,588 |

LIABILITIES values in EUR

as of 12/31/2015

| | | |
|---|---|----------------------|
| A SHAREHOLDERS' EQUITY | | |
| I | Share capital | 496,118,598 |
| II | Share premium reserve | 6,859,343 |
| III | Revaluation reserve | - |
| IV | Legal reserve | - |
| VII | Other reserves | |
| | - Other available reserves | 20,000 |
| | - Euro rounding difference | (1) |
| | Total reserves (VII) | 19,999 |
| VIII | Profits (losses) carried forward | - |
| IX | Profit (loss) for the year | (43,672,865) |
| | Total shareholders' equity | 459,325,075 |
| B PROVISIONS FOR CONTINGENCIES AND COMMITMENTS | | |
| 1 | Provision for severance indemnities and similar commitments | 2,141,962 |
| 2 | Provision for deferred taxes | 188,737,690 |
| 3 | Other provisions | 24,017,868 |
| | Total provisions for contingencies and commitments B | 214,897,520 |
| C STAFF LEAVING INDEMNITY | | |
| | Total staff leaving indemnity C | 12,693,155 |
| D PAYABLES | | |
| 4 | Banks loans and overdrafts | |
| | - payables within 12 months | 121,263,721 |
| | - payables after 12 months | 99,162,811 |
| | | 220,426,532 |
| 6 | Advances | |
| | - payables within 12 months | 11,019,183 |
| | - payables after 12 months | - |
| | | 11,019,183 |
| 7 | Trade payables | |
| | - payables within 12 months | 813,568,744 |
| | - payables after 12 months | - |
| | | 813,568,744 |
| 9 | Payables to subsidiaries | |
| | - payables within 12 months | 16,312,937 |
| | - payables after 12 months | - |
| | | 16,312,937 |
| 10 | Payables to associated companies | |
| | - payables within 12 months | 2,045,162 |
| | - payables after 12 months | - |
| | | 2,045,162 |
| 11 | Payables to parent companies | |
| | - payables within 12 months | 375,483,148 |
| | - payables after 12 months | - |
| | | 375,483,148 |
| 12 | Taxes payable | |
| | - payables within 12 months | 8,276,726 |
| | - payables after 12 months | - |
| | | 8,276,726 |
| 13 | Social security payables | |
| | - payables within 12 months | 9,679,227 |
| | - payables after 12 months | - |
| | | 9,679,227 |
| 14 | Other payables | |
| | - payables within 12 months | 193,616,718 |
| | - payables after 12 months | - |
| | | 193,616,718 |
| | Total Payables D | 1,650,428,377 |
| E PREPAYMENTS AND ACCRUED INCOME | | |
| | Others prepayments and accrued income | 896,461 |
| | Deferred discount on loans | - |
| | Total prepayments and accrued income E | 896,461 |
| | TOTAL LIABILITIES | 2,338,240,588 |
| MEMORANDUM ACCOUNTS | | |
| RISKS | | |
| | Bank Guarantees: to subsidiaries | 0 |
| | to associated companies | 0 |
| | to parent company | 696,523,765 |
| | to affiliated companies | 16,418,642 |
| | to other companies | 1,127,200 |
| | Total Bank Guarantees | 714,069,607 |
| | Total risks | 714,069,607 |
| UNDERTAKINGS | | |
| | Total undertakings | 325,999,137 |
| | TOTAL MEMORANDUM ACCOUNTS | 1,040,068,744 |

MARCEGAGLIA CARBON STEEL S.P.A.

PROFIT AND LOSS ACCOUNT AS OF 31 DECEMBER 2015

values in EUR

year 2015

| A VALUE OF PRODUCTION | |
|---|--|
| 1 | Revenues from sales and services |
| 2 | Changes in work in progress and finished goods |
| 3 | Variations in contracted work in progress |
| 3.1 | variations of other inventories |
| 4 | Increase in internal construction capitalized |
| 5 | Other income |
| | - grants and subsidies |
| | - others income |
| | Total other income (5) |
| | Total Value of production A |
| B COST OF PRODUCTION | |
| 6 | Cost of raw materials, auxiliary materials, spare parts and goods |
| 7 | Costs for services |
| 8 | Cost for utilization of third parties' assets |
| 9 | Personnel costs |
| | a) salaries and wages |
| | b) social contributions |
| | c) staff leaving indemnity |
| | d) other social contributions |
| | e) other costs |
| | Total Personnel costs (9) |
| 10 | Depreciation and write downs |
| | a) amortization of intangible assets |
| | b) depreciation of tangible fixed assets |
| | c) other write downs of assets |
| | d) write down of receivables recorded among current assets |
| | Total Depreciation and write downs (10) |
| 11 | Change in inventory of raw materials, auxiliary materials, spare parts and goods |
| 12 | Accruals for contingencies |
| 13 | Other accruals |
| 14 | Other operating charges |
| | Total Cost of production B |
| | Difference between value of production and costs of production A - B |
| C FINANCIAL INCOME AND CHARGES | |
| 15 | Income from investments: |
| | - dividends from subsidiaries |
| | - dividends from associated companies |
| | - dividends other income from investments |
| | Total income from investments (15) |
| 16 | Other financial income: |
| | a) from receivables recorded as fixed from others |
| | d) financial income: |
| | - interest income from subsidiaries |
| | - interest income from associated companies |
| | - interest income from parent companies |
| | - other financial income |
| | Total other financial income (d) |
| | Total other financial income (16) |
| 17 | Interest and other financial charges: |
| | - interest paid to subsidiaries |
| | - interest paid to associated companies |
| | - interest paid to parent companies |
| | - other financial charges |
| | total interest and other financial charges (17) |
| 17-bis | Exchange gains/losses |
| | Total financial income and charges C |
| D ADJUSTMENTS TO THE VALUE OF FINANCIAL OPERATIONS | |
| 19 | Write down |
| | of investments in share capital |
| | other investments |
| | securities recorded as current assets |
| | Total write down (19) |
| | Total adjustments to the value of financial operations D |

values in EUR

year 2015

| E | | EXTRAORDINARY INCOME AND EXPENSES | |
|----------|---|--|---------------------|
| 21 | Expenses: | | |
| | - losses on disposal of assets | - | |
| | - income taxes relating to previous periods | - | |
| | - Euro rounding difference | (1) | |
| | - other extraordinary charges | - | |
| | Total expenses (21) | | (1) |
| | Total extraordinary income and expenses E | | (1) |
| | | PROFIT (LOSS) BEFORE TAXATION A-B+/-C+/-D+/-E | |
| | Profit (loss) before taxation A-B+/-C+/-D+/-E | | (41,734,543) |
| 22 | Income taxes for the period deferred assets/liabilities | | |
| | - Current tax | - | |
| | - Deferred tax | 2,383,171 | |
| | - Advance tax | (4,321,493) | |
| | - Income (expenses) from fiscal consolidation | - | |
| | Total income taxes for the period deferred assets/liabilities (22) | | (1,938,322) |
| | | | |
| | | PROFIT (LOSS) FOR THE PERIOD | |
| | | (43,672,865) | |

ADDITIONAL NOTE

PRELIMINARY REMARKS

In 2015 Marcegaglia S.p.A. (which became Marcegaglia Srl on 30 October and merged by incorporation with Marfin srl effective 31 December) completed an important Reorganisation Operation (the OPERATION), the basic purpose of which was to split its activities based on a clear rationale, separating its core business sector (steel processing) from its diversified businesses (tourism, energy, etc.).

While keeping the corporate consolidation area basically unchanged, three operating companies were organised, **Marcegaglia Carbon Steel S.p.A.**, **Marcegaglia Specialties S.p.A.** and **Marcegaglia Plates S.p.A.** (the “Operating Companies”), to which, effective 1 November 2015, business divisions were contributed - including all Marcegaglia S.p.A. plants - respectively the “Flat” and “Welded Tubes” division, the “Stainless Products” and “Carbon Specialty Bars” division, and the division responsible for the processing of rolled heavy plates (Quarto Plate), as well as equity stakes in foreign operating companies in those same business sectors.

Subsequently, the equity stakes held by Marcegaglia S.p.A. in the three Operating Companies were transferred to a newly established company named Marcegaglia Steel S.p.A., which consequently constitutes the holding company for the *core business* sector.

Basis of presentation of the Financial Statements

The Financial Statements for the financial year ended at 31 December 2015 were prepared according to the provisions of Articles 2423 et seq. of the Italian Civil Code, supplemented by the accounting standards prepared by the Italian Accounting Standards Board, and, where missing and applicable hereto, by the International Accounting Standards issued by the IASB.

Specifically, the general provisions for the composition of the Financial State-

ments (Article 2423 of the Italian Civil Code), the preparation principles (Article 2423-bis) and the valuation criteria established for individual line items (Article 2426) were complied with, without applying any of the exceptions provided by Article 2423(4) of the Italian Civil Code.

The Balance Sheet and the Profit and Loss Account were prepared according to the statutory layouts provided by the Italian Civil Code. The provisions of Art. 2423-ter of the Italian Civil Code with respect to the structure of the Balance Sheet and Profit and Loss Account were adhered to. No further divisions or groupings were carried out for any of the line items preceded by Arabic numerals. No new line items were inserted, and no modifications were made to those specified in the mandatory formats since they were deemed to be sufficient for the purposes of providing a clear, truthful and accurate representation of the Company's balance sheet, financial position and operating results for the year.

The Financial Statements for the year ended at 31 December 2015 were prepared in units of Euro. Any differences from rounding off the values expressed in Euro are allocated to a specific shareholders' equity reserve and in line item E) of the Profit and Loss Account “Extraordinary income and expenses”.

Comparison with the previous financial year

It is indicated that the company was organised on 29 May 2015 in a notary deed executed by Mantua Notary Massimo Bertolucci, notary registry no. 75.564 file no. 29181. Consequently the column for the prior financial year in the Balance Sheet and the Profit and Loss Account is not indicated, notwithstanding the provisions of Article 2423-ter of the Italian Civil Code.

Classification criteria

In preparing the Financial Statements as at 31 December 2015, the following classification criteria were used:

a. the asset line items of the Balance Sheet were classified on the basis of their

relevant use by the Company, while the liability line items were classified according to their nature;

b. the Profit and Loss Account was prepared considering three distinct classification criteria, specifically:

- the breakdown of the entire operating area into the four sub-areas specified by the statutory layout;
- the prevalence of the nature of costs in respect of their use;
- the need to properly recognise the interim results in respect of the formation of the operating result.

Other information

It is reported that at the Extraordinary Shareholders Meeting on 28 October 2015, the company decided to increase its share capital from Euro 10,000 to Euro 439,000,000. The aforementioned increase was fully subscribed by the company Marcegaglia S.p.A. on 30 October 2015.

In a notary deed executed by Mantua Notary Massimo Bertolucci on 30 October 2015, to pay in the aforementioned increase in share capital, the company Marcegaglia S.p.A. contributed the business division concerning the production and marketing of pickled coils, cold rolled coils, hot galvanised coils, painted flat products, black plates and strips, pickled plates and strips, cold rolled plates and strips, hot galvanised plates and strips, strips in coils, chequered and embossed plates, as well as the “Welded Tubes” division which concerns the production and sale of steel welded tubes, carbon steel welded tubes from hot rolled strips, as well as precision welded tubes made from hot strips, cold strips, galvanised welded tubes and cold drawn welded tubes. These activities are carried out at plants in Ravenna, Casalmaggiore, Boltiere, Lomagna, Dusino San Michele, Gazoldo degli Ippoliti (a portion), Corsico, Albignasego, Lainate, Castel San Pietro Terme Località Osteria Grande and Tezze sul Brenta, ownership of all which plants was included in the aforementioned contribution.

The aforementioned contribution entered into effect at 12 midnight on 1 No-

vember 2015. Pursuant to Article 2427(1) (22 bis) of the Italian Civil Code, it is noted that there are no transactions for significant amounts with related parties other than arm's length transactions.

Reference is made to the Report on Operations with specific regard to relations with subsidiaries and associates.

Marcegaglia Carbon Steel spa did not engage in any transaction falling among the cases governed by Article 2427(1)(22 ter) of the Italian Civil Code that have not already been disclosed in this document.

Reference to the Report on Operations

In respect of information regarding:

- the nature of the business
 - significant events that occurred after the end of the financial year
 - relations with subsidiaries, associates, parent companies and companies subject to the control of the latter,
- reference is made to the *Report on Operations*.

Asset or liability items of the Balance Sheet included in more than one line item of the statutory layout

(Art. 2424(2) of the Italian Civil Code)

In order to understand the Financial Statements, it is unnecessary to specify in these Notes the items belonging to the Balance Sheet line items that are included in more than one line item of the statutory layout.

Memorandum Accounts

(Art. 2424(3) of the Italian Civil Code)

Memorandum Accounts are represented in a specific table included at the bottom of the Balance Sheet.

Recognition of revenue, income, costs and expenses in the Profit and Loss Account

(art. 2425-bis of the Italian Civil Code)

Revenues and income, costs and expenses are indicated in the Profit and Loss Account net of returns, discounts, allowances and premiums, as well as taxes directly related to the sale of products and the provision of services.

PRINCIPLES USED TO MEASURE THE LINE ITEMS OF THE FINANCIAL STATEMENTS, THE ADJUSTMENTS OF VALUE AND THE CONVERSION OF VALUES ORIGINALLY NOT EXPRESSED IN A CURRENCY RECOGNISED AS LEGAL TENDER IN ITALY (art. 2427, CO.1, N.1)

The line items in the Financial Statements were measured for the Company as an on-going concern based on general principles of caution and on an accrual basis and considering the economic function of each asset and liability item.

The valuation criteria used for the individual line items of the Financial Statements comply with the provisions of Article 2426 of the Italian Civil Code.

In particular:

Intangible Fixed Assets

Intangible fixed assets are recognised at the contribution value plus any purchase costs, inclusive of directly attributable ancillary costs, and refer to costs having proven multi-year usefulness, recognised among assets net of the relevant amortisation. Any goodwill is recognised, with the consent of the Board of Statutory Auditors, within the limits of the cost incurred, net of the relative amortisations calculated on the basis of a systematic plan; the amortisation period, if it is longer than five years, does not exceed the duration of the use of the goodwill, thus intending to represent more realistically the impact of the relevant cost on the results achievable during the amortisation period.

With reference to the period in which any values recognised as goodwill are expected to be recovered, a period of 10 years is considered to be fair considering the ten-year experience, in the relevant sectors, of management and operating personnel of the companies acquired or incorporated. An amortisation period for goodwill exceeding five years, on the condition that there are justified and proven reasons, also appears to be in line with the provisions set out by the national accounting standards (OIC Document 24), as well as by International Accounting Standards (IAS No. 38).

The breakdown of intangible fixed assets can be summarised as follows:

| Line items of the Financial Statements | Amortisation rate | Book value as at 12/31/2015 |
|--|-----------------------------|-----------------------------|
| Start-up and expansion costs Company establishment costs and costs connected to the increase in share capital and the contribution | 20% | 109,565 |
| Industrial patent rights and intellectual property rights Licenses and software for production management and data transmission | 33% | 79,556 |
| Concessions, licenses, trademarks and similar rights Costs to file the "Ecorsteel" patent | 10% | 1,330 |
| Fixed assets in process and advance payments Incremental software costs | in process | 14,630 |
| Fixed assets in process and advance payments | | tot. 14,630 |
| Other intangible fixed assets | | |
| Multi-year costs Costs incurred for studies on making industrial processes more "efficient" | 20% | 336,311 |
| Multi-year costs for obtaining loans Costs incurred in relation to the mortgage loan granted in 2007 by a bank pool for Euro 625 million, issued in its entirety on 31/12/2009, maturing on 15/12/2017 | 10 years starting from 2007 | 337,559 |
| Costs incurred in relation to two mortgage loans granted in FY 2012 by Intesa Sanpaolo, both maturing in 2019 | 8 years starting from 2012 | 130,582 |
| Costs incurred in relation to a mortgage loan granted in FY 2013 by GE Capital, maturing in FY 2018 | 6 years starting from 2013 | 66,137 |
| Other intangible fixed assets (tot.) | | 870,589 |
| Total intangible fixed assets | | tot. 1,075,670 |

Property, plant and equipment

Property, plant and equipment are recorded in the financial statements at the contribution value plus any purchase costs, including directly chargeable incidental charges or production costs.

Routine depreciation on property, plant and equipment originating from the contribution transaction discussed above is computed on the average useful life by categories of assets in a valuation prepared by an expert appointed in compliance with Article 2465(1) of the Italian Civil Code, the corresponding straight line rates for which are:

| Line items of the Financial Statements | Depreciation rate |
|--|-------------------|
| Buildings (B II 1) | 3.70% |
| Light constructions (B II 1) | 9.09% |
| Large plants and specific machinery (B II 2) | 10% |
| Annealing furnaces (B II 2) | 16.67% |
| Generic plants and machinery (B II 2) | 9.09% |
| Purification plants (B II 2) | 12.50% |
| Miscellaneous equipment (B II 3) | 25% |
| Internal means of transport (B II 3) | 16.67% |
| Furniture and office equipment (B II 4) | 50% |
| Electronic office equipment (B II 4) | 25% |
| Cars (B II 4) | 33.3% |
| Lorries and trailers (B II 4) | 50% |
| Furniture and decor (B II 4) | 12.50% |

In regard to the depreciation rates to be applied to property, plant and equipment acquired after the contribution transaction, certain rates are to be applied in relation to the remaining possibility of use of the assets, in compliance with the provisions contained in Article 2426(1)(2) of the Italian Civil Code.

Ordinary maintenance costs are entirely allocated to the Profit and Loss Account; maintenance costs that increase the useful life of the assets to which they refer are attributed to such assets and depreciated in relation to their residual potential uses. Leased assets are recognised among assets in the financial year in which the relevant redemption right was exercised. The depreciation rates actually applied to property, plant and equipment acquired pursuant to the contribution transaction are stated in the following schedule:

| Line items of the Financial Statements | Depreciation rate |
|--|-------------------|
| Buildings (B II 1) | 2.5% - 3.5% |
| Light constructions (B II 1) | 10% |
| Large plants and specific machinery (B II 2) | 8% |
| Annealing furnaces (B II 2) | 12% |
| Generic plants and machinery (B II 2) | 5% - 8% |
| Purification plants (B II 2) | 8% |
| Miscellaneous equipment (B II 3) | 15% |
| Internal means of transport (B II 3) | 15% |
| Furniture and office equipment (B II 4) | 12% |
| Electronic office equipment (B II 4) | 20% |
| Cars (B II 4) | 25% |
| Lorries and trailers (B II 4) | 20% |
| Furniture and decor (B II 4) | 10% - 15% |

In the 2015 financial year the above rates were prorated for the period of actual use by the company, applying a factor of 2/12, which period coincided with the contribution of the corporate division in question.

The market value of the asset covered by a lease agreement received for purposes of the contribution was recorded under property, plant and equipment in progress net of payables to the leasing company and adjusted for the implicit lease rate. The value recorded was Euro 17,030,451.

That value shall increase the residual value of the asset (return scheduled for 2018 financial year) and at that point in time the depreciation process shall begin.

This accounting approach is consistent with the indications contained in the expert valuation prepared for the purposes of the contribution in compliance with Article 2465(1) of the Italian Civil Code, and with recent guidance regarding the normal value of current lease agreements that are contributed.

Financial fixed assets

Equity investments in subsidiaries and associates, whether in the form of shares or not, are valued in compliance with the provisions of Article 2426(1)(3), in accordance with the criterion for the contribution value and/or purchase cost,

with respect to increases as a result of transactions occurring after said contribution, plus any increases due to waiver of receivables from investee companies to cover the losses of said companies and, if appropriate, they shall be impaired in the event of losses that are considered to be long-lasting. In the latter case, the original value of the equity investment is re-recognised in subsequent financial years if the reasons for the write-down no longer exist.

For equity investments in subsidiaries and associates measured on the basis of historical cost (eventually adjusted in compliance with the above provisions), it is noted that the value corresponds to the share of shareholders' equity emerging from the last financial statements approved by the subsidiary.

The greater value recognised using the principle of historical cost, with respect to the value calculated using the equity method, is justified by:

- impairment losses other than long-lasting due to contingent market situations, the start-up phase, or major corporate reorganisations;
- recognition, at the time the equity investment is made, of a value in excess of shareholders' equity due to specific characteristics of the company acquired;
- valuation of the company on the basis of expected high income due to its significant presence in national and international markets as an industry leader.

It is noted that in financial year 2015, given the continuation of some significant losses, above all in respect of foreign subsidiaries, and as a consequence of the loss of value of some foreign currencies, by now considered to be long-lasting, the book value of some equity investments was subject to write-downs.

These write-downs were recognised in line item D19 of the Profit and Loss Account, "Equity investment write-downs".

The write-downs recognised in line item D19 of the Profit and Loss Account are broken down as follows:

| Corporate name of the company subject to write-down | Amount of the 2015 write-down |
|--|----------------------------------|
| Marcegaglia do Brasil Ltda | 36,436,767 |
| Total write-downs of long-term equity investments in subsidiaries | 36,436,767 |

Long-term receivables were measured on the basis of their nominal value.

Further, it is noted that long-term equity investments and receivables in foreign currency are recognised at the exchange rate at the time of their purchase, or at the lower exchange rate at the end of the financial year, if the impairment loss is considered to be long-lasting.

Inventory

Inventory is recognised at the lower of purchase cost or production cost, calculated as specified below, and the estimated sales value that can be inferred from market trends. The purchase cost includes ancillary costs of transportation and customs clearance of raw materials; production costs include all of the costs directly allocated to the product (raw materials and subsidiary materials, direct labour, depreciation of the capital goods used in production), in addition to the share of indirect industrial costs relating to the manufacturing period (maintenance costs, consumables, electric power, outsourced processes, etc.).

The value of the final inventory was calculated using the weighted average cost method.

Inventories other than interchangeable assets are recognised among the inventories of finished products and are measured at purchase cost or production cost calculated according to Article 2426(1) of the Italian Civil Code, since said cost is deemed not to exceed the estimated sales market value. The line item Raw materials, subsidiary materials and consumables also includes inventories of subsidiary materials and consumables such as paints, lubricants, fuels, zinc and miscellaneous materials in general.

Such inventories are recognised in the financial statements at the lesser of the value calculated by the moving average and

their replacement value inferred from market trends.

Inventory other than interchangeable assets are recognised at purchase cost or production cost, calculated according to Article 2426(1) of the Italian Civil Code, since they are deemed not to exceed their estimated realisable market value.

Receivables

Receivables are recognised in the Financial Statements at their nominal value; such value is reduced to the estimated realisable value through the use of specific provisions. Receivables in foreign currency under current assets in the Financial Statements as at 31/12/2015 are measured at the exchange rate recognised at the end of the financial year; the difference in respect of the original recognised amount is indicated in line item C.17-bis of the Profit and Loss Account (foreign exchange translation gains and losses). The breakdown of receivables recognised in the Financial Statements as at 31 December 2015 is indicated in the following tables:

| Description | Receivables held as financial fixed assets | |
|-------------------------|---|------------------------------------|
| | due within the following year | due after the following year |
| Nominal value | | 25,386 |
| Amortisation funds: | | |
| Recognised value | | 25,386 |

Receivables consisting of financial fixed assets mostly refer to security deposits for utilities and leases.

| Description | Receivables making up current assets | |
|---|---|------------------------------------|
| | due within the following year | due after the following year |
| Trade receivables | | |
| Nominal value | 102,930,327 | |
| Amortisation funds: | -3,714,127 | |
| Trade receivables - value recognised in the financial statements | 99,216,200 | |
| Receivables from subsidiaries | 19,777,378 | 24,000,000 |
| Receivables from associates | 1,697,479 | |
| Receivables from parent companies | | |
| Tax receivables | 424,368 | |
| Receivables for pre-paid taxes | 24,207,603 | 1,770,586 |
| Receivables from others | 93,439,560 | |
| Tot. current assets receivables | 238,762,588 | 25,770,586 |

Equity investments and securities not held as financial fixed assets

The general standard provides that equity investments and securities recognised in current assets be measured at the lesser amount between cost and the realisable value that can be inferred from the market trend. The configuration of the cost used by the Company is that of the specific cost; in the case of interchangeable securities the weighted average cost criteria is used, considering potential issue discounts.

It is clear that if in the following years the reasons for the write-down made in previous financial years to align the security to the realisable value no longer exist, its relative value is adjusted to market value until it reaches the original cost.

Cash and cash equivalents

Cash and cash equivalents (bank and postal deposits, cash and cash on hand) are recognised based on their actual worth.

Cash line items and shareholders' equity

These are measured at nominal value.

Risk Funds

Risk and expense funds are allocated in the Financial Statements in order to cover losses or liabilities having a specific, certain or probable nature, for which the amount or realisable date cannot be determined at the end of the financial year. The allocations reflect the best possible estimate based on available information.

Employee severance pay

Provisions are made in conformity with law and outstanding labour contracts, and reflect liabilities accrued with respect to all employees at the date of the Financial Statements. According to the provisions of the Italian Accounting Standards Board in its appendix of 26 September 2007 to Guideline no. 1 relating to the transition to the IAS, the Severance pay fund recognised in the Financial Statements ended at 31 December 2015 is net of the share paid to supplementary pension schemes or to the "Fund for paying severance pay to employees in the private sector pursuant to Article 2120 of the

Italian Civil Code”, known as the INPS Treasury Fund, in accordance with Legislative Decree 252/2005, Law 296/2006, Article 1(755 et seq. and 765) and Articles 1 and 3 of Ministerial Decree 30/01/2007.

Payables

Payables are measured at nominal value. This item includes liabilities that are certain and specific in terms of their amount and date incurred.

Payables

Payables are measured at nominal value. This item includes liabilities that are certain and specific in terms of their amount and date incurred.

Accruals and Deferrals

Accruals and deferrals are calculated on an accrual basis accounting of the cost and revenues to which they refer.

Revenues

Revenue from the sale of products is recognised at the time of transfer of ownership, which occurs upon the shipment of the goods, or when the customer takes

delivery of the goods. Revenue from services is recognised at the time of completion of such service. In both cases, obviously, also according to the contractual terms agreed with the customer.

Income taxes

Income taxes are calculated based on the charge accrued in the financial year. The debt recognised in the Balance Sheet liabilities is indicated net of advance payments, withholdings and tax receivables.

Deferred taxes are calculated based on the temporary differences between the value attributed to assets and liabilities according to statutory and tax criteria.

Pre-paid taxes are recognised among assets in the Balance Sheet, to the extent that there is a reasonable certainty of realising future profits capable of reabsorbing the previous temporary differences.

Exchange rate differences from forex transactions and conversion criteria for items in foreign currency

Receivables and payables expressed in

foreign currencies are originally converted into the accounting currency on the basis of the exchange rates recognised at the date of the relevant transactions. The exchange rate differences inherent in the receipt of receivables and the payment of liabilities in foreign currency are recognised in the Profit and Loss Account in line item C.17-bis. Pursuant to Article 2426(8 bis) of the Italian Civil Code, line items in foreign currency of outstanding receivables and payables as at 31 December 2015 have been converted at the exchange rates of the last day of the financial year and the relevant gains and losses were allocated to the Profit and Loss Account, again to line item C.17-bis.

Dividends

Dividends were recognised in the financial year in which they were cashed.

NOTES - ASSETS

INTANGIBLE FIXED ASSETS

The following table shows the changes in intangible fixed assets, specifying for each line item:

- the cost;
- the previous revaluations, amortisations and write-downs;
- increases, transfers from one line item to another, and decreases occurred during the year;
- revaluations, amortisations and write-downs made during the year.

CHANGES IN INTANGIBLE FIXED ASSETS

| | Start-up and expansion costs | Industrial patent rights and intellectual property rights | Concessions, licences, trademarks and similar rights | Goodwill | Assets in progress and advance payments | Other multi-year costs | Total intangible fixed assets |
|---|------------------------------|---|--|----------|---|------------------------|-------------------------------|
| Value at beginning of year | | | | | | | |
| Cost | | | | | | | 0 |
| Amortisation for previous years | | | | | | | 0 |
| Book value | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Changes during the year | | | | | | | |
| Increases due to acquisitions | 113,343 | 87,316 | 1,362 | 42,190 | 14,630 | 970,268 | 1,229,109 |
| Disposals for the year | | | | | | | 0 |
| Ordinary amortisation in the financial year | 3,778 | 7,760 | 32 | 42,190 | | 99,679 | 153,439 |
| Total changes | 109,565 | 79,556 | 1,330 | 0 | 14,630 | 870,589 | 1,075,670 |
| Value at end of year | | | | | | | |
| Cost | 113,343 | 87,316 | 1,362 | 42,190 | 14,630 | 970,268 | 1,229,109 |
| Accumulated amortisation | 3,778 | 7,760 | 32 | 42,190 | 0 | 99,679 | 153,439 |
| Book value | 109,565 | 79,556 | 1,330 | 0 | 14,630 | 870,589 | 1,075,670 |

The following schedule shows the increases due to acquisitions resulting from the corporate division contribution and from actual purchases made during the financial year:

| | Costi di impianto e ampliamento | Diritti di brevetto industriale e di utilizzazione delle opere dell'ingegno | Concessioni licenze, marchi e diritti simili | Avviamento | Immobilizzazioni immateriali in corso e acconti | Altri oneri pluriennali | Totale immobilizzazioni immateriali |
|--|---------------------------------|---|--|---------------|---|-------------------------|-------------------------------------|
| Increases due to acquisitions | | | | | | | |
| Contribution historical costs | | 135,678 | 1,900 | 2,531,339 | | 4,563,662 | 7,232,639 |
| Accrued amortisation from the contribution | | 52,362 | 538 | 2,489,209 | | 3,593,394 | 6,135,503 |
| Net book value contributed | 0 | 83,316 | 1,362 | 42,190 | 0 | 970,268 | 1,097,136 |
| Purchases during the year | 113,343 | 4,000 | | | 14,630 | | 131,973 |
| Increases due to acquisitions | 113,343 | 87,316 | 1,362 | 42,190 | 14,630 | 970,268 | 1,229,109 |

Start-up and expansion costs, research and development costs and advertising expenses

The startup and expansion costs recognised pertain to company establishment costs, share capital increase costs, and costs of the contribution executed at the end of October 2015. There are no research and development costs, nor capitalised advertising costs.

PROPERTY, PLANT AND EQUIPMENT

Changes in property, plant and equipment

The following table shows the changes in property, plant and equipment, specifying for each line item:

- the cost;
- the previous revaluations, depreciations and write-downs;
- increases, transfers from one line item to another, and decreases occurred during the year;
- the revaluations, depreciations and write-downs made during the year.

PROPERTY, PLANT AND EQUIPMENT

| | land and buildings | plants and machinery | industrial and commercial machinery | other assets | assets in progress | advance payments | Total property, plant and equipment |
|---|-----------------------|----------------------------|---|------------------|-----------------------|---------------------|---|
| Value at beginning of year | | | | | | | |
| Cost | | | | | | | |
| Revaluations | | | | | | | |
| Depreciation | | | | | | | |
| Write-downs | | | | | | | |
| Book value | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Changes during the year | | | | | | | |
| Increases due to acquisitions | 485,834,071 | 597,882,227 | 31,783,525 | 4,367,419 | 19,957,523 | 5,447,486 | 1,145,272,251 |
| Reclassification (book value) | | 110,575 | | 81,245 | (191,820) | | 0 |
| Decreases due to transfers and disposals (in the book value) | | | | 8,800 | | 431,165 | 439,965 |
| Depreciation during the year | 2,490,234 | 10,028,651 | 1,225,596 | 224,725 | | | 13,969,206 |
| Write-downs during the year | | | | | | | 0 |
| Total changes | 483,343,837 | 587,964,151 | 30,557,929 | 4,215,139 | 19,765,703 | 5,016,321 | 1,130,863,080 |
| Value at end of year | | | | | | | |
| Cost | 485,834,071 | 597,992,802 | 31,783,525 | 4,439,864 | 19,765,703 | 5,016,321 | 1,144,832,286 |
| Revaluations | | | | | | | 0 |
| Depreciation | 2,490,234 | 10,028,651 | 1,225,596 | 224,725 | 0 | 0 | 13,969,206 |
| Write-downs | | | | | | | |
| Book value | 483,343,837 | 587,964,151 | 30,557,929 | 4,215,139 | 19,765,703 | 5,016,321 | 1,130,863,080 |

The following schedule shows the increases due to acquisitions resulting from the corporate division contribution and from actual purchases made during the financial year:

| | land and buildings | plants and machinery | industrial and commercial machinery | other assets | assets in progress | advance payments | Total property, plant and equipment |
|---|-----------------------|----------------------------|---|------------------|-----------------------|---------------------|---|
| Increases due to acquisitions | | | | | | | |
| Contribution value | 487,369,354 | 595,799,006 | 31,368,583 | 4,307,176 | 24,588,364 | 4,441,236 | 1,147,873,719 |
| Write-downs resulting from contribution | 1,764,054 | | | | 4,889,047 | | 6,653,101 |
| Net contributed amount | 485,605,300 | 595,799,006 | 31,368,583 | 4,307,176 | 19,699,317 | 4,441,236 | 1,141,220,618 |
| Purchases during the year | 228,771 | 2,083,221 | 414,942 | 60,243 | 258,206 | 1,006,250 | 4,051,633 |
| Increases | 485,834,071 | 597,882,227 | 31,783,525 | 4,367,419 | 19,957,523 | 5,447,486 | 1,145,272,251 |

Impairment loss of property, plant and equipment

During the financial year no property, plant and equipment were written down.

FINANCE LEASES

Information on finance leases

The company has a current lease financing agreement in connection with a coil galvanising line at the Ravenna plant. That lease agreement was included in the contributed business.

The essential data of the above contract and their impacts on the composition of the Balance Sheet and the operating result, before tax, if the financial ac-

counting method had been used for the leases, are summarised in the following table:

- Commencement of utilisation by the company Marcegaglia Carbon Steel: 1 November 2015
- Remaining term of the agreement in years: 3
- Market value of the contributed asset: Euro 28,578,100

The representation of such transactions in the Financial Statements according to

the equity method resulted, for 2015, in a charge to the Profit and Loss Account of costs for leases in the amount of Euro 789,070 (Euro 762,421 for principal and Euro 26,649 for interest); measurement using the financial method would instead have resulted in recognising depreciation costs in the Profit and Loss Account amounting to Euro 366,386 and financial expenses amounting to Euro 26,649.

| Description | LEASED ASSETS Current year |
|--|-------------------------------|
| Outstanding debt to the lessor | 10,884,163 |
| Financial expenses | 26,649 |
| Total gross value of the leased assets as of the financial year ending date | 28,578,100 |
| Depreciation applied during the financial year | 366,386 |
| Amount of depreciation provisions at the end of the financial year | 366,386 |
| Value adjustments / write-ups ± | |
| Total net value of the leased assets | 28,211,714 |
| Higher net value of bought out assets in relation to the book value | 28,211,714 |

| ASSETS | Amount |
|--|-------------------|
| a) Current agreements | |
| a.1) Assets under lease financing at the end of the prior financial year | 0 |
| pertinent depreciation provisions | 0 |
| a.2) Assets acquired under lease financing during the financial year | 10,032,782 |
| a.3) Assets bought out under lease financing during the financial year | 0 |
| a.4) Accrued depreciation for the financial year | 366,386 |
| a.5) Adjustments/write-ups in the value of assets under lease financing | |
| a.6) Assets under lease financing at the end of the financial year | 9,666,396 |
| pertinent depreciation provisions | 366,386 |
| b) Bought out assets | |
| b.1) Greater/lesser total value of bought out assets, determined according to the financial methodology, with respect to their net book value at the end of the financial year | - |
| Total (a.6+b.1) | 9,666,396 |
| LIABILITIES | Amount |
| c) Implicit payables | |
| c.1) Implicit payables for financial leasing transactions at the end of the prior financial year | 0 |
| portion due during the next financial year | 0 |
| portion due after the next financial year but within 5 years | 0 |
| portion due in more than 5 years | 0 |
| c.2) Implicit payables generated during the financial year | 11,547,649 |
| c.3) Principal repayments and buyouts during the financial year | 663,486 |
| c.4) Implicit payables for financial leasing transactions at the end of the financial year | 10,884,163 |
| portion due during the next financial year | 0 |
| portion due after the next financial year but within 5 years | 0 |
| portion due in more than 5 years | 0 |
| d) Total gross impact at the end of the financial year (a.6+b.1-c.4) | -1,217,767 |
| e) Tax impact | -245,515 |
| f) Impact on shareholders equity at the end of the financial year (d - e) | -972,252 |

It is specifically stated that the leased capital assets were valued at Euro 28,578,100 by the expert, of which Euro 11,547,649 represented the outstanding principal amount of payables due to the leasing company at 31 October 2015 and Euro 17,030,451 represented the additional value allocated by the expert on the occasion of the contribution. The latter amount has already been recorded under fixed assets in progress. Consequently, to determine the impact on shareholders' equity of the recognition of leasing according to the financial method, only the figure representing the outstanding principal amount of payables at 31 October 2015 was included in line "a.2) Assets acquired under financial leasing during the financial year", net of the pre-paid expense in the amount of Euro 1,514,867 representing the lease balloon payment made at the time the contract was executed. By contrast, the amount of depreciation was calculated by considering the gross value of the capital asset, i.e. Euro 28,578,100, which is the precise value at which the asset would have been recorded if the financial method had been adopted from the outset for the purpose of recognising the lease.

The following is the impact on the financial year result:

| | Importo |
|--|-------------|
| a.1) Offsetting entry for fees from lease financing transactions | 789,070 |
| a.2) Recognition of financial costs of lease financing transactions | -26,648,78 |
| a.3) Recognition of depreciation rates on current agreements | -366,385,90 |
| a.4) Adjustments/write-ups in the value of assets under lease financing | 0.00 |
| a) Impact on the pre-tax result (lesser/greater costs) | 396,035,51 |
| b) Recognition of the tax impact | -228,448,59 |
| c) Net impact of leasing transactions on the financial year result (a - b) | 167,586,92 |

FINANCIAL FIXED ASSETS

CHANGES IN FINANCIAL FIXED ASSETS: EQUITY INVESTMENTS, OTHER SECURITIES, TREASURY SHARES

| | FINANCIAL FIXED ASSETS – EQUITY INVESTMENTS | | | | Total |
|-------------------------------------|---|------------------|---------------------|--------------------|---------------------|
| | in subsidiaries | in associates | in parent companies | in other companies | |
| COST | | | | | 0 |
| contribution value | 186,229,580 | 3,139,978 | | 13,331 | 189,452,889 |
| purchases during the year | 26,381,653 | | | | 26,381,653 |
| increases due to receivable waivers | | | | | 0 |
| sales during the year | | (1,435,356) | | | (1,435,356) |
| transfers to another item | | | | | 0 |
| revaluations during the year | | | | | 0 |
| write-downs during the year | (36,436,767) | | | | (36,436,767) |
| VALUE AT END OF YEAR | 176,244,466 | 1,704,622 | 0 | 13,331 | 177,962,419 |

CHANGES IN FINANCIAL FIXED ASSETS: RECEIVABLES

| | FINANCIAL FIXED ASSETS – RECEIVABLES | | | | Total |
|-----------------------------|--------------------------------------|-----------------|-----------------------|---------------|---------------|
| | from subsidiaries | from associates | from parent companies | from others | |
| contribution value | 0 | 0 | 0 | 24,056 | 24,056 |
| increases during the year | | | | 1,330 | 1,330 |
| decreases during the year | | | | | 0 |
| VALUE AT END OF YEAR | 0 | 0 | 0 | 25,386 | 25,386 |

INFORMATION ON EQUITY INVESTMENTS IN SUBSIDIARIES

| Name | Registered office | Share Capital | Currency | Shareholders' equity | Profit/Loss of the latest FY | Shareholding | Book value | Amount corresponding to the Shareholders' equity share in Euro | Difference |
|------------------------------|--|---------------|----------|----------------------|------------------------------|--------------|--------------------|--|--------------------|
| Marcegaglia Benelux | Dendermondenstraat 44-46 2018 Anversa (BEL) | 100,000 | EUR | 86,963 | (6,541) | 99.00% | 107,109 | 86,093 | (21,016) |
| Marcegaglia France Sarl | Le Bois des Cotes II Route Nationale 6 n.300 Limonest | 50,000 | EUR | 352,904 | (143,954) | 100.00% | 512,474 | 352,904 | (159,570) |
| Marcegaglia Poland Sp.z.o.o. | Kaliska 72 int Praszka (PL) | 100,000,000 | PLN | 184,996,793 | (2,804,538) | 99.60% | | | |
| | <i>valori convertiti in Euro</i> | 23,452,708 | EUR | 43,386,757 | (8,958,865) | | 43,772,846 | 43,213,210 | (559,636) |
| Marcegaglia do Brasil Ltda | Rodovia BR 101 km 11 Garuva (SC) | 306,000,000 | BRL | 247,717,272 | (54,859,145) | 89.91% | | | |
| | <i>valori convertiti in Euro</i> | 70,969,687 | EUR | 57,452,344 | (14,825,033) | | 55,680,526 | 51,655,288 | (4,025,238) |
| Marcegaglia UK | New Road, Netherton, Dudley, West Midlands DY28TA | 16,650,200 | GBP | 19,558,876 | 1,328,408 | 100.00% | | | |
| | <i>valori convertiti in Euro</i> | 22,685,742 | EUR | 26,648,785 | 1,830,141 | | 23,183,302 | 26,648,785 | 3,465,483 |
| Marcegaglia Deutschland Gmbh | Ppitz str. 12 40470 Dusseldorf | 153,388 | EUR | 2,347,678 | (89,555) | 100.00% | 2,360,570 | 2,347,678 | (12,892) |
| Marcegaglia China Co. Ltd | Chuang Ye Road 7 - Guangling Industrial Park Yangzhou (CN) | 1,137,937,722 | CNY | 388,634,353 | (251,467,447) | 91.41% | | | |
| | <i>valori convertiti in Euro</i> | 161,162,718 | EUR | 55,041,122 | (36,061,315) | | 50,300,997 | 50,311,053 | 10,056 |
| Marcegaglia Iberica | Mc Square Office - Leonardo Da Vincillian 19 - 1831 Diegem | 120,220 | EUR | 656,988 | (40,1829) | 51.00% | 325,307 | 335,064 | 9,757 |
| Marcegaglia India Ltd * | | 100,000 | INR | (1,877,009) | (346,735) | 90.00% | | | |
| | <i>valori convertiti in Euro</i> | 1,388 | EUR | (26,062) | (4,870) | | 1,334 | (23,456) | (24,790) |
| Total | | | | | | | 176,244,466 | 174,926,619 | (1,317,847) |

For the conversion in Euro of shareholders' equity and the result of the period expressed in currency other than the Euro, the exchange rate at year end and the average exchange rate for the financial year were used respectively.

* The financial year of Marcegaglia India Ltd goes from 1 April through 31 March of the following year. The above data concerning Marcegaglia India Ltd refer to the last approved financial statements at 31 March 2015.

INFORMATION ON EQUITY INVESTMENTS IN ASSOCIATES

| Name | Registered office | Share Capital | Currency | Shareholders' equity | Profit/Loss of the latest FY | Shareholding | Book value | Amount corresponding to the Shareholders' equity share in Euro | Difference |
|----------------|---|---------------|----------|----------------------|------------------------------|--------------|------------------|--|------------------|
| SIM S.r.l. | Zona Industriale S. Atto Teramo | 780,000 | EUR | 1,841,515 | 58,488 | 50.00% | 929,622 | 920,758 | (8,864) |
| Fontana S.p.a. | Str. S.Giorgio 23 Settimo Torinese (TO) | 50,000 | EUR | 5,955,470 | 1,418,884 | 32.00% | 775,000 | 1,905,750 | 1,130,750 |
| Total | | | | | | | 1,704,622 | 2,826,508 | 1,121,886 |

* The financial year of SIM S.p.a. goes from 1 October to 30 September of the following year. The above data refer to the last approved financial statements at 30 September 2015.

BREAKDOWN OF LONG-TERM RECEIVABLES BY GEOGRAPHIC AREA

| Geographic area | Long-term receivables from others | Total long-term receivables |
|-----------------|-----------------------------------|-----------------------------|
| Italy | 25,386 | 25,386 |
| Total | 25,386 | 25,386 |

Long-term receivables due after the end of the financial year consist of security deposits whose expiration is linked to the duration of the underlying contracts.

Long-term receivables relating to repurchase agreements

None.

CURRENT ASSETS

Changes occurred during the year ended at 31 December 2015 recognised among assets other than fixed assets are set forth below.

INVENTORY

| Current assets | Contribution value | Increases/Decreases | Balance at 12.31.2015 |
|---|--------------------|---------------------|-----------------------|
| I - Inventory | | | |
| Raw materials, subsidiary materials and consumables | 370,725,213 | 34,235,491 | 404,960,704 |
| Work in progress and semi-finished goods | 185,371,565 | 4,593,460 | 189,965,025 |
| Work in progress on order | - | - | - |
| Finished goods and products | 145,674,399 | 17,953,838 | 163,628,237 |
| Advance payments | - | - | - |
| TOTAL | 701,771,177 | 56,782,789 | 758,553,966 |

CURRENT ASSETS: RECEIVABLES

CHANGES IN RECEIVABLES RECOGNISED IN CURRENT ASSETS

| Current assets | Contribution amount | Increases/Decreases | Balance at 12.31.2015 |
|--------------------------------------|---------------------|---------------------|-----------------------|
| II - Receivables | | | |
| 1. Trade receivables | 269,124,390 | -169,908,190 | 99,216,200 |
| 2. Receivables from subsidiaries | 54,079,089 | -10,301,711 | 43,777,378 |
| 3. Receivables from associates | 1,092,484 | 604,995 | 1,697,479 |
| 4. Receivables from parent companies | - | - | - |
| 4-bis. Tax receivables | - | 424,368 | 424,368 |
| 4-ter. Pre-paid taxes | 30,299,682 | -4,321,493 | 25,978,189 |
| 5. Receivables from others | 144,260,543 | -50,820,983 | 93,439,560 |
| Total | 498,856,188 | -234,323,014 | 264,533,174 |

The changes in provisions for bad debts, included in the line item Trade receivables, is summarised in the following table:

| Description | contributed balance | uses during the year | provisions during the year | balance at year end |
|---|---------------------|----------------------|----------------------------|---------------------|
| Provisions for bad debts pursuant to Article 106 (1)(2) of DPR 917/86 | 0 | 0 | 0 | 0 |
| General provisions for bad debts | 322,517 | 0 | 3,391,610 | 3,714,127 |
| Provisions for bad debts for penalty interest | 0 | 0 | 0 | 0 |
| Provisions for bad debts in insolvency proceedings | 0 | 0 | 0 | 0 |
| | 322,517 | 0 | 3,391,610 | 3,714,127 |

In addition to what is already disclosed in the Balance Sheet, it is noted that receivables from subsidiaries, associates and parent companies relate to the balance deriving from commercial transactions between the Marcegaglia S.p.A. and its various counterparts, which have not yet been settled, as well as to the balance of intra-group bank accounts that were opened specifically, where payments are made to settle the cited transactions and any financial transactions that occur.

Almost all of the receivables for pre-paid taxes arising from the contribution (specifically Euro 26,432,497) pertain to contribution values of inventory that are lower than the values relevant for tax purposes for the contributing company, according to the indications contained in the expert valuation prepared in compliance with Article 2465(1) of the Italian Civil Code. It is believed that these taxes, which were previously recovered in the amount of Euro 14,816,921 in the 2015 financial year, shall be recovered in full during the 2016 financial year, due to the quick turnover in inventory. Such receivables for pre-paid taxes are expected to be used in the amount of Euro 24,207,603 starting from the following year, while the share after the following year amounts to Euro 1,770,586.

In view of future income, pre-paid taxes of approximately Euro 10.5 million were recorded in the 2015 financial year tax loss, and approximately 2 million was provisio-

ned for foreign exchange translation losses, which were calculated by converting balance sheet items (in currencies other than the Euro) under current assets and short-term debt at the currency exchange rate at 31 December 2015, as opposed to the historical currency exchange rate for recognition. It is believed that these receivables for pre-paid taxes shall also be recoverable in the 2016 financial year.

The breakdown and the changes in receivables from others are analysed in the following tables:

| Breakdown of receivables from others | Contribution amount | Increases/Decreases | Balance at 12.31.2015 |
|---|---------------------|---------------------|-----------------------|
| Receivables from affiliates | 2,610,024 | 49,983,204 | 52,593,228 |
| Receivables from factoring entities | 137,906,354 | 102,779,689 | 35,126,665 |
| Advance payments to suppliers | 74,000 | 15,181 | 89,181 |
| Receivables from social security organizations | 869,625 | 577,383 | 292,242 |
| Advance payments to employees | 592,926 | 109 | 593,036 |
| Receivables from banks for collections from customers | - | 2,358,681 | 2,358,681 |
| Other receivables | 2,207,614 | 178,912 | 2,386,526 |
| | 144,260,543 | 50,820,983 | 93,439,560 |

| Breakdown of receivables from affiliates | Contribution amount | Increases/Decreases | Balance at 12.31.2015 |
|--|---------------------|---------------------|-----------------------|
| Receivables from Oskar | 1,994,408 | 392,363 | 2,386,771 |
| Receivables from Marcegaglia Romania | 615,617 | 1,250,620 | 1,866,237 |
| Receivables from Marfin | - | 33,287,699 | 33,287,699 |
| Receivables from Buildtech | - | 8,450,118 | 8,450,118 |
| Receivables from Marcegaglia USA | - | 4,135,681 | 4,135,681 |
| Receivables from Marcegaglia Specialties | - | 1,817,017 | 1,817,017 |
| Receivables from Marcegaglia Plates | - | 11,002 | 11,002 |
| Receivables from IMAT | - | 126,970 | 126,970 |
| Receivables from Marcegaglia Turchia | - | 511,733 | 511,733 |
| | 2,610,024 | 49,983,204 | 52,593,228 |

Breakdown of receivables recognised in current assets by geographic area

| | Italy | EU | Other European Countries | America | Africa Middle East | Asia, China Oceania | Total |
|--|--------------------|--------------------|--------------------------|------------------|--------------------|---------------------|--------------------|
| Trade receivables | 21,865,970 | 62,241,846 | 9,065,092 | 1,040,631 | 3,300,772 | 1,701,888 | 99,216,200 |
| Receivables from subsidiaries | - | 15,744,052 | 687,083 | 1,147,210 | 1,668 | 2,200,702 | 19,777,378 |
| Receivables from associates | 1,697,479 | - | - | - | - | - | 1,697,479 |
| Receivables from parent companies | - | - | - | - | - | - | - |
| Tax receivables | 17,577 | 406,791 | - | - | - | - | 424,368 |
| Receivables for pre-paid taxes | 24,207,603 | - | - | - | - | - | 24,207,603 |
| Receivables from others | 56,598,588 | 29,980,933 | 2,191,298 | 4,157,008 | 511,733 | - | 93,439,560 |
| Total receivables within the year | 104,387,217 | 108,373,622 | 11,943,474 | 6,344,848 | 3,810,837 | 3,902,590 | 238,762,588 |

| | | | | | | | |
|---|------------------|-------------------|----------|----------|----------|----------|-------------------|
| Tax receivables after the year | - | - | - | - | - | - | - |
| Receivables from subsidiaries after the year | - | 24,000,000 | - | - | - | - | 24,000,000 |
| Receivables for pre-paid taxes after the year | 1,770,586 | - | - | - | - | - | 1,770,586 |
| Receivables from others after the year | - | - | - | - | - | - | - |
| Total receivables after the year | 1,770,586 | 24,000,000 | - | - | - | - | 25,770,586 |

Receivables recognised in current assets relating to repurchase agreements

None.

CURRENT ASSETS: FINANCIAL ASSETS OTHER THAN FIXED ASSETS**CHANGES IN FINANCIAL ASSETS OTHER THAN FIXED ASSETS**

No financial assets other than fixed assets were contributed nor were outstanding at the end of the financial year.

CURRENT ASSETS: CASH AND CASH EQUIVALENTS**ACCRUED INCOME AND PREPAID EXPENSES**

| | Contribution amount | Changes during the year | Value at year end |
|--|------------------------|----------------------------|----------------------|
| Bank and postal deposits | 4,178,891 | (1,105,584) | 3,073,307 |
| Cash on hand and cash equivalents | 15,255 | (4,322) | 10,933 |
| Total cash and cash equivalents | 4,194,146 | (1,109,906) | 3,084,240 |

ACCRUED INCOME AND PREPAID EXPENSES

| | Contribution amount | Changes during the year | Value at year end |
|--|------------------------|----------------------------|----------------------|
| Accrued income | 318,276 | 137,527 | 455,803 |
| Other prepaid expenses | 2,954,056 | (1,267,206) | 1,686,850 |
| Total accrued income and prepaid expenses | 3,272,332 | (1,129,679) | 2,142,653 |

The breakdown of accrued income and prepaid expenses is indicated in the following tables

| Accrued income | Contribution amount | Breakdown of balance at year end |
|--|------------------------|-------------------------------------|
| Simest contributions to interest account | 318,276 | 455,803 |
| Total | 318,276 | 455,803 |

| Prepaid expenses | Contribution amount | Breakdown of balance at end of year |
|---|------------------------|--|
| Share of lease payments and balloon payments accruing in future years | 1,612,860 | 1,514,867 |
| Share of vacation pay accruing in the following year | 1,120,140 | 0 |
| Guarantee fees accruing in the following year | 0 | 168,559 |
| Insurance premiums for the following year | 182,772 | |
| Other | 38,284 | 3,424 |
| Total | 2,954,056 | 1,686,850 |

CAPITALISED FINANCIAL EXPENSES

No financial expenses were capitalised in financial year 2015.

NOTES - LIABILITIES AND SHAREHOLDERS' EQUITY

SHAREHOLDERS' EQUITY

The breakdown of Shareholders' Equity, the availability of reserves for capital account transactions, the potential for reserve distribution, as well as the uses made during the past three financial years are summarised in the following tables.

CHANGES IN THE LINE ITEMS OF SHAREHOLDERS' EQUITY

| | Initial value from company establishment | Use of previous year result Other uses | Other changes Increases/Decreases | Result for the year | Value at end of year |
|--|--|--|--|------------------------|----------------------------|
| Share capital | 10.000 | | 496.108.598 | | 496.118.598 |
| Share premium reserve | | | 6.859.343 | | 6.859.343 |
| Revaluation reserves | | | | | 0 |
| Legal reserve | | | | | 0 |
| Other reserves | | | | | |
| <i>Extraordinary or optional reserve</i> | | | | | 0 |
| <i>Payments for future capital increases</i> | | | 20.000 | | 20.000 |
| <i>Merger surplus reserve</i> | | | | | 0 |
| <i>Sundry reserves</i> | | | -1 | | -1 |
| Total other reserves | 0 | 0 | 19.999 | | 19.999 |
| Profit (loss) for the year | | | | (43.672.865) | (43.672.865) |
| Total shareholders' equity | 10.000 | 0 | 502.987.940 | (43.672.865) | 459.325.075 |

AVAILABILITY AND USE OF SHAREHOLDERS' EQUITY

| | Amount | Origin / nature | Possible use | Available amount | Summary of the uses made during the previous three financial years | |
|--|--------------------|--|--------------|------------------|---|-------------------|
| | | | | | to cover losses | for other reasons |
| Share capital | 496,118,598 | shareholders' contributions | | - | - | - |
| Share premium reserve | 6,859,343 | | A-B-C | 6,859,343 | - | - |
| Revaluation reserves | | revaluation required by law | A-B | | - | - |
| Legal reserve | | profit for the year | B | | - | - |
| Other reserves | | | | | | |
| <i>Extraordinary or optional reserve</i> | | <i>profit for the year</i> | <i>A-B-C</i> | | | |
| <i>Payments for future capital increases</i> | 20,000,000 | <i>waiver of receivables by shareholders</i> | <i>A-B-C</i> | 20,000 | - | - |
| <i>Merger surplus reserve</i> | | <i>incorporation</i> | <i>A-B-C</i> | | - | - |
| <i>Sundry reserves</i> | -1 | | <i>D</i> | - | - | - |
| Total other reserves | 19,999 | | | 20,000 | - | - |
| total | 502,997,940 | | | 6,879,343 | - | - |
| Non distributable share | | | | 0 | | |
| Residual distributable share | | | | 6,879,343 | | |

Legend: **A** available for capital increases - **B** available to cover losses - **C** available to shareholders - **D** only for particular purposes

RISK AND EXPENSE FUNDS

INFORMATION ON RISK AND EXPENSE FUNDS

| | Fund for post-retirement benefit and other obligations | Tax fund, including deferred taxes | Other funds | Total risk and expense funds |
|--------------------------------|--|------------------------------------|-------------------|------------------------------|
| Contribution value | 2,115,251 | 191,120,861 | 23,245,134 | 216,481,246 |
| Changes during the year | | | | |
| Provision during the year | 26,711 | 31,498 | 1,561,927 | 1,620,136 |
| Uses during the year | 0 | 2,414,669 | 789,193 | 3,203,862 |
| Total changes | 26,711 | (2,383,171) | 772,734 | (1,583,726) |
| Value at end of year | 2,141,962 | 188,737,690 | 24,017,868 | 214,897,520 |

The breakdown of the Risk and Expense Funds is set forth below for further clarification.

Liability line item B.1 “Funds for post-retirement benefit and other obligations” indicates the provisions and relevant uses of the funds for the termination of agency relationships.

The provisions are quantified pursuant to Art. 1751 of the Italian Civil Code and industry collective bargaining agreements.

| Description | Balance resulting from contribution | uses during the year | provision during the year | balance at end of year |
|--|-------------------------------------|----------------------|---------------------------|------------------------|
| Supplementary Agents Indemnity Fund | 1,909,372 | 0 | 19,009 | 1,928,381 |
| Indemnity fund for termination of agency agreement | 205,879 | 0 | 7,702 | 213,581 |
| | 2,115,251 | 0 | 26,711 | 2,141,962 |

| Description | Balance resulting from contribution | uses during the year | provision during the year | balance at end of year |
|-------------------------|-------------------------------------|----------------------|---------------------------|------------------------|
| Tax funds | | | | |
| Fund for deferred taxes | 191,120,861 | 2,414,669 | 31,498 | 188,737,690 |
| | 191,120,861 | 2,414,669 | 31,498 | 188,737,690 |

As was previously indicated, the initial provision for deferred taxes arose from the contribution and pertains to deferred taxes connected to the greater values of property, plant and equipment contributed in comparison with the values applicable to the contributor for tax purposes. In fact, as is well known, from a tax point of view the contribution is not a realisation transaction.

Consequently any market values that are higher than the contributor's book values, which are attributed to the various assets, have no relevance to taxation.

The determination of these market values along with the correlated deferred taxes was supported by the valuation prepared by the expert provided for in Article 2465(1) of the Italian Civil Code, which was attached to the end of the contribution instrument and which has to be referred to.

These deferred taxes shall be reabsorbed through the process of depreciation of the aforementioned higher values on the basis of the useful lives of the various assets indicated by the expert in said valuation. In financial year 2015 - only

including the months of November and December due to the fact that the contribution occurred on 30 October 2015, effective on 1 November 2015 - the use of the deferred taxes provision in connection with the depreciation amount in the financial statements that was higher than depreciation for tax purposes, was Euro 2,274,147.

The provisions refer exclusively to taxes on positive items recognised in the Profit and Loss Account deriving from foreign exchange translation gains.

| Sundry risk funds | Balance resulting from contribution | changes due to surplus | provision during the year | balance at end of year |
|---|-------------------------------------|------------------------|---------------------------|------------------------|
| Fund for “mark-to-market” valuation of derivatives in portfolio | 23,245,134 | 789,193 | 61,927 | 22,517,868 |
| Risk fund for litigation | 0 | 0 | 1,500,000 | 1,500,000 |
| | 23,245,134 | 789,193 | 1,561,927 | 24,017,868 |

With reference to the “Fund for the mark-to-market valuation of derivatives in portfolio”, the uses of Euro 736,043 million related to the release of the fund resulting from the improvement of the mark-to-market measurement at 12.31.2015 compared to the contribution value of some speculative interest rate swaps contracts. The additional utilisation in the approximate amount of Euro 53,150 pertains to the maturity in financial year 2015 of a contributed speculative “interest rate swap” contract.

The provision made in 2015 to the “Fund for the mark-to-market valuation of derivatives in portfolio” relates to the mark-to-market measurement at 12.1.2015 of interest rate swaps whose fair value at 12/31/15 worsened with respect to the fair value set aside.

At 12/31/14 the Company did not have any forward exchange contracts in its portfolio.

Utilisations of the “Mark to Market valuation provision” have as an offsetting entry on the profit and loss account item C17 “Other financial costs”, as an adjustment for the periodic settlement fees paid during financial year 2015 to the various banking institutions that are the counterparties in those contracts.

A similar classification in line item C17 “Other financial expenses”, had as a counter-entry the provision, commented on above, made during 2015 to the “Fund for the mark-to-market valuation of derivatives in portfolio”.

Reference is made to the line item “Derivatives” for a more detailed analysis of the derivatives in portfolio as at 31 December 2015.

In regard to the “Sundry Litigation Risks Provision”, 2015 provisions pertain in their entirety to prudential provisioning of the maximum amount of a possible penalty under Legislative Decree No. 231/2001 that might be imposed on the company at the conclusion of the current criminal proceeding pursuant to a work accident that occurred during the month of December 2015.

EMPLOYEE SEVERANCE PAY

Information on employee severance pay

The following table indicates the changes in Severance Pay items in respect of 2015 (from the effective date of the corporate division contribution), also considering the amounts to be used for supplementary pension funds. On the basis of the indications of the Italian Accounting Standards Board in its appendix of 26 September 2007 to Guideline no. 1 relating to the transition to the IAS, the Severance Pay Fund in the financial statements is recognised net of the share paid to the supplementary pension funds or paid to the “Fund for paying the severance pay to employees in the private sector pursuant to Article 2120 of the Italian Civil Code”, known as the INPS treasury fund, pursuant to Legislative Decree 252/2005, Article 1(755 et seq. and 765) of Law 296/2006 and Articles 1 and 3 of D.M. 30/01/2007. The shares of employee severance pay accrued in 2014 that have not yet been paid to supplementary pension funds or to the INPS treasury fund are disclosed in line item D.13) “Payables to welfare and social security organisations”.

| | balance resulting from contribution | uses during the year | provisions during the year | balance at the end of year |
|-----------------------------------|--|-------------------------|-------------------------------|-------------------------------|
| Employee Severance Pay | 12,833,848 | 1,809,595 | 1,668,902 | 12,693,155 |
| | 12,833,848 | 1,809,595 | 1,668,902 | 12,693,155 |

PAYABLES

The changes in payables are broken down in the following tables.

CHANGES AND MATURITIES OF PAYABLES

| Payables | Contribution value | Increases/Decreases | Balance at 12.31.2015 |
|---|----------------------|----------------------|-----------------------|
| Bonds | - | - | - |
| Convertible bonds | - | - | - |
| Payables to shareholders for loans | - | - | - |
| Payables to banks | 240,531,331 | (20,104,799) | 220,426,532 |
| Payables to other lenders | - | - | - |
| Advance payments | 696,721 | 10,322,462 | 11,019,183 |
| Trade payables | 703,855,748 | 109,712,996 | 813,568,744 |
| Payables consisting of debt securities | - | - | - |
| Payables to subsidiaries | 32,273,767 | (15,960,830) | 16,312,937 |
| Payables to associates | 1,441,520 | 603,642 | 2,045,162 |
| Payables to parent companies | 410,889,560 | (35,406,412) | 375,483,148 |
| Tax payables | 74,685 | 8,202,041 | 8,276,726 |
| Payables to welfare and social security organisations | 2,044,349 | 7,634,878 | 9,679,227 |
| Other payables | 467,573,416 | (273,956,698) | 193,616,718 |
| total | 1,859,381,097 | (208,952,720) | 1,650,428,377 |

| Breakdown of other payables | Contribution value | Increases/Decreases | Balance at 12.31.2015 |
|--|--------------------|---------------------|-----------------------|
| Payables to affiliates | 429,962 | 21,207,086 | 21,637,048 |
| Payables to factoring entities | 451,226,157 | 291,117,442 | 160,108,715 |
| Payables to employees and free-lancers | 15,167,297 | 3,620,739 | 11,546,558 |
| Collected security deposits | 750,000 | 750,000 | - |
| Sundry payables | 0 | 324,397 | 324,397 |
| total | 467,573,416 | 273,956,698 | 193,616,718 |

| Breakdown of payables to affiliates | Contribution value | Increases/Decreases | Balance at 12.31.2015 |
|-------------------------------------|--------------------|---------------------|-----------------------|
| Payables to Oskar | 47,852 | 47,724 | 95,576 |
| Payables to Made HSE | 382,110 | 318,563 | 700,673 |
| Payables to Marfin | - | 15,584,141 | 15,584,141 |
| Payables to Marcegaglia Specialties | - | 4,970,193 | 4,970,193 |
| Payables to Marcegaglia Plates | - | 33,188 | 33,188 |
| Payables to Marcegaglia Romania | - | 227,282 | 227,282 |
| Payables to Buildtech | - | 25,995 | 25,995 |
| total | 429,962 | 21,207,086 | 21,637,048 |

BREAKDOWN OF PAYABLES BY GEOGRAPHIC AREA

| | Italy | EU | Other European Countries | America | Africa Middle East | Asia China Oceania | Total |
|---|------------------------|----------------------|--------------------------|--------------------|---------------------|---------------------|------------------------|
| Payables to banks | (121,263,721) | - | - | - | - | - | (121,263,721) |
| Pre-payments from clients | (836,721) | - | - | - | - | (10,182,462) | (11,019,183) |
| Trade payables | (366,969,661) | (304,215,123) | (35,399,703) | (1,842,070) | (68,821,568) | (36,320,619) | (813,568,744) |
| Payables to subsidiaries | - | (3,175,785) | (110,122) | (1,115,093) | - | (11,911,937) | (16,312,937) |
| Payables to associates | (2,045,162) | - | - | - | - | - | (2,045,162) |
| Payables to parent companies | (375,483,148) | - | - | - | - | - | (375,483,148) |
| Tax payables | (7,062,688) | (1,214,038) | - | - | - | - | (8,276,726) |
| Payables to welfare and social security organisations | (9,679,227) | - | - | - | - | - | (9,679,227) |
| Other payables | (191,095,781) | (634,024) | - | (2,134,716) | - | 247,803 | (193,616,718) |
| Total payables within the year | (1,074,436,111) | (309,238,969) | (35,509,825) | (5,091,879) | (68,821,568) | (58,167,215) | (1,551,265,567) |

| | Italy | EU | Other European Countries | America | Africa Middle East | Asia China Oceania | Total |
|---|---------------------|----|--------------------------|---------|--------------------|--------------------|---------------------|
| Payables to banks due after the year | (99,162,811) | | | | | | (99,162,811) |
| Payables to subsidiaries due after the year | | | | | | | |
| Tax payables due after the year | | | | | | | |
| Other payables due after the year | | | | | | | |
| Total payables due after the year | (99,162,811) | | | | | | (99,162,811) |

PAYABLES SECURED BY COLLATERAL ON CORPORATE ASSETS

| | Payables secured by collateral | | | Payables not secured by collateral | Total |
|---|--------------------------------|-----------------------------|--------------------------------------|------------------------------------|----------------------|
| | Payables secured by mortgages | Payables secured by pledges | Total payables secured by collateral | | |
| Payables to banks | 272,503,225 | 4,257,816 | 276,761,041 | 968,356,822 | 1,245,117,863 |
| Advance payments | - | - | - | 7,668,790 | 7,668,790 |
| Trade payables | - | 12,296,742 | 12,296,742 | 1,080,560,486 | 1,092,857,228 |
| Payables to subsidiaries | - | - | - | 51,345,946 | 51,345,946 |
| Payables to associates | - | - | - | 654,208 | 654,208 |
| Payables to parent companies | - | - | - | 654,208 | 654,208 |
| Tax payables | - | - | - | 17,490,756 | 17,490,756 |
| Payables to welfare and social security organisations | - | - | - | 9,706,618 | 9,706,618 |
| Other payables | - | - | - | - | 444,356,245 |
| Total payables | 272,503,225 | 16,554,558 | 289,057,783 | 2,135,783,626 | 2,869,197,654 |

| Bank | Total liability at 12.31.2015 | Share of liability maturing within the following year (2016) and reclassified as short-term payables to banks | Total share of liability maturing after the following year (2016) | Share of liability maturing after the following year (2016) but within 12.31.2020 | Share of liability maturing in more than 5 years from the end of the financial year, i.e. from financial year 2021 | Maturity of the liability |
|-------------------------------------|-------------------------------|---|---|---|--|---------------------------|
| GE Capital | 7,663,018 | 3,065,207 | 4,597,811 | 4,597,811 | 0 | 03/25/2018 |
| Intesa Sanpaolo | 11,200,000 | 2,800,000 | 8,400,000 | 8,400,000 | 0 | 12/17/2019 |
| Intesa Sanpaolo | 10,720,000 | 2,680,000 | 8,040,000 | 8,040,000 | 0 | 12/17/2019 |
| Mortgage pool loan of December 2007 | 156,250,000 | 78,125,000 | 78,125,000 | 78,125,000 | 0 | 12/15/2017 |
| total | 185,833,018 | 86,670,207 | 99,162,811 | 99,162,811 | 0 | |

Payables to banking institutions pertaining to mortgage loans were all contributed to the company in the amount of Euro 229,168,121 at the contribution date.

Outstanding payables in connection with those loans at 31 December 2015 is shown in the above schedule.

The maturity dates demonstrate that there are no liabilities having a residual duration in excess of 5 years.

With reference to corporate assets used as collateral it is specified as follows:

| Bank/entity beneficiary of the guarantee | Mortgage on real property located in Ravenna and Forlimpopoli (FO) | Special lien on assets located at the plants in Ravenna and Forlimpopoli (FO) | 1st and 2nd grade mortgage on buildings located in Boltiere (BG) | Special lien on assets located at the plant in Boltiere (BG) | Mortgage on buildings located in Albignasego (Padua), Corsico (Milan) and Lainate (Milan) | Special lien on assets located in the plants of Albignasego (PD), Corsico (MI) and Lainate (MI) | Total |
|--|--|---|--|--|---|---|----------------------|
| Ge Capital | | | | | 30,652,071 | 30,652,071 | 61,304,142 |
| Intesa Sanpaolo | | | 30,000,000 | 45,000,000 | | | 75,000,000 |
| Mortgage pool loan of December 2007 | 781,250,000 | 266,093,008 | | | | | 1,047,343,008 |
| total | 781,250,000 | 266,093,008 | 30,000,000 | 45,000,000 | 30,652,071 | 30,652,071 | 1,183,647,150 |

With the above-described contribution transaction, the Forlimpopoli plant was contributed, along with the business conducted therein, to the affiliate company Marcegaglia Specialties spa, which is consequently the third party mortgagor in connection with the pool loan. The amount of the mortgage indicated in the legal instrument and recorded with the Registry is one and the same for the two sites (Ravenna e Forlimpopoli), and because as of the date 31 December 2015 there had been no division of the mortgage amount, the full amount of the mortgage is stated even though part of it pertains to a real property that is not owned.

On the other hand, the amounts of the liens on the assets pertaining to the two above-indicated production sites, indicated in the pool loan agreement, have been adjusted only to the values of the assets owned by Marcegaglia Carbon Steel located at the Ravenna plant.

Lastly, it is indicated that in connection with the trade receivables securitisation transactions without notice the company Marcegaglia Carbon Steel established two pledges to the banking institutions Intesa Sanpaolo and Unicredit Banca on the amounts that are on deposit in two current accounts with the aforementioned institutions and accounted for a total of Euro 3,062,969 at 31 December 2015.

The amount secured by the pledge in the item “trade payables” pertains to a pledge of black coils in inventory at the Ravenna plant, established for the benefit of an international raw materials trader, in a total maximum amount of Euro 60 million. The amount stated in the schedule pertains to the outstanding payable to the aforementioned trader at 31 December 2015.

Payables related to repurchase agreements

None.

Loans made by the Company's shareholders

None.

ACCRUED EXPENSES AND DEFERRED INCOME

| | Contribution value | Changes during the year | Value at year end |
|------------------|--------------------|-------------------------|-------------------|
| Accrued expenses | 5,343,006 | (4,446,545) | 896,461 |
| Deferred income | 0 | 0 | 0 |
| total | 5,343,006 | (4,446,545) | 896,461 |

The breakdown of accrued expenses and deferred income is indicated in the following tables:

| Accrued expenses | Contribution value | Breakdown of balance at end of year |
|--|--------------------|-------------------------------------|
| Share of interest expense | 0 | 330,404 |
| Accrued expenses on interest rate differences on Interest Rate Swaps | 5,343,006 | 566,057 |
| total | 5,343,006 | 896,461 |

Commitments not emerging from the Balance Sheet and Memorandum Accounts

Commitments not emerging from the Balance Sheet are clearly indicated in special memorandum accounts at the bottom of the Balance Sheet.

It is specified that the line item “Total commitments entered into by the Company” includes the amount of Euro 325,000,000 corresponding to the notional capital of derivative contracts entered into by the Company for hedging purposes pursuant to Article 112(6) of T.U.I.R. [Income Tax Consolidated Act].

NOTES - PROFIT AND LOSS ACCOUNT

VALUE OF PRODUCTION

BREAKDOWN OF REVENUE FROM SALES AND SERVICES BY CATEGORY OF ASSET AND GEOGRAPHICAL AREA

The same breakdown of revenue by asset, with a further breakdown by geographic area:

| | Italy | EU | Other European Countries | North America | South and Central America | Middle East | Far East Oceania | Africa | Total |
|---|-------------|-------------|--------------------------|---------------|---------------------------|-------------|------------------|---------|-------------|
| tubes | 45,129,559 | 46,128,042 | 2,688,118 | 137,113 | 291,880 | 47,789 | 19,649 | 106,512 | 94,548,662 |
| flat products | 105,504,709 | 84,923,917 | 10,062,045 | 4,033,876 | 0 | 21,488 | 19,807 | 816,480 | 205,382,322 |
| cold drawn bars | 552,492 | 1,200 | | | | | | | 553,692 |
| stainless steel | 1,328,912 | 5,940 | | | | | | | 1,334,852 |
| other steel products (including iron and metal scrap) | 9,882,266 | 494,527 | | | | | | | 10,376,793 |
| total revenues | 162,397,937 | 131,553,627 | 12,750,164 | 4,170,989 | 291,880 | 69,276 | 39,456 | 922,992 | 312,196,320 |
| % impact 2015 | 52.02% | 42.14% | 4.08% | 1.34% | 0.09% | 0.02% | 0.01% | 0.30% | 100.00% |

FINANCIAL INCOME AND EXPENSES

Breakdown of income from equity investments

Item 15 in the profit and loss account recorded only the capital gain of Euro 1,189,644 from the sale in November 2015 of the (33.33%) equity stake in the associate company Allu's spa.

Breakdown of interest and other financial expenses by type of liability

The line item C 17) "interests and other financial expenses" can be broken down as follows:

| | Balance at 12.31.2015 |
|--|-----------------------|
| Interest due to subsidiaries | 110,122 |
| Interest due to associates | - |
| Interest due to parent companies | 2,387,247 |
| Other financial expenses | |
| Interest due to banks and factoring entities | 3,022,785 |
| Financial expenses for derivatives | 2,451,932 |
| Other interest and financial expenses | 791,993 |
| Total other financial expenses | 6,266,710 |
| Total interest and other financial expenses | 8,764,079 |

VALUE ADJUSTMENTS OF FINANCIAL ASSETS

Item D19) Impairments in the profit and loss account consisted solely and exclusively of the impairment of Euro 36,436,767 with respect to the equity stake in the subsidiary Marcegaglia do Brasil.

EXTRAORDINARY INCOME AND EXPENSES

No "Extraordinary income and expenses" were incurred during financial year 2015.

CURRENT, DEFERRED AND PRE-PAID INCOME TAXES

Deferred taxes recognised in the financial statements at 12.31.2015 are summarised in the following tables.

Pre-paid taxes were recorded for all temporary differences found between taxable income and profit before taxes under the assumption that there would be sufficient taxable income to “absorb” the temporary differences indicated below over the time frame indicated.

For each of the components indicated below, pre-paid and deferred taxes were

provisioned with a corporate income tax (IRES) rate of 27.5% for financial years 2015 and 2016 and 24% for subsequent financial years, in accordance with the provisions of the Stability Act for the year 2016, whereas the Regional Tax on Productive Activities (IRAP) rate was considered to be unchanged at 3.9%.

RECOGNITION OF DEFERRED AND PRE-PAID TAXES AND RESULTING EFFECTS

| | Amount | Amount | Amount |
|--|--------------|--------------|-------------|
| A) Temporary differences | IRES | IRAP | IRES |
| Total deductible temporary differences | (89,164,473) | (43,119,630) | |
| Total taxable temporary differences | 671,676,312 | 669,462,424 | |
| Net temporary differences | 760,840,785 | 712,582,054 | |
| B) Tax effects | | | |
| Fund for deferred (pre-paid) taxes resulting from contribution | 137,880,360 | 22,940,819 | 160,821,179 |
| Deferred (pre-paid) taxes for the year | 451,772 | 1,486,550 | 1,938,322 |
| Fund for deferred (pre-paid) taxes at end of year | 138,332,132 | 24,427,369 | 162,759,501 |

| Description | Amount of temporary differences resulting from contribution | Changes during the year | Amount of temporary differences at end of year | IRES rate | Tax effect of IRES | IRAP rate | Tax effect of IRAP |
|---|---|-------------------------|--|-----------|--------------------|-----------|--------------------|
| Deductible temporary differences (differences resulting in receivables for pre-paid taxes) | | | | | | | |
| foreign exchange translation losses | 7,540,095 | (99,770) | 7,440,325 | 27.50% | 27,437 | - | - |
| penalty interests | 62,810 | (11,991) | 50,819 | 27.50% | 3,298 | - | - |
| inventory write-downs | 84,179,927 | (47,187,647) | 36,992,281 | 27.50% | 12,976,603 | 3.90% | 1,840,318 |
| write-downs of property, plant and equipment for IRES purposes | 6,137,430 | (1,000) | 6,136,430 | 27.50% | 275 | - | - |
| write-downs of property, plant and equipment for IRAP purposes | 6,137,430 | (10,081) | 6,127,349 | - | - | 3.90% | 393 |
| supplemental agent indemnities | 265,976 | (4,830) | 261,146 | 24.00% | 1,124 | - | - |
| tax losses in FY 2015 | | 38,283,472 | 38,283,472 | 27.50% | (10,527,955) | - | - |
| Total | - | - | - | - | 2,480,781 | - | 1,840,711 |
| Taxable temporary differences (differences resulting in provisions for deferred taxes) | | | | | | | |
| foreign exchange translation gains | 510,987 | (396,450) | 114,537 | 27.50% | (109,024) | - | - |
| revaluations of property, plant and equipment for IRES purposes | 678,543,536 | (6,981,761) | 671,561,775 | 27.50% | (1,919,984) | - | - |
| revaluations of property, plant and equipment for IRAP purposes | 678,543,536 | (9,081,112) | 669,462,424 | - | - | 3.90% | (254,163) |
| insurance indemnities settled during following year | - | - | - | - | - | - | - |
| Total | - | - | - | - | (2,029,008) | - | (254,163) |

BREAKDOWN OF DEFERRED AND PREPAID TAXES BY TIME PERIOD

| Description | 2016 | 2017 | 2018 | 2019 | Beyond 2019 or non-predictable | Total |
|--|-------------------|------------------|------------------|------------------|-----------------------------------|-------------------|
| A) Taxable temporary differences | | | | | | |
| <i>Ires</i> | | | | | | |
| foreign exchange translation gains | 3,276,825 | | | | | 3,276,825 |
| revaluations of property, plant and equipment | 941,329 | | | | | 941,329 |
| <i>total</i> | 7,504,945 | 7,504,945 | 7,504,945 | 7,504,945 | 7,504,945 | 7,504,945 |
| <i>Irap</i> | | | | | | |
| revaluations of property, plant and equipment | 941,329 | | | | | 941,329 |
| <i>total</i> | 7,504,945 | 7,504,945 | 7,504,945 | 7,504,945 | 7,504,945 | 7,504,945 |
| <i>IRES</i> | 941,329 | 941,329 | 941,329 | 941,329 | 941,329 | 941,329 |
| <i>IRAP</i> | 941,329 | 941,329 | 941,329 | 941,329 | 941,329 | 941,329 |
| Total deferred taxes | 2,063,860 | 2,063,860 | 2,063,860 | 2,063,860 | 2,063,860 | 2,063,860 |
| B) Deductible temporary differences | | | | | | |
| <i>Ires</i> | | | | | | |
| foreign exchange translation losses | 6,081,433 | | | | | 6,081,433 |
| penalty interests | 161,870 | | | | | 161,870 |
| inventory write-downs | | | | | 14,355,108 | 14,355,108 |
| write-downs of property, plant and equipment for IRES purposes | | | | | 286,729 | 286,729 |
| tax losses in FY 2015 | 164,591 | | | | | 164,591 |
| <i>total</i> | 10,868,350 | 2,780 | 2,780 | 2,780 | 28,962,633 | 39,842,103 |
| <i>Irap</i> | | | | | | |
| inventory write-downs | | | | | 14,355,108 | 14,355,108 |
| write-downs of property, plant and equipment for IRAP purposes | 2,780 | 2,780 | 2,780 | 2,780 | 2,740 | 16,640 |
| <i>total</i> | 2,780 | 2,780 | 2,780 | 2,780 | 14,357,848 | 14,371,748 |
| <i>IRES</i> | 941,329 | 941,329 | 941,329 | 941,329 | 941,329 | 941,329 |
| <i>IRAP</i> | 941,329 | 941,329 | 941,329 | 941,329 | 941,329 | 941,329 |
| Total pre-paid taxes | 2,988,902 | 873 | 873 | 873 | 8,524,681 | 11,517,075 |

In conclusion, and in compliance with the provisions of OIC Document no. 25, two tables are provided that indicate the reconciliation of the expected tax burden, for IRES and IRAP respectively, with the effective tax burden.

RECONCILIATION BETWEEN ACTUAL TAX BURDEN AND THEORETICAL TAX BURDEN (IRES)

| 2015 | | |
|---|--------------------|--------------------|
| Statutory profit (+) / loss (-) before taxes | -41,734,543 | |
| Theoretical tax 27.5% on statutory result before taxes | | 0 |
| Effect of increases (+) / decreases (-) on ordinary tax rate | | IRES impact |
| Temporary increases | 7,440,325 | 2,046,089 |
| Temporary decreases | -114,537 | -31,498 |
| Absorption of temporary decreases | -54,739,734 | -15,053,427 |
| Absorption of temporary increases | 7,491,748 | 2,060,231 |
| Permanent increases | 44,721,188 | 12,298,327 |
| Permanent decreases | -1,347,920 | -370,678 |
| Total increases and decreases | 3,451,071 | |
| Tax loss for the year | -38,283,472 | |

RECONCILIATION BETWEEN THE ACTUAL TAX BURDEN AND THEORETICAL TAX BURDEN (IRAP)

| 2015 | | |
|---|--------------------|--------------------|
| Difference between value and cost of production | 2,979,050 | |
| Costs other than relevant for IRAP purposes | 27,969,643 | |
| Theoretical IRAP taxable amount | 30,948,693 | |
| Theoretical tax 3.9% on theoretical IRAP taxable amount | | 1,206,999 |
| Effect of increases (+) / decreases (-) on ordinary tax rate | | IRAP impact |
| Temporary increases | - | - |
| Absorption of temporary increases | 9,071,031 | 353,770 |
| Absorption of temporary decreases | -47,187,646 | -1,840,318 |
| Permanent increases | 1,965,189 | 76,642 |
| Permanent decreases | | 0 |
| Value of production before IRAP | -5,202,733 | -202,907 |
| IRAP deductions | -23,399,890 | |
| IRAP taxable income | -28,602,623 | |

NOTES - CASH-FLOW STATEMENT

No cash flow statement was completed because it is not obligatory and, furthermore, because this is the first financial year for the Company, it is hardly significant.

NOTES - OTHER INFORMATION

EMPLOYMENT DATA

Specific data on employees at 31 December 2015 is set forth below:

| Category | Time period | 2015 | |
|-----------------|-------------|----------------|----------------|
| | | Average number | at 31 December |
| Managers | month | 17 | 17 |
| Office workers | month | 583 | 582 |
| Factory workers | month | 2,134 | 2,139 |
| TOTAL | | 2,734 | 2,738 |

REMUNERATION TO DIRECTORS AND STATUTORY AUDITORS

In financial year 2015 no fees were paid to members of the Board of Directors. The fees owing to members of the Board of Statutory Auditors were determined in a Extraordinary Shareholders Meeting on 27 November 2015.

| | Value |
|---|--------------|
| Remuneration to Directors | 0 |
| Remuneration to Statutory Auditors | 3,640 |
| Total remuneration to Directors and Statutory Auditors | 3,640 |

REMUNERATION OF THE LEGAL AUDITOR OR THE INDEPENDENT AUDITOR

The audit firm MAZARS ITALIA Spa was charged with the responsibility for statutory audits of the annual financial statements, in compliance with and for the purposes and effects of Article 14 of Legislative Decree No. 39 of 27 January 2010, by the Extraordinary Shareholders Meeting on 27 November 2015 for a period of 3 financial years, and consequently until approval of the financial statements for financial year 2017.

Compensation was determined as follows:

- for the statutory audit for financial year 2015: a total of Euro 52,020, of which Euro 49,725 pertains to the audit of the annual financial statements and Euro 2,295 pertains to the fourth quarter accounting control;

- for the statutory audit for financial years 2016 and 2017: a total of Euro 58,905, of which Euro 49,725 pertains to the audit of the annual financial statements and Euro 9,180 pertains to the accounting control.

CATEGORIES OF SHARES ISSUED BY THE COMPANY

The company was organised in the form of a limited liability company on 29 May 2015 with share capital of Euro 10,000 divided into ownership interests in compliance with Article 2468 of the Italian Civil Code. As was previously stated, a capital increase of Euro 438,990,000 increase was decided on 28 October 2015, which brought the share capital to the figure of Euro 439,000,000, also divided into ownership shares in compliance with Article 2468 of the Italian Civil Code.

The Extraordinary Shareholders Meeting on 27 November 2015 decided to convert the company from a limited liability company to a public liability company, through the issuance of 439,000,000 ordinary shares with a value of Euro 1.00 each.

Subsequently the Extraordinary Shareholder Meeting on 18 December 2015 decided to increase the share capital to be paid in, from the amount of Euro 439,000,000 to Euro 496,118,598, and therefore by a total amount of Euro 57,118,598, by issuing additional ordinary shares to be offered as an option to the Sole Shareholder, with a value of Euro 1.00 each.

| Description | Initial balance, number | Initial balance, nominal value | Final balance, number | Final balance, nominal value |
|-----------------|-------------------------|--------------------------------|-----------------------|------------------------------|
| Ordinary shares | 0 | 0 | 496,118,598 | 496,118,598 |
| Total | 0 | 0 | 496,118,598 | 496,118,598 |

SECURITIES ISSUED BY THE COMPANY

None.

INFORMATION ON FINANCIAL INSTRUMENTS ISSUED BY THE COMPANY

The Company has not issued any financial instruments.

SUMMARY TABLE OF THE FINANCIAL STATEMENTS OF THE COMPANY EXERCISING MANAGEMENT AND CONTROL

The company is subject to management and coordination by the controlling company FINMAR SRL, which holds 13% of the share capital but 51.31% of the voting rights of the company Marcegaglia Holding spa, which holds 100% of the share capital of Marcegaglia Steel spa, which in turn holds 100% of the company's share capital. It is not possible to provide the information required by Article 2497-bis(4) of the Italian Civil Code, which is to say, a summary schedule of FINMAR srl's financial statement information, because the financial year ending 31 December 2015 is the aforementioned company's first company financial year, as it was organised on 29 May 2015.

NOTES

Final part

Significant changes in exchange rates

The changes in exchange rates that occurred after the end of the financial year have a positive effect on the valuation of the debt or credit positions in foreign currency as at 31 December 15.

Using the exchange rates at 29 April 2016 in fact, the net impact of the line items “foreign exchange translation gains” and “foreign exchange translation losses” (17bis of the Profit and Loss Account) improves by approximately Euro 7,3 million, with an equally positive effect on income.

Transactions with related parties

Marcegaglia Carbon Steel S.p.A.’s activity is primarily aimed at developing relations with parties who are not directly or indirectly related through equity investments, without, however, ignoring the appropriate synergies stemming from the commercial and financial relationships between the companies of a group characterised by effective and efficient horizontal and vertical integration. The Report on Operations indicates the book values of business activities with group entities, specifying that the transactions were carried out at arm’s length, as if they had been made between unrelated parties.

Property included in assets allocated for a specific business transaction

None.

Income from loans to be used for a specific business transaction

None.

Nature and economic purpose of agreements that do not appear from the Balance Sheet (“off balance sheet” transactions)

(Art. 2427(1)(22-ter))

The Company did not engage in any transaction falling under Article 2427(1) (22-ter) of the Italian Civil Code that has not already been disclosed in this document.

Fixed assets purchased before 17 April 1991 (art. 45(2) of Legislative Decree 127 of 9 April 1991)

It is certified that in respect of fixed assets purchased or produced prior to 17 April 1991, the original cost was already calculated and recognised in the accounting records.

Information on the “fair value” of financial instruments

The Company held the following derivatives as at the closing date of the financial statements.

Derivatives on interest rates:

at 31 December 2015 Marcegaglia Carbon Steel S.p.A. held “interest rate swaps”, both for the specific purpose of hedging some medium/long term variable-rate loans (whose reference parameter is the Euribor rate for the period), and for generally mitigating the risks connected to the financial expense deriving from variable-rate bank payables. However they are not related to the concept of a hedging transaction set forth in Article 112 (6) T.U.I.R.

The hedge instruments held provide for fixed-rate payments for Marcegaglia Carbon Steel S.p.A. vs. collections linked to the Euribor rate for the period, having the same duration and frequency of the loans to which they are linked.

Such instruments have a residual maturity of 2 years and a cumulative notional value of Euro 325 million at 31 December 2015. Their negative fair value (calculated with the mark-to-market approach at 31.12.2015) amounts to Euro 29,624,712. The fair value of hedged liabilities, i.e. the value of the principal of the cited bank loans, amounts to Euro 346,717,181 at 31 December 2015.

The interest rate swap are instead held for the purpose of generally mitigating the risks connected to the financial burden deriving from variable-rate bank payables, but they are not related to the concept of a hedging transaction set forth in Article 112(6) T.U.I.R. Interest rate swaps have a residual duration of 5 years and a cumulative notional value at 31 December 2015 of Euro 170,000,000. Comparing their fair value valuation cal-

culated by mark to market at 12.31.2015, equivalent to Euro -22,517,868, and their fair value calculated by mark to market at 10.31.2015 (effective date of the contribution), it appears that the specific risks fund created to hedge such liabilities had a net surplus of Euro 727,266.

Information pursuant to Article 27 of Legislative Decree 127/91 - Consolidated Financial Statements

The Company, together with its subsidiaries, exceeds the limits set forth in Article 27 of Legislative Decree 127/91; however, pursuant to par. 3 of such article there is no need to prepare consolidated financial statements because these Financial Statements are included in the consolidated financial statements prepared by the parent holding company Marcegaglia Holding S.p.A., having its registered office in Gazoldo degli Ippoliti (MN) - via Bresciani no. 16.

Information on the “national tax consolidation”

In financial year 2015 the option to adopt a consolidated taxation system on a national basis was not exercised.

Use of the operating result

We recommend carrying forward the financial year loss of Euro 43,672,864.79.

DECLARATION OF CONFORMITY

It is hereby stated that the valuation criteria reported herein conform to statutory regulations.

These Notes, as well as the entire financial statements of which it is an integral part, provides a true and accurate picture of the Company’s financial and equity position and its financial year results.

The representation of the values required by Article 2427 of the Italian Civil Code was prepared in conformity with the principle of clarity.

Gazoldo degli Ippoliti, 25 May 2016

The Chairman of
the Board of Directors
Antonio Marcegaglia



Financial Statements 2015

Marcegaglia Specialties

MARCEGAGLIA SPECIALTIES S.p.A.

Registered Office: via Bresciani, 16 - Gazoldo degli Ippoliti, Mantova - Italy

Share capital: Euro 161.000.000 fully paid up

Fiscal Code and VAT No.: 02466230204

Registered with the Mantua Chamber of Commerce and Administrative Economic Index [REA]
under No. 255217



Independent auditors' report in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 165 of Legislative Decree No. 165 of 24 February 1998

To the shareholders of
Marcegaglia Specialties S.p.A.

Report on the financial statements

We have audited the accompanying financial statements of Marcegaglia Specialties S.p.A., which comprises the balance sheet as of 31 December 2015, the income statement for the period then ended and the related explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of the financial statements that gives a true and fair view in compliance with the Italian laws governing the financial statements.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA Italia) drawn up pursuant to article 11, paragraph 3, of Legislative Decree No. 39/2010. 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 procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The 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 and fair presentation of the financial statements 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 financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Marcegaglia Specialties S.p.A. as of 31 December 2015 and the result of its operations for the year then ended, in accordance with the Italian laws governing the financial statements.

Emphasis of matter

The reorganisation operation

Without altering our opinion, we draw attention to the matter described more fully in the introduction to the explanatory notes with reference to the "important Reorganisation Operation (the OPERATION), designed essentially to split its activities based on a clear rationale, separating the core business sector (steel processing) from the diversified activities (tourism, energy, ...).

Although the business scope remains essentially unchanged, three operating companies have been formed, namely Marcegaglia Carbon Steel S.p.A., Marcegaglia Specialties S.p.A. and Marcegaglia Plates S.p.A. (the "Operating Companies"), to which, as from 1 November 2015, the businesses – including all Marcegaglia S.p.A.'s plants – relating to the "Flat" and "Welded Tubes" division, the "Stainless Products" and "Carbon Specialty Bars" division and the Quarto plate processing division, as well as the stakes in the foreign companies operating in the same business sectors were transferred.

Subsequently, the interests held by Marcegaglia S.p.A. in the three Operating Companies were transferred to a specially formed company, with the name of Marcegaglia Steel S.p.A. which is, therefore, now the Holding company for the core business sector."

Other aspects

Comparability with the previous financial year

As indicated by the directors in the notes to the financial statements, the company was formed on 29 May 2015. Therefore, the financial statements for the year ended at 31 December 2015, relating to the first year of operation of the company, do not indicate the previous year's figures.

Report on compliance with other laws and regulations

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

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 with the financial statements of Marcegaglia Specialties S.p.A. as of 31 December 2015. In our opinion, the report on operations is consistent with the financial statements of Marcegaglia Specialties S.p.A. as of 31 December 2015.

Verona, 30 May 2016

Mazars Italia S.p.A.
(signed on the original)
Alfonso Iorio
Partner – Registered Auditor

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

MARCEGAGLIA SPECIALTIES S.P.A.

BALANCE SHEET AS OF 31 DECEMBER 2015

ASSETS values in EUR

as of 12/31/2015

| A SHARE CAPITAL ISSUED AND NOT YET PAID | | |
|--|--|----------------------|
| 1 | Share capital issued and not yet paid uncalled | - |
| 2 | Share capital issued and not yet paid called | - |
| | Total Share capital issued and not yet paid A | - |
| B FIXED ASSETS | | |
| I | <i>Intangible fixed assets</i> | |
| 1 | Installation and expansion cost | 57,886 |
| 2 | Research, development and advertising cost | - |
| 3 | Industrial and other patent rights | 3,885 |
| 4 | Concessions, licenses, trademarks and similar rights | 197,650,000 |
| 5 | Goodwill | - |
| 6 | Assets under construction and advances | - |
| 7 | Other intangible assets | 4,012 |
| | Total intangible fixed assets (B-I) | 197,715,783 |
| II | <i>Tangible fixed assets</i> | |
| 1 | Land and buildings | 122,847,037 |
| 2 | Plant and machinery | 138,818,222 |
| 3 | Industrial and commercial equipment | 9,136,749 |
| 4 | Other goods | 827,982 |
| 5 | Construction in progress and advances | 39,129,073 |
| | Total tangible fixed assets (B-II) | 310,759,063 |
| III | <i>Financial assets</i> | |
| 1 | Investments: | |
| | - subsidiaries non consolidate | 2,828,802 |
| | - associated companies | - |
| | - other companies | - |
| | | 2,828,802 |
| 2 | Receivables | |
| | d) from others | |
| | - receivables within 12 months | - |
| | - receivables after 12 months | 20,665 |
| | | 20,665 |
| | Total financial assets (B-III) | 2,849,467 |
| | Total fixed assets B | 511,324,313 |
| C CURRENT ASSETS | | |
| I | <i>Inventory</i> | |
| 1 | Raw materials, auxiliary materials and spare parts | 104,741,093 |
| 2 | Work in progress | 94,093,751 |
| 3 | Contract work in progress | - |
| 4 | Finished goods | 132,111,477 |
| | Total inventory (C-I) | 330,946,321 |
| II | <i>Receivables</i> | |
| 1 | Trade receivables | |
| | - receivables within 12 months | 37,167,847 |
| | - receivables after 12 months | - |
| | | 37,167,847 |
| 2 | Receivables from subsidiaries | |
| | - receivables within 12 months | 52,057,295 |
| | - receivables after 12 months | - |
| | | 52,057,295 |
| 4 | Receivables from parent companies | |
| | - receivables within 12 months | 367 |
| | - receivables after 12 months | - |
| | | 367 |
| 4-bis | Tax debtors | |
| | - receivables within 12 months | 2,970,357 |
| | - receivables after 12 months | - |
| | | 2,970,357 |
| 4-ter | Deferred tax liabilities | |
| | - receivables within 12 months | 10,260,414 |
| | - receivables after 12 months | 1,129 |
| | | 10,261,543 |
| 5 | From others | |
| | - receivables within 12 months | 188,223,039 |
| | - receivables after 12 months | - |
| | | 188,223,039 |
| | Total receivables (C-II) | 290,680,448 |
| IV | <i>Cash and banks</i> | |
| 1 | Bank and postal deposits | 1,014,998 |
| 2 | Cheques | - |
| 3 | Cash on hand | 1,160 |
| | Total cash and banks (C-IV) | 1,016,158 |
| | Total current assets C | 622,642,927 |
| D PREPAYMENTS AND ACCRUED INCOME | | |
| | Others prepayments and accrued income | 3,708,352 |
| | Deferred discount on loans | - |
| | Total prepayments and accrued income D | 3,708,352 |
| | TOTAL ASSETS | 1,137,675,592 |

LIABILITIES values in EUR

as of 12/31/2015

| | | |
|---|---|----------------------|
| A SHAREHOLDERS' EQUITY | | |
| I | Share capital | 161,000,000 |
| II | Share premium reserve | 2,518,961 |
| III | Revaluation reserve | - |
| IV | Legal reserve | - |
| VII | Other reserves | - |
| | - Euro rounding difference | 2 |
| | Total reserves (VII) | 2 |
| VIII | Profits (losses) carried forward | - |
| IX | Profit (loss) for the year | (17,056,079) |
| | Total shareholders' equity | 146,462,884 |
| B PROVISIONS FOR CONTINGENCIES AND COMMITMENTS | | |
| 1 | Provision for severance indemnities and similar commitments | 802 |
| 2 | Provision for deferred taxes | 117,526,016 |
| 3 | Other provisions | 22,777,215 |
| | Total Provisions for contingencies and commitments B | 140,304,033 |
| C STAFF LEAVING INDEMNITY | | |
| | Total staff leaving indemnity C | 3,618,952 |
| D PAYABLES | | |
| 4 | Banks loans and overdrafts | |
| | - payables within 12 months | 13,241,860 |
| | - payables after 12 months | - |
| | | 13,241,860 |
| 6 | Advances | |
| | - payables within 12 months | 400,000 |
| | - payables after 12 months | - |
| | | 400,000 |
| 7 | Trade payables | |
| | - payables within 12 months | 264,471,430 |
| | - payables after 12 months | - |
| | | 264,471,430 |
| 9 | Payables to subsidiaries | |
| | - payables within 12 months | 2,165,882 |
| | - payables after 12 months | - |
| | | 2,165,882 |
| 11 | Payables to parent companies | |
| | - payables within 12 months | 494,204,447 |
| | - payables after 12 months | - |
| | | 494,204,447 |
| 12 | Taxes payable | |
| | - payables within 12 months | 2,849,955 |
| | - payables after 12 months | - |
| | | 2,849,955 |
| 13 | Social security payables | |
| | - payables within 12 months | 2,336,220 |
| | - payables after 12 months | - |
| | | 2,336,220 |
| 14 | Other payables | |
| | - payables within 12 months | 67,561,883 |
| | - payables after 12 months | - |
| | | 67,561,883 |
| | Total Payables D | 847,231,677 |
| E PREPAYMENTS AND ACCRUED INCOME | | |
| | Others prepayments and accrued income | 58,046 |
| | Deferred discount on loans | - |
| | Total prepayments and accrued income E | 58,046 |
| TOTAL LIABILITIES | | 1,137,675,592 |
| MEMORANDUM ACCOUNTS | | |
| RISKS | | |
| | Bank Guarantees: to subsidiaries | 15,040,107 |
| | to associated companies | - |
| | to parent company | 823,984,492 |
| | to affiliated companies | - |
| | to other companies | 466,532 |
| | Total Bank Guarantees | 839,491,131 |
| | Real securities: to affiliated companies | 258,175,174 |
| | Total real securities | 258,175,174 |
| | Total risks | 1,097,666,305 |
| UNDERTAKINGS | | |
| | Total undertakings | 77,309 |
| TOTAL MEMORANDUM ACCOUNTS | | 1,097,743,614 |

MARCEGAGLIA SPECIALTIES S.P.A.

PROFIT AND LOSS ACCOUNT AS OF 31 DICEMBRE 2015

values in EUR

year 2015

| A VALUE OF PRODUCTION | |
|---|--|
| 1 | Revenues from sales and services |
| 2 | Changes in work in progress and finished goods |
| 3 | Variations in contracted work in progress |
| 3.1 | Variations of other inventories |
| 4 | Increase in internal construction capitalized |
| 5 | Other income |
| | - grants and subsidies |
| | - others income |
| | Total other income (5) |
| | Total Value of production A |
| B COST OF PRODUCTION | |
| 6 | Cost of raw materials, auxiliary materials, spare parts and goods |
| 7 | Costs for services |
| 8 | Cost for utilization of third parties' assets |
| 9 | Personnel costs |
| | a) salaries and wages |
| | b) social contributions |
| | c) staff leaving indemnity |
| | d) other social contributions |
| | e) other costs |
| | Total Personnel costs (9) |
| 10 | Depreciation and write downs |
| | a) amortization of intangible assets |
| | b) depreciation of tangible fixed assets |
| | c) other write downs of assets |
| | d) write down of receivables recorded among current assets |
| | Total Depreciation and write downs (10) |
| 11 | Change in inventory of raw materials, auxiliary materials, spare parts and goods |
| 12 | Accruals for contingencies |
| 13 | Other accruals |
| 14 | Other operating charges |
| | Total Cost of production B |
| | Difference between value of production and costs of production A - B |
| C FINANCIAL INCOME AND CHARGES | |
| 15 | Income from investments: |
| | - dividends from subsidiaries |
| | - dividends from associated companies |
| | - dividends other income from investments |
| | Total income from investments (15) |
| 16 | Other financial income: |
| | d) financial income: |
| | - interest income from subsidiaries |
| | - interest income from associated companies |
| | - interest income from parent companies |
| | - other financial income |
| | Total other financial income (d) |
| | Total other financial income (16) |
| 17 | Interest and other financial charges: |
| | - interest paid to subsidiaries |
| | - interest paid to associated companies |
| | - interest paid to parent companies |
| | - other financial charges |
| | total interest and other financial charges (17) |
| 17-bis | Exchange gains/losses |
| | Total financial income and charges C |
| D RETTIFICHE DI VALORE DI ATTIVITÀ FINANZIARIE | |
| 19 | Write down |
| | of investments in share capital |
| | other investments |
| | securities recorded as current assets |
| | Total write down (19) |
| | Total adjustments to the value of financial operations D |

values in EUR

year 2015

| E EXTRAORDINARY INCOME AND EXPENSES | |
|--|---|
| 21 | Expenses: |
| | - losses on disposal of assets |
| | - income taxes relating to previous periods |
| | - Euro rounding difference |
| | - other extraordinary charges |
| | Total expenses (21) |
| | Total extraordinary income and expenses E |
| PROFIT (LOSS) BEFORE TAXATION A-B+/-C+/-D+/-E | |
| | Profit (loss) before taxation A-B+/-C+/-D+/-E |
| | (13,681,897) |
| 22 | Income taxes for the period deferred assets/liabilities |
| | - Income tax |
| | - Deferred tax |
| | - Prepaid tax |
| | - Income (expenses) from fiscal consolidation |
| | Total income taxes for the period deferred assets/liabilities (22) |
| | (3,374,182) |
| PROFIT (LOSS) FOR THE PERIOD | |
| | (17,056,079) |

NOTES

PRELIMINARY REMARKS

In 2015 Marcegaglia S.p.A. (which became Marcegaglia srl on 30 October and was merged by incorporation with Marfin srl effective 31 December) completed an important Reorganisation Operation (the OPERATION), the basic purpose of which was to split its activities based on a clear rationale, separating its core business (steel processing) from its diversified businesses (tourism, energy, etc.). While keeping the corporate consolidation area basically unchanged, three operating companies were established, **Marcegaglia Carbon Steel S.p.A.**, **Marcegaglia Specialties S.p.A.** and **Marcegaglia Plates S.p.A.** (the “Operating Companies”), to which, effective 1 November 2015, business units were contributed - including all Marcegaglia S.p.A. plants - namely the “Flat” and “Welded Tubes” division, the “Stainless Products” and “Carbon Specialty Bars” division, and the division responsible for the processing of rolled heavy plates (Quarto Plate), as well as equity stakes in foreign operating companies in the same sectors.

Subsequently, the equity stakes held by Marcegaglia S.p.A. in the three Operating Companies were transferred to a newly established company named Marcegaglia Steel S.p.A., which therefore constitutes the holding company for the *core business* sector.

Basis of presentation of the Financial Statements

The Financial Statements for the financial year ended at 31 December 2015 were prepared according to the provisions of Articles 2423 et seq. of the Italian Civil Code, supplemented by the accounting standards prepared by the Italian Accounting Standards Board (Organismo Italiano di Contabilità, OIC), and, where missing and applicable hereto, by the International Accounting Standards issued by the IASB.

Specifically, the general provisions for the composition of the Financial State-

ments (Article 2423 of the Italian Civil Code), the preparation principles (Article 2423-bis) and the valuation criteria established for individual line items (Article 2426) were complied with, without applying any of the exceptions provided by Article 2423(4) of the Italian Civil Code.

The Balance Sheet and the Profit and Loss Account were prepared according to the statutory layouts provided by the Italian Civil Code. The provisions of Art. 2423-ter of the Italian Civil Code with respect to the structure of the Balance Sheet and Profit and Loss Account were adhered to. No further divisions or groupings were carried out for any of the line items preceded by Arabic numerals. No new line items were inserted, and no modifications were made to those specified in the mandatory formats since they were deemed to be sufficient for the purposes of providing a clear, truthful and accurate representation of the Company’s balance sheet, financial position and operating results for the year.

The Financial Statements for the year ended at 31 December 2015 were prepared in units of Euro. Any differences from rounding off the values expressed in Euro are allocated to a specific shareholders’ equity reserve and in line item E) of the Profit and Loss Account “Extraordinary income and expenses”.

Comparison with the previous financial year

It is indicated that the company was established on 29 May 2015 with a notary deed executed by Mantua Notary Massimo Bertolucci, notary registry no. 75.565 file no. 29.182. Consequently the column for the prior financial year in the Balance Sheet and in the Profit and Loss Account is not indicated, notwithstanding the provisions of Article 2423-ter of the Italian Civil Code.

Classification criteria

In preparing the Financial Statements as at 31 December 2015, the following classification criteria were used:

a. the asset line items of the Balan-

ce Sheet were classified on the basis of their relevant use by the Company, while the liability line items were classified according to their nature;

b. the Profit and Loss Account was prepared considering three distinct classification criteria, specifically:

- the breakdown of the entire operating area into the four sub-areas specified by the statutory layout;
- the prevalence of the nature of costs in respect of their use;
- the need to properly recognise the interim results in respect of the formation of the operating result.

Other information

On 28 October 2015 the Extraordinary Shareholders Meeting decided to increase the Company’s share capital from Euro 10,000 to Euro 161,000,000.00. The aforementioned increase was fully subscribed by Marcegaglia S.p.A. on 30 October 2015.

By an act of Notary Massimo Bertolucci in Mantua on 30 October 2015, as legal release for the aforementioned capital increase, Marcegaglia S.p.A. has transferred the corporate division that relates to: (i) the production of “stainless tubes”, that is to say welded stainless steel tubes, hot and cold rolled strips (with several different heat treatments and surface finishing options), and the “stainless bars” consisting of stainless steel bright bars and flat stainless steel bars (flat bars); (ii) the production of stainless steel coils, hot rolled and cold rolled steel, hot rolled and cold rolled stainless steel sheets and strips; as well as (iii) the production of carbon steel cold drawn bars, with low and high carbon steel grinding (non alloyed) and sulphur leaded steel (free-cutting steel / high speed steel).

These activities are carried out in the plants in Gazoldo degli Ippoliti, Contino di Volta Mantovana and Forlimpopoli, all plants the property of which was included in the aforementioned contribution. Said contribution was postponed in order to enter into effect at 12 midnight on 1 November 2015.

Pursuant to Article 2427(1)(22 bis) of the Italian Civil Code, it is noted that there are no transactions for significant amounts with related parties other than arm's length transactions.

Reference is made to the Report on Operations with specific regard to relations with subsidiaries and associates.

Marcegaglia Specialties S.p.A. did not engage in any transaction falling among the cases governed by Article 2427(1)(22 ter) of the Italian Civil Code that have not already been disclosed in this document.

Reference to the Report on Operations

In respect of information regarding:

- the nature of the business
 - significant events that occurred after the end of the financial year
 - relations with subsidiaries, associates, parent companies and companies subject to the control of the latter
- reference is made to the *Report on Operations*.

Asset or liability items of the Balance Sheet included in more than one line item of the statutory layout

(Art. 2424(2) of the Italian Civil Code)

In order to understand the Financial Statements, it is unnecessary to specify in these Notes the items belonging to the Balance Sheet line items that are included in more than one line item of the statutory layout.

Memorandum Accounts

(Art. 2424(3) of the Italian Civil Code)

Memorandum Accounts are represented in a specific table included at the bottom of the Balance Sheet.

Recognition of revenue, income, costs and expenses in the Profit and Loss Account

(Art. 2425-bis of the Italian Civil Code)

Revenues and income, costs and expenses are indicated in the Profit and Loss Account net of returns, discounts, allowances and premiums, as well as taxes directly related to the sale of products and the provision of services.

PRINCIPLES USED TO MEASURE THE LINE ITEMS OF THE FINANCIAL STATEMENTS, THE ADJUSTMENTS OF VALUE AND THE CONVERSION OF VALUES ORIGINALLY NOT EXPRESSED IN A CURRENCY RECOGNISED AS LEGAL TENDER IN ITALY (Art. 2427(1)(1))

The line items in the Financial Statements were measured for the company as an ongoing concern based on general principles of caution and on an accrual basis and considering the economic function of each asset and liability item.

The valuation criteria used for the individual line items of the Financial Statements comply with the provisions of Article 2426 of the Italian Civil Code.

In particular:

Intangible Fixed Assets

Intangible fixed assets are recognised at the contribution value plus any purchase costs, inclusive of directly attributable ancillary costs, and refer to costs having proven multi-year usefulness, recognised among assets net of the relevant amortisation.

Among the *intangibles* subject to transfer there is also the 'Marcegaglia' brand name, both in its patronymic variation and in the 'MM Marcegaglia' figurative form (represented by two mirroring capital "M" letters). The word mark 'Marcegaglia' has been protected by the transferring company Marcegaglia S.p.A. by filing of several applications for word mark, in order to guarantee, in relation to the goods and services claimed, the exclusive use of the word or expression subject to the filing, whichever form and character is used. The figurative trademark 'MM Marcegaglia', used by the transferring company Marcegaglia S.p.A. since 1969 in accounting, administrative, advertising and promotional material, in exhibitions and fairs, in the press and on the products, has been in extremely widespread use, in order to generate that level of general awareness required by Italian law (and by some other countries) to give "rise" to a so-called common law / unregistered trademark, which allows the user to claim exclusive rights over the use of the mark used in relation to the products for which it was used. In 2015, as part of the company reorganisation, the transferring company Marcegaglia S.p.A. has, however, commenced the filing of a series of trademark applications concerning the figurative mark.

The aforementioned trademarks were filed mainly for the following products:

- *Classe 6*: common metals and their alloys, including steel, metal construction materials, metal transportable buildings; metal materials for railways; aluminium tubes; metal building panels; strips and sheets; bright bars drawn and steel sections; metal coverings; metal scaffolding; fences; minerals; common metals and their alloys; metal strips; non-electric metal cables and wires; metal structures; safes; metal fancy goods; metal security barriers for roads; steel pipes; steel strips; metal sheets; metal fences; metal gates; metal enclosures;
- *Classe 37*: construction of metallurgical plants and facilities and for the production of energy; painting work;
- *Classe 39*: distribution of steel products; travel arrangements;
- *Classe 42*: services in the steel industry and its applications, in particular designing, testing and commissioning of plants for the processing of steel; services in relation to environmental protection, ecological research, analysis and consulting;
- *Classe 43*: hotel services.

In the expert's report annexed to the deed of transfer, the appraiser has attributed to the trademark a value of Euro 201 million (before the resulting deferred taxes), considering a royalty rate of 0.81% and expected sales revenue on a time horizon of 20 years.

With reference to the systematic allocation over time of the trademark registration cost, equal to the estimated value, it was considered prudent to ascribe to the profit

and loss account a constant rate of amortisation over a period of 10 years. For the year 2015, amortisation was calculated only for 2 months, as the transfer was concluded on 1 November 2015.

Furthermore the trademark is also used by the other two companies born from the spin-off of the previous business activities performed by the transferring company Marcegaglia S.p.A., namely Marcegaglia Carbon Steel S.p.A. and Marcegaglia Plates S.p.A. To this end, the company charges annually royalties to the aforementioned companies amounting to 0.81% of their respective revenues.

For the year 2015 the total amount of royalties charged totalled Euro 2,698,829 (of which Euro 2,528,638 to Marcegaglia Carbon Steel S.p.A. and Euro 170,191 to Marcegaglia Plates S.p.A.), recorded in item A5) Other Revenues and income in the profit and loss account.

The breakdown of intangible fixed assets can be summarised as follows:

| Line items of the Financial Statements | Amortisation rate | Book value as at 12/31/2015 |
|--|-------------------|-----------------------------|
| Start-up and expansion costs Company establishment costs and costs connected to the increase in share capital and the contribution | 20% | 57,886 |
| Industrial patent rights and intellectual property rights Patent n° ud99a000054-disp. towing chains bar Licenses and software for production management and data transmission | 20% 33% | 0 3,885 |
| Concessions, licenses, trademarks and similar Trademark "MM Marcegaglia" | 10% | 197,650,000 |
| Other intangible fixed assets MES software development expenses for supervision of the stainless steel area | - | 4,012 |
| Total intangible fixed assets | | 197,715,783 |

Property, plant and equipment

Property, plant and equipment are recorded in the financial statements at the contribution value plus any purchase costs, including directly chargeable incidental charges or production costs.

Routine depreciation on property, plant and equipment originating from the contribution transaction discussed above is computed on the average useful life by categories of assets in a valuation prepared by an expert appointed in compliance with Article 2465(1) of the Italian Civil Code, the corresponding straight line rates for which are:

| Line items of the Financial Statements | Depreciation rate |
|---|-------------------|
| Buildings (B II 1) | 4.17% |
| Light constructions (B II 1) | 9.09% |
| Large plants and specific machinery (B II 2) | 11.11% |
| Annealing furnaces (B II 2) | 33.33% |
| Generic plants and machinery (B II 2) | 8.33% |
| Purification plants (B II 2) | 10.00% |
| Miscellaneous equipment (B II 3) | 25.00% |
| Internal means of transport (B II 3) | 25.00% |
| Furniture and office equipment (B II 4) | 14.29% |
| Electronic office equipment (B II 4) | 33.33% |
| Cars (B II 4) | 25.00% |
| Lorries and trailers (B II 4) | 50.00% |
| Furniture and decor (B II 4) | 12.50% |

With regard to the depreciation rates to be applied to property, plant and equipment acquired after the contribution transaction, certain rates are to be applied in relation to the remaining possibility of use of the assets, in compliance with the provisions of Article 2426(1)(2) of the Italian Civil Code.

Ordinary maintenance costs are entirely allocated to the Profit and Loss Account; maintenance costs that increase the useful life of the assets to which they refer are attributed to such assets and depreciated in relation to their residual potential uses. Leased assets are recognised among assets in the financial year in which the relevant redemption right was exercised.

The depreciation rates actually applied to property, plant and equipment acquired after to the contribution transaction are stated in the following schedule:

| Line items of the Financial Statements | Depreciation rate |
|---|-------------------|
| Buildings (B II 1) | 2.5% - 3.5% |
| Light constructions (B II 1) | 10% |
| Large plants and specific machinery (B II 2) | 8% |
| Annealing furnaces (B II 2) | 12% |
| Generic plants and machinery (B II 2) | 5% - 8% |
| Purification plants (B II 2) | 8% |
| Miscellaneous equipment (B II 3) | 15% |
| Internal means of transport (B II 3) | 15% |
| Furniture and office equipment (B II 4) | 12% |
| Electronic office equipment (B II 4) | 20% |
| Cars (B II 4) | 25% |
| Lorries and trailers (B II 4) | 20% |
| Furniture and decor (B II 4) | 10% - 15% |

In the 2015 financial year the above rates were prorated for the period of actual use by the company, applying a factor of 2/12, which period coincided with the contribution of the corporate division discussed above.

The market value of the asset covered by a lease agreement received under the contribution was recorded under property, plant and equipment in progress net of payables to the leasing company and adjusted for the implicit lease rate. The recognised value, gross of the corresponding deferred taxes, amounts to Euro 28,405,028.

This value shall increase the redemption value of the asset (redemption scheduled for financial year 2018) and at that point in time the depreciation process shall begin. This accounting approach is consistent with the indications contained in the expert valuation prepared for

the purposes of the contribution in compliance with Article 2465(1) of the Italian Civil Code, and with recent guidance regarding the normal value of current lease agreements that are contributed.

Financial fixed assets

Equity investments in subsidiaries and associates, whether in the form of shares or not, are valued in compliance with the provisions of Article 2426(I)(3), in accordance with the cost criterion, corresponding to the contribution value and/or purchase cost with respect to increases as a result of transactions occurring after said contribution, plus any increases due to waiver of receivables from investee companies to cover the losses of said companies and, if appropriate, they shall be written down in the event of losses that are considered to be long-lasting.

In the latter case, the original value of the equity investment is restored in subsequent financial years if the reasons for the write-down no longer exist.

For equity investments in subsidiaries and associates measured on the basis of historical cost (potentially adjusted in compliance with the above provisions), the value corresponds to the share of shareholders' equity emerging from the latest financial statements approved by the subsidiary.

The greater value recognised using the principle of historical cost, with respect to the value calculated using the equity method, is justified by:

- impairment losses other than long-lasting due to contingent market situations, the start-up phase, or major corporate re-organisations;
- recognition, at the time the equity investment is made, of a value in excess of shareholders' equity due to specific characteristics of the company acquired;
- valuation of the company on the basis of expected high income due to its significant presence in national and international markets as an industry leader.

It is noted that in financial year 2015, given the continuation of some significant losses, above all in respect of foreign (even indirect) subsidiaries, and as a conse-

quence of the loss of value of some foreign currencies, by now considered to be long-lasting, the book value of some equity investments was subject to write-downs.

These write-downs were recognised in line item D19 of the Profit and Loss Account, "Equity investment write-downs".

The write-downs recognised in line item D19 of the Profit and Loss Account are broken down as follows:

| Corporate name of the company subject to write-down | Amount of the 2015 write-down |
|--|-------------------------------|
| Marcegaglia USA Inc. | 17,983,363 |
| Mariven Srl | 4,962,945 |
| Total write-downs of long-term equity investments in subsidiaries | 22,946,308 |

The counter-entry for these write-downs, for the part exceeding the book value of the equity investments themselves, is a provision for future liabilities allocated under heading B 3) Provisions for risks and charges - Other liabilities.

Long-term receivables were measured on the basis of their nominal value.

Further, it is noted that long-term equity investments and receivables in foreign currency are recognised at the exchange rate at the time of their purchase, or at the lower exchange rate at the end of the financial year, if the impairment is considered to be long-lasting.

Inventory

Inventory is recognised at the lower of purchase cost or production cost, calculated as specified below, and the estimated sales value that can be inferred from market trends. The purchase cost includes ancillary costs of transportation and customs clearance of raw materials; production costs include all of the costs directly allocated to the product (raw materials and subsidiary materials, direct labour, depreciation of the capital goods used in production), in addition to the portion of indirect industrial costs relating to the manufacturing period (maintenance costs, consumables, electric power, outsourced processes, etc.).

The value of the final inventory was calculated using the weighted average cost method.

Inventories other than interchangeable assets are recognised among the inventories of finished products and are measured at purchase cost or production cost calculated according to Article 2426(1) of the Italian Civil Code, since said cost is deemed not to exceed the estimated sales market value.

The line item Raw materials, subsidiary materials and consumables also includes inventories of subsidiary materials and consumables such as paints, lubricants, fuels, zinc and miscellaneous materials in general.

Such inventories are recognised in the financial statements at the lesser of the value calculated by the moving average and their replacement value inferred from market trends.

Inventory other than interchangeable assets are recognised at purchase cost or production cost, calculated according to Article 2426(1) of the Italian Civil Code, since they are deemed not to exceed their estimated realisable market value.

Receivables

Receivables are recognised in the Financial Statements at their nominal value; such value is reduced to the estimated realisable value through specific provisions. Receivables in foreign currency under current assets in the Financial Statements as at 12/31/2015 are measured at the exchange rate at the end of the financial year; the difference in respect of the original recognised amount is indicated in line item C.17-bis of the Profit and Loss Account (foreign exchange gains and losses).

The breakdown of receivables recognised in the Financial Statements as at 31 December 2015 is indicated in the following tables:

| Description | Receivables held as financial fixed assets | |
|-------------------------|--|------------------------------|
| | due within the following year | due after the following year |
| Nominal value | | 20,665 |
| Amortisation funds | | - |
| Recognised value | | 20,665 |

Said receivables mostly refer to security deposits for utilities and leases.

| Description | Receivables held as current assets | |
|---|------------------------------------|------------------------------|
| | due within the following year | due after the following year |
| Trade receivables | | |
| Nominal value | 37,167,847 | |
| Amortisation funds | - | |
| Total value recognised in the financial statements | 37,167,847 | |
| Receivables from subsidiaries | | |
| Nominal value | 62,057,295 | |
| Amortisation funds | 10,000,000 | |
| Total value recognised in the financial statements | 52,057,295 | |
| Receivables from associates | - | |
| Receivables from parent companies | 367 | |
| Tax receivables | 2,970,357 | |
| Receivables for pre-paid taxes | 10,260,414 | 1,129 |
| Receivables from others | 188,223,039 | |
| Total receivables held as current assets | 290,679,319 | 1,129 |

Equity investments and securities not held as fixed assets

The general standard provides that equity investments and securities recognised in current assets be measured at the lesser amount between cost and the realisable value that can be inferred from the market trend. The Company uses the specific cost method; in the case of interchangeable securities the weighted average cost criteria is used, considering potential issue discounts.

It is clear that if in the following years the reasons for the write-down made in previous financial years to align the security to the realisable value no longer exist, its relative value is adjusted to market value until it reaches the original cost.

Cash and cash equivalents

Cash and cash equivalents (bank and postal deposits, cash and cash on hand) are recognised based on their actual worth.

Cash line items and shareholders' equity

These are measured at nominal value.

Risk Funds

Risk and expense funds are allocated in the Financial Statements in order to cover losses or liabilities having a specific, certain or probable nature, for which the amount or realisable date cannot be de-

termined at the end of the financial year. The allocations reflect the best possible estimate based on available information.

Employee severance pay

Provisions are made in conformity with law and outstanding labour contracts, and reflect liabilities accrued with respect to all employees at the date of the Financial Statements. According to the provisions of the Italian Accounting Standards Board in its appendix of 26 September 2007 to Guideline no. 1 relating to the transition to the IAS, the Severance pay fund recognised in the Financial Statements at 31 December 2015 is net of the share paid to supplementary pension schemes or to the "Fund for paying severance pay to employees in the private sector pursuant to Article 2120 of the Italian Civil Code", known as the INPS Treasury Fund, in accordance with Legislative Decree 252/2005, Article 1(755 et seq. and 765) of Law 296/2006 and Articles 1 and 3 of Ministerial Decree 01/30/2007.

Payables

Payables are measured at their nominal value. This item includes liabilities that are certain and specific in terms of their amount and date incurred.

Accruals and deferrals

Accruals and deferrals are calculated on an accrual basis accounting of the cost and revenues to which they refer.

Revenues

Revenue from the sale of products is recognised at the time of transfer of ownership, which occurs upon the shipment of the goods, or when the customer takes delivery of the goods. Revenue from services is recognised at the time of completion of such service. In both cases, obviously, also according to the contractual terms agreed with the customer.

Income taxes

Income taxes are calculated based on the charge accrued in the financial year. The debt recognised in the Balance Sheet liabilities is indicated net of advance payments, withholdings and tax receivables.

Deferred taxes are calculated based on the temporary differences between the value attributed to assets and liabilities according to statutory and tax criteria.

Pre-paid taxes are recognised among assets in the Balance Sheet, to the extent that there is a reasonable certainty of realising future profits capable of reabsorbing the previous temporary differences.

Exchange rate differences from forex transactions and conversion criteria for items in foreign currency

Receivables and payables expressed in foreign currencies are originally converted into the accounting currency on the basis of the exchange rates at the date of the relevant transactions. The exchange rate differences inherent in the receipt of receivables and the payment of liabilities in foreign currency are recognised in the Profit and Loss Account in line item C.17-bis.

Pursuant to Article 2426(8 bis) of the Italian Civil Code, outstanding receivables and payables in foreign currency at 31 December 2015 have been converted at the exchange rates of the last day of the financial year and the relevant foreign exchange gains and losses were allocated to the Profit and Loss Account, again to line item C.17-bis.

Dividends

Dividends were recognised in the financial year in which they were cashed.

NOTES - ASSETS

INTANGIBLE FIXED ASSETS

The following table shows the changes in intangible fixed assets, specifying for each line item:

- the cost;
- previous revaluations, amortisation and write-downs;
- increases, transfers to another line item, and decreases occurred during the year;
- revaluations, amortisation and write-downs made during the year.

CHANGES IN INTANGIBLE FIXED ASSETS

| | Start-up and expansion costs | Industrial patent rights and intellectual property rights | Concessions, licences, trademarks and similar rights | Goodwill | Fixed assets in progress and advance payments | Other multi-year costs | Total |
|------------------------------------|------------------------------|---|--|----------|---|------------------------|--------------------|
| Value at beginning of year | | | | | | | |
| Cost | - | - | - | - | - | - | 0 |
| Amortisation for previous years | - | - | - | - | - | - | 0 |
| Book value | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Changes during the year | | | | | | | |
| Increases due to acquisitions | 59,882 | 4,453 | 201,000,000 | 0 | 0 | 4,681 | 201,069,016 |
| Disposals for the year | - | - | - | - | - | - | 0 |
| Ordinary amortisation for the year | 1,996 | 568 | 3,350,000 | - | - | 669 | 3,353,233 |
| Total changes | 57,886 | 3,885 | 197,650,000 | 0 | 0 | 4,012 | 197,715,783 |
| Value at end of year | | | | | | | |
| Cost | 59,882 | 4,453 | 201,000,000 | 0 | 0 | 4,681 | 201,069,016 |
| Accumulated amortisation | 1,996 | 568 | 3,350,000 | 0 | 0 | 669 | 3,353,233 |
| Book value | 57,886 | 3,885 | 197,650,000 | 0 | 0 | 4,012 | 197,715,783 |

The following schedule shows the increases due to acquisitions resulting from the corporate division contribution and from actual purchases made during the financial year.

| | Start-up and expansion costs | Industrial patent rights and intellectual property rights | Concessions, licences, trademarks and similar rights | Goodwill | Fixed assets in progress and advance payments | Other multi-year costs | Total |
|--------------------------------------|------------------------------|---|--|----------|---|------------------------|--------------------|
| Increases due to acquisitions | | | | | | | |
| Net book value contributed | 0 | 4,453 | 201,000,000 | 0 | 0 | 4,681 | 201,009,134 |
| Purchases during the year | 59,882 | | | | | | 59,882 |
| Increases due to acquisitions | 59,882 | 4,453 | 201,000,000 | 0 | 0 | 4,681 | 201,069,016 |

Start-up and expansion costs, research and development costs and advertising expenses

The start-up and expansion costs recognised pertain to company establishment costs, share capital increase costs, and costs for the contribution executed at the end of October 2015. There are no research and development costs, nor capitalised advertising costs.

PROPERTY, PLANT AND EQUIPMENT

Changes in property, plant and equipment

The following table shows the changes in property, plant and equipment, specifying for each line item:

- the cost;
- previous revaluations, depreciations and write-downs;
- increases, transfers to another line item, and decreases occurred during the year;
- revaluations, depreciations and write-downs made during the year.

PROPERTY, PLANT AND EQUIPMENT

| | Land and buildings | Plant and machinery | Industrial and commercial equipment | Other assets | Fixed assets in process | Advance payments | Total |
|--|--------------------|---------------------|-------------------------------------|----------------|-------------------------|------------------|--------------------|
| Value at beginning of year | | | | | | | |
| Cost | - | - | - | - | - | - | - |
| Revaluations | - | - | - | - | - | - | - |
| Depreciation | - | - | - | - | - | - | - |
| Write-downs | - | - | - | - | - | - | - |
| Book value | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Changes during the year | | | | | | | |
| Increases due to acquisitions | 123,539,128 | 141,277,429 | 9,528,529 | 867,359 | 37,520,617 | 1,729,965 | 314,463,027 |
| Reclassification (book value) | - | 93,306 | - | - | (93,306) | - | 0 |
| Decreases due to transfers and disposals (in the book value) | - | - | - | - | - | 28,203 | 28,203 |
| Depreciation during the year | 692,091 | 2,552,513 | 391,780 | 39,377 | - | - | 3,675,761 |
| Write-downs during the year | - | - | - | - | - | - | 0 |
| Total changes | 122,847,037 | 138,818,222 | 9,136,749 | 827,982 | 37,427,311 | 1,701,762 | 310,759,063 |
| Value at end of year | | | | | | | |
| Cost | 123,539,128 | 141,370,735 | 9,528,529 | 867,359 | 37,427,311 | 1,701,762 | 314,434,824 |
| Revaluations | - | - | - | - | - | - | 0 |
| Depreciation | 692,091 | 2,552,513 | 391,780 | 39,377 | 0 | 0 | 3,675,761 |
| Write-downs | - | - | - | - | - | - | - |
| Book value | 122,847,037 | 138,818,222 | 9,136,749 | 827,982 | 37,427,311 | 1,701,762 | 310,759,063 |

The following schedule shows the increases due to acquisitions resulting from the corporate division contribution and from actual purchases made during the financial year.

| | Land and buildings | Plant and machinery | Industrial and commercial equipment | Other assets | Fixed assets in process | Advance payments | Total |
|---|--------------------|---------------------|-------------------------------------|----------------|-------------------------|------------------|--------------------|
| Increases due to acquisitions | | | | | | | |
| Contribution value | 123,485,122 | 140,923,274 | 9,348,787 | 843,595 | 36,705,757 | 1,722,299 | 313,028,834 |
| Write-downs resulting from contribution | - | 7,470 | - | - | - | - | 7,470 |
| Net contributed amount | 123,485,122 | 140,915,804 | 9,348,787 | 843,595 | 36,705,757 | 1,722,299 | 313,021,364 |
| Increases due to acquisitions | 54,006 | 361,625 | 179,742 | 23,764 | 814,860 | 7,666 | - |
| Increases | 123,539,128 | 141,277,429 | 9,528,529 | 867,359 | 37,520,617 | 1,729,965 | 314,463,027 |

Impairment loss of property, plant and equipment

During the financial year no property, plant and equipment were written down.

FINANCE LEASES

Information on finance leases

The company currently has a finance lease agreement in connection with a pickling and stainless steel heat treatment line at the Gazoldo degli Ippoliti plant.

That lease agreement was included in the contributed business.

The essential data of the above contract and their impact on the composition of

the Balance Sheet and the operating result before taxes if the financial accounting method had been used for the leases, are summarised in the following table:

- Commencement of utilisation by Marcegaglia Specialties: 1 November 2015
- Remaining term of the agreement in years: 3
- Market value of the contributed asset: Euro 43,250,700.

The representation of such transactions

in the Financial Statements according to the equity method resulted, for 2015, in a charge to the Profit and Loss Account of costs for leases in the amount of Euro 1,002,845 (Euro 959,865 for principal and Euro 42,980 for interest); measurement using the financial method would instead have resulted in recognising depreciation costs in the Profit and Loss Account amounting to Euro 480,563 and financial expenses amounting to Euro 42,980.

It is specifically stated that the leased asset was valued at Euro 43,250,700 by the expert, of which Euro 14,845,672 represented the outstanding principal amount of payables due to the leasing company at 31 October 2015 and Euro 28,405,028 represented the additional value allocated by the expert on the occasion of the contribution.

The latter amount has already been recorded under fixed assets in progress. Consequently, to determine the impact on shareholders' equity of the recognition of leasing according to the financial method, only the figure representing the outstanding principal amount of payables at 31 October 2015 was included in line "a.2) Assets acquired under finance lease during the financial year", net of the pre-paid expenses in the amount of Euro 3,708,135 representing the lease balloon payment made at the time the contract was executed.

By contrast, the amount of depreciation was calculated by considering the gross value of the asset, i.e. Euro 43,250,700, which is the precise value at which the asset would have been recorded if the financial method had been adopted from the outset for the purpose of recognising the lease.

| Description | LEASED ASSETS Current year |
|--|-------------------------------|
| Outstanding debt to the lessor | 14,099,658 |
| Financial expenses | 42,980 |
| Total gross value of the leased assets at end of year | 43,250,700 |
| Depreciation for the year | 480,563 |
| Amount of depreciation provisions at end of year | 480,563 |
| Value adjustments / write-ups ± | |
| Total net value of the leased assets | 42,770,137 |
| Higher net value of bought out assets in relation to the book value | 42,770,137 |

| ASSETS | Amount |
|--|-------------------|
| a) Current agreements | |
| a.1) Assets under finance lease at the end of the prior financial year | 0 |
| pertinent depreciation funds | 0 |
| a.2) Assets acquired under finance lease during the financial year | 11,137,537 |
| a.3) Assets bought out under finance lease during the financial year | 0 |
| a.4) Accrued depreciation for the financial year | 480,563 |
| a.5) Adjustments/write-ups in the value of assets under finance lease | 0 |
| a.6) Assets under finance lease at the end of the financial year | 10,656,974 |
| pertinent depreciation funds | 480,563 |
| b) Bought out assets | |
| b.1) Greater/lesser total value of bought out assets, determined according to the financial methodology, with respect to their net book value at the end of the financial year | 0 |
| Total (a.6+b.1) | 10,656,974 |
| LIABILITIES | Amount |
| c) Implicit liabilities | |
| c.1) Implicit payables for finance lease transactions at the end of the prior financial year | 0 |
| portion due in the next financial year | 0 |
| portion due after the next financial year but within 5 years | 0 |
| portion due in more than 5 years | 0 |
| c.2) Implicit liabilities generated during the year | 14,845,672 |
| c.3) Principal repayments and buyouts during the financial year | 746,014 |
| c.4) Implicit payables for finance lease transactions at the end of the financial year | 14,099,658 |
| portion due in the next financial year | 4,551,711 |
| portion due after the next financial year but within 5 years | 9,547,947 |
| portion due in more than 5 years | 0 |
| d) Total gross impact at the end of the financial year (a.6+b.1-c.4) | -3,442,685 |
| e) Tax impact | -878,112 |
| f) Impact on shareholders' equity at the end of the financial year (d - e) | -2,564,572 |

The following is the impact on the financial year result:

| | Amount |
|--|-------------|
| a.1) Offsetting entry for fees from finance lease transactions | 1,002,845 |
| a.2) Recognition of financial costs of finance lease transactions | -42,979.62 |
| a.3) Recognition of depreciation rates on current agreements | -480,563.33 |
| a.4) Adjustments/write-ups in the value of assets under finance lease | 0.00 |
| a) Impact on the pre-tax result (lesser/greater costs) | 479,302.18 |
| b) Recognition of the tax impact | -267,524.12 |
| c) Net impact of leasing transactions on the financial year result (a - b) | 211,778.05 |

FINANCIAL FIXED ASSETS

CHANGES IN FINANCIAL FIXED ASSETS: EQUITY INVESTMENTS, OTHER SECURITIES, TREASURY SHARES

| | Equity investments in subsidiaries | Equity investments in associates | Equity investments in other companies | Total equity investments |
|-----------------------------------|---------------------------------------|-------------------------------------|--|-----------------------------|
| VALUE AT BEGINNING OF YEAR | | | | |
| Cost | 2,997,893 | | | 2,997,893 |
| Revaluations | 0 | | | 0 |
| Write-downs | 0 | | | 0 |
| Book value | 2,997,893 | 0 | 0 | 2,997,893 |
| CHANGES DURING THE YEAR | | | | |
| Increases due to acquisitions | 2 | | | 2 |
| Write-downs | -169,093 | | | -169,093 |
| Revaluations | | | | |
| Other changes | | | | |
| Total changes | -169,091 | 0 | | -169,091 |
| VALUE AT END OF YEAR | | | | |
| Cost | 2,997,895 | | | 2,997,895 |
| Revaluations | 0 | | | 0 |
| Write-downs | -169,093 | | | -169,093 |
| Book value | 2,828,802 | 0 | 0 | 2,828,802 |

Amounts under “Value at beginning of year” refer to amounts resulting from the contribution.

CHANGES IN FINANCIAL FIXED ASSETS: RECEIVABLES

| | Value at beginning of year | Changes during the year | Value at end of year |
|------------------------------------|-------------------------------|----------------------------|-------------------------|
| Long-term receivables from others | 12,968 | 7,697 | 20,665 |
| Total long-term receivables | 12,968 | 7,697 | 20,665 |

Amounts under “Value at beginning of year” refer to amounts resulting from the contribution.

INFORMATION ON EQUITY INVESTMENTS IN SUBSIDIARIES

| Name | City or State | Capital in Euro | Profit (Loss) of latest financial year in Euro | Shareholders' equity in Euro | Stake held in Euro | % shareholding | Book value or corresponding receivable |
|-------------------------|--|-----------------|--|------------------------------|--------------------|----------------|--|
| Outsourcing Inox S.r.l. | via Bresciani, 16 Gazoldo degli Ippoliti (MN) | 10,000 | 648,057 | 2,188,529 | 2,188,529 | 100% | 1,540,471 |
| Mariven S.r.l. | via Bresciani, 16 Gazoldo degli Ippoliti (MN) | 100,000 | -641,854 | 6,121,289 | 3,978,838 | 65% | 1 |
| Marcegaglia USA Inc. | Pittsburgh Pennsylvania (USA) | 4,133,370 | -18,882,516 | -41,283,210 | -41,283,210 | 100% | 2 |
| Marcegaglia Tr | Çorlu Tekirdağ (Turkey) | 1,762,947 | -807,019 | 994,027 | 646,117 | 65% | 1,288,328 |
| Total | | | | | | | 2,828,802 |

The exchange rate at year end and the average exchange rate for the financial year were used for the conversion of shareholders' equity in Euro and the result of the period expressed in currency other than the Euro respectively.

The equity investment in Marcegaglia Tr was recorded at a greater value than the corresponding portion of the shareholders' equity. No write-down was carried out as the company is a start-up (production started in 2015), and losses suffered in this phase

are likely to be recovered in the following financial years.

BREAKDOWN OF LONG-TERM RECEIVABLES BY GEOGRAPHIC AREA

| Geographic area | Long-term receivables from others | Total long-term receivables |
|-----------------|-----------------------------------|-----------------------------|
| Italy | 20,665 | 20,665 |
| Total | 20,665 | 20,665 |

Long-term receivables due after the end of the financial year consist of security deposits whose expiration is linked to the duration of the underlying contracts.

Long-term receivables relating to repurchase agreements

None.

CURRENT ASSETS

Changes occurred during the year ended at 31 December 2015 recognised among assets other than fixed assets are set forth below. Amounts reported in the column 'Value at beginning of year' refer to amounts resulting from the contribution.

INVENTORY

| | Value at beginning of year | Increases/Decreases | Value at end of year |
|--|----------------------------|---------------------|----------------------|
| I - Inventory | | | |
| 1. Raw materials, subsidiary materials and consumables | 101,771,253 | 2,969,840 | 104,741,093 |
| 2. Work in progress and semi-finished goods | 95,378,775 | -1,285,024 | 94,093,751 |
| 3. Work in progress on order | 0 | 0 | 0 |
| 4. Finished goods and products | 117,702,391 | 14,409,086 | 132,111,477 |
| 5. Advance payments | 0 | 0 | 0 |
| Total inventory | 314,852,419 | 16,093,902 | 330,946,321 |

CURRENT ASSETS: RECEIVABLES

CHANGES IN RECEIVABLES RECOGNISED IN CURRENT ASSETS

| Current assets | Value at beginning of year | Increases/Decreases | Value at end of year |
|---|----------------------------|---------------------|----------------------|
| II - Receivables | | | |
| 1. Trade receivables recognised in current assets | 103,988,052 | -66,820,205 | 37,167,847 |
| 2. Receivables from subsidiaries recognised in current assets | 50,476,505 | 1,580,790 | 52,057,295 |
| 3. Receivables from associates recognised in current assets | 0 | 0 | 0 |
| 4. Receivables from parent companies recognised in current assets | 0 | 367 | 367 |
| 4-bis. Tax receivables recognised in current assets | 0 | 2,970,357 | 2,970,357 |
| 4-ter. Assets consisting of pre-paid taxes recognised in current assets | 15,926,661 | -5,665,118 | 10,261,543 |
| 5. Receivables from others recognised in current assets | 220,008,445 | -31,785,406 | 188,223,039 |
| Total receivables recognised in current assets | 390,399,663 | -99,719,215 | 290,680,448 |

Given the preconditions were not met, no receivables included under the item 'Trade receivables' has been subjected to write-down.

Within the contribution, the receiving [sic] company Marcegaglia srl has transferred a bad debt fund for receivables from its subsidiary Marcegaglia USA Inc. in the amount of Euro 10 million. This allowance has not changed during the financial year, as shown in the following table:

| Description | balance resulting from contribution | uses during the year | provisions during the year | balance at end of year |
|--|-------------------------------------|----------------------|----------------------------|------------------------|
| Bad debt fund for receivables from parent company Marcegaglia USA Inc. | 10,000,000 | 0 | 0 | 10,000,000 |
| | 10,000,000 | 0 | 0 | 10,000,000 |

In addition to what is already disclosed in the Balance Sheet, it is noted that receivables from subsidiaries, associates and parent companies relate to the balance deriving from commercial transactions which have not yet been settled, as well as to the balance of intra-group bank accounts that were opened specifically, where payments are made to settle the cited transactions and any financial transactions.

Almost all of the receivables for pre-paid taxes arising from the contribution (specifically Euro 14,898,647) pertain to contribution values of inventory that are lower than the values relevant for tax purposes for the contributing company, according to the indications contained in the expert valuation prepared in compliance with Article 2465(1) of the Italian Civil Code. It is believed that these taxes, which were previously recovered in the amount of Euro 8,378,566 in the 2015 financial year, shall be recovered in full during the 2016 financial year, due to the quick inventory turnover. Moreover, this line item includes pre-paid taxes for Euro 3,331,705 on the financial year tax loss (IRES) amounting to Euro 12,115,291.

Such receivables for pre-paid taxes are expected to be used in the amount of Euro 10,260,414 starting from the following year, while the share after the following year amounts to Euro 1,129.

The breakdown and the changes in receivables from others are analysed in the following tables:

| Breakdown of receivables from others | Value at beginning of year | Increases/Decreases | Value at end of year |
|---|----------------------------|---------------------|----------------------|
| Receivables from affiliates | 157,656,641 | 2,830,574 | 160,487,215 |
| Receivables from factoring entities | 61,912,611 | -35,132,111 | 26,780,500 |
| Advance payments to suppliers | 0 | 0 | 0 |
| Receivables from social security organisations | 335,620 | -262,173 | 73,447 |
| Advance payments to employees | 95,157 | 206 | 95,363 |
| Receivables from banks for collections from customers | 0 | 777,982 | 777,982 |
| Other receivables | 8,416 | 115 | 8,531 |
| | 220,008,445 | -31,785,406 | 188,223,039 |

| Breakdown of receivables from associates | Value at beginning of year | Increases/Decreases | Value at end of year |
|--|----------------------------|---------------------|----------------------|
| Albarella srl | 39,828,612 | 1,706,687 | 41,535,299 |
| Marcegaglia Buildtech srl | 117,828,029 | -5,213,088 | 112,614,941 |
| I.M.A.T. spa | 0 | 231,649 | 231,649 |
| Marfin srl | 0 | 879,362 | 879,362 |
| Marcegaglia Poland | 0 | 82,126 | 82,126 |
| Marcegaglia Carbon Steel spa | 0 | 4,973,008 | 4,973,008 |
| Marcegaglia Plates spa | 0 | 170,831 | 170,831 |
| | 157,656,641 | 2,830,573 | 160,487,215 |

BREAKDOWN OF RECEIVABLES RECOGNISED IN CURRENT ASSETS BY GEOGRAPHIC AREA

| | Italy | EU | Other European Countries | America | Africa Middle East | Asia Oceania | Total |
|--|--------------------|--------------------|-----------------------------|-------------------|-----------------------|------------------|----------------------|
| Trade receivables recognised in current assets | 1,341,954 | 29,214,486 | 3,052,473 | 37,029 | 3,320,805 | 201,100 | 37,167,847 |
| Receivables from subsidiaries recognised in current assets | 9,146,104 | 0 | 1,339,438 | 39,561,176 | 2,010,577 | 0 | 52,057,295 |
| Receivables from associates recognised in current assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Receivables from parent companies recognised in current assets | 367 | 0 | 0 | 0 | 0 | 0 | 367 |
| Tax receivables recognised in current assets | 2,659,015 | 311,342 | 0 | 0 | 0 | 0 | 2,970,357 |
| Assets consisting of pre-paid taxes recognised in current assets | 10,260,414 | 0 | 0 | 0 | 0 | 0 | 10,260,414 |
| Receivables from others recognised in current assets | 162,520,727 | 25,527,618 | 136,539 | 6,675 | 31,479 | 0 | 188,223,039 |
| Total receivables recognised in current assets | 603,712,159 | 190,884,923 | 166,606,143 | 43,586,515 | 5,454,444 | 6,122,338 | 1,016,366,522 |

Receivables recognised in current assets relating to repurchase agreements

None.

CURRENT ASSETS: FINANCIAL ASSETS OTHER THAN FIXED ASSETS**CHANGES IN FINANCIAL ASSETS OTHER THAN FIXED ASSETS**

No financial assets other than fixed assets were contributed nor were outstanding at the end of the financial year.

CURRENT ASSETS: CASH AND CASH EQUIVALENTS**CHANGES IN CASH AND CASH EQUIVALENTS**

| | Value at beginning of year | Increases/ Decreases | Value at end of year |
|--|-------------------------------|-------------------------|-------------------------|
| Bank and postal deposits | 3,290,359 | -2,275,361 | 1,014,998 |
| Checks | 0 | 0 | 0 |
| Cash and cash equivalents | 2,107 | -947 | 1,160 |
| Total cash and cash equivalents | 3,292,466 | -2,276,308 | 1,016,158 |

The column 'Value at beginning of year' includes cash and cash equivalents resulting from the contribution.

ACCRUED INCOME AND PRE-PAID EXPENSES

| | Value at beginning of year | Increases/ Decreases | Value at end of year |
|---|-------------------------------|-------------------------|-------------------------|
| Discounts on loans | 0 | 0 | 0 |
| Accrued income | 0 | 0 | 0 |
| Other pre-paid expenses | 4,340,829 | -632,477 | 3,708,352 |
| Total accrued income and pre-paid expenses | 4,340,829 | -632,477 | 3,708,352 |

The following table shows the line item in detail:

| Pre-paid expenses | Contribution amount | Breakdown of balance at end of year |
|---|---------------------|--|
| Share of lease payments and balloon payments accruing in future years | 3,946,654 | 3,708,135 |
| Ordinary and regular maintenance | 8,388 | |
| Share of summer bonus accruing in the following year | 292,031 | 0 |
| Association fees | 5,324 | 0 |
| Insurance premiums for the following year | 87,376 | |
| Other | 1,056 | 217 |
| Total pre-paid expenses | 4,340,829 | 3,708,352 |

CAPITALISED FINANCIAL EXPENSES

No financial expenses were capitalised in financial year 2015.

NOTES - LIABILITIES AND SHAREHOLDERS' EQUITY

SHAREHOLDERS' EQUITY

The breakdown of Shareholders' Equity, the availability of reserves for capital account transactions, the potential for reserve distribution, as well as the uses made during the past three financial years are summarised in the following tables.

CHANGES IN THE LINE ITEMS OF SHAREHOLDERS' EQUITY

| | Value at beginning of year | Use of previous year result Other uses | Other changes Increases/Decreases | Result for the year | Value at end of year |
|-----------------------------------|----------------------------------|--|--------------------------------------|------------------------|----------------------------|
| Share capital | 10,000 | | 160,990,000 | | 161,000,000 |
| Share premium reserve | 0 | 0 | 2,518,961 | | 2,518,961 |
| Other reserves | | | | | |
| Sundry reserves | 0 | 0 | 2 | | 2 |
| Total other reserves | 0 | 0 | 2 | | 2 |
| Profit (loss) for the year | 0 | 0 | 0 | (17,056,079) | (17,056,079) |
| Total shareholders' equity | 10,000 | 0 | 163,508,963 | (17,056,079) | 146,462,884 |

"SUNDRY RESERVES" IN DETAIL

| | Amount |
|------------------------------|----------|
| Euro rounding-off | 2 |
| Total sundry reserves | 2 |

AVAILABILITY AND USE OF SHAREHOLDERS' EQUITY

| | Amount | Origin / nature | Possible use | Available amount | Summary of the uses made during the previous three financial years | |
|------------------------------|--------------------|--|--------------|------------------|---|----------------------|
| | | | | | to cover losses | for other reasons |
| Share capital | 161,000,000 | shareholders' contributions in cash and in kind (business unit) | | - | - | - |
| Share premium reserve | 2,518,961 | contributions in kind (business unit) | A-B-C | 2,518,961 | - | - |
| Other reserves | | | | | | |
| Sundry reserves | 2 | | | - | - | - |
| Total other reserves | 2 | | | - | - | - |
| total | 163,518,963 | | | 2,518,961 | - | - |
| Non distributable share | | | | 57,886 | | |
| Residual distributable share | | | | 2,461,075 | | |

Key: A available for capital increases - B available to cover losses - C available to shareholders - D only for particular purposes

RISK AND EXPENSE FUNDS

INFORMATION ON RISK AND EXPENSE FUNDS

| | Fund for post-retirement benefit and other obligations | Tax fund, including deferred taxes | Other funds | Total risk and expense funds |
|----------------------------|--|------------------------------------|-------------|------------------------------|
| Value at beginning of year | 0 | 119,816,952 | 0 | 119,816,952 |
| Changes during the year | | | | |
| Provisions during the year | 802 | 1,894,004 | 22,777,215 | 24,672,021 |
| Uses during the year | 0 | 4,184,940 | | 4,184,940 |
| Total changes | 802 | -2,290,936 | 22,777,215 | 20,487,081 |
| Value at end of year | 802 | 117,526,016 | 22,777,215 | 140,304,033 |

The breakdown of the Risk and Expense Funds is set forth below for further clarification.

Liability line item B.1 "Funds for post-retirement benefit and other obligations" indicates the provisions and relevant uses of the funds for the termination of agency relationships.

The provisions are quantified pursuant to Art. 1751 of the Italian Civil Code and industry collective bargaining agreements.

| Description | balance resulting from contribution | uses during the year | provisions during the year | balance at end of year |
|--|-------------------------------------|----------------------|----------------------------|------------------------|
| Supplementary Agents Indemnity Fund | 0 | 0 | 571 | 571 |
| Indemnity fund for termination of agency agreement | 0 | 0 | 231 | 231 |
| | 0 | 0 | 802 | 802 |

| Description | balance resulting from contribution | uses during the year | provisions during the year | balance at end of year |
|-------------------------|-------------------------------------|----------------------|----------------------------|------------------------|
| Tax funds | | | | |
| Fund for deferred taxes | 119,816,952 | 4,184,940 | 1,894,004 | 117,526,016 |
| | 119,816,952 | 4,184,940 | 1,894,004 | 117,526,016 |

As was previously indicated, the initial provision for deferred taxes arose from the contribution and pertains to deferred taxes connected to the greater values of property, plant and equipment contributed in comparison with the values applicable to the contributor for tax purposes. In fact, as is well known, from a tax point of view the contribution is not a realisation transaction.

Consequently any market values that are higher than the contributor's book values, which are attributed to the various assets, have no relevance to taxation.

The determination of these market va-

lues along with the correlated deferred taxes was supported by the valuation prepared by the expert provided for in Article 2465(1) of the Italian Civil Code, which was attached to the end of the contribution instrument and which has to be referred to.

These deferred taxes shall be reabsorbed through the process of depreciation of the aforementioned higher values on the basis of the useful lives of the various assets indicated by the expert in said valuation. In financial year 2015 - only including the months of November and December due to the fact that the con-

tribution occurred on 30 October 2015, effective on 1 November 2015 - the use of the fund for deferred taxes in connection with the depreciation amount in the financial statements that was higher than depreciation for tax purposes, was Euro 1,751,423.

The provisions refer exclusively to taxes on positive items recognised in the Profit and Loss Account deriving from foreign exchange translation gains.

Other funds can be broken down as follows:

| | balance resulting from contribution | uses during the year / changes in the fund for redundancies | provisions during the year | balance at end of year |
|-----------------------------------|-------------------------------------|---|----------------------------|------------------------|
| Loss fund, Mariven/Marcegaglia RU | 0 | 0 | 4,793,852 | 4,793,852 |
| Loss fund, Marcegaglia USA Inc. | 0 | 0 | 17,983,363 | 17,983,363 |
| | 0 | 0 | 22,777,215 | 22,777,215 |

The funds have been set aside during the year with respect to losses incurred by its subsidiaries Marcegaglia USA Inc. and Marcegaglia RU (an indirect subsidiary through Mariven srl) for the part exceeding the book value of its participation, therefore the book value at 31 December 2015 turns out to be zero.

With regard to potential risks associated with lawsuits and/or litigation pertaining to the company and received as a result of the contribution, it should be noted that, under the assumption that all lawsuits initiated before the contribution have remained in charge to the transferor, by way of the deed of transfer the transferor Marcegaglia srl has undertaken to indemnify the company against any disbursements that the latter should have to suffer as a result of the transferor and transferee being held jointly and severally liable in relation to the transferred company. Consequently no amount was set aside.

EMPLOYEE SEVERANCE PAY

Information on employee severance pay

The following table indicates the changes in Severance Pay items in respect of 2015 (from the effective date of the corporate division contribution), also considering the amounts to be used for supplementary pension funds. On the basis of the indications of the Italian Accounting Standards Board in its appendix of 26 September 2007 to Guideline no.1 relating to the transition to the IAS, the Severance Pay Fund in the financial statements is recognised net of the share paid to the supplementary pension funds or paid to the "Fund for paying the severance pay to employees in the private sector pursuant to Article 2120 of the Italian Civil Code", known as the INPS treasury fund, pursuant to Legislative Decree 252/2005, Article 1(755 et seq. and 765) of Law 296/2006 and Articles 1 and 3 of D.M. 01/30/2007. The shares of employee severance pay accrued in 2015 that have not yet been paid to supplementary pension funds or to the INPS treasury fund are disclosed in line item D.13) "Payables to welfare and social security organisations".

The amount under 'Value at beginning of year' refers to the balance severance pay accrued up to 31 October 2015 for employees who were transferred to the Company upon business unit contribution.

| | Employee severance pay |
|----------------------------|------------------------|
| Value at beginning of year | 3,653,863 |
| Changes during the year | |
| Provisions during the year | 440,143 |
| Uses during the year | 475,054 |
| Total changes | (34,911) |
| Value at end of year | 3,618,952 |

Line item "Uses during the year" is detailed here below:

| uses during the year for severance pay and advance payments and for payment of substitute tax on the revaluation accrued in 2015 | Payments made to supplementary pension funds | Payments made to the INPS treasury fund net of recoveries made during the year | Recovery of INPS contribution pursuant to Law 297/82 | Total uses |
|--|--|--|--|------------|
| 44,134 | 167,470 | 236,352 | 27,099 | 475,054 |

PAYABLES

The changes in payables are broken down in the following tables.

CHANGES AND MATURITIES OF PAYABLES

| Payables | Value at beginning of year | Increases/Decreases | Value at end of year |
|---|-------------------------------|---------------------|-------------------------|
| Bonds | 0 | 0 | 0 |
| Convertible bonds | 0 | 0 | 0 |
| Payables to shareholders for loans | 0 | 0 | 0 |
| Payables to banks | 12,177,789 | 1,064,071 | 13,241,860 |
| Payables to other lenders | 0 | 0 | 0 |
| Advance payments | 400,000 | 0 | 400,000 |
| Trade payables | 320,617,357 | -56,145,927 | 264,471,430 |
| Payables consisting of debt securities | 0 | 0 | 0 |
| Payables to subsidiaries | 1,440,754 | 725,128 | 2,165,882 |
| Payables to associates | 0 | 0 | 0 |
| Payables to parent companies | 437,316,087 | 56,888,360 | 494,204,447 |
| Tax payables | 21,158 | 2,828,797 | 2,849,955 |
| Payables to welfare and social security organisations | 497,880 | 1,838,340 | 2,336,220 |
| Other payables | 170,475,932 | -102,914,049 | 67,561,883 |
| Total payables | 942,946,957 | -95,715,280 | 847,231,677 |

The line item “Other payables” is broken down as follows:

| Breakdown of other payables | Value at beginning of year | Increases/Decreases | Value at end of year |
|---|-------------------------------|---------------------|-------------------------|
| Payables to affiliates | 0 | 7,164,276 | 7,164,276 |
| Payables to factoring entities | 166,294,227 | -110,573,879 | 55,720,348 |
| Payables to employees | 3,797,258 | 469,510 | 4,266,768 |
| ACE-PICK project pre-finance | 382,000 | 0 | 382,000 |
| Payables for settlements made during the year | 0 | 0 | 0 |
| Sundry payables | 2,447 | 26,044 | 28,491 |
| | 170,475,932 | -102,914,049 | 67,561,883 |

Payables to affiliates are detailed here below:

| Breakdown of payables to affiliates | Value at beginning of year | Increases/Decreases | Value at end of year |
|--|-------------------------------|---------------------|-------------------------|
| Marfin srl | 0 | 5,322,619 | 5,322,619 |
| Made HSE srl | 0 | 210,033 | 210,033 |
| Marcegaglia Carbon Steel spa | 0 | 1,572,596 | 1,572,596 |
| Marcegaglia Plates spa | 0 | 59,028 | 59,028 |
| | 0 | 7,164,276 | 7,164,276 |

BREAKDOWN OF PAYABLES BY GEOGRAPHIC AREA

| | Italy | EU | Other European Countries | America | Africa Middle East | Asia Oceania | Total |
|---|--------------------|-------------------|-----------------------------|------------------|-----------------------|------------------|--------------------|
| Payables to banks | 13,241,860 | 0 | 0 | 0 | 0 | 0 | 13,241,860 |
| Advance payments | 0 | 400,000 | 0 | 0 | 0 | 0 | 400,000 |
| Trade payables | 220,932,581 | 32,434,307 | 383,008 | 2,833,229 | 5,593 | 7,882,712 | 264,471,430 |
| Payables to subsidiaries | 1,878,042 | 0 | 0 | 287,841 | 0 | 0 | 2,165,882 |
| Payables to associates | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Payables to parent companies | 494,204,447 | 0 | 0 | 0 | 0 | 0 | 494,204,447 |
| Tax payables | 1,587,265 | 1,262,690 | 0 | 0 | 0 | 0 | 2,849,955 |
| Payables to welfare and social security organisations | 2,336,220 | 0 | 0 | 0 | 0 | 0 | 2,336,220 |
| Other payables | 66,386,574 | 311,342 | 0 | 0 | 0 | 863,967 | 67,561,883 |
| Total payables | 800,566,989 | 34,408,338 | 383,008 | 3,121,070 | 5,593 | 8,746,679 | 847,231,677 |

PAYABLES SECURED BY COLLATERAL ON CORPORATE ASSETS

| | Payables secured by collateral | | | Payables not secured by collateral | Total |
|---|--------------------------------|-----------------------------|--------------------------------------|------------------------------------|--------------------|
| | Payables secured by mortgages | Payables secured by pledges | Total payables secured by collateral | | |
| Payables to banks | 0 | 898,813 | 898,813 | 12,343,047 | 13,241,860 |
| Advance payments | 0 | 0 | 0 | 400,000 | 400,000 |
| Trade payables | 0 | 0 | 0 | 264,471,430 | 264,471,430 |
| Payables to subsidiaries | 0 | 0 | 0 | 2,165,882 | 2,165,882 |
| Payables to associates | 0 | 0 | 0 | 0 | 0 |
| Payables to parent companies | 0 | 0 | 0 | 494,204,447 | 494,204,447 |
| Tax payables | 0 | 0 | 0 | 2,849,955 | 2,849,955 |
| Payables to welfare and social security organisations | 0 | 0 | 0 | 2,336,220 | 2,336,220 |
| Other payables | 0 | 0 | 0 | 67,561,883 | 67,561,883 |
| Total payables | 0 | 898,813 | 898,813 | 846,332,864 | 847,231,677 |

The maturity dates demonstrate that there are no liabilities having a residual duration in excess of 5 years.

Lastly, it is indicated that in connection with the securitisation of trade receivables without notice Marcegaglia Specialties S.p.A. established two pledges to the banks Intesa Sanpaolo and Unicredit Banca on the amounts that are on deposit in two current accounts with the aforementioned institutes, i.e. Euro 1,013,987 at 31 December 2015.

Payables related to repurchase agreements

None.

Loans made by the Company's shareholders

None.

ACCRUED EXPENSES AND DEFERRED INCOME

| | Value at beginning of year | Increases/Decreases | Value at end of year |
|---|-------------------------------|---------------------|-------------------------|
| Premium on loans | 0 | 0 | 0 |
| Accrued expenses | 0 | 58,046 | 58,046 |
| Other deferred income | 0 | 0 | 0 |
| Total accrued expenses and deferred income | 0 | 58,046 | 58,046 |

The item "Accrued expenses" is detailed below:

| Accrued expenses | Contribution amount | Breakdown of balance at end of year |
|----------------------------|------------------------|--|
| Share of interest expenses | 0 | 58,046 |
| Total | 0 | 58,046 |

Commitments not emerging from the Balance Sheet and Memorandum Accounts

Commitments not emerging from the Balance Sheet are clearly indicated in special memorandum accounts at the bottom of the Balance Sheet.

It should be noted that the company is third party guarantor for the pool mortgage on the plant in Forlimpopoli provided in 2007 to the transferring company Marcegaglia Srl, whose residual principal debt amount at 31 October 2015 was transferred to the affiliate Marcegaglia Carbon Steel S.p.A., which therefore makes it the beneficiary of that guarantee.

NOTES - PROFIT AND LOSS ACCOUNT

VALUE OF PRODUCTION

BREAKDOWN OF REVENUE FROM SALES AND SERVICES BY CATEGORY OF ASSET

| | Italy |
|----------------------|--------------------|
| Tubes | 1,004,659 |
| Flat products | |
| Cold drawn bars | 14,712,766 |
| Stainless steel | 97,013,018 |
| Other steel products | 4,776,566 |
| Other revenues | 3,574 |
| Total | 117,510,583 |

BREAKDOWN OF REVENUE FROM SALES AND SERVICES BY GEOGRAPHIC AREA

| | Italy |
|---------------------------|--------------------|
| Italy | 45,697,052 |
| EU | 65,113,746 |
| Other European Countries | 4,851,681 |
| North America | 474,616 |
| South and Central America | 0 |
| Middle East | 296,403 |
| Far East - Oceania | 198,532 |
| Africa | 878,553 |
| Total | 117,510,583 |

FINANCIAL INCOME AND EXPENSES

Breakdown of income from equity investments

During the year the company did not recognise income from equity investments.

Breakdown of interest and other financial expenses by type of liability

The line item C 17) "interest and other financial expenses" can be broken down as follows:

| | Interest and other financial expenses |
|-------------------|---------------------------------------|
| Bonds | 0 |
| Payables to banks | 1,464,303 |
| Other | 3,237,815 |
| Total | 4,702,117 |

This item can be detailed as follows:

| | Balance at 12.31.2015 |
|--|-----------------------|
| Interest due to subsidiaries | - |
| Interest due to associates | - |
| Interest due to parent companies | 3,206,499 |
| Interest due to affiliates | 30,068 |
| Other financial expenses | |
| Interest due to banks and factoring entities | 1,464,303 |
| Financial expenses for derivatives | - |
| Other interest and financial expenses | 1,248 |
| Total other financial expenses | 1,465,550 |
| Total interest and other financial expenses | 4,702,117 |

VALUE ADJUSTMENTS OF FINANCIAL ASSETS

The item D19) Amortisation in the profit and loss account is made up exclusively by the write-downs of equity investments in the subsidiaries Marcegaglia USA Inc. in the amount of Euro 17,983,363 and Mariven Srl for Euro 4,962,945, the latter in relation to the loss of subsidiary Marcegaglia RU.

EXTRAORDINARY INCOME AND EXPENSES

No "Extraordinary income and expenses" were incurred during financial year 2015.

CURRENT, DEFERRED AND PRE-PAID INCOME TAXES

Deferred taxes recognised in the Financial Statements at 31 December 2015 are summarised in the following tables.

Pre-paid taxes were recorded for all temporary differences found between taxable income and profit before taxes under the assumption that there would be sufficient taxable income to "absorb" the temporary differences indicated below over the time frame indicated.

For each of the components indicated below, pre-paid and deferred taxes were provisioned with a corporate income tax (IRES) rate of 27.5% for financial years 2015 and 2016 and 24% for subsequent financial years, in accordance with the provisions of the Stability Act for the year 2016, whereas the Regional Tax on Productive Activities (IRAP) rate was considered to be unchanged at 3.9%.

RECOGNITION OF DEFERRED AND PRE-PAID TAXES AND RESULTING EFFECTS

| | IRES | IRAP |
|---|-------------|-------------|
| A) Temporary differences | | |
| Total deductible temporary differences | 34,369,332 | 20,771,923 |
| Total taxable temporary differences | 417,310,886 | 409,940,106 |
| Net temporary differences | 382,941,554 | 389,168,183 |
| B) Tax impact | | |
| Fund for deferred (pre-paid) taxes at beginning of year | 89,519,337 | 14,370,954 |
| Deferred (pre-paid) taxes for the year | 2,567,575 | 806,607 |
| Fund for deferred (pre-paid) taxes at end of year | 92,086,912 | 15,177,561 |

BREAKDOWN OF DEDUCTIBLE TEMPORARY DIFFERENCES (PRE-PAID TAXES)

| Description | Amount at the end of previous year | Changes during the year | Amount at end of year | IRES rate | Tax effect of IRES | IRAP rate | Tax effect of IRAP |
|---|------------------------------------|-------------------------|-----------------------|-----------|--------------------|-----------|--------------------|
| Foreign exchange translation losses | 3,730,169.47 | - 2,247,636.47 | 1,482,533.00 | 27.50% | 407,697.00 | | |
| Write-down of assets arising from contribution (IRES) | 7,470.32 | - 552.55 | 6,917.77 | 25.66% | 1,775.00 | | |
| Inventory write-downs | 47,447,921.90 | -26,683,331.28 | 20,764,590.62 | 27.50% | 5,710,263.00 | 3.90% | 809,818.00 |
| Write-down of assets arising from contribution (IRAP) | 7,470.32 | - 138.34 | 7,331.98 | | | 3.90% | 285.00 |

DETTAGLIO DIFFERENZE TEMPORANEE IMPONIBILI (DIFFERITE)

| Description | Amount at the end of previous year | Changes during the year | Amount at end of year | IRES rate | Tax effect of IRES | IRAP rate | Tax effect of IRAP |
|--|------------------------------------|-------------------------|-----------------------|-----------|--------------------|-----------|----------------------|
| Revaluation of assets arising from contribution (IRES) | 387,536,299.28 | - 5,517,727.42 | 382,018,571.86 | 24.30% | 92,827,139.00 | | |
| Foreign exchange translation gains | 8,849,153.88 | - 1,961,867.88 | 6,887,286.00 | 27.50% | 1,894,003.00 | | |
| Revaluation of leased stainless steel plant | 28,405,028.00 | - | 28,405,028.00 | 24.00% | 6,817,207.00 | 3.90% | 1,107,796.00 |
| Revaluation of assets arising from contribution (IRAP) | 387,536,299.28 | - 6,001,221.12 | 381,535,078.16 | | | 3.90% | 14,879,868.00 |

DISCLOSURE ON TAX LOSSES

| | Current financial year | | |
|---|------------------------|---------------|------------------|
| | Amount | Tax rate | Pre-paid taxes |
| Tax loss | | | |
| for the year | 12,115,291 | | |
| for previous financial years | 0 | | |
| Total tax loss | 12,115,291 | | |
| Tax losses carried forward recoverable with reasonable certainty | 12,115,291 | 27.50% | 3,331,705 |

EXPECTED RECOVERY OF DEFERRED AND PRE-PAID TAXES

| Description | 2016 | 2017 | 2018 | 2019 | Beyond 2019 or non-predictable | Total |
|---|-------------------|-------------------|-------------------|-------------------|-----------------------------------|--------------------|
| A) Taxable temporary differences | | | | | | |
| <i>Ires</i> | | | | | | |
| Revaluation of assets arising from contribution | 32,648,048 | 33,055,846 | 33,528,173 | 33,177,963 | 249,608,542 | 382,018,572 |
| Foreign exchange translation gains | 6,887,286 | | | | | 6,887,286 |
| Revaluation of leased stainless steel plant | | | 28,405,028 | | | 28,405,028 |
| <i>total</i> | 39,535,334 | 33,055,846 | 61,933,201 | 33,177,963 | 249,608,542 | 417,310,886 |
| <i>Irap</i> | | | | | | |
| Revaluation of assets arising from contribution | 36,007,325 | 35,998,669 | 35,828,862 | 34,916,624 | 238,783,598 | 381,535,078 |
| Revaluation of leased stainless steel plant | | | 28,405,028 | | | 28,405,028 |
| <i>total</i> | 36,007,325 | 35,998,669 | 64,233,891 | 34,916,624 | 238,783,598 | 409,940,106 |
| <i>IRES</i> | 941,329 | 941,329 | 941,329 | 941,329 | 941,329 | 941,329 |
| <i>IRAP</i> | 941,329 | 941,329 | 941,329 | 941,329 | 941,329 | 941,329 |
| Total deferred taxes | 12,276,506 | 9,337,351 | 17,369,090 | 9,324,459 | 69,218,610 | 117,526,016 |
| B) Deductible temporary differences | | | | | | |
| <i>Ires</i> | | | | | | |
| Foreign exchange translation losses | 1,482,533 | | | | | 1,482,533 |
| Write-down of assets arising from contribution | 3,268 | 2,804 | 298 | 298 | 249 | 6,918 |
| Inventory write-down - raw materials | 7,009,352 | | | | | 7,009,352 |
| Inventory write-down - finished products | 10,189,447 | | | | | 10,189,447 |
| Inventory write-down - semi-finished goods | 3,565,791 | | | | | 3,565,791 |
| Tax loss | 12,115,291 | | | | | 12,115,291 |
| <i>total</i> | 34,365,683 | 2,804 | 298 | 298 | 249 | 34,369,332 |
| <i>Irap</i> | | | | | | |
| Write-down of assets arising from contribution | 830 | 830 | 830 | 830 | 4,012 | 7,332 |
| Inventory write-down - raw materials | 7,009,352 | | | | | 7,009,352 |
| Inventory write-down - finished products | 10,189,447 | | | | | 10,189,447 |
| Inventory write-down - semi-finished goods | 3,565,791 | | | | | 3,565,791 |
| <i>total</i> | 20,765,421 | 830 | 830 | 830 | 4,012 | 20,771,923 |
| Total pre-paid taxes | 10,260,414 | 705 | 104 | 104 | 216 | 10,261,543 |

RECONCILIATION BETWEEN ACTUAL TAX BURDEN
AND THEORETICAL TAX BURDEN (IRES)

| 2015 | | |
|---|--------------------|--------------------|
| Statutory profit (+) / loss (-) before taxes | -13,681,897 | |
| Theoretical 27.5% tax on statutory result before taxes | | 0 |
| Effect of increases (+) / decreases (-) on ordinary tax rate | | IRES impact |
| Temporary increases | 1,482,533 | 407,697 |
| Temporary decreases | -6,887,286 | -1,894,004 |
| Absorption of temporary decreases | -30,413,501 | -8,363,713 |
| Absorption of temporary increases | 14,366,329 | 3,950,740 |
| Permanent increases | 23,063,851 | 6,342,559 |
| Permanent decreases | -45,320 | -12,463 |
| Total increases and decreases | 1,566,606 | |
| Tax loss for the year | -12,115,291 | |

RECONCILIATION BETWEEN THE ACTUAL TAX BURDEN
AND THEORETICAL TAX BURDEN (IRAP)

| 2015 | | |
|---|-------------------|--------------------|
| Difference between value and cost of production | 12,929,339 | |
| Costs other than relevant for IRAP purposes | 6,616,019 | |
| Theoretical IRAP taxable amount | 19,545,358 | |
| Theoretical 3.9% tax on theoretical IRAP taxable amount | | 762,269 |
| Effect of increases (+) / decreases (-) on ordinary tax rate | | IRAP impact |
| Temporary increases | - | - |
| Absorption of temporary increases | 6,001,083 | 234,042 |
| Absorption of temporary decreases | -26,683,331 | -1,040,650 |
| Permanent increases | 121,937 | 4,756 |
| Permanent decreases | - | - |
| Value of production before IRAP | -1,014,953 | -39,583 |
| IRAP deductions | -6,273,578 | |
| IRAP taxable income | -7,288,531 | |

NOTES - CASH-FLOW STATEMENT

No cash-flow statement was prepared because it is not mandatory and because it is hardly significant, as this is the first financial year for the Company.

NOTES - OTHER INFORMATION

EMPLOYMENT DATA

| | Average number |
|-------------------------|----------------|
| Managers | 3 |
| Middle level management | |
| Office workers | 137 |
| Factory workers | 589 |
| Total employees | 729 |

Specific data on employees at 31 December 2015 is set forth below:

| Category | Time period | 2013 | |
|-----------------|-------------|----------------|----------------|
| | | Average number | at 31 December |
| Managers | month | 3 | 3 |
| Office workers | month | 137 | 136 |
| Factory workers | month | 589 | 593 |
| TOTAL | | 729 | 732 |

REMUNERATION OF DIRECTORS AND STATUTORY AUDITORS

In financial year 2015 no fees were paid to members of the Board of Directors. The fees owing to members of the Board of Statutory Auditors were determined in a Extraordinary Shareholders Meeting on 27 November 2015.

| | Amount |
|--|--------|
| Remuneration of Directors | 0 |
| Remuneration of Statutory Auditors | 3,640 |
| Total remuneration of Directors and Statutory Auditors | 3,640 |

- for the statutory audit for financial years 2016 and 2017: a total of Euro 45,900, of which Euro 38,250 pertain to the audit of the annual financial statements and Euro 7,650 pertain to the accounting control.

CATEGORIES OF SHARES ISSUED BY THE COMPANY

The Company was organised in the form of a limited liability company on 29 May 2015 with share capital of Euro 10,000 divided into ownership interests in compliance with Article 2468 of the Italian Civil Code.

As was previously stated, a capital increase of Euro 160,990,000.00 was decided on 28 October 2015, which brought the share capital to Euro 161,000,000.00, also divided into ownership interests in compliance with Article 2468 of the Italian Civil Code. Subsequently, on 27 November 2015 the Extraordinary Shareholders Meeting decided to convert the Company from a limited liability company to a public liability company, through the issuance of 161,000,000 ordinary shares with a value of Euro 1.00 each.

| Description | Initial balance, number | Initial balance, nominal value | Final balance, number | Final balance, nominal value |
|-----------------|-------------------------|--------------------------------|-----------------------|------------------------------|
| Ordinary shares | 0 | 0 | 161,000,000 | 161,000,000 |
| Total | 0 | 0 | 161,000,000 | 161,000,000 |

REMUNERATION OF THE LEGAL AUDITOR OR THE INDEPENDENT AUDITOR

The Extraordinary Shareholders Meeting held on 27 November 2015 charges the audit firm MAZARS ITALIA S.p.A. with the responsibility for statutory audits of the annual financial statements, in compliance with and for the purposes and effects of Article 14 of Legislative Decree No. 39 of 27 January 2010, for a period of 3 financial years, and consequently until approval of the financial statements for financial year 2017. Compensation was determined as follows:

- for the statutory audit for financial year 2015: a total of Euro 40,851, of which Euro 38,250 pertain to the audit of the annual financial statements and Euro 2,601 pertain to the fourth quarter accounting control;

SECURITIES ISSUED BY THE COMPANY

None.

INFORMATION ON FINANCIAL INSTRUMENTS ISSUED BY THE COMPANY

The Company has not issued any financial instruments.

SUMMARY TABLE OF THE FINANCIAL STATEMENTS OF THE COMPANY EXERCISING MANAGEMENT AND COORDINATION

The Company is subject to management and coordination by the parent company FINMAR SRL, which holds 13% of the share capital but 51.31% of the voting rights of Marcegaglia Holding S.p.A., which holds 100% of the share capital of Marcegaglia Steel S.p.A., which in turn holds 100% of the Company's share capital.

It is not possible to provide the information required by Article 2497-bis(4) of the Italian Civil Code, i.e. a summary schedule of FINMAR srl's financial statement information, because the financial year ending 31 December 2015 is the aforementioned company's first company financial year, as it was organised on 29 May 2015.

NOTES

Final part

Significant changes in exchange rates

The changes in exchange rates that occurred after the end of the financial year will negatively impact the valuation of the debt or credit position in foreign currency at 31 December 2015.

In fact, using the exchange rates at 29 April 2016 the net impact of the line items "foreign exchange translation gains" and "foreign exchange translation losses" (17.bis of the Profit and Loss Account) worsened by approximately Euro 2.2 million, with a similar negative effect on the result for the year.

Transactions with related parties

Marcegaglia Specialties S.p.A.'s activity is primarily aimed at developing relations with parties which are not directly or indirectly related through equity investments, without, however, ignoring the appropriate synergies stemming from the commercial and financial relationships between the companies of a group characterised by effective and efficient horizontal and vertical integration. The Report on Operations indicates the book values of business activities with group entities, specifying that the transactions were carried out at arm's length, as if they had been made between unrelated parties.

Property included in assets allocated for a specific business transaction

None.

Income from loans to be used for a specific business transaction

None.

Nature and economic purpose of agreements that do not appear in the Balance Sheet

("off balance sheet" transactions)

(Art. 2427(1)(22-ter))

The company did not engage in any transaction falling under Article 2427(1) (22-ter) of the Italian Civil Code that has not already been disclosed in this document.

Fixed assets purchased before 17 April 1991

(Art. 45(2) of Legislative Decree 127 of 9 April 1991)

It is certified that in respect of fixed assets purchased or produced prior to 17 April 1991, the original cost was already calculated and recognised in the accounting records.

Information on the "fair value" of financial instruments

At the closing date of the Financial Statements the Company did not hold derivative instruments.

Information pursuant to Article 27 of Legislative Decree 127/91 - Consolidated Financial Statements

The Company, together with its subsidiaries, exceeds the limits set forth in Article 27 of Legislative Decree 127/91; however, pursuant to par. 3 of such article there is no need to prepare the consolidated financial statements because these Financial Statements are included in the consolidated financial statements prepared by the parent holding company Marcegaglia Holding S.p.A., having its registered office in Gazoldo degli Ippoliti (MN) - via Bresciani no. 16.

Information on the "national tax consolidation"

In financial year 2015 the option to adopt a consolidated taxation system on a national basis was not exercised.

Use of the operating result

We recommend carrying forward the financial year loss of Euro 17,056,079.17.

DECLARATION OF CONFORMITY

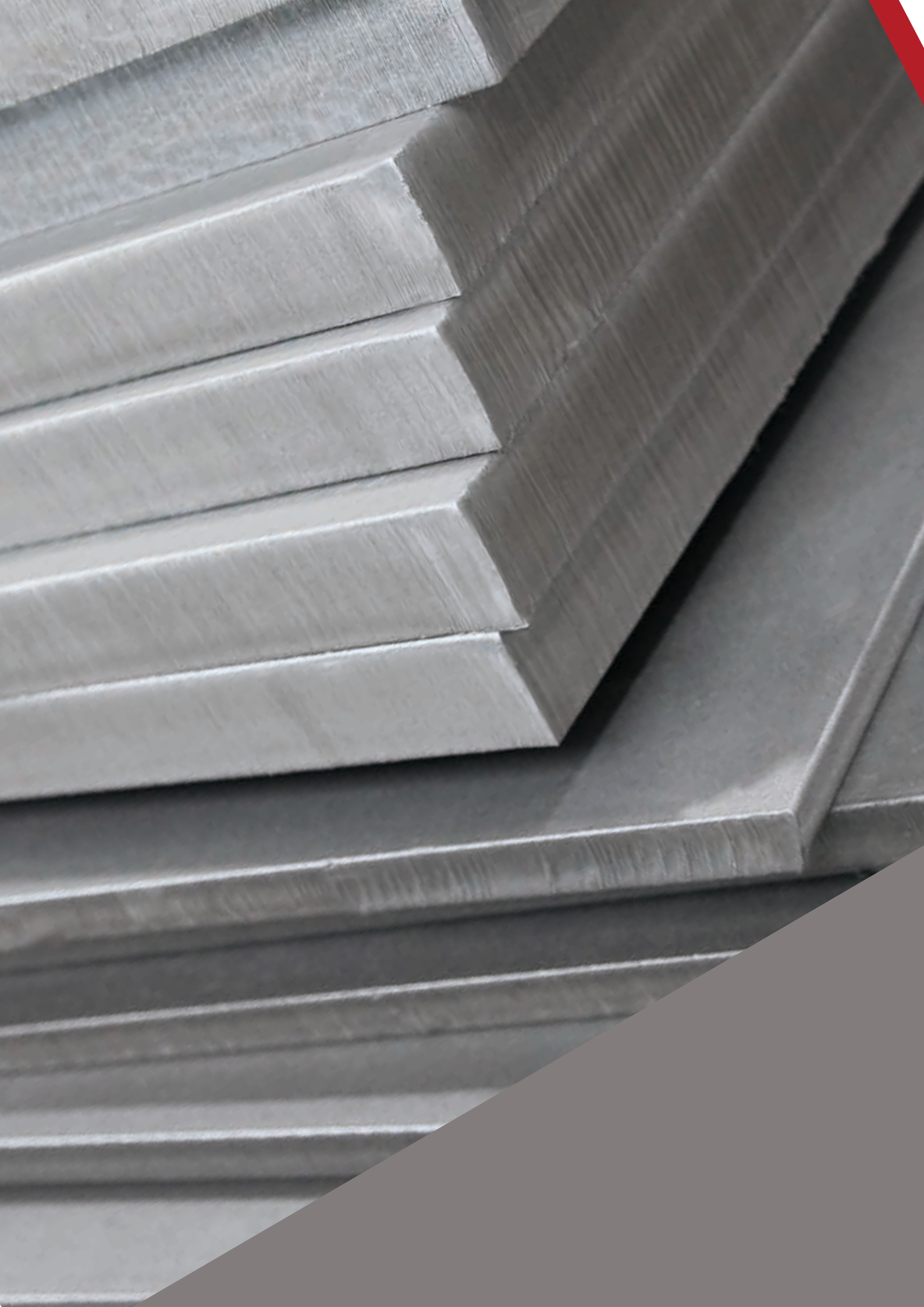
The valuation criteria reported herein conform to statutory regulations.

These Notes, as well as the entire Financial Statements of which it is an integral part, provide a true and accurate picture of the Company's financial and equity position and its financial year results.

The representation of the values required by Article 2427 of the Italian Civil Code was prepared in conformity with the principle of clarity.

Gazoldo degli Ippoliti, 25 May 2016

The Chairman of the
Board of Directors
Antonio Marcegaglia





Financial Statements 2015

Marcegaglia Plates



MARCEGAGLIA PLATES S.p.A.

Registered Office: via Bresciani, 16 - Gazoldo degli Ippoliti, Mantova - Italy

Share capital: Euro 35.000.000 fully paid up

Fiscal Code and VAT No.: 02466240203

Registered with the Mantua Chamber of Commerce and Administrative Economic Index [REA]
under No. 255218



Independent auditors' report in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 165 of Legislative Decree No. 165 of 24 February 1998

To the shareholders of
Marcegaglia Plates S.p.A.

Report on the financial statements

We have audited the accompanying financial statements of Marcegaglia Plates S.p.A., which comprises the balance sheet as of 31 December 2015, the income statement for the period then ended and the related explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of the financial statements that gives a true and fair view in compliance with the Italian laws governing the financial statements.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA Italia) drawn up pursuant to article 11, paragraph 3, of Legislative Decree No. 39/2010. 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 procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The 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 and fair presentation of the financial statements 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 financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Marcegaglia Plates S.p.A. as of 31 December 2015 and the result of its operations for the year then ended, in accordance with the Italian laws governing the financial statements.

Emphasis of matter

The reorganisation operation

Without altering our opinion, we draw attention to the matter described more fully in the introduction to the explanatory notes with reference to the "important Reorganisation Operation (the OPERATION), designed essentially to split its activities based on a clear rationale, separating the core business sector (steel processing) from the diversified activities (tourism, energy, ...).

Although the business scope remains essentially unchanged, three operating companies have been formed, namely Marcegaglia Carbon Steel S.p.A., Marcegaglia Specialties S.p.A. and Marcegaglia Plates S.p.A. (the "Operating Companies"), to which, as from 1 November 2015, the businesses – including all Marcegaglia S.p.A.'s plants – relating to the "Flat" and "Welded Tubes" division, the "Stainless Products" and "Carbon Specialty Bars" division and the Quarto plate processing division, as well as the stakes in the foreign companies operating in the same business sectors were transferred.

Subsequently, the interests held by Marcegaglia S.p.A. in the three Operating Companies were transferred to a specially formed company, with the name of Marcegaglia Steel S.p.A. which is, therefore, now the Holding company for the core business sector."

Other aspects

Comparability with the previous financial year

As indicated by the directors in the notes to the financial statements, the company was formed on 29 May 2015. Therefore, the financial statements for the year ended at 31 December 2015, relating to the first year of operation of the company, do not indicate the previous year's figures.

Report on compliance with other laws and regulations

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

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 with the financial statements of Marcegaglia Plates S.p.A. as of 31 December 2015. In our opinion, the report on operations is consistent with the financial statements of Marcegaglia Plates S.p.A. as of 31 December 2015.

Verona, 30 May 2016

Mazars Italia S.p.A.
(signed on the original)
Alfonso Iorio
Partner – Registered Auditor

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

MARCEGAGLIA PLATES S.P.A.**BALANCE SHEET AS OF 31 DECEMBER 2015**

ASSETS values in EUR

as of 12/31/2015

| | | |
|----------|--|--------------------|
| A | SHARE CAPITAL ISSUED AND NOT YET PAID | |
| 1 | Share capital issued and not yet paid uncalled | - |
| 2 | Share capital issued and not yet paid called | - |
| | Total Share capital issued and not yet paid A | - |
| B | FIXED ASSETS | |
| I | <i>Intangible fixed assets</i> | |
| 1 | Installation and expansion cost | 40,709 |
| 2 | Research, development and advertising cost | - |
| 3 | Industrial and other patent rights | 14,401 |
| 4 | Concessions, licenses, trademarks and similar rights | - |
| 5 | Goodwill | - |
| 6 | Assets under construction and advances | - |
| 7 | Other intangible assets | 2,642 |
| | Total intangible fixed assets (B-I) | 57,752 |
| II | <i>Tangible fixed assets</i> | |
| 1 | Land and buildings | 17,912,133 |
| 2 | Plant and machinery | 41,138,598 |
| 3 | Industrial and commercial equipment | 1,392,047 |
| 4 | Other goods | 159,405 |
| 5 | Construction in progress and advances | 2,039,889 |
| | Total tangible fixed assets (B-II) | 62,642,072 |
| | Total fixed assets B | 62,699,824 |
| C | CURRENT ASSETS | |
| I | <i>Inventory</i> | |
| 1 | Raw materials, auxiliary materials and spare parts | 29,261,324 |
| 2 | Work in progress | 5,892,781 |
| 3 | Contract work in progress | - |
| 4 | Finished goods | 9,013,135 |
| | Total inventory (C-I) | 44,167,240 |
| II | <i>Receivables</i> | |
| 1 | Trade receivables | |
| | - receivables within 12 months | 18,597,862 |
| | - receivables after 12 months | - |
| | | 18,597,862 |
| 4 | Receivables from parent companies | |
| | - receivables within 12 months | 105 |
| | - receivables after 12 months | - |
| | | - |
| 4-bis | Tax debtors | |
| | - receivables within 12 months | 944,305 |
| | - receivables after 12 months | - |
| | | 944,305 |
| 4-ter | Deferred tax liabilities | |
| | - receivables within 12 months | 2,124,641 |
| | - receivables after 12 months | 1,851 |
| | | 2,126,492 |
| 5 | From others | |
| | - receivables within 12 months | 56,707,604 |
| | - receivables after 12 months | - |
| | | 56,707,604 |
| | Total receivables (C-II) | 78,376,368 |
| IV | <i>Cash and banks</i> | |
| 1 | Bank and postal deposits | 217,347 |
| 2 | Cheques | - |
| 3 | Cash on hand | 149 |
| | Total cash and banks (C-IV) | 217,496 |
| | Total current assets C | 122,761,104 |
| D | PREPAYMENTS AND ACCRUED INCOME | |
| 1 | Others prepayments and accrued income | - |
| 2 | Deferred discount on loans | - |
| | Total prepayments and accrued income D | - |
| | TOTAL ASSETS | 185,460,928 |

LIABILITIES values in EUR

as of 12/31/2015

| | | |
|----------|---|--------------------|
| A | SHAREHOLDERS' EQUITY | |
| I | Share capital | 35,000,000 |
| II | Share premium reserve | 1,027,637 |
| III | Revaluation reserve | - |
| IV | Legal reserve | - |
| VII | Other reserves | - |
| VIII | Profits (losses) carried forward | - |
| IX | Profit (loss) for the year | (2,506) |
| | Total shareholders' equity | 36,025,131 |
| B | PROVISIONS FOR CONTINGENCIES AND COMMITMENTS | |
| 1 | Provision for severance indemnities and similar commitments | 3,647 |
| 2 | Provision for deferred taxes | 12,924,972 |
| 3 | Other provisions | - |
| | Total provisions for contingencies and commitments B | 12,928,619 |
| C | STAFF LEAVING INDEMNITY | |
| | Total staff leaving indemnity C | 350,738 |
| D | PAYABLES | |
| 4 | Banks loans and overdrafts | |
| | - payables within 12 months | 1,271,994 |
| | - payables after 12 months | - |
| | | 1,271,994 |
| 7 | Trade payables | |
| | - payables within 12 months | 42,377,505 |
| | - payables after 12 months | - |
| | | 42,377,505 |
| 11 | Payables to parent companies | |
| | - payables within 12 months | 77,389,734 |
| | - payables after 12 months | - |
| | | 77,389,734 |
| 12 | Taxes payable | |
| | - payables within 12 months | 247,030 |
| | - payables after 12 months | - |
| | | 247,030 |
| 13 | Social security payables | |
| | - payables within 12 months | 369,073 |
| | - payables after 12 months | - |
| | | 369,073 |
| 14 | Other payables | |
| | - payables within 12 months | 14,489,551 |
| | - payables after 12 months | - |
| | | 14,489,551 |
| | Total Payables D | 136,144,887 |
| E | PREPAYMENTS AND ACCRUED INCOME | |
| | Others prepayments and accrued income | 11,553 |
| | Deferred discount on loans | - |
| | Total prepayments and accrued income E | 11,553 |
| | TOTAL LIABILITIES | 185,460,928 |
| | MEMORANDUM ACCOUNTS | |
| | RISKS | |
| | Bank Guarantees: to subsidiaries | - |
| | to associated companies | - |
| | to parent company | 361,248,643 |
| | to affiliated companies | - |
| | to other companies | - |
| | Total Bank Guarantees | 361,248,643 |
| | Total risks | 361,248,643 |
| | UNDERTAKINGS | |
| | Total undertakings | - |
| | TOTAL MEMORANDUM ACCOUNTS | 361,248,643 |

MARCEGAGLIA PLATES S.P.A.**PROFIT AND LOSS ACCOUNT AS OF 31 DECEMBER 2015**

values in EUR

year 2015

| A VALUE OF PRODUCTION | |
|---|--|
| 1 | Revenues from sales and services |
| 2 | Changes in work in progress and finished goods |
| 3 | Variations in contracted work in progress |
| 3.1 | Variazione delle altre rimanenze |
| 4 | Increase in internal construction capitalized |
| 5 | Other income |
| | - grants and subsidies |
| | - others income |
| | Total other income (5) |
| | Total Value of production A |
| B COST OF PRODUCTION | |
| 6 | Cost of raw materials, auxiliary materials, spare parts and goods |
| 7 | Costs for services |
| 8 | Cost for utilization of third parties' assets |
| 9 | Personnel costs |
| | a) salaries and wages |
| | b) social contributions |
| | c) staff leaving indemnity |
| | d) other social contributions |
| | e) other costs |
| | Total Personnel costs (9) |
| 10 | Depreciation and write downs |
| | a) amortization of intangible assets |
| | b) depreciation of tangible fixed assets |
| | c) other write downs of assets |
| | d) write down of receivables recorded among current assets |
| | Total Depreciation and write downs (10) |
| 11 | Change in inventory of raw materials, auxiliary materials, spare parts and goods |
| 12 | Accruals for contingencies |
| 13 | Other accruals |
| 14 | Other operating charges |
| | Total Cost of production B |
| | Difference between value of production and costs of production A - B |
| C FINANCIAL INCOME AND CHARGES | |
| 15 | Income from investments: |
| | - dividends from subsidiaries |
| | - dividends from associated companies |
| | - dividends other income from investments |
| | Total income from investments (15) |
| 16 | Other financial income: |
| | d) financial income: |
| | - interest income from subsidiaries |
| | - interest income from associated companies |
| | - interest income from parent companies |
| | - other financial income |
| | Total other financial income (d) |
| | Total other financial income (16) |
| 17 | Interest and other financial charges: |
| | - interest paid to subsidiaries |
| | - interest paid to associated companies |
| | - interest paid to parent companies |
| | - other financial charges |
| | total interest and other financial charges (17) |
| 17-bis | Exchange gains/losses |
| | Total financial income and charges C |
| D RETTIFICHE DI VALORE DI ATTIVITÀ FINANZIARIE | |
| 19 | Write down |
| | of investments in share capital |
| | other investments |
| | securities recorded as current assets |
| | Total write down (19) |
| | Total adjustments to the value of financial operations D |

values in EUR

| E | | EXTRAORDINARY INCOME AND EXPENSES | |
|------------------------------|---|--|------------------|
| 21 | Expenses: | | |
| | - losses on disposal of assets | - | |
| | - income taxes relating to previous periods | - | |
| | - Euro rounding difference | - | |
| | - other extraordinary charges | - | |
| | Total expenses (21) | | - |
| | Total extraordinary income and expenses E | | - |
| | | PROFIT (LOSS) BEFORE TAXATION A-B+/-C+/-D+/-E | |
| | Profit (loss) before taxation A-B+/-C+/-D+/-E | | 180,552 |
| 22 | Income taxes for the period deferred assets/liabilities | | |
| | - Income tax | - | |
| | - Deferred tax | 192,497 | |
| | - Prepaid tax | (375,555) | |
| | - Income (expenses) from fiscal consolidation | - | |
| | Total income taxes for the period deferred assets/liabilities (22) | | (183,058) |
| | | | |
| PROFIT (LOSS) FOR THE PERIOD | | (2,506) | |

NOTES

PRELIMINARY REMARKS

In 2015 Marcegaglia S.p.A. (which became Marcegaglia srl on 30 October and was merged by incorporation with Marfin srl effective 31 December) completed an important Reorganisation Operation (the OPERATION), the basic purpose of which was to split its activities based on a clear rationale, separating its core business (steel processing) from its diversified businesses (tourism, energy, etc.). While keeping the corporate consolidation area basically unchanged, three operating companies were established, **Marcegaglia Carbon Steel S.p.A.**, **Marcegaglia Specialties S.p.A.** and **Marcegaglia Plates S.p.A.** (the “Operating Companies”), to which, effective 1 November 2015, business units were contributed - including all Marcegaglia S.p.A. plants - namely the “Flat” and “Welded Tubes” division, the “Stainless Products” and “Carbon Specialty Bars” division, and the division responsible for the processing of rolled heavy plates (Quarto Plate), as well as equity stakes in foreign operating companies in the same sectors.

Subsequently, the equity stakes held by Marcegaglia S.p.A. in the three Operating Companies were transferred to a newly established company named **Marcegaglia Steel S.p.A.**, which therefore constitutes the holding company for the *core business* sector.

Basis of presentation of the Financial Statements

The Financial Statements for the financial year ended at 31 December 2015 were prepared according to the provisions of Articles 2423 et seq. of the Italian Civil Code, supplemented by the accounting standards prepared by the Italian Accounting Standards Board (Organismo Italiano di Contabilità, OIC), and, where missing and applicable hereto, by the International Accounting Standards issued by the IASB. Specifically, the general provisions for the composition of the Financial State-

ments (Article 2423 of the Italian Civil Code), the preparation principles (Article 2423-bis) and the valuation criteria established for individual line items (Article 2426) were complied with, without applying any of the exceptions provided by Article 2423(4) of the Italian Civil Code.

The Balance Sheet and the Profit and Loss Account were prepared according to the statutory layouts provided by the Italian Civil Code. The provisions of Art. 2423-ter of the Italian Civil Code with respect to the structure of the Balance Sheet and Profit and Loss Account were adhered to. No further divisions or groupings were carried out for any of the line items preceded by Arabic numerals. No new line items were inserted, and no modifications were made to those specified in the mandatory formats since they were deemed to be sufficient for the purposes of providing a clear, truthful and accurate representation of the Company’s balance sheet, financial position and operating results for the year.

The Financial Statements for the year ended at 31 December 2015 were prepared in units of Euro. Any differences from rounding off the values expressed in Euro are allocated to a specific shareholders’ equity reserve and in line item E) of the Profit and Loss Account “Extraordinary income and expenses”.

Comparison with the previous financial year

The company was established on 29 May 2015 with a notary deed executed by Mantua Notary Massimo Bertolucci, notary registry no. 75.566 file no. 29.183. Consequently the column for the prior financial year in the Balance Sheet and in the Profit and Loss Account is not indicated, notwithstanding the provisions of Article 2423-ter of the Italian Civil Code.

Classification criteria

In preparing the Financial Statements as at 31 December 2015, the following classification criteria were used:

a. the asset line items of the Balan-

ce Sheet were classified on the basis of their relevant use by the Company, while the liability line items were classified according to their nature;

b. the Profit and Loss Account was prepared considering three distinct classification criteria, specifically:

- the breakdown of the entire operating area into the four sub-areas specified by the statutory layout;
- the prevalence of the nature of costs in respect of their use;
- the need to properly recognise the interim results in respect of the formation of the operating result.

Other information

On 28 October 2015 the Extraordinary Shareholders Meeting decided to increase the Company’s share capital from Euro 10,000 to Euro 35,000,000. The aforementioned increase was fully subscribed by Marcegaglia S.p.A. on 30 October 2015.

With an act by Notary Massimo Bertolucci of Mantua dated 30 October 2015, as release for the aforementioned increase in capital, Marcegaglia S.p.A. transferred the business unit corresponding to the rolled heavy plates division (quarto plate), in the areas of pressure vessels, naval, construction, mechanics, automotive, engineering, energy, petrochemicals and other structural uses. These activities are carried out at the plant in San Giorgio di Nogaro.

The aforementioned contribution entered into effect at 12 midnight on 1 November 2015.

Pursuant to Article 2427(1)(22 bis) of the Italian Civil Code, it is noted that there are no transactions for significant amounts with related parties other than arm’s length transactions.

Reference is made to the Report on Operations with specific regard to relations with subsidiaries and associates.

Marcegaglia Plates S.p.A. did not engage in any transaction falling among the cases governed by Article 2427(1)(22 ter) of the Italian Civil Code that have not already been disclosed in this document.

Reference to the Report on Operations

In respect of information regarding:

- the nature of the business
 - significant events that occurred after the end of the financial year
 - relations with subsidiaries, associates, parent companies and companies subject to the control of the latter
- reference is made to the *Report on Operations*.

Asset or liability items of the Balance Sheet included in more than one line item of the statutory layout

(Art. 2424(2) of the Italian Civil Code)

In order to understand the Financial Statements, it is unnecessary to specify in these Notes the items belonging to the Balance Sheet line items that are included in more than one line item of the statutory layout.

Memorandum Accounts

(Art. 2424(3) of the Italian Civil Code)

Memorandum Accounts are represented in a specific table at the bottom of the Balance Sheet.

Recognition of revenue, income, costs and expenses in the Profit and Loss Account

(Art. 2425-bis of the Italian Civil Code)

Revenues and income, costs and expenses are indicated in the Profit and Loss Account net of returns, discounts, allowances and premiums, as well as taxes directly related to the sale of products and the provision of services.

PRINCIPLES USED TO MEASURE THE LINE ITEMS OF THE FINANCIAL STATEMENTS, THE ADJUSTMENTS OF VALUE AND THE CONVERSION OF VALUES ORIGINALLY NOT EXPRESSED IN A CURRENCY RECOGNISED AS LEGAL TENDER IN ITALY (Art. 2427(1)(1))

The line items in the Financial Statements were measured for the Company as an on-going concern based on general principles of caution and on an accrual basis and considering the economic function of each asset and liability item.

The valuation criteria used for the individual line items of the Financial Statements comply with the provisions of Article 2426 of the Italian Civil Code.

In particular:

Intangible Fixed Assets

Intangible fixed assets are recognised at the contribution value plus any purchase costs, inclusive of directly attributable ancillary costs, and refer to costs having proven multi-year usefulness, recognised among assets net of the relevant amortisation.

Any goodwill is recognised, with the consent of the Board of Statutory Auditors, within the limits of the cost incurred, net of the relative amortisations calculated on the basis of a systematic plan; the amortisation period, if it is longer than five years, does not exceed the duration of the use of the goodwill, thus intending to represent more realistically the impact of the relevant cost on the results achievable during the amortisation period.

With reference to the period in which any values recognised as goodwill are expected to be recovered, a period of 10 years is considered to be fair considering the ten-year experience, in the relevant sectors, of management and operating personnel of the companies acquired or incorporated. An amortisation period for goodwill exceeding five years, on the condition that there are justified and proven reasons, also appears to be in line with the provisions set out by the national accounting standards (OIC Document 24), as well as by International Accounting Standards (IAS No. 38).

The breakdown of intangible fixed assets can be summarised as follows:

| Line items of the Financial Statements | Amortisation rate | Book value as at 12/31/2015 |
|--|-------------------|-----------------------------|
| Start-up and expansion costs | | |
| Company establishment costs | 20% | 40,709 |
| Industrial patent rights and intellectual property rights | | |
| Licensed software | 33% | 14,401 |
| Other | | |
| Other multi-year charges | 33% | 2,642 |
| Intangible Fixed Assets | | 57,752 |

Property, Plant and Equipment

Property, plant and equipment are recorded in the financial statements at the contribution value plus any purchase costs, including directly chargeable incidental charges or production costs.

Routine depreciation on property, plant and equipment originating from the contribution transaction discussed above is computed on the average useful life by categories of assets in a valuation prepared by an expert appointed in compliance with Article 2465(1) of the Italian Civil Code, the corresponding straight line rates for which are:

| Line items of the Financial Statements | Depreciation rate |
|--|-------------------|
| Buildings (B II 1) | 4.17% |
| Light constructions (B II 1) | 11.11% |
| Large plants and specific machinery (B II 2) | 10.00% |
| Annealing furnaces (B II 2) | 10.00% |
| Generic plants and machinery (B II 2) | 7.69% |
| Miscellaneous equipment (B II 3) | 16.67% |
| Furniture and office equipment (B II 4) | 20.00% |
| Electronic office equipment (B II 4) | 25.00% |
| Cars (B II 4) | 50.00% |
| Lorries and trailers (B II 4) | 11.11% |
| Furniture and decor (B II 4) | 14.29% |

With regard to the depreciation rates to be applied to property, plant and equipment acquired after the contribution transaction, certain rates are to be applied in relation to the remaining possibility of use of the assets, in compliance with the provisions of Article 2426(1)(2) of the Italian Civil Code.

Ordinary maintenance costs are entirely allocated to the Profit and Loss Account; maintenance costs that increase the useful life of the assets to which they refer are attributed to such assets and depreciated in relation to their residual potential uses. Leased assets are recognised among assets in the financial year in which the relevant redemption right was exercised. The depreciation rates actually applied to property, plant and equipment acquired after to the contribution transaction are stated in the following schedule:

In the 2015 financial year the above rates

| Line items of the Financial Statements | Depreciation rate |
|--|-------------------|
| Buildings (B II 1) | 2.5% - 3.5% |
| Light constructions (B II 1) | 10% |
| Large plants and specific machinery (B II 2) | 8% |
| Annealing furnaces (B II 2) | 12% |
| Generic plants and machinery (B II 2) | 5% - 8% |
| Purification plants (B II 2) | 8% |
| Miscellaneous equipment (B II 3) | 15% |
| Internal means of transport (B II 3) | 15% |
| Furniture and office equipment (B II 4) | 12% |
| Electronic office equipment (B II 4) | 20% |
| Cars (B II 4) | 25% |
| Lorries and trailers (B II 4) | 20% |
| Furniture and decor (B II 4) | 10% - 15% |

were prorated for the period of actual use by the company, applying a factor of 2/12, which period coincided with the contribution of the corporate division in question.

Inventory

Inventory is recognised at the lower of purchase cost or production cost, calculated as specified below, and the estimated sales value that can be inferred from market trends. The purchase cost includes ancillary costs of transportation and customs clearance of raw materials; production costs include all of the costs directly allocated to the product (raw materials and subsidiary materials, direct labour, depreciation of the capital goods used in production), in addition to the portion of indirect industrial costs relating to the manufacturing period (maintenance costs, consumables, electric power, outsourced processes, etc.).

The value of the final inventory was calculated using the weighted average cost method.

Inventories other than interchangeable assets are recognised among the inventories of finished products and are measured at purchase cost or production cost calculated according to Article 2426(1) of the Italian Civil Code, since said cost is deemed not to exceed the estimated sales market value.

The line item Raw materials, subsidiary materials and consumables also includes inventories of subsidiary materials and consumables such as paints, lubricants, fuels, zinc and miscellaneous materials in general.

Such inventories are recognised in the financial statements at the lesser of the value calculated by the moving average and their replacement value inferred from market trends.

Inventory other than interchangeable assets are recognised at purchase cost or production cost, calculated according to Article 2426(1) of the Italian Civil Code, since they are deemed not to exceed their estimated realisable market value.

Receivables

Receivables are recognised in the Finan-

cial Statements at their nominal value; such value is reduced to the estimated realisable value through specific provisions. Receivables in foreign currency in the Financial Statements as at 31 December 2015 are measured at the exchange rate recognised at the end of the financial year; the difference in respect of the original recognised amount is indicated in line item C.17-bis of the Profit and Loss Account (foreign exchange translation gains and losses).

The breakdown of receivables recognised in the Financial Statements as at 31 December 2015 is indicated in the following tables:

| Description | Receivables held as current assets | |
|--|------------------------------------|------------------------------|
| | due within the following year | due after the following year |
| Trade receivables | | |
| Nominal value | 18,671,116 | |
| Amortisation funds: | -73,254 | |
| Trade receivables - value recognised in the financial statements | 18,597,862 | |
| Receivables from affiliates | 55,168,110 | |
| Receivables from parent companies | 105 | |
| Tax receivables | 944,305 | |
| Receivables for pre-paid taxes | 2,124,641 | 1,851 |
| Receivables from others | 1,539,494 | |
| Total receivables held as current assets | 78,374,517 | 1,851 |

Cash and cash equivalents

Cash and cash equivalents (bank and postal deposits, cash and cash on hand) are recognised based on their actual worth.

Cash line items and shareholders' equity

These are measured at nominal value.

Risk funds

Risk and expense funds are allocated in the Financial Statements in order to cover losses or liabilities having a specific, certain or probable nature, for which the amount or realisable date cannot be determined at the end of the financial year. The allocations reflect the best possible estimate based on available information.

Employee severance pay

Provisions are made in conformity with law and outstanding labour contracts,

and reflect liabilities accrued with respect to all employees at the date of the Financial Statements. According to the provisions of the Italian Accounting Standards Board in its appendix of 26 September 2007 to Guideline no. 1 relating to the transition to the IAS, the Severance pay fund recognised in the Financial Statements at 31 December 2014 is net of the share paid to supplementary pension schemes or to the "Fund for paying severance pay to employees in the private sector pursuant to Article 2120 of the Italian Civil Code", known as the INPS Treasury Fund, in accordance with Legislative Decree 252/2005, Article 1(755 et seq. and 765) of Law 296/2006 and Articles 1 and 3 of Ministerial Decree of 30 January 2007.

Payables

Are valued at nominal value, amended in the event of merchandise returns or billing adjustments.

Accruals and Deferrals

Accruals and deferrals are calculated on an accrual basis accounting of the cost and

revenues to which they refer.

Revenues

Revenue from the sale of products is recognised at the time of transfer of ownership, which occurs upon the shipment of the goods, or when the customer takes delivery of the goods. Revenue from services is recognised at the time of completion of such service. In both cases, obviously, also according to the contractual terms agreed with the customer.

Income taxes

Income taxes are calculated based on the charge accrued in the financial year. The debt recognised in the Balance Sheet liabilities is indicated net of advance payments, withholdings and tax receivables.

Deferred taxes are calculated based on the temporary differences between the value attributed to assets and liabilities according to statutory and tax criteria.

Pre-paid taxes are recognised among assets in the Balance Sheet, to the extent that there is a reasonable certainty of realising future profits capable of reabsorbing the

previous temporary differences.

Exchange rate differences from forex transactions and conversion criteria for items in foreign currency

Receivables and payables expressed in foreign currencies are originally converted into the accounting currency on the basis of the exchange rates at the date of the relevant transactions. The exchange rate differences inherent in the receipt of receivables and the payment of liabilities in foreign currency are recognised in the Profit and Loss Account in line item C.17-bis.

Pursuant to Article 2426(8 bis) of the Italian Civil Code, outstanding receivables and payables in foreign currency at 31 December 2015 have been converted at the exchange rates of the last day of the financial year and the relevant foreign exchange gains and losses were allocated to the Profit and Loss Account, again to line item C.17-bis.

Dividends

Dividends were recognised in the financial year in which they were cashed.

NOTES - ASSETS

INTANGIBLE FIXED ASSETS

The following table shows the changes in intangible fixed assets, specifying for each line item:

- the cost;
- previous revaluations, amortisations and write-downs;

- increases, transfers to another line item, and decreases occurred during the year;
- revaluations, amortisations and write-downs made during the year.

CHANGES IN INTANGIBLE FIXED ASSETS

| | Start-up and expansion costs | Industrial patent rights and intellectual property rights | Concessions, licences, trademarks and similar rights | Goodwill | Fixed assets in progress and advance payments | Other multi-year costs | Total intangible fixed assets |
|------------------------------------|------------------------------|---|--|----------|---|------------------------|-------------------------------|
| Value at beginning of year | | | | | | | |
| Cost | - | - | - | - | - | - | 0 |
| Amortisation for previous years | - | - | - | - | - | - | 0 |
| Book value | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Changes during the year | | | | | | | |
| Increases due to acquisitions | 42,113 | 16,940 | - | - | - | 3,082 | 62,135 |
| Disposals for the year | | | | | | | 0 |
| Ordinary amortisation for the year | 1,404 | 2,539 | - | - | - | 440 | 4,383 |
| Total changes | 40,709 | 14,401 | 0 | 0 | 0 | 2,642 | 57,752 |
| Value at end of year | | | | | | | |
| Cost | 42,113 | 16,940 | - | - | - | 3,082 | 62,135 |
| Accumulated amortisation | 1,404 | 2,539 | - | - | - | 440 | 4,383 |
| Book value | 40,709 | 14,401 | 0 | 0 | 0 | 2,642 | 57,752 |

The following schedule shows the increases due to acquisitions resulting from the corporate division contribution and from actual purchases made during the financial year.

| | Start-up and expansion costs | Industrial patent rights and intellectual property rights | Concessions, licences, trademarks and similar rights | Goodwill | Fixed assets in progress and advance payments | Other multi-year costs | Total intangible fixed assets |
|--------------------------------------|------------------------------|---|--|----------|---|------------------------|-------------------------------|
| Increases due to acquisitions | | | | | | | |
| Net book value contributed | 0 | 16,940 | 0 | 0 | 0 | 3,082 | 20,022 |
| Purchases during the year | 42,113 | | | | | | 42,113 |
| Increases due to acquisitions | 42,113 | 16,940 | 0 | 0 | 0 | 3,082 | 62,135 |

Start-up and expansion costs, research and development costs and advertising expenses

The start-up and expansion costs recognised pertain to company establishment costs, share capital increase costs, and costs for the contribution executed at the end of October 2015.

There are no research and development costs, nor capitalised advertising costs.

PROPERTY, PLANT AND EQUIPMENT

Changes in property, plant and equipment

The following table shows the changes in property, plant and equipment, specifying for each line item:

- the cost;
- previous revaluations, depreciations and write-downs;

- increases, transfers to another line item, and decreases occurred during the year;
- revaluations, depreciations and write-downs made during the year.

PROPERTY, PLANT AND EQUIPMENT

| | land and buildings | plants and machinery | industrial and commercial machinery | other assets | fixed assets in progress | advance payments | Total property, plant and equipment |
|---|--------------------|----------------------|-------------------------------------|----------------|--------------------------|------------------|-------------------------------------|
| Value at beginning of year | | | | | | | |
| Cost | - | - | - | - | - | - | - |
| Revaluations | - | - | - | - | - | - | - |
| Depreciation | - | - | - | - | - | - | - |
| Write-downs | - | - | - | - | - | - | - |
| Book value | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Changes during the year | | | | | | | |
| Increases due to acquisitions | 17,999,259 | 41,807,583 | 1,419,999 | 166,430 | 1,918,744 | 239,945 | 63,551,960 |
| Reclassification (book value) | - | - | - | - | - | - | 0 |
| Decreases due to transfers And disposals (in the book value) | - | - | - | - | - | 118,800 | 118,800 |
| Depreciation during the year | 87,126 | 668,985 | 27,952 | 7,025 | - | - | 791,088 |
| Write-downs during the year | - | - | - | - | - | - | 0 |
| Total changes | 17,912,133 | 41,138,598 | 1,392,047 | 159,405 | 1,918,744 | 121,145 | 62,642,072 |
| Value at end of year | | | | | | | |
| Cost | 17,999,259 | 41,807,583 | 1,419,999 | 166,430 | 1,918,744 | 121,145 | 63,433,160 |
| Revaluations | - | - | - | - | - | - | 0 |
| Depreciation | 87,126 | 668,985 | 27,952 | 7,025 | - | - | 791,088 |
| Write-downs | - | - | - | - | - | - | - |
| Book value | 17,912,133 | 41,138,598 | 1,392,047 | 159,405 | 1,918,744 | 121,145 | 62,642,072 |

The following schedule shows the increases due to acquisitions resulting from the corporate division contribution and from actual purchases made during the financial year.

| Increases due to acquisitions | land and buildings | plants and machinery | industrial and commercial machinery | other assets | fixed assets in progress | advance payments | Total property, plant and equipment |
|---|--------------------|----------------------|-------------------------------------|----------------|--------------------------|------------------|-------------------------------------|
| Contribution value | 20,867,545 | 41,761,233 | 1,397,885 | 147,350 | 1,907,707 | 151,195 | 66,232,915 |
| Write-downs resulting from contribution | 2,875,286 | | | | 921,354 | | 3,796,640 |
| Net contributed amount | 17,992,259 | 41,761,233 | 1,397,885 | 147,350 | 986,353 | 151,195 | 62,436,275 |
| Increases due to acquisitions | 7,000 | 46,350 | 22,114 | 19,080 | 932,391 | 88,750 | 1,115,685 |
| Increases | 17,999,259 | 41,807,583 | 1,419,999 | 166,430 | 1,918,744 | 239,945 | 63,551,960 |

Impairment loss of property, plant and equipment

During the financial year no property, plant and equipment were written down.

FINANCE LEASES

The Company has no outstanding finance lease transactions.

FINANCIAL FIXED ASSETS

None.

LONG-TERM RECEIVABLES RELATING TO REPURCHASE AGREEMENTS

None.

CURRENT ASSETS

Changes occurred during the year ended at 31 December 2015 recognised among assets other than fixed assets are set forth below.

INVENTORY

| Current assets | Balance resulting from contribution | Changes during the year | Value at end of year |
|--|-------------------------------------|-------------------------|----------------------|
| I - Inventory | | | |
| 1. Raw materials, subsidiary materials and consumables | 25,187,054 | 4,074,270 | 29,261,324 |
| 2. Work in progress and semi-finished goods | 3,824,514 | 2,068,267 | 5,892,781 |
| 3. Work in progress on order | | | |
| 4. Finished goods and products | 8,265,009 | 748,126 | 9,013,135 |
| 5. Advance payments | | | |
| Total | 37,276,577 | 6,890,663 | 44,167,240 |

CURRENT ASSETS: RECEIVABLES

CHANGES IN RECEIVABLES RECOGNISED IN CURRENT ASSETS

| Current assets | Balance resulting from contribution | Changes during the year | Value at end of year |
|--------------------------------------|-------------------------------------|-------------------------|----------------------|
| II - Receivables | | | |
| 1. Trade receivables | 32,230,083 | -13,632,221 | 18,597,862 |
| 2. Receivables from subsidiaries | - | - | - |
| 3. Receivables from associates | - | - | - |
| 4. Receivables from parent companies | - | 105 | 105 |
| 4-bis. Tax receivables | - | - | - |
| 4-ter. Pre-paid taxes | 2,502,047 | -375,555 | 2,126,492 |
| 5. Receivables from others | 60,722,100 | -4,014,496 | 56,707,604 |
| Total | 95,454,230 | -18,022,167 | 77,432,063 |

The changes in provisions for bad debts, included in the line item *Trade receivables*, is summarised in the following table:

| Description | balance resulting from contribution | uses during the year | provisions during the year | balance at end of year |
|----------------------------------|-------------------------------------|----------------------|----------------------------|------------------------|
| General provisions for bad debts | 0 | 0 | 73,254 | 73,254 |
| | 0 | 0 | 73,254 | 73,254 |

In addition to what is already disclosed in the Balance Sheet, it is noted that receivables from the parent company and from associates relate to the balance deriving from commercial transactions between Marcegaglia Plates S.p.A. and its various counterparts, which have not yet been settled, as well as to the balance of intra-group bank accounts that were opened specifically, where payments are made to settle the cited transactions and any financial transactions that occur.

Receivables for pre-paid taxes represent taxes relating to costs whose tax deductibility refers to subsequent financial years. Such receivables for pre-paid taxes are expected to be used in the amount of Euro 2,124,640 starting from the following year, while the share after the following year amounts to Euro 1,851.

The breakdown and the changes in receivables from others are analysed in the following tables:

| Breakdown of receivables from others | Balance resulting from contribution | Increases/Decreases | Balance at 12.31.2015 |
|---|-------------------------------------|---------------------|-----------------------|
| Receivables from affiliates | 53,846,651 | 1,321,458 | 55,168,110 |
| Receivables from factoring entities | 6,774,732 | -5,263,872 | 1,510,860 |
| Advance payments to suppliers | 0 | 0 | 0 |
| Receivables from social security organisations | 76,470 | -28,783 | 47,686 |
| Advance payments to employees | 4,242 | 1,266 | 5,508 |
| Receivables from banks for collections from customers | 0 | 0 | 0 |
| Other receivables | 20,005 | -44,565 | -24,560 |
| | 60,722,100 | -4,014,496 | 56,707,604 |

| Breakdown of receivables from associates | Balance resulting from contribution | Increases/Decreases | Balance at 12.31.2015 |
|--|-------------------------------------|---------------------|-----------------------|
| ETA Srl | 53,846,651 | 125,968 | 53,972,619 |
| Marfin Srl | 0 | 1,103,275 | 1,103,275 |
| Marcegaglia Carbon Steel Spa | 0 | 33,188 | 33,188 |
| Marcegaglia Specialties Spa | 0 | 59,028 | 59,028 |
| | 53,846,651 | 1,321,459 | 55,168,110 |

BREAKDOWN OF RECEIVABLES RECOGNISED IN CURRENT ASSETS BY GEOGRAPHIC AREA

| | Italy | EU | Other European countries | America | Africa Middle East | Asia Oceania | Total |
|--|-------------------|-------------------|--------------------------|--------------|--------------------|--------------|-------------------|
| Trade receivables recognised in current assets | 8,723,031 | 9,137,082 | 833,821 | -4,593 | -91,479 | | 18,597,862 |
| Receivables from affiliates recognised in current assets | | | | | | | |
| Receivables from parent company recognised in current assets | 105 | | | | | | 105 |
| Tax receivables recognised in current assets | 944,305 | | | | | | 944,305 |
| Assets consisting of pre-paid taxes recognised in current assets | 2,124,641 | | | | | | 2,124,641 |
| Receivables from others recognised in current assets | 54,785,288 | 1,782,872 | 139,444 | | | | 56,707,604 |
| Total receivables recognised in current assets | 66,577,370 | 10,919,954 | 973,265 | 4,593 | 91,479 | | 78,374,516 |

Receivables recognised in current assets relating to repurchase agreements

None.

CURRENT ASSETS: FINANCIAL ASSETS OTHER THAN FIXED ASSETS

None.

CURRENT ASSETS: CASH AND CASH EQUIVALENTS

CHANGES IN CASH AND CASH EQUIVALENTS

| | Balance resulting from contribution | Changes during the year | Value at end of year |
|--|-------------------------------------|-------------------------|----------------------|
| Bank and postal deposits | 547,544 | -330,197 | 217,347 |
| Cash on hand and cash equivalents | 213 | -64 | 149 |
| Total cash and cash equivalents | 547,757 | -330,261 | 217,496 |

RATEI E RISCONTI ATTIVI

| | Balance resulting from contribution | Changes during the year | Value at end of year |
|---|-------------------------------------|-------------------------|----------------------|
| Other pre-paid expenses | 44,218 | -44,218 | 0 |
| Total accrued income and pre-paid expenses | 44,218 | -44,218 | 0 |

CAPITALISED FINANCIAL EXPENSES

No financial expenses were capitalised in financial year 2015.

NOTES - LIABILITIES AND SHAREHOLDERS' EQUITY

SHAREHOLDERS' EQUITY

The breakdown of Shareholders' Equity, the availability of reserves for capital account transactions, the potential for reserve distribution, as well as the uses made during the past three financial years are summarised in the following tables.

CHANGES IN THE LINE ITEMS OF SHAREHOLDERS' EQUITY

| | Value at beginning of year | Use of previous year result Other uses | Other changes Increases/Decreases | Result for the year | Value at end of year |
|-----------------------------------|----------------------------------|--|--|------------------------|----------------------------|
| Share capital | 10,000 | | 34,990,000 | | 35,000,000 |
| Share premium reserve | 0 | 0 | 1,027,637 | | 1,027,637 |
| Profit (loss) for the year | 0 | 0 | 0 | (2,506) | (2,506) |
| Total shareholders' equity | 10,000 | 0 | 36,017,637 | (2,506) | 36,025,131 |

AVAILABILITY AND USE OF SHAREHOLDERS' EQUITY

| | Amount | Origin / nature | Possible use | Available amount | Summary of the uses made during the previous three financial years | |
|---------------------------------------|-------------------|--|-----------------|---------------------|---|-------------------|
| | | | | | to cover losses | for other reasons |
| Share capital | 35,000,000 | shareholders' contributions | | - | - | - |
| Share premium reserve | 1,027,637 | | A-B-C | 1,027,637 | - | - |
| Revaluation reserves | | revaluation required by law | A-B | | - | - |
| Legal reserve | | profit for the year | B | | - | - |
| Other reserves | | | | | | |
| Extraordinary or optional reserve | | profit for the year | A-B-C | - | - | - |
| Payments for future capital increases | | waiver of receivables by shareholders | A-B-C | - | - | - |
| Merger surplus reserve | | incorporation | A-B-C | - | - | - |
| Sundry reserves | | | | - | - | - |
| Total other reserves | | | | - | - | - |
| Total | 36,027,637 | | | 1,027,637 | - | - |
| Non distributable share | | | | 35,000,000 | | |
| Residual distributable share | | | | | | |

Key: A available for capital increases - B available to cover losses - C available to shareholders - D only for particular purposes

RISK AND EXPENSE FUNDS

INFORMATION ON RISK AND EXPENSE FUNDS

| | Fund for post-retirement benefit and other obligations | Tax fund, including deferred taxes | Total risk and expense funds |
|-------------------------------------|--|------------------------------------|------------------------------|
| Balance resulting from contribution | 0 | 13,117,469 | 13,117,469 |
| Changes during the year | | | |
| Provisions during the year | 3,647 | | 3,647 |
| Uses during the year | | -192,497 | -192,497 |
| Total changes | 3,647 | -192,497 | -188,850 |
| Value at end of year | 3,647 | 12,924,972 | 12,928,619 |

The breakdown of the Risk and Expense Funds is set forth below for further clarification.

Liability line item B.1 "Funds for post-retirement benefit and other obligations" indicates the provisions and relevant uses of the funds for the termination of agency relationships.

The provisions are quantified pursuant to Art. 1751 of the Italian Civil Code and industry collective bargaining agreements.

| Description | balance resulting from contribution | uses during the year | provisions during the year | balance at end of year |
|---------------------------------------|-------------------------------------|----------------------|----------------------------|------------------------|
| Domestic agents Fund | 0 | 0 | 2,044 | 2,044 |
| Foreign agents Fund | 0 | 0 | 503 | 503 |
| Agent severance fund to be liquidated | 0 | 0 | 1,100 | 1,100 |
| | 0 | 0 | 3,647 | 3,647 |

| Description | balance resulting from contribution | uses during the year | provisions during the year | balance at end of year |
|-------------------------|-------------------------------------|----------------------|----------------------------|------------------------|
| Tax funds | | | | |
| Fund for deferred taxes | 13,117,469 | -192,572 | 75 | 12,924,972 |
| | 13,117,469 | -192,572 | 75 | 12,924,972 |

The uses of the fund for Deferred taxes, amounting to a total of Euro 192,572, refer to the amount of Euro 165,980 for the payment of taxes during the year 2015 of positive items whose taxation during financial year 2014 was deferred to financial year 2015, and Euro 26,592 to re-absorption during financial year 2015 of deferred taxes set aside in previous years relating to the payment by instalment of taxes on capital gains realised in the past on property, plant and equipment.

The provisions refer exclusively to taxes on positive items recognised in the Profit and Loss Account deriving from foreign exchange translation gains.

EMPLOYEE SEVERANCE PAY

Information on employee severance pay

The following table indicates the changes in Severance Pay items in respect of 2015 (from the effective date of the corporate division contribution), also considering the amounts to be used for supplementary pension funds.

On the basis of the indications of the Italian Accounting Standards Board in its appendix of 26 September 2007 to Guideline no.1 relating to the transition to the IAS, the severance pay fund in the financial statements is recognised net of the share paid to the supplementary pension funds or paid to the "Fund for paying the severance pay to employees in the private sector pursuant to Article 2120 of the

Italian Civil Code", known as the INPS treasury fund, pursuant to Legislative Decree 252/2005, Article 1(755 et seq.) and (765) of Law 296/2006 and Articles 1 and 3 of Ministerial Decree of 30 January 2007.

The shares of employee severance pay accrued in 2015 that have not yet been paid to supplementary pension funds or to the INPS treasury fund are disclosed in line item D.13) "Payables to welfare and social security organisations".

| | Employee severance pay |
|-------------------------------------|------------------------|
| Balance resulting from contribution | 346,852 |
| Changes during the year | |
| Provisions during the year | 61,181 |
| Uses during the year | 57,295 |
| Total changes | 3,886 |
| Value at end of year | 350,738 |

The breakdown of the line item “uses of the severance pay fund” is set forth below:

| Uses during the year for severance pay and advance payments and for payment of substitute tax on the revaluation accrued in 2015 | Payments to supplementary pension funds | Payments to the INPS treasury fund net of recoveries made during the year | Recovery of INPS contribution pursuant to Law 297/82 |
|--|---|---|--|
| - | -29,750 | -23,723 | -3,822 |

PAYABLES

The changes in payables are broken down in the following tables.

CHANGES AND MATURITIES OF PAYABLES

| Payables | Balance resulting from contribution | Changes during the year | Value at end of year |
|---|-------------------------------------|-------------------------|----------------------|
| Payables to banks | 2,436,484 | -1,164,490 | 1,271,994 |
| Trade payables | 35,580,059 | 6,797,446 | 42,377,505 |
| Payables to parent company | 70,899,707 | 6,490,027 | 77,389,734 |
| Tax payables | 101 | 246,929 | 247,030 |
| Payables to welfare and social security organisations | 105,461 | 263,612 | 369,073 |
| Other payables | 37,275,311 | -22,785,760 | 14,489,551 |
| Total | 146,297,123 | -10,152,236 | 136,144,887 |

Breakdown of other payables

| Breakdown of other payables | Balance resulting from contribution | Increases/Decreases | Balance at 12.31.2015 |
|---|-------------------------------------|---------------------|-----------------------|
| Payables to affiliates | - | 551,195 | 551,195 |
| Payables to factoring entities | 36,355,547 | -23,282,577 | 13,072,970 |
| Payables to employees and free-lancers | 610,546 | -60,847 | 549,699 |
| Payables for settlements made during the year | - | - | - |
| Sundry payables | 309,219 | 6,468 | 315,687 |
| | 37,275,311 | -22,785,760 | 14,489,551 |

Breakdown of payables to affiliates

| Breakdown of payables to affiliates | Balance resulting from contribution | Increases/Decreases | Balance at 12.31.2015 |
|-------------------------------------|-------------------------------------|---------------------|-----------------------|
| Marfin srl | - | 352,608 | 352,608 |
| Made HSE srl | - | 18,078 | 18,078 |
| Marcegaglia Carbon Steel Spa | - | 9,678 | 9,678 |
| Marcegaglia Specialties Spa | - | 170,831 | 170,831 |
| | - | 551,195 | 551,195 |

BREAKDOWN OF PAYABLES BY GEOGRAPHIC AREA

| | Italy | EU | Other European Countries | America | Africa Middle East | Asia Oceania | Total |
|---|--------------------|-------------------|-----------------------------|----------------|-----------------------|-----------------|--------------------|
| Payables to banks | 1,271,994 | | | | | | 1,271,994 |
| Trade payables | 10,476,259 | 21,991,990 | 7,261,352 | 256,040 | 2,412,064 | -20,200 | 42,377,505 |
| Payables to parent company | 77,389,734 | | | | | | 77,389,734 |
| Tax payables | 247,030 | | | | | | 247,030 |
| Payables to welfare and social security organisations | 369,073 | | | | | | 369,073 |
| Other payables | 14,186,874 | | 302,677 | | | | 14,489,551 |
| Total | 103,940,964 | 21,991,990 | 7,564,028 | 256,040 | 2,412,064 | -20,200 | 136,144,887 |

PAYABLES SECURED BY COLLATERAL ON CORPORATE ASSETS

| | Payables secured by collateral | | | Payables not secured by collateral | Total |
|---|--------------------------------|-----------------------------|--------------------------------------|------------------------------------|--------------------|
| | Payables secured by mortgages | Payables secured by pledges | Total payables secured by collateral | | |
| Payables to banks | | 25,287 | 25,287 | 1,246,707 | 1,271,994 |
| Trade payables | | | | 42,377,505 | 42,377,505 |
| Payables to parent companies | | | | 77,389,734 | 77,389,734 |
| Tax payables | | | | 247,030 | 247,030 |
| Payables to welfare and social security organisations | | | | 369,073 | 369,073 |
| Other payables | | | | 14,489,551 | 14,489,551 |
| Total payables | | 25,287 | 25,287 | 136,144,887 | 136,144,887 |

Lastly, it is indicated that in connection with the securitisation of trade receivables without notice Marcegaglia Plates S.p.A. established a pledge to Unicredit Banca on the amounts that are on deposit in the current account with the aforementioned bank, i.e. Euro 84,995 at 31 December 2015.

Payables relating to repurchase agreements

None.

Loans made by the Company's shareholders

None.

ACCRUED EXPENSES AND DEFERRED INCOME

| | Balance resulting from contribution | Changes during the year | Value at end of year |
|--|-------------------------------------|-------------------------|----------------------|
| Accrued expenses | 0 | 11,553 | 11,553 |
| Total accrued expenses and deferred income | 0 | 11,553 | 11,553 |
| Total | 0 | 58,046 | 58,046 |

The breakdown of accrued expenses and deferred income is indicated in the following tables:

| Accrued expenses | Breakdown of balance at end of year |
|-----------------------------------|-------------------------------------|
| Interests due to delayed payments | 11,553 |
| Total | 11,553 |

Commitments not emerging from the Balance Sheet and Memorandum Accounts

Commitments not emerging from the Balance Sheet are clearly indicated in special memorandum accounts at the bottom of the Balance Sheet.

NOTES - PROFIT AND LOSS ACCOUNT

VALUE OF PRODUCTION

BREAKDOWN OF REVENUE FROM SALES AND SERVICES BY CATEGORY OF ASSET

| | Value in current financial year |
|----------------------|------------------------------------|
| Flat products | 20,051,025 |
| Other steel products | 961,470 |
| Total | 21,012,495 |

BREAKDOWN OF REVENUE FROM SALES AND SERVICES BY GEOGRAPHIC AREA

| | Value in current financial year |
|--------------------------|------------------------------------|
| Italy | 10,730,233 |
| EU | 10,051,540 |
| Other European countries | 230,722 |
| Total | 21,012,495 |

The same breakdown of revenue by asset is shown below:

| | Italy | EU | Other European countries | Total |
|----------------------|-------------------|-------------------|-----------------------------|-------------------|
| Flat products | 9,780,886 | 10,039,417 | 230,722 | 20,051,025 |
| Other steel products | 949,347 | 12,123 | | 961,470 |
| Total 2015 | 10,730,233 | 10,051,540 | 230,722 | 21,012,495 |
| % impact 2015 | 51.06% | 47.83% | 1.11% | 100.00% |

FINANCIAL INCOME AND EXPENSES

Breakdown of income from equity investments

No such line item is included in the Financial Statements.

Breakdown of interest and other financial expenses by type of liability

| | Interest and other financial expenses |
|---|--|
| Payables to banks | 12,577 |
| Factoring and securitisation transactions | 231,307 |
| Payables to group's companies | 475,813 |
| Total | 719,697 |

Further details of the 2015 financial expenses are set forth below:

| | Balance at 12.31.2015 |
|--|-----------------------|
| Interest due to affiliates | 3,627 |
| Interest due to parent company | 472,185 |
| Interest due to banks and factoring entities | 243,885 |
| Total | 719,697 |

VALUE ADJUSTMENTS OF FINANCIAL ASSETS

No such line item is included in the Financial Statements.

EXTRAORDINARY INCOME AND EXPENSES

No such line item is included in the Financial Statements.

CURRENT, DEFERRED AND PRE-PAID INCOME TAXES

Deferred taxes recognised in the Financial Statements at 31 December 2015 are summarised in the following tables.

Pre-paid taxes were recorded for all temporary differences found between taxable income and profit before taxes under the assumption that there would be sufficient taxable income to “absorb” the temporary differences indicated below over the time frame indicated.

For each of the components indicated below, pre-paid and deferred taxes were allocated with an IRES [corporate income tax] rate of 27.5% for financial year 2016 and of 24% for the following financial years and an IRAP [regional tax on productive activity] rate of 3.9%.

RECOGNITION OF DEFERRED AND PRE-PAID TAXES AND RESULTING EFFECTS

| | Amount |
|--|------------|
| A) Temporary differences | |
| Total deductible temporary differences | 11,058,914 |
| Total taxable temporary differences | 91,706,219 |
| Net temporary differences | 80,647,305 |
| B) Tax impact of deductible temporary differences | |
| Fund for pre-paid taxes resulting from contribution | 2,502,045 |
| Pre-paid taxes for the year | -375,553 |
| Fund for pre-paid taxes at end of year | 2,126,492 |
| B) Tax impact of taxable temporary differences | |
| Fund for deferred taxes resulting from contribution | 13,117,468 |
| Deferred taxes for the year | -192,496 |
| Fund for pre-paid [sic] taxes at end of year | 12,924,972 |

BREAKDOWN OF DEDUCTIBLE TEMPORARY DIFFERENCES

| Description | Amount |
|---|-------------------|
| Foreign exchange translation losses | 585,426 |
| Goodwill business unit in San Giorgio di Nogaro | 9,420 |
| Inventory write-down - raw materials | 3,401,450 |
| Inventory write-down - finished products | 345,602 |
| Inventory write-down - semi-finished goods | 118,428 |
| Unpaid remuneration to directors (for 2015) | 50,000 |
| Tax loss | 2,673,686 |
| Goodwill business unit in San Giorgio di Nogaro from Marfin | 9,420 |
| Inventory write-down - raw materials | 3,401,450 |
| Inventory write-down - finished products | 345,602 |
| Inventory write-down - semi-finished goods | 118,428 |
| Total | 11,058,914 |

BREAKDOWN OF TAXABLE TEMPORARY DIFFERENCES

| Description | Amount |
|---|-------------------|
| Foreign exchange translation gains | 274 |
| Assets revaluation - assets delta amortisation/depreciation | 45,907,042 |
| Assets revaluation - delta amortisation/depreciation | 45,798,903 |
| Total | 91,706,219 |

BREAKDOWN OF DEFERRED AND PRE-PAID TAXES BY TIME PERIOD

| Description | 2016 | 2017 | 2018 | 2019 | Beyond 2019 or which cannot be estimated | Total |
|--|-------------------|------------------|------------------|------------------|--|-------------------|
| A) Taxable temporary differences | | | | | | |
| <i>Ires</i> | | | | | | |
| Foreign exchange translation gains | 274 | | | | | 274 |
| Assets revaluation - delta amortisation/depreciation | 3,458,525 | 3,753,036 | 3,776,994 | 3,846,367 | 31,072,120 | 45,907,042 |
| <i>Irap</i> | | | | | | |
| Assets revaluation - delta amortisation/depreciation | 4,091,050 | 4,088,837 | 4,077,773 | 4,076,779 | 29,464,464 | 45,798,903 |
| Total deferred taxes | 7,549,849 | 7,841,873 | 7,854,767 | 7,923,146 | 60,536,584 | 91,706,219 |
| B) Deductible temporary differences | | | | | | |
| <i>Ires</i> | | | | | | |
| Foreign exchange translation losses | 585,426 | | | | | 585,426 |
| Goodwill business unit in San Giorgio di Nogaro | 2,780 | 2,780 | 2,780 | 1,080 | | 9,420 |
| Inventory write-down - raw mat. | 3,401,450 | | | | | 3,401,450 |
| Inventory write-down - finished products | 345,602 | | | | | 345,602 |
| Inventory write-down - semi-finished goods | 118,428 | | | | | 118,428 |
| Unpaid remuneration to directors (for 2015) | | | | | | |
| Write-downs of property, plant and equipment | 50,000 | | | | | 50,000 |
| Tax loss | 2,673,688 | | | | | 2,673,688 |
| <i>Irap</i> | | | | | | |
| Goodwill business unit in S.Giorgio di Nogaro | 2,780 | 2,780 | 2,780 | 1,080 | | 9,420 |
| Inventory write-down - raw materials | 3,401,450 | | | | | 3,401,450 |
| Inventory write-down - finished products | 345,602 | | | | | 345,602 |
| Inventory write-down - semi-finished goods | 118,428 | | | | | 118,428 |
| Total pre-paid taxes | 11,045,632 | 5,560 | 5,560 | 2,160 | | 11,058,914 |

In conclusion, and in compliance with the provisions of OIC Document no. 25, two tables are provided that indicate the reconciliation of the expected tax burden, for IRES and IRAP respectively, with the effective tax burden.

BREAKDOWN OF DEDUCTIBLE TEMPORARY DIFFERENCES (PRE-PAID TAXES)

| | IRES | IRAP |
|---|------------|------------|
| A) Temporary differences | | |
| Total deductible temporary differences | 7,184,013 | 3,874,901 |
| Total taxable temporary differences | 45,907,316 | 45,798,903 |
| Net temporary differences | 38,723,303 | 41,924,002 |
| B) Tax impact | | |
| Fund for deferred (pre-paid) taxes at beginning of year | 9,088,794 | 1,526,628 |
| Deferred (pre-paid) taxes for the year | 74,650 | 108,408 |
| Fund for deferred (pre-paid) taxes at end of year | 9,163,444 | 1,635,036 |

| Description | Amount at the end of previous year | Changes during the year | Amount at end of year | IRES rate | Tax effect of IRES | IRAP rate | Tax effect of IRAP |
|---|---|-------------------------------|-----------------------------|--------------|-----------------------|--------------|-----------------------|
| foreign exchange translation losses | 722,269 | -136,843 | 585,426 | 27.50% | 160,992 | | |
| goodwill business unit in San Giorgio di Nogaro | 9,883 | -463 | 9,420 | 25.03% | 2,358 | 3.90% | 367 |
| inventory write-downs | 7,326,598 | -3,461,117 | 3,865,480 | 27.50% | 1,063,007 | 3.90% | 150,753 |
| unpaid remuneration to directors | | 50,000 | 50,000 | 27.50% | 13,750 | | |

BREAKDOWN OF TAXABLE TEMPORARY DIFFERENCES (DEFERRED TAXES)

| Description | Amount at the end of previous year | Changes during the year | Amount at end of year | IRES rate | Tax effect of IRES | IRAP rate | Tax effect of IRAP |
|--|------------------------------------|-------------------------|-----------------------|-----------|--------------------|-----------|--------------------|
| foreign exchange translation gains | 29,861 | -29,587 | 274 | 27.37% | 75 | | |
| revaluation of assets arising from contribution (IRES) | 46,480,744 | -573,702 | 45,907,042 | 24.26% | 11,138,739 | | |
| revaluation of assets arising from contribution (IRAP) | 46,480,744 | -681,841 | 45,798,902 | | | 3.90% | 1,786,157 |

DISCLOSURE ON TAX LOSSES

| | Current financial year | | |
|---|------------------------|---------------|----------------|
| | Amount | Tax rate | Pre-paid taxes |
| Tax loss | | | |
| for the year | 2,673,686 | | |
| for previous years | 0 | | |
| Total tax loss | 2,673,686 | | |
| Tax losses carried forward recoverable with reasonable certainty | 2,673,686 | 27.50% | 735,264 |

RECONCILIATION BETWEEN ACTUAL TAX BURDEN AND THEORETICAL TAX BURDEN (IRES)

| 2015 | | |
|---|-------------------|--------------------|
| Statutory profit (+) / loss (-) before taxes | 180,552 | |
| Theoretical 27.5% tax on statutory result before taxes | | 49,652 |
| Effect of increases (+) / decreases (-) on ordinary tax rate | | IRES impact |
| Temporary increases | 635,426 | 174,742 |
| Temporary decreases | -274 | -75 |
| Absorption of temporary decreases | -4,183,850 | -1,150,559 |
| Absorption of temporary increases | 603,564 | 165,980 |
| Permanent increases | 102,536 | 28,197 |
| Permanent decreases | -11,640 | -3,201 |
| Total increases and decreases | -2,854,238 | -784,915 |
| Tax loss for the year | -2,673,686 | -735,264 |

RECONCILIATION BETWEEN THE ACTUAL TAX BURDEN AND THEORETICAL TAX BURDEN (IRAP)

| 2015 | | |
|---|-------------------|--------------------|
| Difference between value and cost of production | 863,068 | |
| Costs other than relevant for IRAP purposes | 994,228 | |
| Theoretical IRAP taxable amount | 1,857,296 | |
| Theoretical 3.9% tax on theoretical IRAP taxable amount | | 72,435 |
| Effect of increases (+) / decreases (-) on ordinary tax rate | | IRAP impact |
| Temporary increases | - | - |
| Absorption of temporary increases | 681,842 | 26,592 |
| Absorption of temporary decreases | -3,461,581 | -135,002 |
| Permanent increases | 68,121 | 2,657 |
| Permanent decreases | - | - |
| Value of production before IRAP | -854,322 | -33,318 |
| IRAP deductions | -504,594 | |
| IRAP taxable income | -1,358,916 | |

NOTES - CASH-FLOW STATEMENT

No cash-flow statement was prepared because it is not mandatory and because it is hardly significant, as this is the first financial year for the Company.

NOTES - OTHER INFORMATION

EMPLOYMENT DATA

| | Average number |
|-------------------------|----------------|
| Managers | 1 |
| Middle level management | 1 |
| Office workers | 25 |
| Factory workers | 55 |
| Total employees | 82 |

Specific data on employees at 31 December 2015 is set forth below:

| Category | Time period | 2015 | |
|-------------------------|-------------|----------------|----------------|
| | | Average number | at 31 December |
| Managers | month | 1 | 1 |
| Middle level management | month | 1 | 1 |
| Office workers | month | 25 | 25 |
| Factory workers | month | 55 | 55 |
| TOTAL | | 82 | 82 |

REMUNERATION OF DIRECTORS AND STATUTORY AUDITORS

In 2015 Euro 3,640 were paid as remuneration to the statutory auditors and Euro 50,000 were attributed for the remuneration of the directors.

REMUNERATION OF THE LEGAL AUDITOR OR THE INDEPENDENT AUDITOR

The Extraordinary Shareholders Meeting held on 27 November 2015 charges the audit firm MAZARS ITALIA S.p.A. with the responsibility for statutory audits of the annual financial statements, in compliance with and for the purposes and effects of Article 14 of Legislative Decree No. 39 of 27 January 2010, for a period of 3 financial years, and consequently until approval of the financial statements for financial year 2017.

Remuneration was determined as follows:

- for the statutory audit for financial year 2015: a total of Euro 24,098, of which Euro 22,950 pertain to the audit of the annual financial statements and Euro 1,148 pertain to the fourth quarter accounting control;
- for the statutory audit for financial years 2016 and 2017: a total of Euro 55,080, of which Euro 45,900 pertains to the audit of the annual financial statements and Euro 9,180 pertains to the accounting control.

CATEGORIES OF SHARES ISSUED BY THE COMPANY

The company was organised in the form of a limited liability company on 29 May 2015 with share capital of Euro 10,000 divided into ownership interests in compliance with Article 2468 of the Italian Civil Code.

As was previously mentioned, a capital increase of Euro 34,990,000 was decided on 28 October 2015, which brought the share capital to Euro 35,000,000, also divided into ownership interests in compliance with Article 2468 of the Italian Civil Code. The Extraordinary Shareholders Meeting held on 27 November 2015 decided to convert the company from a limited liability company to a public liability company, through the issuance of 35,000,000 ordinary shares with a value of Euro 1.00 each.

| Description | Initial balance, number | Initial balance, nominal value | Final balance, number | Final balance, nominal value |
|-----------------|-------------------------|--------------------------------|-----------------------|------------------------------|
| Ordinary shares | 0 | 0 | 35,000,000 | 35,000,000 |
| Total | 0 | 0 | 35,000,000 | 35,000,000 |

SECURITIES ISSUED BY THE COMPANY

None.

INFORMATION ON FINANCIAL INSTRUMENTS ISSUED BY THE COMPANY

The Company has not issued any financial instruments.

SUMMARY TABLE OF THE FINANCIAL STATEMENTS OF THE COMPANY EXERCISING MANAGEMENT AND COORDINATION

The Company is subject to management and coordination by the parent company FINMAR Srl, which holds 13% of the share capital but 51.31% of the voting rights of Marcegaglia Holding S.p.A., which holds 100% of the share capital of Marcegaglia Steel S.p.A., which in turn holds 100% of the Company's share capital.

It is not possible to provide the information required by Article 2497-bis(4) of the Italian Civil Code, i.e. a summary schedule of FINMAR srl's financial statement information, because the financial year ending 31 December 2015 is the aforementioned company's first financial year, as it was established on 29 May 2015.

NOTES

final part

Significant changes in exchange rates

The changes in exchange rates that occurred after the end of the financial year have a positive effect on the valuation of the debt or credit positions in foreign currency as at 31 December 15.

In fact, using exchange rates at 29 April 2016 the net impact of line items "foreign exchange translation gains" and "foreign exchange translation losses" (17bis of the Profit and Loss Account) improved by approximately Euro 710,000, with an equally negative effect on income.

Transactions with related parties

Marcegaglia Plates S.p.A.'s activity is primarily aimed at developing relations with parties which are not directly or indirectly related through equity investments, without, however, ignoring the appropriate synergies stemming from the commercial and financial relationships between the companies of a group characterised by effective and efficient horizontal and vertical integration. The Report on Operations indicates the book values of business activities with group entities, specifying that the transactions were carried out at arm's length, as if they had been made between unrelated parties.

Property included in assets allocated for a specific business transaction

None.

Income from loans to be used for a specific business transaction

None.

Nature and economic purpose of agreements that do not appear in the Balance Sheet ("off balance sheet" transactions)

(Art. 2427(1)(22-ter))

The Company did not engage in any transaction falling under Article 2427(1)(22-ter) of the Italian Civil Code that has not already been disclosed in this document.

Fixed assets purchased before 17 April 1991 (Art. 45(2) of Legislative Decree 127 of 9 April 1991)

It is certified that in respect of fixed assets purchased or produced prior to 17 April 1991, the original cost was already calculated and recognised in the accounting records.

Information on the "fair value" of financial instruments

The Company is not interested in this information.

Information pursuant to Article 27 of Legislative Decree 127/91 - Consolidated Financial Statements

These Financial Statements are included in the consolidated financial statements prepared by the parent holding company Marcegaglia Holding S.p.A., having its registered office in Gazoldo degli Ippoliti (MN) - via Bresciani n. 16.

Information on the "national tax consolidation"

In financial year 2015 the option to adopt a consolidated taxation system on a national basis was not exercised.

Certification of financial statements by the independent auditor

Marcegaglia Carbon Steel [sic] S.p.A. entrusted the audit of its Financial Statements, in accordance with and for the effects of Article 14 of Legislative Decree no. 39 of 27 January 2010, to the independent auditor MAZARS S.p.A..

Use of the operating result

We propose carrying forward the financial year loss of Euro 2,506.48.

DECLARATION OF CONFORMITY

It is hereby stated that the valuation criteria reported herein conform to statutory regulations.

These Notes, as well as the entire Financial Statements of which it is an integral part, provide a true and accurate picture of the Company's financial and equity position and its financial year results.

The representation of the values required by Article 2427 of the Italian Civil Code was prepared in conformity with the principle of clarity.

Gazoldo degli Ippoliti, 25 May 2016

The Chairman of the
Board of Directors
Antonio Marcegaglia





50th
1959-2009
MARCEGAGLIA



via Bresciani, 16 • 46040 Gazoldo Ippoliti, Mantova - Italy
phone +39 . 0376 685 1 • fax +39 . 0376 685 600
www.marcegaglia.com