



BALANCE  
SHEET  
2015

REALIZED BY NUOVA DE.FI.M. ORSOGRIL SPA





BALANCE  
SHEET  
2015

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FERALPI HOLDING SPA  
(consolidated)

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AT 31/12/2015

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*A special tribute goes to the memory  
of the founder Carlo Pasini and his wife  
Lidia Camilla Savoldi.*

FERALPI SIDERURGICA SPA  
(consolidated)

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IND

MPL SRL

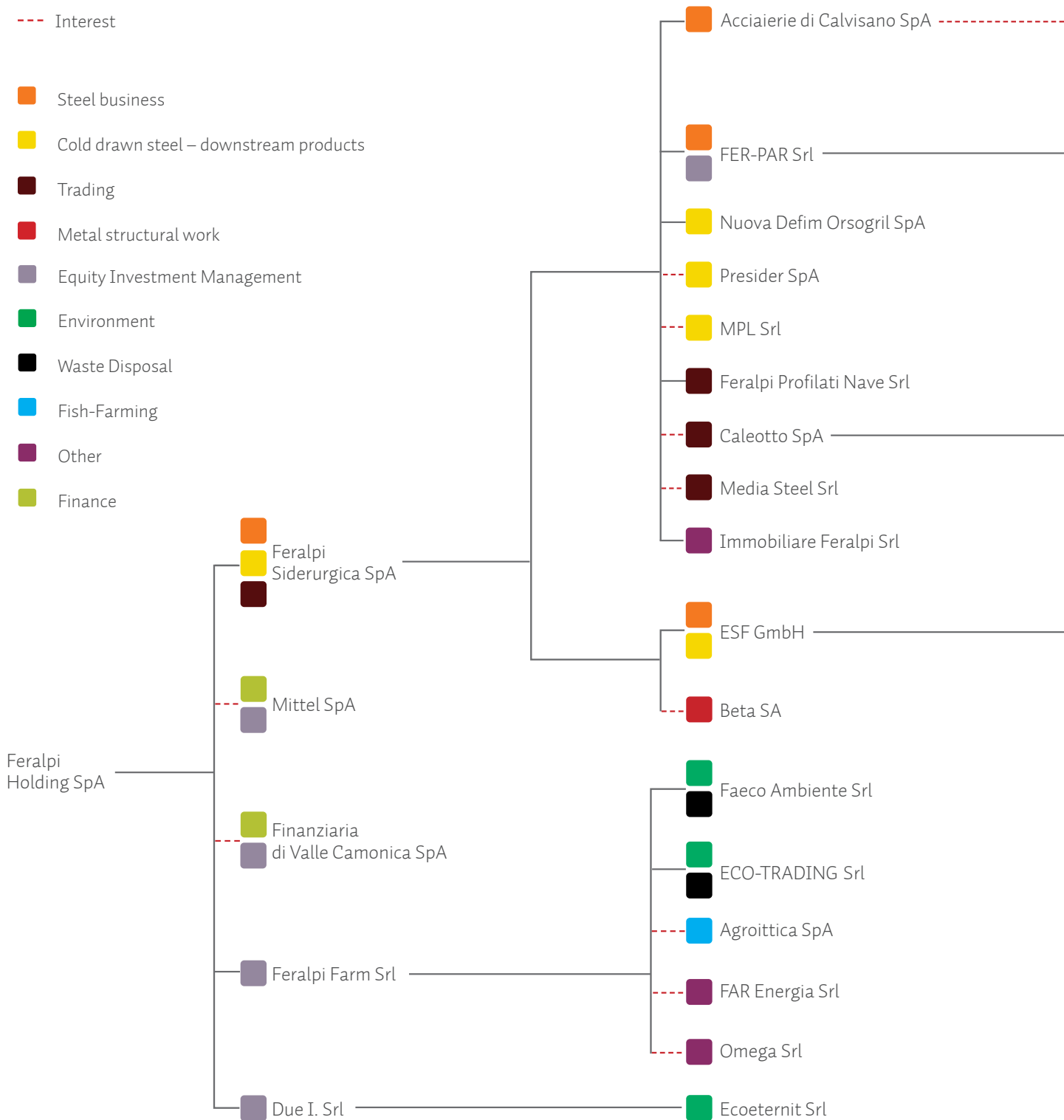
# COMPANY ORGANISATION CHART 2016

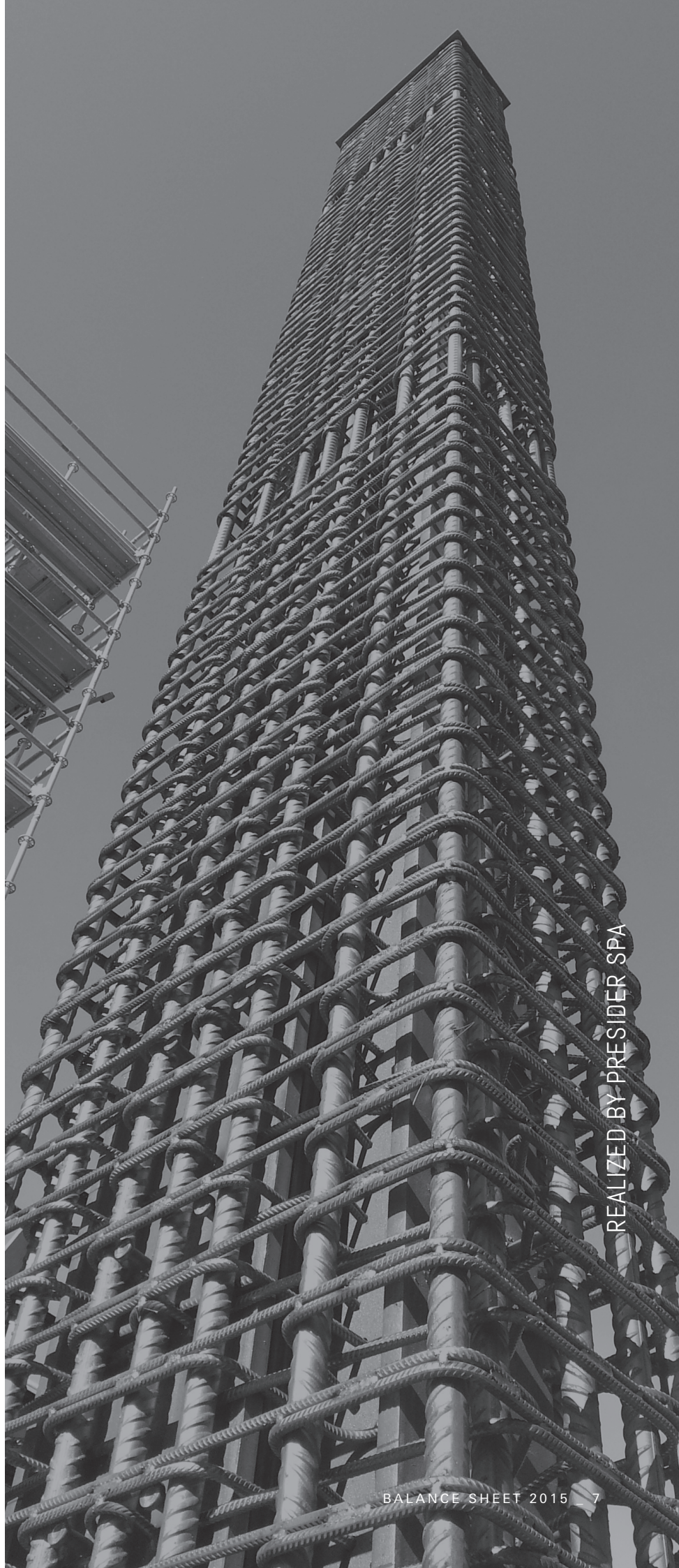
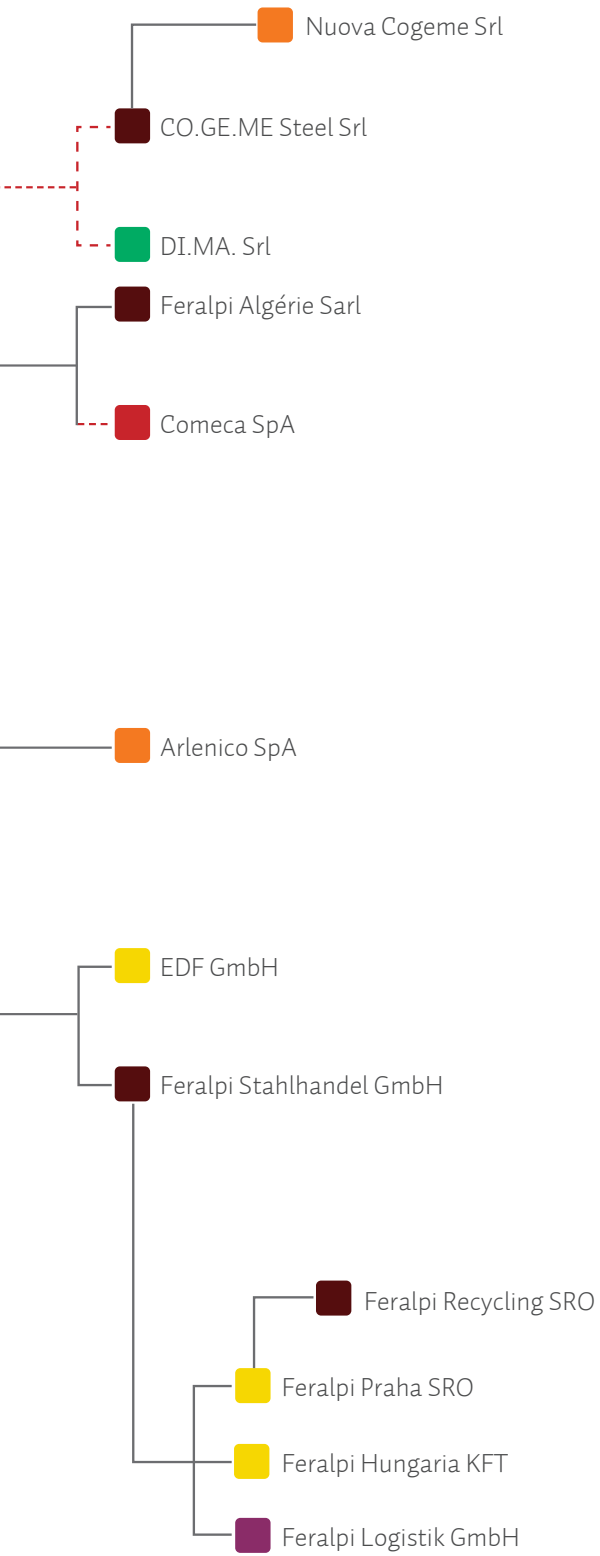


**LEGEND**

- Control
- - - Interest

- Steel business
- Cold drawn steel – downstream products
- Trading
- Metal structural work
- Equity Investment Management
- Environment
- Waste Disposal
- Fish-Farming
- Other
- Finance





REALIZED BY PRESIDER SPA

# HIGHLIGHTS

## Key economic figures

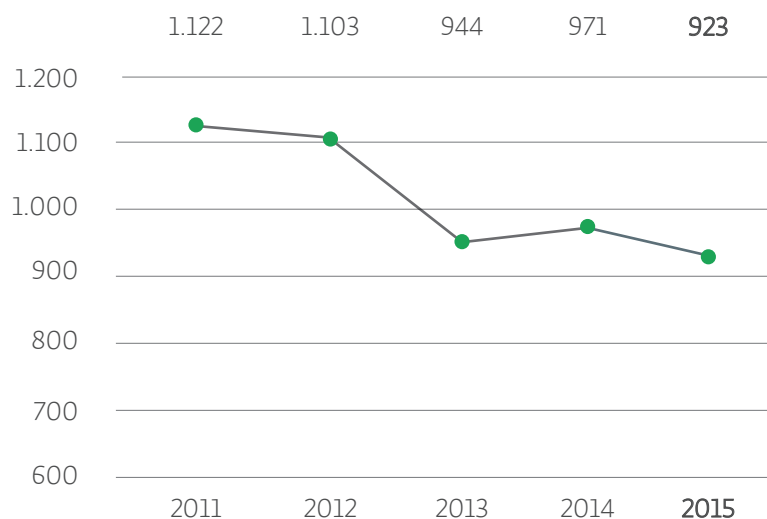
	2013	2014	2015
Sales	943.902	971.153	922.898
Italy	(32%) 301.302	(28%) 271.142	(32%) 291.310
Exports	(68%) 642.600	(72%) 700.011	(68%) 631.588
Production value	914.755	972.728	926.020
Pre-tax result	(14.783)	2.624	5.565
Net result for the year	(12.053)	(575)	(1.541)
Depreciation, amortisation and write-off	(35.561)	(40.035)	(40.972)
Cash Flow	23.508	39.460	39.431
Ebitda	27.655	49.413	46.977
Ebit	(7.906)	9.378	6.005

## Key equity and financial figures

	2013	2014	2015
Investments made	57.159	27.375	42.653
Net fixed assets	319.098	308.207	311.744
Net equity	365.210	364.415	362.872

thousands of euros

## Consolidated Sales (€/m)



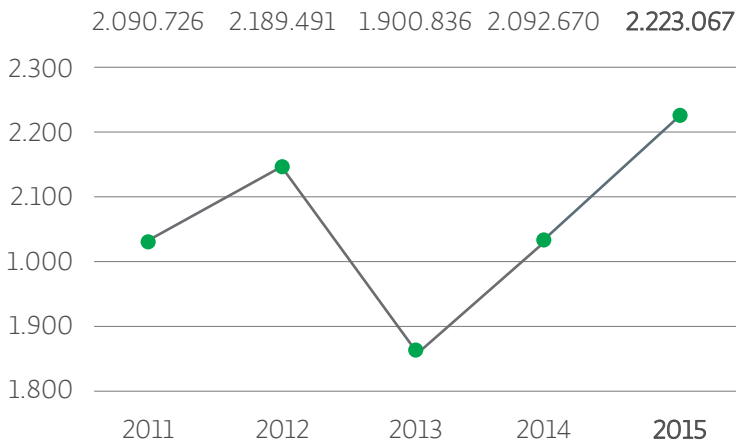




# PRODUCTION

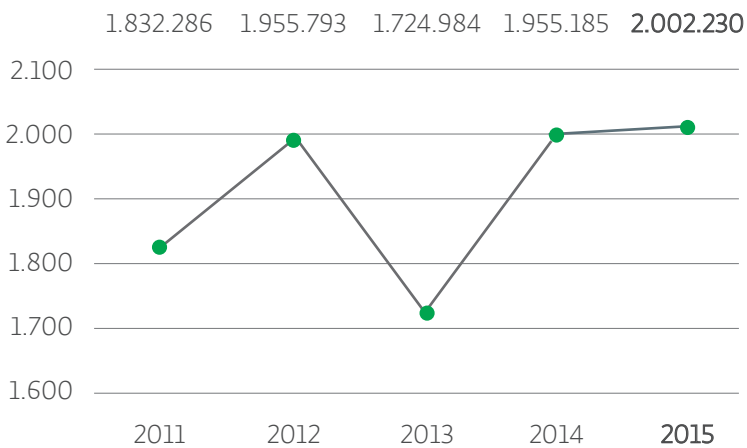
## Steel

### Steel billets (tonnes)



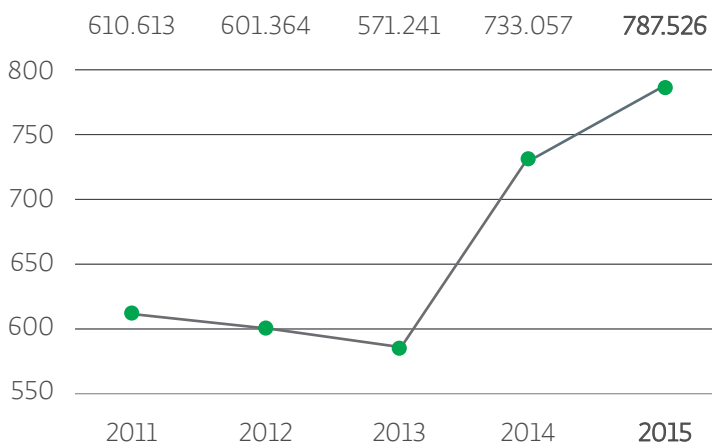
Feralpi Siderurgica SpA - Acciaierie di Calvisano SpA  
ESF GmbH

### Eebar, reinforcing steel in coils and wire rod (tonnes)



Feralpi Siderurgica SpA - ESF GmbH

### Cold and other downstream processes (tonnes)



Feralpi Siderurgica SpA - Djefte Srl  
Nuova Defim SpA - ESF GmbH - EDF GmbH  
Feralpi Praga S.r.o. - Feralpi Hungaria Kft



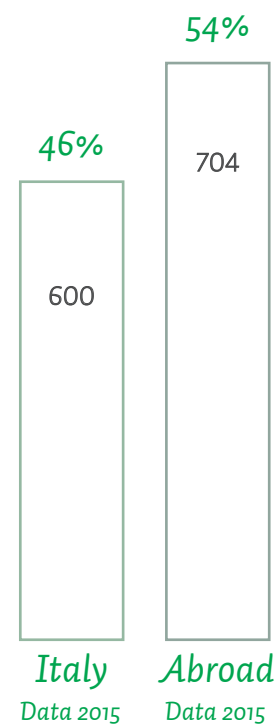
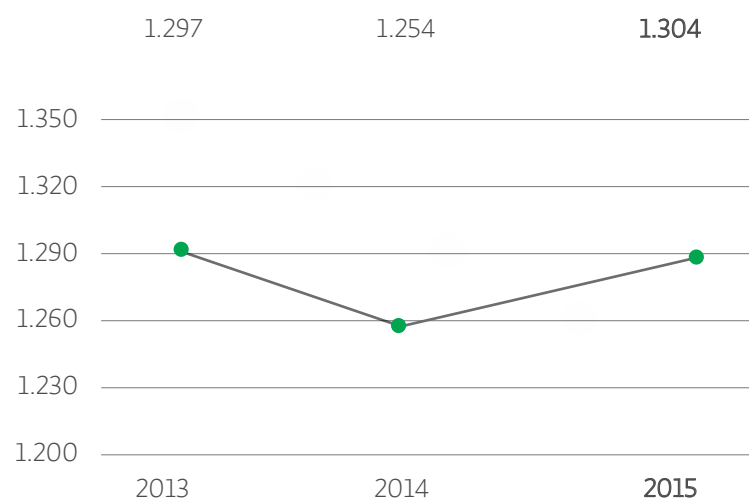


CALEOTTO

CALEOTTO SPA

# PERSONNEL

## Personnel at 31/12



## Training hours

Company	2013	2014	2015
Feralpi Holding	1.520	658	587
Feralpi Siderurgica	6.240	8.002	5.558
Acciaierie di Calvisano	3.656	2.583	5.169
Dieffe	-	927	-
Nuova Defim	718	1.032	878
ESF	6.638	7.672	6.312
EDF	1.400	1.584	1.372
Totale	20.172	22.458	19.876



# CERTIFICATION

CO.GE.ME. STEEL SRL - NUOVA CO.GE.ME. SRL





**EMAS**

Feralpi Siderurgica  
IT - 001669  
del 10.12.2014

Feralpi STAHL Riesa  
DE - 144 - 00047  
von 2.08.2012



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N. S-P-00256



CONTENUTO MINIMO  
DI ACCIAIO RICICLATO





CALEOTTO SPA

PERICOLO DI SCOTTATURE





# FERALPI HOLDING SPA

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CONSOLIDATED FINANCIAL STATEMENTS  
AT 31<sup>ST</sup> DECEMBER 2015

- *Business report*
- *Consolidated Financial Statements at 31.12.2015*
- *Explanatory Notes*
- *Board of Auditors' Report*
- *Independent Auditing Firm's Report*

## **BUSINESS REPORT**

### **on the Consolidated Financial Statements as at 31<sup>st</sup> December 2015**

*To the Shareholders,*

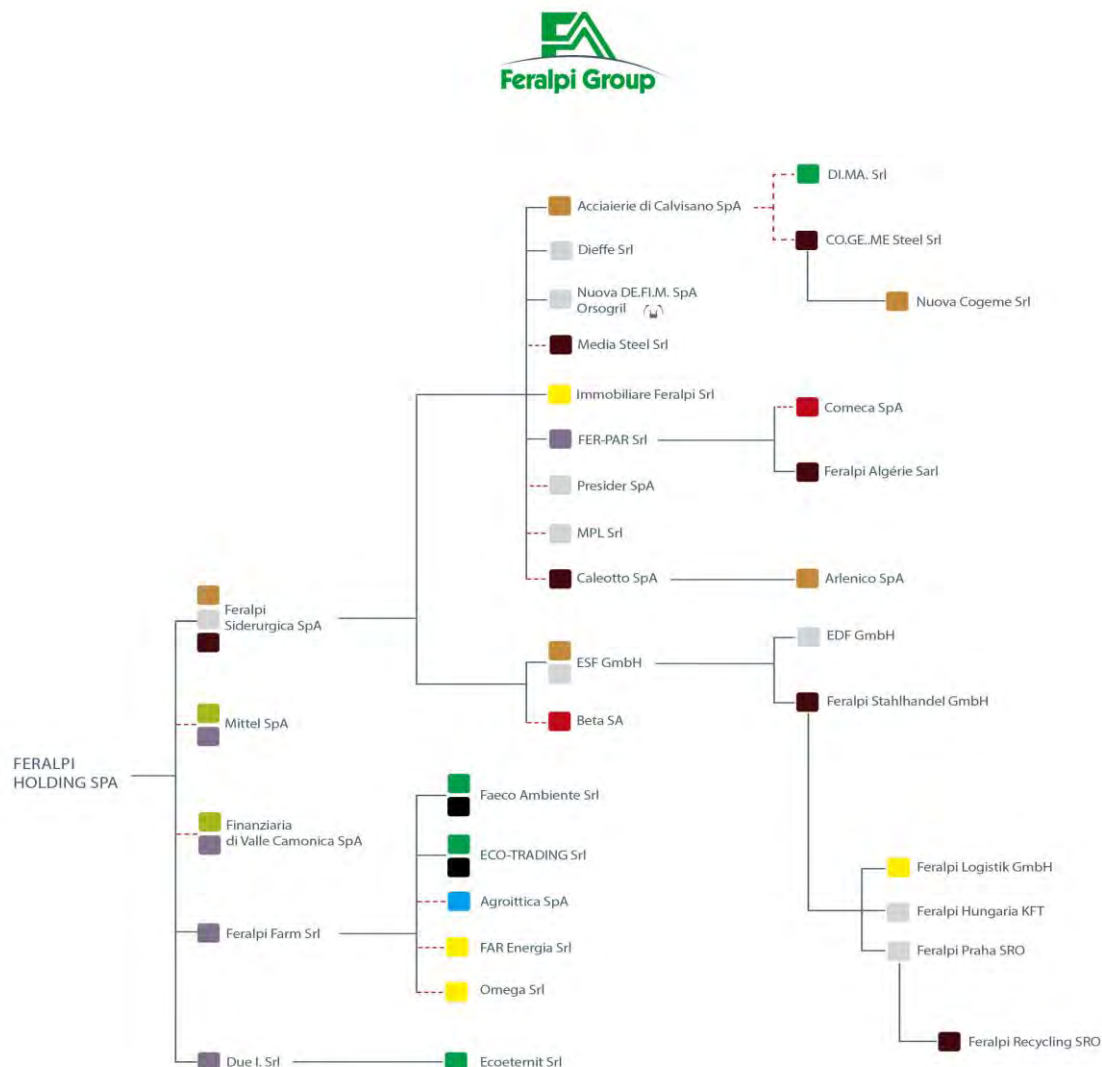
This Business Report on the Consolidated Financial Statements for the year ended 31.12.2015, was drawn up in accordance with article 40 of Legislative Decree no. 127/91. It constitutes a source of information and support for the financial statements themselves, and aims to provide an overall picture of the companies included in the consolidation process, with specific reference to the management trends of the Group taken as a single economic unit.

The year which ended on 31.12.2015 shows a negative result for the Group amounting to €-3,3m and a turnover of €923m.

A detailed examination of the figures in the Financial Statements is called for, following an analysis of the Group's structure.

The Group, which is controlled by Feralpi Holding, is essentially comprised of two main areas, one focusing on steel-making activities (Steel business) and one (Ecology-Environment and Diversified Holdings) combining operations in the environmental sector and portfolio holdings.

The company chart for the Feralpi Group as at 31.12.2015 is as follows:



LEGEND

- |                                        |                   |
|----------------------------------------|-------------------|
| Control                                | Waste Disposal    |
| Interest                               | Environment       |
| Steel business                         | Fish-Farming      |
| Cold drawn steel – downstream products | Finance           |
| Metal structural work                  | Equity Investment |
| Trading                                | Management        |
|                                        | Other             |

## Group structure

### Steel business

The **Italian production hub** consists of the following companies:

#### **Feralpi Siderurgica S.p.A. – Italy** (100% owned by Feralpi Holding)

The company, which is located in Lonato del Garda, to the east of Brescia, makes steel billets, rebar, reinforcing steel in coils, wire rod and downstream products, and is the main company in the steel business. It is also the Group's sub-holding for the steel business and controls all the Italian and foreign subsidiaries.

The production site covers 524,610 m<sup>2</sup>, including 91,386 m<sup>2</sup> indoors, and is served by a railway siding.

#### **Acciaierie di Calvisano S.p.A. - Italy** (100% owned by Feralpi Siderurgica S.p.A.)

The plant, which is located in Calvisano, to the south of Brescia, makes steel billets and common and quality steel blooms. Products are mainly sold on the Italian market.

The production site covers 235,920 m<sup>2</sup>, including 32,486 m<sup>2</sup> indoors, and is served by a railway siding.

#### **Dieffe S.r.l. - Italy** (100% owned by Feralpi Siderurgica S.p.A.)

The production site is located in Pomezia, near Rome.

The company markets iron and steel products, mainly in Central Italy.

#### **Nuova DE.FI.M. S.p.A. - Italy** (100% owned by Feralpi Siderurgica S.p.A.)

The company, which is based in Alzate Brianza, near Como, manufactures custom mesh for the industry, safety and fencing mesh, and wire mesh for underwater pipelines. It also makes vertical and horizontal gratings for building construction and other applications under the Orsogril brand.

#### **Immobiliare Feralpi S.r.l. - Italy** (100% owned by Feralpi Siderurgica S.p.A.)

This company, which was set up in 2013 and intended to be the Group's real estate company, received from Investimenti Sebino an industrial building situated in Pisogne, to the north of Brescia, and again in 2013 it acquired a second building in Anzano del Parco, near Como, that is currently leased to Nuova Defim.

In 2015, the company also acquired an industrial building in Odolo, to the north of Brescia.

A breakdown of the **sales figures of the main Italian subsidiaries** is given in the table below.

0,00	2015	2014	% Change
<i>Feralpi Siderurgica SpA</i>	469.881	492.680	(4,6%)
<i>Acciaierie di Calvisano SpA</i>	114.318	113.876	0,4%
<i>Dieffe Srl</i>	5.264	4.531	16,2%
<i>Nuova DE.FI.M. SpA</i>	25.861	25.457	1,6%
<b>Total</b>	<b>615.324</b>	<b>636.544</b>	<b>(3,3%)</b>

The Group's **second production hub is based in Riesa, in the region of Saxony, Germany**. It comprises the following companies:

**ESF Elbe-Stahlwerke Feralpi GmbH - Germany** (98% owned by Feralpi Siderurgica S.p.A. and 2% by Fer-Par S.r.l.)

The company was set up in 1992 as part of the German Democratic Republic's process of privatizing steel production. It makes steel billets, rebar, reinforcing steel in coils and wire rod.

Products were mostly sold in Germany and neighbouring countries, such as Belgium, Holland, the Czech Republic, Hungary and Poland.

The production site covers 556,000 m<sup>2</sup>, including 116,000 m<sup>2</sup> indoors and is served by a railway siding.

ESF is also the parent company for German activities, under the brand Feralpi Stahl, and coordinates the activities of the subsidiaries in the Czech Republic and Hungary as well as those in Germany.

**EDF Elbe-Drahtwerke Feralpi GmbH - Germany** (90% owned by ESF and 10% by Feralpi Stahlhandel).

Founded in 2002, this German company makes standard and customised drawn steel and electrowelded mesh mainly for the domestic market, thus completing the range of products for the German building industry.

**Feralpi Stahlhandel GmbH - Germany** (66.67% owned by ESF and 33.33% by Feralpi Siderurgica S.p.A.)

The company markets and distributes the products of Feralpi Siderurgica, ESF and EDF in Germany, Holland, Belgium, Austria and Eastern Europe.

**Feralpi Logistik GmbH - Germany** (65% owned by Feralpi Stahlhandel GmbH and 35% by ESF GmbH)

The company owns the trucks normally used for the delivery of products made by ESF, EDF and third parties.

A breakdown of the **sales figures of the main companies in Eastern Europe** is given in the table below.

o,00	2015	2014	% Change
ESF GmbH	354.125	405.226	(12,6%)
EDF GmbH	85.869	92.463	(7,1%)
Feralpi Stahlhandel GmbH	4.872	3.093	57,5%
Feralpi Logistik GmbH	3.579	3.277	9,2%
<b>Total</b>	<b>448.445</b>	<b>504.059</b>	<b>(11,0%)</b>

**In Eastern Europe**, the Group controls companies operating in the Czech Republic and Hungary. They both hold market shares for products used in domestic construction industry.

**Feralpi Praha Sro – Czech Republic** (100% owned by Feralpi Stahlhandel GmbH)

The company is located in Kralupy, near Prague. It makes drawn products and electrowelded mesh.

**Feralpi Hungaria Kft - Ungheria** (100% owned by Feralpi Stahlhandel GmbH)

The company has a production plant in Budapest for the production of drawn products and electrowelded mesh.

Feralpi Recycling Sro – Czech Republic (90% owned by Feralpi Praha Sro)

This company does not carry out any production activity for the time being.

A breakdown of **sales figures of the main companies in Eastern Europe** is given in the table below.

o,00	Country	2015	2014	% Change
Feralpi Praha Sro	Rep. Ceca	18.844	18.062	4,3%
Feralpi Hungaria Kft	Ungheria	5.276	5.217	1,1%
<b>Total</b>		<b>24.120</b>	<b>23.279</b>	<b>3,6%</b>

In the Steel Business, the Group also holds the following subsidiaries:

**Fer-Par S.r.l. – Italy** (100% owned by Feralpi Siderurgica S.p.A.)

The business purpose of this company is the management of equity investments in Italian and foreign companies. In 2014 it was spun off to form Feralpi Farm S.r.l. As a result of this operation, Fer-Par encompasses the production and sales companies operating in the steel-making and metal structural work sectors, i.e. ESF GmbH (2%), Comeca S.p.A. and Feralpi Algérie Sarl.

In 2015, the company was taken over by Feralpi Siderurgica S.p.A.

**Feralpi Algérie Sarl - Algeria** (70% owned by Fer-Par S.r.l.)

This company was set up at the end of 2013 to strengthen the presence of products made by Feralpi Siderurgica and the other Group companies in North Africa, a market characterised by significant investments in infrastructures and with a high growth potential.

It is based in Oran and sells rebar and welded mesh.

The tables below provide a summary of the activities carried out by the Group companies to give further information for the assessment of the Steel Business.

## Production (in tonnes)

The tables below show the various products **made in the Steel Business**.

<i>Steel billets</i>	<i>Country</i>	<i>2015</i>	<i>2014</i>	<i>2015/2014</i>
<i>Feralpi Siderurgica SpA - Lonato</i>	<i>Italy</i>	<i>1.031.755</i>	<i>940.345</i>	<i>9,7%</i>
<i>Acciaierie di Calvisano SpA - Calvisano</i>	<i>Italy</i>	<i>313.941</i>	<i>280.029</i>	<i>12,1%</i>
<i>ESF GmbH - Riesa</i>	<i>Germany</i>	<i>877.371</i>	<i>872.296</i>	<i>0,6%</i>
<b>Total</b>		<b>2.223.067</b>	<b>2.092.670</b>	<b>6,2%</b>

<i>Finished products (rebar – reinforcing steel in coil – wire rod)</i>	<i>Country</i>	<i>2015</i>	<i>2014</i>	<i>2015/2014</i>
<i>Feralpi Siderurgica SpA - Lonato</i>	<i>Italy</i>	<i>1.166.886</i>	<i>1.105.045</i>	<i>5,6%</i>
<i>ESF GmbH - Riesa</i>	<i>Germany</i>	<i>835.344</i>	<i>850.140</i>	<i>(1,7%)</i>
<b>Total</b>		<b>2.002.230</b>	<b>1.955.185</b>	<b>2,4%</b>

<i>Rebar</i>	<i>Country</i>	<i>2015</i>	<i>2014</i>	<i>2015/2014</i>
<i>Feralpi Siderurgica SpA - Lonato</i>	<i>Italy</i>	<i>798.054</i>	<i>759.431</i>	<i>5,1%</i>
<i>ESF GmbH - Riesa</i>	<i>Germany</i>	<i>305.064</i>	<i>287.526</i>	<i>6,1%</i>
<b>Total</b>		<b>1.103.118</b>	<b>1.046.957</b>	<b>5,4%</b>

<i>Reinforcing steel in coil, wire rod</i>	<i>Country</i>	<i>2015</i>	<i>2014</i>	<i>2015/2014</i>
<i>Feralpi Siderurgica SpA - Lonato</i>	<i>Italy</i>	<i>368.832</i>	<i>345.614</i>	<i>6,7%</i>
<i>ESF GmbH - Riesa</i>	<i>Germany</i>	<i>530.280</i>	<i>562.614</i>	<i>(5,7%)</i>
<b>Total</b>		<b>899.112</b>	<b>908.228</b>	<b>(1,0%)</b>

The situation regarding downstream conversion processes is detailed in the table below.

<i>Total cold-drawn products - downstream products</i>	<i>2015</i>	<i>2014</i>	<i>2015/2014</i>
<i>Totale Lavorazioni a freddo - derivati</i>	<i>787.526</i>	<i>733.057</i>	<i>7,4%</i>

The **following non-controlling interests** come under the **Steel Business**:

### **Caleotto S.p.A. – Italy** (50% owned by Feralpi Siderurgica S.p.A.)

The rolling mill, which is based in San Zeno Naviglio, to the south of Brescia, is located in Lecco, jointly with the 100% controlled company Arlenico S.p.A.

The company is active in the production and sale of quality wire rod to suit specific applications in numerous fields of industry, especially in the mechanical and automotive sectors.

The rolling mill covers a surface area of 96,000 m<sup>2</sup>, of which 47,000 m<sup>2</sup> indoor (sheds and buildings). The company is



50% owned by Feralpi Siderurgica and Duferco Italy Holding S.p.A.

**Presider S.p.A. – Italy** (48% da Feralpi Siderurgica S.p.A.)

The company, which is based in Borgaro Torinese, near Turin, is active in the processing and reinforcing steel in bar and coils intended for use in the construction industry.

It covers a surface area of 37,000 m<sup>2</sup>, of which 26,800 m<sup>2</sup> indoor (sheds and buildings).

**MPL Metallurgica Piemontese Lavorazioni S.r.l. – Italy** (48% owned by Feralpi Siderurgica S.p.A.)

The company, which is based in Sito, near Turin, specialises in the production of girders for use in building sites.

**CO.GE.ME. Steel S.r.l. - Italy** (50% owned by Acciaierie di Calvisano S.p.A.)

This company, jointly with its 100% owned Nuova Cogeme S.r.l., is based in Casalmaggiore, to the south of Cremona. It is a specialist manufacturer of hot rolled products for use in the building and the mechanical industry.

It covers a surface area of around 40,000 m<sup>2</sup>, of which 26,000 m<sup>2</sup> indoor (sheds and buildings).

**Media Steel S.r.l. – Italy** (45% owned by Feralpi Siderurgica S.p.A.)

Media Steel, which is based in Montignoso, near Massa Carrara, is a brokerage company specialising in the procurement and sale of ferrous scrap in Italy and abroad. It is equally owned (45%) by Duferco Italy Holding S.p.A., the remainder stake is owned by the management.

**DI.MA. S.r.l. – Italy** (31% owned by Acciaierie di Calvisano S.p.A.)

The company, which is based in Montichiari, to the south of Brescia, processes slag from steel mills and other materials. It also runs an additional plant in Calvisano for the recycling of steel mill slag and another materials.

**Comeca S.p.A. – Italy** (19.85% owned by Fer-Par S.r.l.)

This company, which is located in Lonato del Garda, to the east of Brescia, makes metal structures, especially complete installations or component parts for use in the steel industry. The main customers are Italian leading steel mills and also major international steel manufacturers.

**Beta SA - Romania** (28.35% owned by Feralpi Siderurgica S.p.A.)

Based in Buzau, the company makes metal structures for application mainly in the oil industry.

## Ecology-Environment and Diversified Equity Investments

The following companies come under this line of business.

**Feralpi Farm S.r.l. – Italy** (100% owned by Feralpi Holding))

Established in 2014, following the spin-off of Fer-Par, this company holds interests in Faeco Ambiente, Eco-Trading, Agroittica, Far Energia and Omega.

✓ **Faeco Ambiente S.r.l. – Italy** (70% owned by Feralpi Farm S.r.l.)

The corporate mission is to further develop activities in the environmental sector, in connection with the processing and recycling of waste.

✓ **Eco-Trading S.r.l. – Italy** (100% owned by Feralpi Farm S.r.l.)

This company deals with waste trading.

✓ **Agroittica Lombarda S.p.A. – Italy** (44.17% owned by Feralpi Farm S.r.l.)

The company breeds, processes and sells various species of fish. It has two fish-farms in Calvisano (at Viadana

and at Ca' Nove) in the province of Brescia.

The company has earned itself a name at an international level, mainly due to its production of caviar, and is the world's leading producer of caviar obtained from sturgeon in captivity. Other important products are fresh fish (mostly sturgeon and striped perch) and smoked and frozen products.

✓ **Far Energia S.r.l. – Italy** (20% owned by Feralpi Farm S.r.l.)

This company provides the supply, installation and maintenance services for waste-to-energy systems.

✓ **Omega Immobiliare S.r.l. – Italy** (40% owned by Feralpi Farm S.r.l.)

This company operates in the property sector to enhance the value of its own sites in Montichiari, in the province of Brescia.

**Due I. Investimenti S.r.l. – Italy** (100% owned by Feralpi Holding)

This company acquires stakes in Italian and foreign companies.

✓ **Ecoeternit S.r.l. – Italy** (70% owned by Due I. Investimenti Industriali S.p.A.)

This company runs a landfill in Montichiari, Brescia, for the disposal of asbestos cement.

**Feralpi Holding holds** a direct stake in the **following companies:**

**Mittel S.p.A. – Italy** (1.876% stake)

This holding company is listed on the Milan Stock Exchange.

**Finanziaria di Valle Camonica S.p.A. - Italy** (3% stake)

An investment company dealing mainly in the property and energy sectors, with stakes in the bank and insurance sectors as well.

## Analysis of key financial indicators

The 2015 consolidated financial statements show a clear-cut decline in both turnover (-5%) and production value (-4.8%), compared to the previous year.

The percentage incidence of the main items in the income statement is shown in the table below:

<i>% incidence on the production value</i>	2015	2014	Change
Raw materials and supplies	67,3%	68,0%	(0,8%)
Services	19,1%	17,4%	1,7%
Personnel	7,6%	6,7%	0,9%
Amortisation, depreciation and impairments	4,4%	4,1%	0,3%

The difference between production value and costs amounting to €9.4m in 2014, dropped to €6m in 2015.

Financial income and expenses decreased from €6.2m (0.64% on the production value) to €4.7m (0.50% on the production value).

The balance of extraordinary income and expenses improves significantly (from €0.1 to €5.5m), leading to an improvement of the pre-tax result, which rose from €2.6m to €5.5m.

The increased incidence of taxes (€7.1m vs €3.2m in 2014) worsened the operating result for the year, which was in the negative at €1.5m.

An analysis of the **Consolidated Balance Sheet** shows a marked increase in fixed assets (from €350m to €378m), due mainly to the acquisitions made during the year and the financial support (around €24m overall).

These acquisitions (Caleotto S.p.A., Presider S.p.A., MPL S.r.l. and CO.GE.ME. Steel S.r.l.) are all recognised to investments in associates.

Current assets decreased from €386.5m to €363.4m, with a decrease of over €23m. Trade debtors decreased by about €38m, at €129.6m. If we take into account receivables from associates (€10.3m), this item decreases to €27.7m.

Receivables from others increased by about €18m, as a result, among other things, of the reclassification in this item of trade receivables from Acciaierie di Calvisano to Caleotto S.p.A.

Cash and cash equivalents came to €29m.

Total assets (net of cash and cash equivalents) increased from €708m to €715m, and are funded by over 50% by the Group's equity.

Permanent assets (shareholders' equity, provisions for contingent liabilities and charges, employees' leaving indemnity and medium to long-term financial liabilities) came to €458m, equal to over 61% of total assets.

Shareholders' equity also accounts for about 96% of fixed assets and permanent assets for over 121%.

The financial structure appears sound and adequate to the new commitments.

Trade creditors decreased from €178.7m to 151.9m, mainly as a consequence of a reduction in the prices of raw materials, while net current assets (inventories, receivables from customers and associates after deduction of trade creditors) decreased from €125m in 2014 to €120.9m.

Net financial position worsened (from €110m to €143m), which is mainly attributable to the financial commitment resulting from the new acquisitions made during the year.

The medium-term component accounted for 48% of the net financial position.

Overall, the Italian companies subscribed to new medium-term transactions totalling €30m.

Activities regarding the **Group's equity investments** covered numerous transactions:

- ✓ Feralpi Siderurgica S.p.A. acquired an 48% equity interest in the companies belonging to the Ferrero Group: Presider S.p.A., based in Borgaro Torinese and MPL Metallurgica Piemontese Lavorazioni S.r.l., based in Sito, Turin, both

manufacturing and selling shaped metal section and worked girders for use in the construction industry, respectively.

- ✓ Feralpi Siderurgica S.p.A. (50%), jointly with Duferco Italy Holding S.p.A., set up Caleotto S.p.A., based in San Zeno Naviglio, Brescia, which in turn holds a 100% interest in Arlenico S.p.A., with the production plant in Lecco. The former conducts commercial and financial activities; the latter conducts industrial activities in the line of business run by the company Lucchini S.p.A. in Liquidazione, a manufacturer of quality wire rod for application mainly to the metal working and automotive sectors.
- ✓ The subsidiary Acciaierie di Calvisano S.p.A. set up, with a 50:50 joint venture with the I.N.D.I.A. Group, the company CO.GE.ME. Steel S.r.l., which in turn controls Nuova Cogeme S.r.l., both located in Calsamaggiore, Cremona. Both companies are active in the production and marketing of small metal sections for use in mechanical engineering; the former conducts commercial and financial activities while the latter manufactures rolled products.

As at 31.12.2015, **the situation of the companies belonging to Steel industry** is the following:

	% stake	Total shareholders' equity	Group's shareholders' equity 2015	Group's shareholders' equity 2015 average	Carrying value of equity investments	Difference	Net pro-quota result	ROE
<i>Feralpi Siderurgica</i>	100	174.584.004	174.584.004	175.573.297	64.931.961	109.652.043	(1.978.585)	(1,1)
<i>Acciaierie di Calvisano</i>	100	25.725.416	25.725.416	27.391.147	16.155.185	9.570.231	(3.331.459)	(12,2)
<i>Dieffe</i>	100	7.520.807	7.520.807	7.638.612	7.804.991	(284.184)	(235.610)	(3,1)
<i>Nuova Defim</i>	100	1.982.225	1.982.225	1.922.961	4.456.000	(2.473.775)	118.531	6,2
<i>Immobiliare Feralpi</i>	100	73.139	73.139	106.210	350.000	(276.861)	(66.151)	(62,3)
<i>Fer-Par</i>	100	782.950	782.950	744.986	285.710	497.240	75.928	10,2
<i>Comeca</i>	19,85	8.355.381	1.658.543	5.006.962	335.862	1.322.681	12.403	0,2
<i>Caleotto Gruppo</i>	50	9.036.650	4.518.325	2.259.163	6.030.000	(1.511.675)	(1.481.675)	(65,6)
<i>Presider</i>	48	13.830.685	6.638.729	3.319.364	9.801.236	(3.162.507)	265.485	8,0
<i>MPL</i>	48	1.767.491	848.396	424.198	1.286.050	(437.654)	(172.078)	(40,6)
<i>Feralpi Algérie</i>	70	368.497	257.948	128.974	368.798	(110.850)	(65.757)	(51,0)
<i>ESF</i>	100	113.501.312	113.501.312	111.409.980	10.696.836	102.804.476	11.682.664	10,5
<i>EDF</i>	100	22.599.038	22.599.038	21.628.344	1.500.000	21.099.038	632.349	2,9
<i>Feralpi Stahlhandel</i>	100	10.532.942	10.532.942	10.532.943	6.727.232	3.805.710	1.127.316	10,7
<i>Feralpi Logistik</i>	100	1.524.392	1.524.392	1.524.393	1.000.000	524.392	987.959	64,8
<i>Feralpi Praha</i>	100	6.106.043	6.106.043	6.033.563	3.110.594	2.995.449	(58.865)	(1,0)
<i>Feralpi Hungaria</i>	100	3.946.908	3.946.908	3.970.052	6.500.303	(2.553.395)	(124.444)	(3,1)
<i>Dima</i>	31	1.203.570	373.107	224.432	722.592	(349.485)	16.252	7,2
<i>Media Steel</i>	45	2.986.068	1.343.731	1.216.103	990.000	353.731	255.254	21,0
<i>Beta</i>	28,35	14.527.722	4.118.609	4.098.934	353.511	3.765.098	15.653	0,4
<b>Total</b>		<b>420.955.240</b>	<b>388.636.564</b>	<b>385.154.618</b>	<b>143.406.861</b>	<b>245.229.703</b>	<b>7.675.170</b>	<b>2,0</b>

The carrying values regarding the business areas of the subsidiaries are clearly well below the shareholders' equity values.

**Aggregate shareholders' equity** for the Group came to €388.6m compared to the carrying value of €143.1m, with a difference of €245.4m.

With the same consolidation scope, the Group's aggregate shareholders' equity would be more than €376m, with a carrying value of around €126m and a difference of about €250m.

**The Group's shareholders' equity values for the Ecology-Environment and Diversified Equity Interests sectors** exceeded the carrying value of equity interests.

The Group's shareholders' equity came to €38m, compared to carrying values of about €30.2m.

	% stake	Total shareholders' equity	Group's shareholders' equity 2015	Group's shareholders' equity 2015 average	Carrying value of equity investments	Difference	Net pro-quota result	ROE
Due I. Investimenti	100	1.989.582	1.989.582	1.367.513	991.432	998.150	1.244.137	91,0
Feralpi Farm	100	19.995.582	19.995.582	19.648.970	8.755.742	11.239.840	681.425	3,5
Faeco Ambiente	70	6.523.528	4.566.281	3.245.137	980.000	3.586.281	3.342.287	103,0
Ecoeternit	70	3.022.095	2.115.467	1.740.191	746.397	1.369.070	750.552	43,1
Eco-Trading	100	31.772	31.772	28.683	51.279	(19.507)	6.178	21,5
Agroittica	44,17	20.524.975	9.065.881	8.834.922	18.720.559	(9.654.678)	20.219	0,2
Far Energia	20	851.858	170.372	170.372	5.000	165.372	22.246	13,1
Omega	20	19.202	3.840	3.799	7.514	(3.674)	84	2,2
<b>Totale</b>		<b>52.958.594</b>	<b>37.938.777</b>	<b>35.039.587</b>	<b>30.257.923</b>	<b>7.680.854</b>	<b>6.067.128</b>	<b>17,3</b>

	Group's shareholders' equity 2015	Group's shareholders' equity 2015 average	Net pro-quota result	ROE
Consolidated Total	359.897.911	361.451.921	(3.267.438)	(0,9%)

Below is the **Cash Flow Statement** for the entire Group.

The 2015 year ended with a €1.5m operating loss, while EBIT increased from €8.8m to €10m.

Overall cash flow, including accumulated amortisation and depreciation, is virtually stable at over €52m.

Changes in working capital absorbed most of cash generation (about €24m). The decrease in trade creditors (over €28m), as a result of lower commodity prices, had a significant impact on cash flows.

Investment activities generate, however, significant liquidity requirements (€59.2m) for both tangible assets (€41.1m) and financial assets (€16m).

The result is a worsening of the net financial position of over €30m, totalling €143m.

## Cash Flow Statement

Esercizio  
Corrente

Esercizio  
Precedente

A. Cash flows provided by operating activities (indirect method)			
Profit (loss) for the period		(1.542)	(575)
Income taxes		7.106	3.199
Interest expenses (interest income)		4.666	6.278
(Dividends)	Interest expenses (interest income)	(33)	(45)
(Capital gains)/Cap (Dividends)		(143)	(78)
<b>1. Profit (loss) for the year before income taxes, interest, dividends and Capital gains/losses from the sale of assets</b>		<b>10.054</b>	<b>8.779</b>
Adjustements for non-cash items that had no contra-entry in net working capital			
	Allocations to provisions	3.397	4.317
	Non-current asset amortisation and depreciation	39.413	38.504
	Write-downs for impairment losses	-	690
	Other adjustments for non-cash items		
	Total adjustments for non-cash items	42.810	43.511
<b>2. Cash flow before changes in net working capital</b>		<b>52.864</b>	<b>52.290</b>
Change in net working Capital			
	Decrease/(increase) in inventories	3.499	23.976
	Decrease/(increase) in trade receivables	15.905	14.631
	Increase/(decrease) in trade payables	(26.836)	22.548
	Decrease/(increase) in accrued income and prepaid expenses	(209)	210
	Increase/(decrease) in accrued expenses and deferred income	(880)	(153)
	Increase/(decrease) intragroup relations		
	Other changes in net working capital	(15.717)	1.594
	Total adjustment in net working capital	(24.238)	62.805
<b>3. Cash flow after changes in net working capital</b>		<b>28.627</b>	<b>115.095</b>
Other adjustments			
	Interest received/(paid)	4.391	(5.759)
	(Income taxes paid)	(8.166)	(7.732)
	Dividends received		
	Utilisation of provisions	2.054	(4.340)
	Total other adjustments	(1.721)	(17.831)
<b>4. Cash flow after other adjustments</b>		<b>26.906</b>	<b>97.264</b>
<b>Cash folws provided by operating activities (A)</b>		<b>26.906</b>	<b>97.264</b>

**B. Cash flows provided by investing activities**

Tangible assets		
(Investments)	(41.108)	(27.512)
Divestment selling price		
Intangible assets		
(Investments)	(2.514)	710
Divestment selling price		
Financial assets		
(Investments)	(16.070)	(594)
Divestment selling price		
Non-current financial assets		
(Investments)	450	
Divestment selling price		
Acquisition or disposal of subsidiaries or business units net of cash	-	-
<b>Cash flos provided by investing activities (B)</b>	<b>(59.242)</b>	<b>(27.396)</b>

**C. Cash flows provided by financing activities**

Loan capital		
Increase in short-term borrowings from banks	20.791	(40.473)
Opening of loans	40.062	22.526
Loan repayment	(29.968)	(31.034)
Equity		
Shareholder's loan	-	(30)
Extraordinary transactions (merger by incorporation)		(220)
Dividends (and advances on dividends) paid		
<b>Cash flows provided by financing activities (C)</b>	<b>30.885</b>	<b>(49.231)</b>
<b>Increase (decrease) in cash and cash equivalents (a +/- b +/- c)</b>		
	<b>(1.451)</b>	<b>20.637</b>
Opening cash on 1st January 2015	30.527	9.890
<b>Closing cash on 31st December 2015</b>	<b>29.076</b>	<b>30.527</b>
<b>Increase (decrease) in cash and cash equivalents</b>		
	<b>(1.451)</b>	<b>20.637</b>



## Risk management

Statement in accordance with art. 2428, subsection 2, point 6-bis, of the Italian Civil Code.

The Feralpi Holding Group operates, through Feralpi Siderurgica, mainly in the iron and steel industry, a sector which entails **various types of risk**:

- operational risks related to the environment and to health and safety in the workplace;
- business risks mainly related to fluctuations in the price of raw materials and end products, and credit risk;
- financial risks deriving from fluctuations in interest and currency rates.

**Operational risks** are dealt with in detail in specific sections of the Business Report to the Feralpi Siderurgica's Consolidated Financial Statements.

**Business risks** are associated with more or less significant fluctuations in the price of end products and raw materials (mainly scrap and energy) in the short and long term. The long-term price trend for ferrous scrap tends to be in line with that of end products.

For **credit risk management**, the Group implements a credit insurance policy at a global level.

The risk deriving from exposure to currencies, which was very low as most transactions are handled in euros, is hedged by establishing swap agreements (fixed variable index) or similar instruments at a time when the risk arises.

The Group also implements a selective currency rate hedging policy.

As regards the **Ecology–Environment and Diversified Equity Interests sector**, the main risk factor is virtually the **one associated with changes to environmental laws and regulations and their interpretation and application by the surveillance bodies**.

## Revenues and operating expenses

A **breakdown of revenues** is given in the table below.

Description	2015	2014	Change
Revenues from goods sold and services rendered	922.898	971.153	(48.255)
Other revenues and income	2.271	3.862	(1.591)
<b>Total</b>	<b>925.169</b>	<b>975.015</b>	<b>(49.846)</b>

The table below shows a **breakdown of the main operating costs**.

Description	2015	2014	Change
Raw materials and supplies	622.852	661.724	(38.872)
Services	177.210	169.299	7.911
Hire and lease fees	2.698	3.163	(465)
Personnel	70.360	65.515	4.845
Amortisation, depreciation and impairments	40.972	40.035	937
Change in inventory	1.369	19.364	(17.995)
Sundry operating expenses	3.188	3.251	(63)
<b>Total</b>	<b>918.649</b>	<b>962.351</b>	<b>(43.702)</b>

**Financial management** recorded a negative balance of €6.3m.

Description	2015	2014	Change
From other equity investments	-	-	-
Interests receivables from associates	-	60	(60)
Other financial income	225	214	11
<b>Total financial income</b>	<b>225</b>	<b>274</b>	<b>(49)</b>
Interest payables and other financial charges	5.156	6.528	(1.372)
<b>Total financial charges</b>	<b>5.156</b>	<b>6.528</b>	<b>(1.372)</b>
Exchange gains and losses	265	35	230
<b>Total</b>	<b>(4.666)</b>	<b>(6.219)</b>	<b>1.553</b>

## Corporate social responsibility

For the Feralpi Group, the year 2015 was characterised by CSR (Corporate Social Responsibility) activities that focused on the involvement and direct and indirect of all its stakeholders.

Implementing CSR principles at Feralpi's means developing awareness on the part of all its subsidiaries in adopting behaviours in the interest of internal and external stakeholders, and the actions taken in 2015 in this regard contributed to generate added value for the company as part of a multi-sustainable approach.

A range of value actions has been identified, namely investing in the younger generations, professional training, dissemination of industrial culture and values associated with commitment and work, deep-rooted links with the geographical area in which the company operates by safeguarding the environment and promoting local cultures.

Every choice, in business and in relations with stakeholders alike, drew inspiration from the principles of corporate social responsibility because, now more than ever, the most topical and authentic way to run a business is to be done following the tracks of responsibility and sustainability.

The natural evolution of a responsibility process focusing on modernity entailed the implementation at a national and international level of a series of actions which helped strengthen the corporate image over time. Dialogue and transparency contributed to effectively direct the communication of strategies, projects and the results achieved by the Group companies to the local community. Communication methods and the instruments used have always been engineered so as to make them easily understandable to the largest possible number of stakeholders, an audience comprising not only all the employees and their families but also the local community as a whole, i.e. customers, suppliers, local and national institutional bodies, educational institutions, cultural and sports associations, the media and other entities.

The sixth release of the 2013-2014 Sustainability Report was published in 2015 to incorporate all the above values. It was prepared in accordance with GRI (Global Reporting Initiative) G4 standards and contains as many as 149 themes, most of which required multiple indicators. The enhancement of management disclosure indicators also entailed the direct and full involvement of top management.

Adhering to the latest international social reporting standards is a choice of continuity for the Feralpi Group, which goes beyond the adoption of indications and anticipates what standard setters will require. In this connection, Feralpi has already initiated a process of analysis of its supply chain.

All the production plants belonging to the Feralpi Group, 2015 was marked by investments in technical facilities, plant engineering and organisation, the final aim being to enhance production efficiency and raise the level of occupational health and safety and environmental protection.

The best available technologies are supported by a corporate governance that privileges policies aimed at reducing direct and indirect impacts on the environment and the continuous improvement of workplace environment.

## Personnel

Throughout the consolidation period, the number of employees increased on average by 30 units, from 1,259 in 2014 to 1,289 in 2015.

This increase, which includes 9 employees working at the associate Feralpi Algérie, which was not previously included in the consolidation scope, is the result of the adaptation of the number of employees at the various Group companies to the increased production volumes.

More specifically, employment stabilisation times were also influenced by the facilities granted by the Italian legislation on social security reliefs effective until the end of 2015, which suggested the opportunity of advancing direct hiring of personnel working under temporary contracts.

<i>Consolidated average figures</i>	2015	2014	change
<i>Executives</i>	25	24	1
<i>Office workers and middle managers</i>	319	309	10
<i>Factory workers</i>	945	926	19
<b>Total</b>	<b>1.289</b>	<b>1.259</b>	<b>30</b>

The overall number of employees at the end of the year shows an increase of 50 units at a Group level, with 1,304 employees compared to 1,254 in 2014,

<i>Number of employees at year-end</i>	2015	2014	change
<i>Executives</i>	25	24	1
<i>Office workers and middle managers</i>	317	310	7
<i>Factory workers</i>	962	920	42
<b>Total</b>	<b>1.304</b>	<b>1.254</b>	<b>50</b>

## Events of note occurring after the closing date

As part of the development and diversification process, in 2015 the Group carried out a few strategic transactions:

- Jointly with I.N.D.I.A. S.p.A., Acciaierie di Calvisano S.p.A. took over, under composition proceedings, a rolling mill specialising in the production of small metal sections for applications in the mechanical and the construction industry. Cogeme Steel S.r.l., 50% owned by the Group, will act as market interface, while the 100%-owned subsidiary Nuova Cogeme Steel S.r.l. will handle rolling production activities. The registered offices and production plants of both companies are in Casalmaggiore, Cremona.
- Feralpi Siderurgica S.p.A. acquired, under the Stefana Group composition with creditors proceedings, a line of business situated in Nave, to the north of Brescia, which specialises in the rolling and sale of medium-size steel sections for application in the mechanical and the construction industry. Production activities will be carried out by the subsidiary Fer-Par S.r.l., the building was acquired by Immobiliare Feralpi S.r.l., while commercial activities will be carried out by Dieffe S.r.l., which will shortly change its company name into Feralpi – Profilati Nave.

The above two acquisitions and the Caleotto acquisition in 2014 are bound to considerably increase the production capacity of Acciaierie di Calvisano, which maintains its leading position within the Group for the production of special steels.

## Compliance with Legislative Decree 231/2001

As part of institutional activities, following the coming into force of legislative decree no. 231 of 8<sup>th</sup> June 2001, which first introduced in Italian legislation the concept of corporate “administrative responsibility” for businesses, the parent company Feralpi Holding S.p.A. and the most important Italian subsidiaries of the Group adopted their own Organisation, Management and Control Model, which identifies the risk processes and regulates how the various players must behave in each process of daily work.

This adjustment process is performed taking account of both the dictates of Italian Legislative Decree no. 231/01, and the specific initiatives already implemented by the Feralpi Group in relation to “Corporate Governance”, based upon the company's acceptance of CSR (*Corporate Social Responsibility*).

The parent company Feralpi Holding S.p.A. and the major Italian subsidiaries of the Group constantly supplement and update their Models. The review of the Organisation Models, currently in force, was approved by the respective Boards of Directors, or equivalent bodies, of the Group companies during 2014.

Commencing from 1 January 2015, Italian Law no. 186, of 15 December 2014, entered into force, which introduced into the criminal code the new offence of self-laundering.

The law also takes action in relation to the administrative liabilities of entities, providing for the insertion of the new offence of self-laundering among those cited by Art. 25-octies of Italian Legislative Decree no. 231/2001.

Other regulatory changes worth mentioning are Law 68/2015 on “Measures regarding crimes against the environment”, which came into force on 29 May 2015 and introduces amendments to art. 25-undecies of Legislative Decree 231/2001, thus extending the theory of liability of companies for environmental crimes, and Law 69/2015, which came into force on 24 June 2015, by means of which the legislator reintroduced stricter rules in relation to bribery committed by public servants, thus putting an end to the privileged position of public officials as acting agents and thus considerably extending the possible offense cases and amended the scope of corporate crimes, in particular false accounting.

Following the introduction of these offenses into Legislative Decree 231/2001, risk assessment activities are currently in progress at the parent company and the Italian subsidiaries in the Group.

Based on the results of these activities, each of the companies will evaluate whether their current organisational, management and control model is adequate for preventing these new crimes and, should any uncontrolled risk profiles emerge, the Model will be updated by creating or adding control procedures and protocols in the areas where existing ones are inadequate.

## Management outlook

Feralpi Holding's activities mainly concern the Steel sector. The other activities, including environmental issues, food and agriculture, finance and energy sources, are less significant in terms of both revenues and operating results.

An assessment of the outlook for the Group can be made on the basis of prospects in the steel industry and those of the main target market: the construction industry.

At a European level, the construction industry is expected to accelerate, though with great differences between strong areas (Germany, Poland and the United Kingdom) and the weak areas (e.g. Italy and France), where signs of recovery can be seen and a turning point is identified for 2016, at least for Italy (+1%), compared to the gradual decline that has occurred since 2008 (-35%).

For all the other target sectors a steady growth (+2%) is expected. The decline in the automotive industry is offset by the increase in mechanical engineering and pipes.

The competitive scenario in which the Feralpi Group operates seems to be less marked by tensions and is likely to generate a positive growth.

The table below **highlights a forecast of business trend in the construction industry** and all the other steel-consuming sectors.

	% share of total consump tion	Year 2015	QI 16	QII 16	QIII 16	QIV 16	Year 2016	QI 17	QII 17	QIII 17	QIV 17	Year 2017
Construction	35,0	1.3	0.0	2.8	2.9	2.1	2.0	2.3	1.9	2.7	3.1	2.5
<b>Total</b>	<b>100,0</b>	<b>2.0</b>	<b>0.9</b>	<b>2.4</b>	<b>2.2</b>	<b>2.0</b>	<b>1.9</b>	<b>2.8</b>	<b>2.8</b>	<b>3.2</b>	<b>3.0</b>	<b>2.9</b>

Source: Eurofer

In the last period, the Group strengthened its market presence by following two strategic lines of development, which can be defined as follows:

- ✓ increasing its presence in the supply chain of downstream steel products, by acquiring business activities that are closer to the end customer;
- ✓ viewing internationalisation as the driver in seeking new markets, new application areas for its products, thus reducing the dependence on revenues and margins from the construction industry in Italy;
- ✓ entering adjacent steel sectors, which are characterised by less volatility and offer higher margins, such as special steels.

As to the **Ecology, Environment and Diversified Equity Investment sector**, in 2016 the Group caught some important opportunities, especially as regards Ecoeternit S.r.l. and Faeco Ambiente S.r.l. and we expect that this favourable trend keeps continuing.

All in all, the just launched conversion process is bound to foster a more structured growth of the Group, thus reducing dependency of individual markets or reference sectors, in a process of development that the Group has never failed to pursue.

To do this, the Group has the human, technological and financial resources necessary to support the achievement of strategic goals.

### *Number and nominal value of treasury shares owned through Fer-Par S.r.l.:*

Treasury shares account for 0.99% of share capital, equal to 497,250 shares of a nominal value of €1,027,529.

#### Il Presidente

PASINI Giuseppe

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#### Il Vice Presidente

PASINI Cesare

---

#### Il Consigliere Delegato

PASINI Giovanni

---

#### I Consiglieri di Amministrazione

PASINI Maria Giulia

---

LEALI Marco

---

TOLETTINI Andrea

---

TOLETTINI Alessandra

---

CORBETTA Giulio

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Lonato del Garda, 30<sup>th</sup> May 2016

REALIZED BY NUOVA DE.FI.M. ORSOGRIL SPA







## BALANCE SHEET

ASSETS		31.12.2015	31.12.2014
<b>A</b>	<b>Subscribed capital unpaid, with separate indication of called-up portions</b>		
1	Subscribed capital unpaid, of which called-up	-	-
2	Subscribed capital unpaid, of which uncalled-up	-	-
	<b>Total subscribed capital unpaid</b>	-	-
<b>B</b>	<b>Fixed assets</b>		
<b>I</b>	<b>Intangible assets</b>		
1	Incorporation and extension costs	74.679	144.003
2	Research, development and publicity costs	5.400	13.443
3	Patents and rights for use of intellectual property	243.433	304.624
4	Concessions, licences, trademarks and similar rights	-	-
5	Goodwill	50.000	120.400
6	Works in progress and down payments	1.036.658	-
7	Others	7.266.516	7.278.260
8	Consolidation differences	-	-
	<b>Total intangible assets</b>	<b>8.676.686</b>	<b>7.860.730</b>
<b>II</b>	<b>Tangible assets</b>		
1	Land & buildings	155.516.536	153.497.058
2	Plant & equipment	141.013.495	138.161.851
2-bis	Leased plant and machinery	-	-
3	Trade & industrial fixtures	454.726	567.724
4	Other assets	7.838.128	7.937.399
5	Work in progress & down payments	6.920.704	8.043.724
	<b>Total tangible assets</b>	<b>311.743.589</b>	<b>308.207.756</b>
<b>III</b>	<b>Long term financial assets, with separate indication for each item of amounts collectable within 12 months:</b>		
1	Equity interests:		
a)	Subsidiaries	-	364.776
b)	Associates	40.808.015	24.554.917
c)	Holding Companies	-	-
d)	Other Companies	5.668.604	5.486.855
	<b>Total equity interests</b>	<b>46.476.619</b>	<b>30.406.548</b>

2	Accounts receivable		
a)	from subsidiaries		
	less than 12 months	-	-
	over 12 months	-	-
	<i>Total receivables from subsidiaries</i>	-	-
b)	From Associates		
	less than 12 months	2.534.680	2.034.680
	over 12 months	7.500.000	-
	<i>Total receivables from associates</i>	<i>10.034.680</i>	<i>2.034.680</i>
c)	From Holding Companies		
	less than 12 months	-	-
	over 12 months	-	-
	<i>Total receivables from holding companies</i>	-	-
d)	From other lenders		
	less than 12 months	-	-
	over 12 months	14.267	14.267
	<i>Total receivables from other lenders</i>	<i>14.267</i>	<i>14.267</i>
	<i>Total financial receivables</i>	<i>10.048.947</i>	<i>2.048.947</i>
3	Other securities	801.667	750.000
4	Treasury shares (total nominal value)	1.027.529	1.027.529
5	Nominal value of treasury shares (for records)	-	-
	<i>Total financial assets</i>	<i>58.354.762</i>	<i>34.233.024</i>
	<i>Total fixed assets</i>	<i>378.775.037</i>	<i>350.301.510</i>
<b>C</b>	<b>Current assets</b>		
I	Inventories		
1	Raw materials, supplies & consumables	46.548.836	48.551.890
2	Work-in-progress & semi-finished products	21.840.928	10.693.283
3	Contracts in progress	-	-
4	Finished products and goods	64.398.478	77.041.949
5	Payments of account	-	-
	<i>Total Inventories</i>	<i>132.788.242</i>	<i>136.287.122</i>

II	Accounts receivable, with separate indication for each item of the amounts collectable within 12 months		
1	from trade debtors		
	a) less than 12 months	126.236.839	163.902.536
	b) over 12 months	3.409.340	3.409.340
	<b>Total trade debtors</b>	<b>129.646.179</b>	<b>167.311.876</b>
2	from subsidiaries		
	a) less than 12 months	-	-
	b) over 12 months	-	-
	<b>Total receivables from subsidiaries</b>	<b>-</b>	<b>-</b>
3	from associates		
	a) less than 12 months	10.328.571	8.737
	b) over 12 months	-	-
	<b>Total receivables from associates</b>	<b>10.328.571</b>	<b>8.737</b>
4	from holding companies		
	a) less than 12 months	-	-
	b) over 12 months	-	-
	<b>Total rec. from holding companies</b>	<b>-</b>	<b>-</b>
4-bis	Tax assets		
	a) less than 12 months	6.027.574	13.057.076
	b) over 12 months	-	-
	<b>Total tax assets</b>	<b>6.027.574</b>	<b>13.057.076</b>
4-ter	Prepaid taxes:		
	a) less than 12 months	93.117	5.604.502
	b) over 12 months	25.714.402	22.269.497
	<b>Total prepaid tax assets</b>	<b>25.807.519</b>	<b>27.873.999</b>
5	from others		
	a) less than 12 months	29.266.065	11.438.249
	b) over 12 months	35.374	10.643
	<b>Total receivables from others</b>	<b>29.301.439</b>	<b>11.448.892</b>
	<b>Total receivables</b>	<b>201.111.282</b>	<b>219.700.580</b>

III	<i>Financial assets other than fixed assets:</i>		
1	<i>Stakes in subsidiaries</i>	-	-
2	<i>Stakes in associates</i>	-	-
3	<i>Stakes in holding companies</i>	-	-
4	<i>Other equity interests</i>	-	-
5	<i>Treasury shares, with an indication of overall nominal value</i>	-	-
6	<i>Other securities</i>	450.000	-
	<i>Total financial assets</i>	450.000	-
IV	<i>Cash and cash equivalents</i>		
1	<i>Bank and postal deposits</i>	29.069.821	30.519.496
2	<i>Cheques</i>	1.122	-
3	<i>Cash on hand</i>	5.543	7.780
	<i>Total cash and cash equivalents</i>	29.076.486	30.527.276
	<i>Total current assets</i>	363.426.010	386.514.978
D	<i>Prepayments and accrued income, with separate indication of disagio on loans</i>		
1	<i>Disagio on loans</i>	-	-
2	<i>Prepayments and accrued income</i>	1.950.223	1.741.081
	<i>Total prep.Ø and accrued income</i>	1.950.223	1.741.081
	<i>Total assets</i>	744.151.270	738.557.569

## BALANCE SHEET

LIABILITIES		31.12.2015	31.12.2014
<b>A</b>	<b>Shareholders' equity</b>		
I	Share capital	50.000.000	50.000.000
II	Share premium reserve	516.474	516.474
III	Revaluation reserves	137.795	137.795
IV	Legal reserve	3.661.767	3.661.767
V	Statutory reserves	-	-
VI	Reserve for treasury portfolio	1.027.529	1.027.529
	<b>Total shareholders' equity and reserves</b>	<b>55.343.565</b>	<b>55.343.565</b>
VII	Other reserves, indicated separately		
1	Extraordinary reserve	14.567.700	14.567.700
2	Capital reserves	-	-
3	Special tax system reserves	-	-
4	Non-distributable profit reserve	-	-
5	Consolidation reserve	253.878.849	252.331.341
6	Currency translation reserve	(71.190)	(225.120)
7	Capital contribution reserve	-	-
8	Other reserves	-	1
9	Accelerated depreciation reserve	-	-
10	Reserve for financial statements in euros	16	5
	<b>Total other reserves</b>	<b>268.375.375</b>	<b>266.673.927</b>
VIII	Profit/(Loss) brought forward	39.446.409	41.766.245
IX	Profit/(Loss) for the year	(3.267.438) -	777.807
	<b>Total Group's shareholders' equity</b>	<b>359.897.911</b>	<b>363.005.930</b>
X	Share capital, reserves, minority interest:		
1	Minority interest	1.248.263	1.207.065
2	Minority interest' profit/(loss)	1.725.893	202.468
	<b>Total minority interest</b>	<b>2.974.156</b>	<b>1.409.533</b>
	<b>Total shareholders' equity</b>	<b>362.872.067</b>	<b>364.415.463</b>
<b>B</b>	<b>Provisions for contingent liabilities and charges</b>		
1	Retirement benefits and similar indemnities	1.120.036	1.075.807
2	Taxes, including deferred taxes	2.807.036	734.325
3	Others	4.690.211	3.703.386
	<b>Total provisions for cont. liabilities and charges</b>	<b>8.617.283</b>	<b>5.513.518</b>

C	Provision for employees' severance pay	7.974.494	8.350.980
D	Accounts payable and other liabilities, with indication for each item of sums falling due within 12 months:		
1	Straight bonds		
	a) less than 12 months	-	-
	b) over 12 months	-	-
	<b>Total straight bonds</b>	<b>-</b>	<b>-</b>
2	Convertible bonds		
	a) less than 12 months	-	-
	b) over 12 months	10.000.000	10.000.000
	<b>Total convertible bonds</b>	<b>10.000.000</b>	<b>10.000.000</b>
3	Shareholders' loans		
	a) less than 12 months	210.000	210.000
	b) over 12 months	-	-
	<b>Total shareholders' loans</b>	<b>210.000</b>	<b>210.000</b>
4	Bank borrowings		
	a) less than 12 months	103.280.397	85.701.449
	b) over 12 months	68.865.827	54.667.045
	<b>Total bank borrowings</b>	<b>172.146.224</b>	<b>140.368.494</b>
5	Borrowings from other lenders		
	a) less than 12 months	-	-
	b) over 12 months	-	-
	<b>Total borrowings from other lenders</b>	<b>-</b>	<b>-</b>
6	Down payments		
	a) less than 12 months	1.016.661	102.788
	b) over 12 months	-	-
	<b>Total down payments</b>	<b>1.016.661</b>	<b>102.788</b>
7	Trade creditors		
	a) less than 12 months	151.867.465	178.703.333
	b) over 12 months	-	-
	<b>Total trade creditors</b>	<b>151.867.465</b>	<b>178.703.333</b>
8	Notes payable		
	a) less than 12 months	-	-
	b) over 12 months	-	-
	<b>Total notes payable</b>	<b>-</b>	<b>-</b>

9	Payables to subsidiaries		
	a) less than 12 months	-	-
	b) over 12 months	-	-
	<i>Total payables to subsidiaries</i>	-	-
10	Payables to associates		
	a) less than 12 months	44.949	-
	b) over 12 months	-	-
	<i>Total payables to associates</i>	44.949	-
11	Payables to holding companies		
	a) less than 12 months	-	-
	b) over 12 months	-	-
	<i>Total payables to holding companies</i>	-	-
12	Tax liabilities		
	a) less than 12 months	7.046.457	9.122.787
	b) over 12 months	-	-
	<i>Total tax liabilities</i>	7.046.457	9.122.787
13	Social security liabilities		
	a) less than 12 months	3.269.213	3.145.356
	b) over 12 months	-	-
	<i>Total payables to social liabilities</i>	3.269.213	3.145.356
14	Other payables		
	a) less than 12 months	17.188.422	15.846.154
	b) over 12 months	3.015	3.015
	<i>Total other payables</i>	17.191.437	15.849.169
	<i>Total payables</i>	362.792.406	357.501.927
<b>E</b>	<i>Accruals and deferred income, with separate indication of agio on loans</i>		
1	agio on loans	-	-
2	deferred income	1.895.020	2.775.681
	<i>Total accruals and deferred income</i>	1.895.020	2.775.681
	<i>Total liabilities and equity</i>	744.151.270	738.557.569



## MEMORANDUM ACCOUNTS

31.12.2015

31.12.2014

<i>A</i> Memorandum accounts			
<i>I</i> Sureties issued			
1	Bank guarantees issued	-	-
	d) in favour of third parties	113.244.000	85.138.000
	<i>Total sureties issued</i>	<i>113.244.000</i>	<i>85.138.000</i>
<i>IV</i> other memorandum accounts			
3	other memorandum accounts	44.407.000	31.598.000
	<i>Total other memorandum accounts</i>	<i>44.407.000</i>	<i>31.598.000</i>
	<i>Total memorandum accounts</i>	<i>157.651.000</i>	<i>116.736.000</i>

## INCOME STATEMENT

31.12.2015

31.12.2014

<i>A</i>			
<i>Production value:</i>			
1	revenue from goods sold and services rendered	922.897.827	971.152.562
2	changes in inventories of work-in-progress, semi-finished products and finished products;	(2.425.726)	(4.573.375)
3	changes in contracts in progress to order	-	-
4	increase in fixed assets from internal work	3.277.404	2.287.068
5	other revenue and income	-	-
	a) contributions in trading account	237.802	288.614
	b) others	2.033.082	3.573.347
	<i>Total other revenue and income</i>	<i>2.270.884</i>	<i>3.861.961</i>
	<i>Total production value</i>	<i>926.020.389</i>	<i>972.728.216</i>
<i>B</i>			
<i>Production costs:</i>			
6	for raw materials, supplies, consumables and goods	622.852.239	661.723.616
7	for services	177.210.369	169.298.778
8	for hire, purchase and leasing charges	2.698.208	3.162.988
9	for personnel:		
	a) salaries and wages	52.480.563	49.368.396
	b) social security contributions	14.612.407	13.491.056
	c) employees' severance pay allowance	1.839.962	1.796.689
	d) retirement benefits and similar rights	-	-
	e) other costs	1.427.082	858.583
	<i>Total personnel expenses</i>	<i>70.360.014</i>	<i>65.514.724</i>
10	depreciation, amortisation e write-downs		
	a) amortisation of intangible assets	1.696.620	1.443.018
	b) depreciation of tangible assets	37.716.470	37.061.135
	c) write-downs of fixed assets	-	-
	d) write-downs of receivables under current assets and cash and cash equivalents	1.558.462	1.530.421
	<i>Total depreciation, amortisation e write-downs</i>	<i>40.971.552</i>	<i>40.034.574</i>
11	changes in inventories of raw materials, supplies, consumable and goods	1.368.501	19.364.188
12	provision for contingent liabilities	-	1.000.000
13	other provisions	1.366.304	990.122
14	other charges	3.188.308	2.261.328
	<i>Total production costs</i>	<i>920.015.495</i>	<i>963.350.318</i>
	<i>Difference between production value and costs</i>	<i>6.004.894</i>	<i>9.377.898</i>

<b>C</b>		
	<b>Financial Income and Expenses</b>	
15	Investment income, with separate indication of those referring to subsidiary and Associates	
	a) from subsidiaries	-
	b) from associates	60.000
	c) from holding companies	-
	d) from other companies	32.607
	<b>Total income from equity investments</b>	<b>32.607</b>
16	Other financial income	
	a) from long-term investments under assets, with separate indication of those from subsidiaries, associates and holding companies	
	from subsidiaries	-
	from associates	-
	from holding companies	-
	from others	-
	<b>Total financial income</b>	<b>-</b>
	b) from long-term securities under assets, other than equity investments	-
	c) from current assets securities, other than equity investments	-
	d) income other than previous items, with separate indication of those from subsidiary, associated and holding companies	
	from subsidiaries	-
	from associates	-
	from holding companies	-
	from others	191.522
	<b>Total income other than previous ones</b>	<b>191.522</b>
	<b>Total other financial income</b>	<b>191.522</b>
17	Interest and other financial charges, with separate indication of those from subsidiaries, associates and holding companies	
	a) from subsidiaries	-
	b) from associates	-
	c) from holding companies	-
	d) from others	5.155.261
	<b>Total interest and other financial charges</b>	<b>5.155.261</b>

17-bis	Exchange gains and losses	(265.523)	(34.610)
	<b>Total financial income and expenses</b>	<b>(4.665.609)</b>	<b>(6.218.903)</b>
<b>D</b>	<b>Adjustments to the value of financial assets:</b>		
18	Re-valuations:		
a)	shareholdings	895.696	192.542
b)	long-term financial assets other than equity investments	-	-
c)	securities under current assets other than equity investments	-	-
	<b>Total revaluations</b>	<b>895.696</b>	<b>192.542</b>
19	Impairments		
a)	shareholdings	2.151.669	866.698
b)	long-term financial assets other than equity investments	-	-
c)	long-term financial assets other than equity investments	-	-
	<b>Total impairments</b>	<b>2.151.669</b>	<b>866.698</b>
	<b>Total adjustments to the value of financial assets</b>	<b>(1.255.973)</b>	<b>(674.156)</b>
<b>E</b>	<b>Extraordinary gains and losses:</b>		
20	Gains, with separate indication of surplus from sales, the proceeds of which do not come under item 5)		
a)	surplus from sales	143.514	147.363
b)	other extraordinary gains	8.198.942	2.649.030
	<b>Total extraordinary gains</b>	<b>8.342.456</b>	<b>2.796.393</b>
21	Losses, with separate indication of losses from sales, the effects of which do not come under item 14 and previous years' taxes		
a)	charges	10.284	-
b)	losses from sales, the effects of which do not come under item 14	-	69.236
c)	previous years' taxes	1.893.435	151.291
d)	other extraordinary losses	957.107	2.436.972
e)	round-offs	-	-
	<b>Total extraordinary losses</b>	<b>2.860.826</b>	<b>2.657.499</b>
	<b>Total extraordinary gains and losses</b>	<b>5.481.630</b>	<b>138.894</b>
	Pre-tax result		
	<b>Pre-tax result</b>	<b>5.564.942</b>	<b>2.623.733</b>

<b>T</b>	<b>Income tax</b>		
22	Income tax – current, deferred and prepaid		
	a) current	7.082.258	3.531.892
	b) deferred	0	11.304
	c) prepaid	24.229	(344.124)
	<b>Total income taxes for the year</b>	<b>7.106.487</b>	<b>3.199.072</b>
	Result for the year		
	<b>Consolidated result for the year</b>	<b>(1.541.545)</b>	<b>(575.339)</b>
<b>V</b>	Result for the Group	1.725.893	202.468
	<b>Minority interest result</b>	<b>(3.267.438)</b>	<b>(777.807)</b>

## *Explanatory Notes to the Consolidated Financial Statements as at 31st December 2015*

(Figures expressed in thousands of euros)

The Group's Consolidated Financial Statements for the year ended on 31<sup>st</sup> December 2014, of which these Explanatory Notes form an integral part pursuant to Art. 29 of Legislative Decree no. 127/91, have been drawn up in compliance with articles 29-39 of the same legislative decree and Legislative Decree no. 6 of 17<sup>th</sup> January 2003 and subsequent amendments.

These Consolidated Financial Statements were prepared in accordance with the provisions of the Italian Civil Code and, when necessary, with the accounting policies of the National Boards of Chartered Accountants and of Auditors, by applying the same valuation criteria.

Pursuant to the provisions of law, the valuation criteria adopted were the same as those adopted for the parent company and the other companies in the group, and the financial statements of the individual companies were adjusted for cases in which the accounting criteria were not homogeneous.

The following points should also be noted:

- In exceptional cases requiring derogations pursuant to article 29, subsection 4 of the above decree, full motivation is provided in these explanatory notes, and the effects on the equity and the results are also reported.
- A breakdown of the items under assets and liabilities is detailed when the figure is substantial.
- Risks and losses for the year were taken into account, even if known after the closing date.
- The 2015 consolidated financial statements were prepared in accordance with the provisions of Legislative Decree no. 127/91 and allow y-on-y comparison pursuant to art. 2423-ter of the Civil Code. Any reclassifications, whenever necessary, were made to allow comparison pursuant to art. 2423-ter of the Civil Code. Any reclassifications were noted specifically in the section regarding comments to the items of the financial statements.

### Contents and format of the consolidated financial statements

The Group's Consolidated Financial Statements consist of the financial statements as at 31<sup>st</sup> December 2015 of Feralpi Siderurgica S.p.A. (parent company) and the companies listed below.

### Consolidation scope

The consolidation scope, which changed compared to the previous year, in that the subsidiary Feralpi Algerié have been fully included since 2015, while in previous year it was entered at cost as it was non-operational. It should be noted that, without modifying the consolidation scope, 100% of Fer-Par S.r.l. was transferred to Feralpi Siderurgica S.p.A. and entered in the consolidation scope of the latter.

In 2015 the following companies were entered in the consolidation scope using the equity method: Caleotto S.p.A., which was set up during the year, following the joint venture with Duferco Italia Holding S.p.A., Presider S.p.A. and MPL S.r.l., the latter two belonging to the Ferrero Group, which were acquired during the year with an equity interest of 48%.

In April 2015, the equity interest in DI.MA S.r.l., which was entered in the consolidation scope using the equity method, was also sold, following with the stake owned indirectly decreased from 33% to 31%.

It should be noted that among the equity interests valued at cost, the newly-established Cogeme Steel, 50% owned in joint venture with INDIA were also entered in the consolidation scope. The Company was not yet operational on the closing date of these financial statements.

<i>Name and location</i>	<i>Share capital</i>	<i>Dir.</i>	<i>Indir.</i>	<i>Stake held by</i>	<i>%</i>
<i>Feralpi Siderurgica Brescia (Bs)</i>	50.000		X	<i>Feralpi Holding SpA</i>	100,00%
<i>Acciaierie di Calvisano SpA Calvisano (Bs)</i>	3.250		X	<i>Feralpi Siderurgica SpA</i>	100,00%
<i>Dieffe Srl Lonato (Bs)</i>	1.900		X	<i>Feralpi Siderurgica SpA</i>	100,00%
<i>Nuova Defim SpA Brescia (Bs)</i>	300		X	<i>Feralpi Siderurgica SpA</i>	100,00%
<i>Ecotrading Srl Lonato del Garda (Bs)</i>	50	X		<i>Feralpi Holding SpA</i>	100,00%
<i>Immobiliare Feralpi Srl Lonato del Garda (Bs)</i>	50		X	<i>Feralpi Siderurgica SpA</i>	100,00%
<i>Fer-Par Srl Lonato del Garda (Bs)</i>	20		X	<i>Feralpi Siderurgica SpA</i>	100,00%
<i>ESF Elbe-Stahlwerke Feralpi GmbH Riesa (D)</i>	11.000		X X	<i>Feralpi Siderurgica SpA</i> <i>Fer-Par Srl</i>	98,00% 2,00%
<i>Feralpi Stahlhandel GmbH Riesa (D)</i>	2.100		X X	<i>Feralpi Siderurgica SpA</i> <i>ESF GmbH</i>	33,33% 66,67%
<i>EDF Elbe-Drahtwerke Feralpi GmbH Riesa (D)</i>	1.500		X X	<i>ESF GmbH</i> <i>Feralpi Stahl. GmbH</i>	90,00% 10,00%
<i>Feralpi Logistik GmbH Riesa (D)</i>	1.000		X X	<i>ESF GmbH</i> <i>Feralpi Stahl. GmbH</i>	35,00% 65,00%
<i>Feralpi Praha Sro Kralupy (Cs)</i>	3.427		X	<i>Feralpi Stahlhandel GmbH</i>	100,00%
<i>Feralpi Hungaria KFT Budapest (H)</i>	6.684		X	<i>Feralpi Stahlhandel GmbH</i>	100,00%
<i>Feralpi Farm</i>	80	X		<i>Feralpi Holding SpA</i>	100,00%
<i>Ecoeternit</i>	1.000	X		<i>Due I Inv. Industriali S.p.A.</i>	70,00%
<i>Due I Inv. Industriali S.p.A.</i>	60	X		<i>Feralpi Holding SpA</i>	100,00%
<i>Faeco Ambiente</i>	1.000	X		<i>Feralpi Holding SpA</i>	70,00%
<i>Feralpi Algerié Orano (Algeria)</i>	471		X	<i>Fer-Par Srl</i>	70,00%

These companies are controlled in accordance with subsection 1 (point 1) of art. 2359 of the Italian Civil Code.

The financial statements of the Italian companies in the consolidation scope were or are being approved by the respective shareholders, whereas those of the companies abroad were consolidated under ESF GmbH, in accordance with German law.

These Financial Statements are based on homogeneous valuation criteria within the Group and were reclassified and adjusted when necessary.

The following equity interests in associates were entered in the consolidation scope using the equity method:

<i>Name and location</i>	<i>Share capital</i>	<i>Dir.</i>	<i>Indir.</i>	<i>Stake held by</i>	<i>%</i>
<i>Beta SA Buzau (R)</i>	766		X	<i>Feralpi Siderurgica SpA</i>	28,35%
<i>Agroittica S.p.A. Calvisano (BS)</i>	4.500		X	<i>Fer-Par S.r.l.</i>	44,17%
<i>Far Energia S.r.l. Sirmione (BS)</i>	100		X	<i>Fer-Par S.r.l.</i>	20,00%
<i>Omega S.r.l. Calcinato (BS)</i>	10		X	<i>Fer-Par S.r.l.</i>	20,00%
<i>Dima Srl Italia</i>	26		X	<i>Acciaierie di Calvisano</i>	33,00%
<i>Media Steel S.r.l. Italia</i>	200		X	<i>Feralpi Siderurgica SpA</i>	45,00%
<i>Comeca S.p.A. Italia</i>	2.800		X	<i>Fer Par S.r.l.</i>	19,85%
<i>Caleotto S.p.A. Italia</i>	2.000		X	<i>Feralpi Siderurgica SpA</i>	50,00%
<i>Arlenico S.p.A. Italia</i>	1.000		X	<i>Feralpi Siderurgica SpA</i>	50,00%
<i>Presider S.p.A. Italia</i>	4.160		X	<i>Feralpi Siderurgica SpA</i>	48,00%
<i>M.P.L. S.r.l. Italia</i>	2.555		X	<i>Feralpi Siderurgica SpA</i>	48,00%
<i>Cogeme Steel. S.r.l. Italia</i>	200		X	<i>Acciaierie di Calvisano</i>	50,00%

It is worth noting that the associate Cogeme Steel S.r.l. was entered in the consolidation scope at cost as the first financial year will be closed on 31<sup>st</sup> December 2016.



<i>Name and location</i>	<i>Share capital</i>	<i>Dir.</i>	<i>Indir.</i>	<i>Stake held by</i>	<i>%</i>
Cogeme Steel. S.r.l. Italia	200		X	Acciaierie di Calvisano	50,00%

### **CONSOLIDATION PRINCIPLES AND VALUATION CRITERIA APPLIED; CRITERIA AND EXCHANGE RATES APPLIED FOR CONVERTING FINANCIAL STATEMENTS EXPRESSED IN CURRENCIES THAT ARE NOT LEGAL TENDER IN THE COUNTRY.**

#### **Consolidation principles**

The consolidation was carried out using the global integration method in accordance with the principles set out in articles 31, 32 and 33 of Legislative Decree no. 127/91.

The following criteria, which are the same as those used for the previous year, were adopted in applying this method:

- a) The items under assets and liabilities, as well as the gains and losses of the companies included in the consolidation, are shown in full.

The following items have been eliminated:

- ✓ equity interests included in the consolidation and the corresponding portions of equity;
- ✓ receivables and payables between the companies included in the consolidation;
- ✓ income and expenses connected with inter-company transactions;
- ✓ profits and losses resulting from inter-company transactions and connected with figures under assets.

- b) The difference between the cost of acquisition and equity of the consolidated companies on the date of the first Consolidated Financial Statements or at the time of subsequent purchases is, where negative, entered under an equity item called Consolidation Reserve or, where positive, attributed to Land and Buildings owned by the companies or taken directly from the Consolidation Reserve, if it is not attributable either to assets or liabilities nor to consolidation differences. The results for the individual subsidiaries following the first consolidation go to increase or decrease the consolidation reserve.

- c) The share capital and reserves of minority shareholders in subsidiaries included in the consolidation are entered under a specific equity item. The minority portion of the consolidated result for the year is shown separately.

#### **Valuation criteria**

The valuation criteria used are substantially unchanged compared to the previous year or, in the case of changes, appropriate reasons are given and the effect on the result and the equity is reported in the explanatory notes.

The figures of the book items can be perfectly comparable with those of the previous year. In exceptional circumstances, reclassifications are required and their nature is noted in the explanatory notes.

#### **Intangible assets**

Intangible assets are entered at cost and refer to costs attributable to more than one year. They are amortised over five years, or in proportion to the expected useful life if different, in compliance with article 2426 of the Civil Code.

Costs for research and development attributable to more than one year are amortised over five years with the agreement of the Board of Auditors.

<i>Category</i>	<i>%</i>
<i>Incorporation and extension costs</i>	20%
<i>Research and development costs</i>	20%
<i>Industrial patent fees</i>	20%
<i>Concessions of licences and trademarks</i>	10% 20%
<i>Goodwill</i>	20%
<i>Other intangible assets</i>	10% 20%

### Tangible assets

Tangible assets are entered at cost, plus directly allocated accessory charges, and adjusted according to appreciation in accordance with the Law. Land and Buildings are also adjusted by attributing in the first consolidation the difference between the amount entered under equity interest and shareholders' equity of the subsidiaries or associates, in as far as the value has been ascertained by independent experts. The cost of tangible assets is adjusted by depreciation calculated on the basis of the estimated residual life of the assets.

The following depreciation rates have not changed compared to the previous year.

#### Steel

<i>Category</i>	<i>%</i>
<i>Buildings</i>	5%
<i>Light construction</i>	10%
<i>Plant and machinery</i>	5% - 10%
<i>Industrial and commercial equipment</i>	12,50/20/25/100%
<i>Other assets</i>	10/12/20/25%

#### Environment

<i>Category</i>	<i>%</i>
<i>Plant and machinery</i>	10% - 15%
<i>Industrial and commercial equipment</i>	12%
<i>Other assets</i>	12% - 20%

In order to adjust average depreciation to actual temporal use in the first year of life of the new asset, amortisation plans provide for the application of a rate that takes into account the date on which the asset started to be used.

In particular, it should be noted that within the group assets are amortised at rates that take into account their residual life, in compliance with the provisions of article 2426 of the Civil Code, and according to the amortisation plan, that has not changed compared to the previous year.

Ordinary maintenance and repair expenses are allocated to the income statement for the year in which they are incurred.

In accordance with Italian Accounting standard OIC 17, assets leased by third parties come under Tangible assets in that there is the reasonable certainty that the redemption option will be exercised at the end of the agreement. This gives rise to a financial cost in the Consolidated Financial Statements (on an accrual basis) corresponding to the difference in total

contract leases over and above the cost (fair value) of the leased asset.

### Financial assets

Equity investments in associated companies, as defined in article 2359 of the Civil Code, are valued using the equity method.

Irrelevant and/or non-operational holdings in associated companies, and in other companies, are entered at cost, adjusted if necessary by durable losses in value.

Amounts receivable are entered at the nominal value, corresponding to the expected salvage value.

Entry can, if necessary, be adjusted by durable losses in value.

Other securities are recognised at the nominal value, corresponding to the expected salvage value.

### Inventories

Inventories are valued according to the lesser of either the cost of acquisition (including accessory charges) or production and the market value, pursuant to art. 2426 of the Civil Code, points 9-10.

The average weighted cost method was used for raw materials, supplies, consumables, intermediate products, end products and work in progress.

Manufacturing costs include the cost of raw materials, goods and labour, and all other direct and indirect production costs.

### Accounts receivable and payable

Accounts receivable are entered at the expected salvage value, including any integration and reclassification, by means of direct adjustment of specific depreciation funds. Accounts payable are shown at the nominal value. Accounts receivable and payable in foreign currency are entered in Euros at the exchange rate on the date of operation, and the relevant exchange rate gains or losses are credited or debited to the Income Statement on the date on which payment is received or made.

At the end of the year, accounts receivable and payable originally expressed in a foreign currency were converted into Euros at the spot exchange rate on the closing date.

### Tax assets

This item covers amounts receivable from Inland Revenue, which are recognised at the estimated realisable value.

### Prepaid taxes

This item covers amounts resulting from postponed deductibility of negative income components, which are recognised at the estimated realisable value.

### Cash and cash equivalents

These are valued at their nominal value.

### Prepayments and accrued income

Prepayments and accrued income and charges and deferred income have been calculated on an accrual basis.

### Provisions for contingent liabilities and charges

This item refers to provisions estimated on the basis of amounts payable or losses of a set nature and of either a certain or probable existence, the amount of which or the date of occurrence is unspecified on the closing day. The general criteria of prudence and competence were applied in evaluating these provisions and no generic provisions not supported by economic reasons were established. Potential liabilities were recognized in the balance sheet and allocated to provisions as they were considered probable and their extent reasonably determinable.

### Provision for employees' severance pay

This provision is calculated according to the law and existing labour agreements and reflects the amounts payable to employees due at the closing date.

### Tax liabilities

Tax liabilities show income tax for the year based on a realistic forecast, in addition to the various dues and VAT and to debts of the individual companies stemming from withholding tax positions.

### Costs and Revenues

Costs and revenues for the year are recorded on an accrual basis.  
Revenues and gains, and costs and charges are entered after deduction of returns, discounts and allowances.

### Income tax

Current tax, if due, is set aside according to the applicable rates and regulations on the basis of a realistic forecast of taxable income, taking account of any exemptions envisaged by law.

We point out that deferred taxes have been entered in the Financial Statements, in accordance with the provisions of document no. 25 of the National Board of Chartered Accountants and pursuant to the general rules of due diligence, competence and prudence (art. 2423, subsection 2, of the Civil Code and art. 2423-bis, subsection 1, of the Civil Code).

Provisions were also made for advanced and deferred taxes originating from temporary differences between the figures under assets and liabilities, calculated according to statutory and fiscal criteria. Deferred taxes receivable are entered when there is reasonable certainty of the existence - for the years to which the temporary advanced tax refer - of a taxable income not less than the amount of the differences to be offset.

### Translation criteria and rates applied in financial statements expressed in foreign currencies

The figures expressed in a foreign currency under the balance sheet are translated at the spot exchange rate on the closing date.

The figures expressed in a foreign currency in the income statements are translated at the average yearly exchange rates. It is noted that the exchange rates applied for translating figures expressed in a foreign currency within the consolidation scope are as follows:

- 1 euro to 4.48 lei as at 31 December 2015 was applied for the company Beta SA;
- 1 euro to 116.702 Algerian dinars as at 31 December 2015 was applied for Feralpi Algérie.

For companies based in non-euro zone countries, any differences arising out of the translation of the figures in the balance sheets and income statements are entered in a net equity reserve called "Foreign currency translation reserve".

## ASSETS

### B) Fixed assets

#### I. Intangible assets

The following table shows the movements of intangible assets during the year 2015.

	<i>Incorporation and extended costs</i>	<i>R&amp;D costs</i>	<i>Industrial patent rights</i>	<i>Goodwill</i>	<i>Assets in progress and payments on account</i>	<i>Other intangible assets</i>	<i>Total intangible assets</i>
<i>Opening value</i>							
<i>Cost</i>	1.465	1.572	3.985	1.716	-	31496	40.234
<i>Amortisation (accumulated amortisation)</i>	(1.321)	(1.558)	(3.680)	(1.596)	-	-24218	(32.373)
<i>Carrying value</i>	144	14	305	120	-	7278	7.861
<i>Changes during the year</i>							
<i>Increase due to acquisitions</i>	-	-	93	-	1.037	1382	2.512
<i>Amortisation allowance</i>	(71)	(8)	(155)	(70)	-	-1393	(1.697)
<i>Other changes</i>	2	-	-	-	-	-	2
<i>Total changes</i>	(69)	(8)	(62)	(70)	1.037	(11)	817
<i>Closing value</i>							
<i>Cost</i>	1.465	1.572	4.078	1.716	1.037	32878	42.746
<i>Amortisation (accumulated amortisation)</i>	(1.390)	(1.566)	(3.835)	(1.666)	-	-25611	(34.068)
<i>Carrying value</i>	75	6	243	50	1.037	7267	8.677

#### Incorporation and extension costs

Incorporation and extension costs relate to expenses and charges sustained by the subsidiary Nuova Defim S.p.A. for the acquisition Defim and Orsogrill lines of business, namely registry and notarial fees and expenses.

#### Research & Development expenses

R&D expenses relate to charges sustained to obtain certain scientific or technical know-how in the field in which the Group operates and to implement the necessary proceedings for the economic development of the knowledge acquired.

#### Industrial patents and intellectual property rights

These refer entirely to costs for software and application programmes and relate to the subsidiaries Feralpi Siderurgica S.p.A. and Nuova Defim S.p.A. and to the parent company Feralpi Holding S.p.A.

### Goodwill

This relates to residual amounts of goodwill paid previously in relation to the various acquisitions made over time.

### Works in progress and down payments

The increase in this item is mainly attributable to expenses for the implementation of the new in-house ERP for €1,007,000.

### Other intangible assets

The increase in other intangible assets is attributable to expenses associated with the take-out of new loans, amounting to €282,000, costs and expenses for completing landfills and the repair of embankments at the subsidiary Ecoeternit for the amount of €1,100,000.

## II. Tangible assets

The table below shows the movements regarding the tangible assets during the year:

	<i>Land and buildings</i>	<i>Plant and Machinery</i>	<i>Leased plant and Machinery</i>	<i>Industrial and trade fixtures</i>	<i>Other tangible assets</i>	<i>Tangible assets in progress and payments on account</i>	<i>Total tangible assets</i>
<b>Opening value</b>							
Cost	229.796	616.921	8.315	9.106	29.832	8.044	902.014
Depreciation (Depreciation provi	(76.299)	(478.759)	(8.315)	(8.538)	(21.895)	-	(593.806)
Carrying value	153.497	138.162	-	568	7.937	8.044	308.208
<b>Changes during the year</b>							
Increases for acquisitions	8.797	26.222	-	103	2.808	4.723	42.653
Depreciation during the year	(6.900)	(27.671)	-	(216)	(2.929)	-	(37.716)
Other changes	123	4.300	-	-	22	(5.846)	(1.401)
Total changes	2.020	2.851	-	(113)	(99)	(1.123)	3.536
<b>Closing value</b>							
Cost	238.593	643.143	8.315	9.209	32.640	12.767	944.667
Depreciation (Depreciation provi	(83.076)	(502.130)	(8.315)	(8.754)	(24.802)	(5.846)	(632.923)
Carrying value	155.517	141.013	-	455	7.838	6.921	311.744

Land and Buildings includes the amount (excluding accumulated depreciation) relating to adjustments made in the first consolidation of Acciaierie di Calvisano S.p.A. for €4037,000, for attribution of the difference between the value of the shareholding and equity on the date of first consolidation. This revaluation is supported by expert independent appraisal.

It should be noted that the increase of €42,653,000 for acquisitions are illustrated in detail under the related section of the business report. It is worth noting that the most significant amounts, totalling around €20,000,000, relate to the

subsidiary Feralpi Siderurgica S.p.A. for interventions made in the steel mill, rolling mills, in the cold-processing bay and in the building.

### III. Financial assets

A breakdown of this items with changes compared to the previous year is given in the table below.

Description	2015	2014	Change
Equity investments	46.477	30.407	16.070
Receivable from subsidiaries	-	-	-
Receivable from associates	10.035	2.035	8.000
Receivable from other comp.	14	14	-
Other securities	1.829	1.778	52
<b>Total</b>	<b>58.355</b>	<b>34.233</b>	<b>24.122</b>

The most significant increase relates to the acquisition of new stakes in the subsidiaries Caleotto S.p.A. (€6,030,000), Presider S.p.A. (€9,801,000) and MPL (€1,286,000).

#### Equity interest in associates

The associates valued using the equity method are listed in the table below.

Name and location	Share capital	Shareholders' equity	Pertaining profit / (Loss)	Revaluations / Impairments	% stake	Carrying value
Beta S.A. Buzau (R)	766	14.456	74	16	28,35%	2.823
Media Steel Srl	200	2.986	567	255	45,00%	1.434
Dima	1.000	1.204	52	(49)	31,00%	527
Agroittica S.p.A.	4.500	20.525	46	(102)	44,17%	18.317
San Vigilio partecipazioni	50	46	-	-	33,00%	25
Far Energia S.r.l.	100	852	111	17	20,00%	187
Omega S.r.l.	10	19	4	1	40,00%	8
Caleotto S.p.A.	2.000	9.534	(2.466)	(1.482)	50,00%	4.548
Presider S.p.A.	4.160	13.831	553	265	48,00%	10.066
Mpl S.r.l.	2.555	1.767	(358)	(172)	48,00%	1.114
Comeca S.p.A.	2.800	8.404	62	12	19,85%	1.660
<b>Total</b>				<b>(1.239)</b>		<b>40.708</b>

As indicated above, two joint ventures were established during the year, one with the Durferco group, by setting up Caleotto S.p.A. with a 50% equal interest, the other by setting up Cogeme Steel S.r.l., with the I.N.DI.A group, which is valued at cost as detailed in the table below.

The companies Presider S.p.A. and Mpl S.r.l. were also acquired with a 48% equity interest.

Details on these new acquisitions are provided in the dedicated section of the Business Report. The following table lists the associates which were valued at cost.

<i>Name and location</i>	<i>Share capital</i>	<i>Net equity</i>	<i>Profit / (Loss)</i>	<i>% holding</i>	<i>Carrying value</i>
Cogeme Steel	200	200	-	50,00%	100

Other companies

The table below shows the movement of other companies.

<i>Description</i>	<i>2014</i>	<i>Increase</i>	<i>Decrease</i>	<i>2015</i>
<i>Mittel S.p.A.</i>	2.369	290	-	2.659
<i>Finanziaria di Valle Camonica S.p.A.</i>	2.610	-	-	2.610
<i>Fondazione nazionale CRS</i>	5	-	-	5
<i>SSMT</i>	38	-	-	38
<i>Feralpi Salò</i>	160	172	(187)	145
<i>Altre di minore entità</i>	304	41	(133)	212
<b><i>Total</i></b>	<b>5.486</b>	<b>503</b>	<b>(320)</b>	<b>5.669</b>

The most significant increases under Other companies mainly relate to €290,000 revaluation of Mittel S.p.A., a company listed on the Milan stock exchange. Note that the value of the recognised equity interest in Mittel coincides with the value entered in the statutory financial statements, as valued at the average stock exchange price of the last six months.

The equity stake in Feralpi Salò decreased by €15,000, while other minority interests decreased by €92,000.

Financial accounts receivable falling due after 12 months account for €14,000 and relate to guarantee deposits from Italian companies.

### Financial accounts receivable

<i>Description</i>	<i>2014</i>	<i>Increase</i>	<i>Decrease</i>	<i>2015</i>
<i>Non-consolidated subsidiaries (less than 12 months)</i>	-	-	-	-
<i>Non-consolidated subsidiaries (over 12 months)</i>	-	-	-	-
<i>Associated companies (less than 12 months)</i>	2.035	500	-	2.535
<i>Associated companies (over 12 months)</i>	-	12.500	(5.000)	7.500
<i>Others (less than 12 months)</i>	-	-	-	-
<i>Others (over 12 months)</i>	14	-	-	14
<b><i>Total</i></b>	<b>2.049</b>	<b>13.000</b>	<b>(5.000)</b>	<b>10.049</b>

### Financial receivables from associates

The increase in receivables from associates is mainly due to loans granted to the associate Caleotto S.p.A. for €7,500,000 and to a loan granted to Agroittica S.p.A. for €500,000, as shown in the table below.



Description		2015	2014	Change
Fer-Farm S.r.l.	Fin. Omega S.r.l.	1.839	1.839	-
Fer-Farm S.r.l.	Fin. San Vigilio S.r.l.	196	196	-
Agroittica S.p.A.	Fin. Agroittica S.p.A.	500	-	500
Caleotto S.p.A.	Fin. Caleotto S.p.A.	7.500	-	7.500
<b>Total</b>		<b>10.035</b>	<b>2.035</b>	<b>8.000</b>

### Financial receivables from other falling due over 12 months

These amount to €14,000 and refer to long-term guarantee deposits issued by the parent company and other Italian companies. The figure is unchanged compared to the previous year.

### Other securities

The item Other securities comprise €455,000 guarantee securities issued in favour of the subsidiary Ecoeternit S.r.l. The Feralpi Holding group also holds, through Fer-Par S.r.l., treasure shares amounting to €1,027,000, equivalent to 497,250 shares, representing 0.99% of the parent company's share capital. The relevant reserve was allocated to shareholders' equity.

The €347,000 difference refers to the acquisition of bonds associated with the acquisition of equity interests in Presider and MPL from the Ferrero Group.

## **C) Current assets**

### **I. Inventories**

Inventories recognised at the lower of the cost or fair value, are valued using the weighted average cost method.

It is worth noting that this method is more appropriate to offset fluctuations in the price of raw materials and, consequently, the finished product, thus facilitating the interpretation of figures on the part of the reader.

Inventories as at 31<sup>st</sup> December 2015 were valued using the physical stock-taking method, under the supervision of the heads of departments.

The changes by category are detailed in the table below.

Description		2015	2014	Change
Raw materials, supplies and consumables		46.549	48.552	(2.003)
Work in progress and unfinished products		21.841	10.693	11.148
Finished products and goods		64.398	77.042	(12.643)
<b>Total</b>		<b>132.788</b>	<b>136.287</b>	<b>(3.499)</b>

The y-o-y decrease is due to the fact that the Group has put in place a careful inventory management policy that has led to more rational management of goods in stock.

## II. Accounts receivable

A breakdown of this item is given in the table below.

Description	2015	2014	Change
Accounts receivable from customers under current assets	129.646	167.312	(37.666)
Accounts receivable from subsidiaries under current assets	-	-	-
Accounts receivable from associated companies under current assets	10.329	9	10.320
Accounts receivable from parent companies under current assets	-	-	-
Tax credits under current assets	6.028	13.057	(7.030)
Advanced taxes under current assets	25.808	27.874	(2.066)
Accounts receivable from others under current assets	29.301	11.449	17.853
<b>Total</b>	<b>201.111</b>	<b>219.701</b>	<b>(18.589)</b>

It should be noted that the €10,320,000 increase in Receivables from associates recognised to current assets is mainly due to the effect of sales to the associate Caleotto S.p.A.

Receivables from others consist of the amount accrued by Feralpi Siderurgica S.p.A. and Acciaierie di Calvisano S.p.A. in connection with facilities granted to electricity-consuming companies, for the amount of €6,193,000 for 2015 and €5,387,000 for 2016. The amount accrued in 2014 will be collected by the Group companies in 2016, in accordance with the last resolution issued by the Italian Authority for Electricity, Gas and Water System.

A breakdown of amounts receivable by maturity for the year ending on 31st December 2015 is shown in the table below.

Description	Less than 12 months	Over 12 months	Over 5 years	Total
Accounts receivable from customers under current assets	126.237	3.409	-	129.646
Accounts receivable from subsidiaries under current assets	-	-	-	-
Accounts receivable from associated companies under current assets	10.329	-	-	10.329
Accounts receivable from parent companies under current assets	-	-	-	-
Tax credits under current assets	6.028	-	-	6.028
Advanced taxes under current assets	93	25.714	-	25.808
Accounts receivable from others under current assets	29.266	35	-	29.301
<b>Total</b>	<b>171.952</b>	<b>29.159</b>	<b>-</b>	<b>201.111</b>

Receivables from customers are recognised net of the provision for bad debts, which currently amounts to €4,085,000. The adjustment of the fair value of receivables to the expected realisable value was made through the provision for bad debts, the movements of which are given in the table below.

Description	2014	Utilisation	Allocation	2015
Provision for bad debts	3.683	(1.156)	1.558	4.085

Receivables from customers are of a purely commercial nature and are divided by geographical area, as shown in the table below.

	Italy Commercial	Italy Others	Other EU countries	Other EU countries	Non-EU	Total
Accounts receivable from customers under current assets	93.169	-	26.795	-	9.682	129.646
Accounts receivable from subsidiaries under current assets	-	-	-	-	-	-
Accounts receivable from associated companies under current assets	10.323	-	-	5	-	10.328
Accounts receivable from parent companies under current assets	-	-	-	-	-	-
Tax credits under current assets	336	4.422	-	1.187	83	6.028
Advanced taxes under current assets	1	25.807	-	-	-	25.808
Accounts receivable from others under current assets	(41)	24.342	-	4.886	114	29.301
<b>Total</b>	<b>103.788</b>	<b>54.571</b>	<b>26.795</b>	<b>6.078</b>	<b>9.879</b>	<b>201.111</b>

### Tax assets

Tax assets, amounting to €6,027,000, can be broken down as follows.

Description	2015	2014	Change
VAT	744	7.653	(6.909)
R&D assets	454	178	276
Regional business tax / Group's Corp. income tax (IRAP/IRES)	3.341	2.637	704
Excise taxes	1.452	2.410	(958)
Other minor taxes	37	179	(142)
<b>Total</b>	<b>6.027</b>	<b>13.057</b>	<b>(7.030)</b>

### Prepaid taxes

A breakdown of prepaid taxes is given in the table below.

Description	2015
Provision for deferrization material, slag and gases	-
Deferred taxes assets	27.035
Adjustment deferred taxes of previous year - 2015 from UNICO	(225)
Adjustment deferred tax rate previous years - from 27.5% to 24%	(3.484)
Defered taxes on subsidiaries' 2015 fiscal losses	4.052
2015 IRES for subsidiaries	(2.212)
Deferred taxes on parent company's 2015 fiscal losses	360
Prepaid taxes on bad debts	282
<b>Total</b>	<b>25.808</b>

Prepaid tax assets calculated on the tax loss transferred by the parent company under the national fiscal consolidation process and the other Group companies are recognised were allocated on the basis of reasonable certainty of recovery by means of the group's profitability prospects outlined in the latest Business Plan.

### Accounts receivable from others

This item, amounting to €29,301,000, increased by €17,852 on the previous year, and a breakdown is shown in the table below.

Description	2015	2014	Change
Energy cost refund	13.489	7.898	5.591
Accounts receivable from other Group's Companies	11.697	-	11.697
Unemployment benefits	215	197	18
Social security institutions	61	47	14
Other receivables	3.614	2.293	1.321
Contr. received for investments	-	424	(424)
Others	225	590	(365)
<b>Total</b>	<b>29.301</b>	<b>11.449</b>	<b>17.852</b>

The most significant amount this item relates to the reclassification of receivables for supplies from Calvisano S.p.A. to Caleotto S.p.A., which was consolidated using the equity method.

#### IV) Cash and cash equivalents

Description	2015	2014	Change
Bank and P.O. deposits	29.069	30.519	(1.451)
Cheques	1	-	1
Cash in hand	6	8	(2)
<b>Total</b>	<b>29.076</b>	<b>30.527</b>	<b>(1.452)</b>

The balance consists of liquid assets and cash on hand at year end, mainly held by the Group's German companies. Details on the origin of liquidity are provided in the cash flow statement in the Business Report.

#### D) Prepayments and accrued income

This item represents income and charges received or paid in advance or on an accrual basis. They are independent of the date of payment or collection of the related income and charges and refer to two or more financial years and can be divided on a pro-tempore basis.

For this item, too, the criteria adopted in assessing and converting figures expressed in foreign currency are shown in the first part of these explanatory notes. As at 31.12.2014 there were no prepayments or accrued income exceeding 5 years.

The item is detailed as follows.

Description	2015	2014	Change
Other accrued income	1.950	1.741	209
<b>Total</b>	<b>1.950</b>	<b>1.741</b>	<b>209</b>

Description	2015	2014	Change
Sundry	532	323	209
Interest and commissions	1.018	1.017	1
Insurance and guarantees	400	401	(1)
<b>Total accrued income</b>	<b>1.950</b>	<b>1.741</b>	<b>209</b>

## LIABILITIES

### A) Shareholders' equity

The share capital of the parent company as at 31<sup>st</sup> December 2015 amounted to €55,000,000.

Adjustments deriving from the consolidation process resulted in the following differences between the financial statements ended on 31<sup>st</sup> December 2015 of the parent company Feralpi Holding S.p.A. and the consolidated financial statements at that date.

### RECONCILIATION STATEMENT BETWEEN THE PARENT COMPANY'S SHAREHOLDERS' EQUITY AND OPERATING RESULT AND THE SAME ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS AT 31/12/2014

	Result	Share capital and opening reserves	Net equity
Feralpi Holding S.p.A.	(701)	109.358	108.657
<b>Adaptation to Group's accounting policies</b>			
Intangible asset amortisation adjustment	(170)	986,4	816
Inventory valuation adjustment		(232)	(232)
<b>Elimination of intercompany transaction effects</b>			
Intra-group margins included in the value of inventories	-	-	-
Gains from intra-group sales of assets	(38)	(245)	(283)
<b>Elimination of shareholdings book value</b>			
Elimination of shareholdings	12.751	253.433	266.184
Elision of dividends	(13.870)	-	(13.870)
Consolidation using the equity method	(1.239)	(136)	(1.375)
<b>Group's profit / share capital</b>	<b>(3.267)</b>	<b>363.166</b>	<b>359.898</b>
<b>Minority interest profit / share capital</b>	<b>1.725</b>	<b>1249</b>	<b>2.974</b>
<b>Consolidated profit / share capital</b>	<b>(1.542)</b>	<b>364.415</b>	<b>362.872</b>

The above figures are net of taxes.

The table below shows the movements occurring under shareholders' equity items.

	Share capital	Share premium reserve	legal reserve	extraordinary reserve	Profit (loss) brought forward	Conversion reserve	Share premium reserve	Revaluation reserve	Consolidation reserve	Result for the year	total	Minority interest profit	Minority interest capital	total
31st December 2013	50.000	516	3.662	14.568	42.114	(159)	1.027	138	264.222	(12.085)	364.003	33	1.174	365.210
allocation of the result for the year 2013					(348)				(11.737)	12.085	-	(33)	33	-
dividends														-
other movements						(66)			(154)	1	(219)			(219)
Result for the year 2014										(778)	(778)	202		(576)
31st December 2014	50.000	516	3.662	14.568	41.766	(225)	1.027	138	252.331	(777)	363.006	202	1.207	364.415
allocation of the result for the year 2014					(2.320)				1.503	778	(39)	(202)	202	(39)
dividends														-
other movements						154					154			154
Changes to the consolidation scope									45		45		139	184
Ecoeternit dividends													(300)	(300)
Result for the year 2015										(3.267)	(3.267)	1.726		(1.542)
31st December 2015	50.000	516	3.662	14.568	39.446	(71)	1.027	138	253.879	(3.266)	359.899	1.726	1.248	362.872

Note that the consolidation area refers to the first “consolidation” year of Feralpi Algérie.

The currency conversion reserve results from exchange differences between shareholders’ equity as at 31<sup>st</sup> December 2015 and

that at 31.12.2014, which were recognised following the valuation of Beta SA and the ESF consolidated financial statements for the Hungarian and Czech equity interests.

Other reserves, totalling €1,027,000, consist of treasury shares held in portfolio.

## B) Provisions for contingent liabilities and charges

A breakdown is given in the table below.

Description	2014	Increase	Decrease	2015
Supplementary sales agents' customer indemnity	1.076	44	-	1.120
Deferred taxation fund	734	2.073	-	2.807
Per smaltimento scorie	-	-	-	-
Other risk funds	3.704	986	-	4.690
<b>Total</b>	<b>5.514</b>	<b>3.103</b>	<b>-</b>	<b>8.617</b>

Deferred taxes mainly refer to the following:

1. €345,00  
0 for ESF GmbH (consolidated) for adaptation to the parent company’s accounting principles, including differences between digressive depreciation (German method) and linear depreciation (Italian method), the alignment of closing stock valuation. €1,949,000 were set aside in the year to cover contingencies in relation to a tax audit of the company for the financial years 2006-2009.
2. €184,00  
0 for Feralpi Siderurgica, pertaining to statutory depreciation and tax deductible in future years.

Other provisions comprise allocation to the provision for scrap disposal at Feralpi Siderurgica S.p.A. A breakdown of this item is given in the table below.

	Provision for severance pay and similar obligations	Provision for deferred and other taxes	Other provisions	Total provisions for contingent liabilities and charges
Opening value	1076	734	4.704	6.514
<b>Changes during the year</b>				
Allocation for the year	44	2.073	-	2.117
Utilisation during the year			(13)	(13)
<b>Closing value</b>	<b>1120</b>	<b>2.807</b>	<b>4.690</b>	<b>8.617</b>

The other provisions are mainly related to the following:

A provision covering risks associated with the allocation by Ecoeternit S.r.l. of €2,375,000 for landfill coverage and three-year post-management expenses.

Feralpi Holding S.p.A. prudentially set aside a sum to cover guarantees issued in favour of the buyer in relation to the transfer of its investment in Faeco, which occurred in 2012. The energy service provider (GSE) requested Faeco to return about €2 million subsidy granted on energy rates, following a delay by the company to fulfil certain obligations required for obtaining the subsidy. The company filed an appeal with the Regional Administrative Court (TAR), which was accepted due to errors in the methods of calculation of the sum to be repaid. However, as at 31<sup>st</sup> December 2015 the company deemed it prudent to allocate €1,000,000, which is equivalent to half of the amount claimed.

### C) Employee severance pay

The change that occurred during the year is shown in the table below.

		<i>Employee severance pay</i>
<i>Opening value</i>		8.351
<i>Changes during the year</i>		
	<i>Allocation for the year</i>	1.840
	<i>Utilisation during the year</i>	(2.216)
<i>Closing value</i>		7.975

The figure allocated represents what the company actually owed its employees on 31<sup>st</sup> December 2015, after deduction of any advances paid.

### D) Accounts payable

Accounts payable are valued at their nominal value and the deadlines are as follows.

<i>Description</i>	<i>2015</i>	<i>2014</i>	<i>Change</i>
<i>Convertible bonds</i>	10.000	10.000	-
<i>Shareholders' loans</i>	210	210	-
<i>Bank borrowings</i>	172.146	140.368	31.778
<i>Borrowings from other lenders</i>	-	-	-
<i>Down payments</i>	1.017	103	914
<i>Trade creditors</i>	151.867	178.703	(26.836)
<i>Payables to subsidiaries</i>	-	-	-
<i>Payables to associates</i>	45	-	45
<i>Payables to holding companies</i>	-	-	-
<i>Tax liabilities</i>	7.046	9.123	(2.076)
<i>Social security liabilities</i>	3.269	3.145	124
<i>Other payables</i>	17.191	15.849	1.342
<i>Total</i>	<i>362.792</i>	<i>357.502</i>	<i>5.290</i>



Description	Less than 12 months	Over 12 months	Over 5 years	Total
Convertible bonds	-	10.000	-	10.000
Shareholders' loans	210	-	-	210
Bank borrowings	103.280	51.296	17.570	172.146
Borrowings from other lenders	-	-	-	-
Down payments	1.017	-	-	1.017
Trade creditors	151.867	-	-	151.867
Payables to subsidiaries	-	-	-	-
Payables to associates	45	-	-	45
Payables to holding companies	-	-	-	-
Tax liabilities	7.046	-	-	7.046
Social security liabilities	3.269	-	-	3.269
Other payables	17.188	3	-	17.191
<b>Total</b>	<b>283.924</b>	<b>61.299</b>	<b>17.570</b>	<b>362.792</b>

### Convertible bonds

This liability consists of a convertible bond approved by resolution passed at an extraordinary meeting of a nominal value of €10,000,000, falling due in 2018, represented by 1,000,000 bonds of a nominal value of €10 each, convertible at a ratio of 1 share every 2 bonds. As in previous year, the loan is considered due after one year as the bondholders expressed their intention to renew this debenture loan.

### Bank borrowings

Loans and borrowings from banks and credit institutions covering investments and financial restructuring work totalled €172,146,000 as at 31/12/2014 and are guaranteed by €179,700,000 collateral (€85,000 for Feralpi Siderurgica and €94,715 for ESF).

The table below shows a breakdown of this item.

Description	2015	2014	Change
Bank current accounts	56.243	55.676	567
Loans falling due less than 12 months	45.499	30.165	15.334
Loans falling due over 12 months and less than 5 years	52.835	43.707	9.128
Loans falling due after 5 years	17.569	10.820	6.749
<b>Total</b>	<b>172.146</b>	<b>140.368</b>	<b>31.778</b>

New loans were taken out in 2015 for about €40m, of which €30m by Feralpi Siderurgica S.p.A. and €10m by ESF, and €30m of existing loans were repaid.

Payables to suppliers

Payables to suppliers are all of a commercial nature and are divided by geographical area as shown below.

<i>Description</i>	<i>Italy Commercial</i>	<i>Other EU countries Commercial</i>	<i>Non -EU</i>	<i>Total</i>
<i>Trade payables to suppliers</i>	118.174	32.350	1.343	151.867
<b><i>Total</i></b>	<b>118.174</b>	<b>32.350</b>	<b>1.343</b>	<b>151.867</b>

Tax liabilities

Tax liabilities within 12 months are detailed in the table below.

<i>Description</i>	<i>2015</i>	<i>2014</i>	<i>Change</i>
<i>Individual income tax (IRPEF)</i>	1.972	1.943	29
<i>VAT</i>	74	190	(116)
<i>Miscellaneous taxes and duties</i>	5.000	6.990	(1.990)
<b><i>Total</i></b>	<b>7.046</b>	<b>9.123</b>	<b>(2.077)</b>

### Other payables

A breakdown of Other payables by nature is shown in the table below.

Description	2015	2014	Change
Personnel charges set aside	7.195	6.714	481
Rewards to customer	7.491	6.782	(709)
Other minority payables	2.505	2.353	152
<b>Total</b>	<b>17.191</b>	<b>15.849</b>	<b>1.342</b>

The most significant figure relates to employee wages and collaborator fees matured in December.

### E) Accruals and deferred income

These are harmonised items for the year calculated on an accrual basis. It should be noted that as at 31<sup>st</sup> December 2015 there are no accruals and deferred income exceeding 5 years.

Accruals are detailed as follows.

Description	Opening value	Changes during the year	Closing value
Accruals and deferred income	2.776	(881)	1.895
<b>Total</b>	<b>2.776</b>	<b>(881)</b>	<b>1.895</b>

Deferred income is mainly related to investment subsidies for future use, amounting to €1,895,000, for ESF GmbH and €1,719,000 for EDF GmbH.

A breakdown of deferred income is given below.

Description	Less than 12 months	Over 12 months	Over 5 years	Total
Accruals and deferred income	947	948	-	1.895
<b>Total</b>	<b>947</b>	<b>948</b>	<b>-</b>	<b>1.895</b>

## Memorandum accounts

Changes during the year are detailed in the table below.

Descrizione	2015	2014	Change
<b>Guarantees received</b>			
Bank guar. in fav. of subsidiaries	-	-	-
Bank guar. in fav. of others	113.244	85.138	28.106
Our commitments	-	-	-
Our risks	-	-	-
<b>Total</b>	<b>113.244</b>	<b>85.138</b>	<b>28.106</b>
Others: IRS/Futures	44.407	31.598	12.809
<b>Total</b>	<b>157.651</b>	<b>116.736</b>	<b>40.915</b>

Type of information	Underlying	Rates of interest and debt securities	
		fair value	
		Positive	Negative
<b>Derivati non quotati</b>			
IRS			
	Unicredit	5.000	(81)
	Unicredit	5.000	(31)
	Banco di brescia	7.353	(50)
	Coba	10.000	(96)
	Coba	9.053	(101)
	HSH	8.000	(71)
<b>TOTAL</b>		<b>44.407</b>	<b>(431)</b>

## Income statement

### A) Production value

A breakdown of this item is detailed below.

Description	2015	2014	Change
Revenues from the sale of goods and services	922.898	971.153	(48.255)
Changes in product inventories	(2.426)	(4.573)	2.148
Changes in WIP on order	-	-	-
Increase in fixed assets for internal work	3.277	2.287	990
Other revenue and income	2.271	3.862	(1.591)
<b>Total</b>	<b>926.020</b>	<b>972.728</b>	<b>(46.708)</b>

The decrease in turnover compared to the previous years reflects the market situation of the steel industry, which was characterised by a steady decline in the selling prices of finished products. For further information, reference should be made to the Business Report.

Other revenues and income consist of the following items.

Category	2015	2014	Change
Rental	206	600	(394)
Insurance collection and miscellaneous	266	686	(420)
GSE incentives	333	406	(73)
Incentives	1.261	1.704	(443)
Other revenue and income	206	466	(260)
<b>Total</b>	<b>2.271</b>	<b>3.862</b>	<b>(1.591)</b>

It is worth noting that incentives include operating grants resulting mainly from the consolidated financial statements of the subsidiary ESF GmbH.

The following table shows a breakdown of sales by geographical area.

Geographic area	2015	2014	Change
Italy	291.310	271.142	20.168
EU	420.017	473.984	(53.967)
Non-EU countries	211.571	226.027	(14.456)
<b>Total</b>	<b>922.898</b>	<b>971.153</b>	<b>(48.255)</b>

## B) Production costs

A breakdown and changes in production costs are illustrated in the following table.

Description	2015	2014	Change
Raw materials and supplies	622.852	661.724	(38.871)
Services	177.210	169.299	7.912
Hired, purchasing, and leasing charges	2.698	3.163	(465)
Personnel	70.360	65.515	4.845
Amortisations and depreciations	40.972	40.035	937
Changes in inventories	1.369	19.364	(17.996)
Provision for risks and contingencies	1.366	1.000	366,3
Other operating charges	3.188	3.251	(63)
<b>Total</b>	<b>920.015</b>	<b>963.350</b>	<b>(43.335)</b>

### Costs for raw materials, supplies, consumables and goods

Compared to the previous year, there was a significant decrease in the cost of raw materials, amounting to €38,871,000, mainly attributable to a drop in the price of scrap, which accounted for 83% of the total cost of raw materials. For further information on the economic trend during the year, reference should be made to the Business Report.

### Costs for services

The table below shows a breakdown of costs for services, where the most significant item relating to energy and various utilities amounts to €77,520,000, with an increase of €1,921,000 on the previous year.

Description	2015	2014	Change
Maintenance and outsourced services	7.364	9.366	(2.002)
Production services	25.900	26.504	(604)
Energy and utilities	77.520	75.600	1.921
Transport and internal movements	38.709	36.697	2.011
Consultancy, insurance, advertising	10.649	9.802	847
Other	17.069	11.332	5.737
<b>Total</b>	<b>177.210</b>	<b>169.299</b>	<b>7.911</b>

### Personnel expenses

This item covers all costs connected with employees, including merit increases, upgrades, cost-of-living allowance increases, untaken leave costs, and provisions required by law and collective labour agreements.

Description	2015	2014	Change
Wages and salaries	52.481	49.368	3.112
Social security contributions	14.612	13.491	1.121
Severance pay allowance	1.840	1.797	43
Others	1.427	859	568
<b>Total</b>	<b>70.360</b>	<b>65.515</b>	<b>4.845</b>

### Fixed asset amortisation and depreciation

Amortisation and depreciation allowances were calculated on the basis of the useful lifecycle of the asset and its utilisation during the production process.

The allocation to the provision for bad debts refers to its adjustment and was set aside on the basis of the estimated recoverability of receivables recognised to the balance sheet.

Description	2015	2014	Change
Depreciation tangible assets	37.716	37.061	655
Amortisation intangible assets	1.697	1.443	254
Impairment of receivables	1.558	1.530	28
<b>Total</b>	<b>40.972</b>	<b>40.035</b>	<b>937</b>

€1,558,000 was set aside for doubtful debts, taking into account insurance credits.

### Other fixes asset amortisation and depreciation

None.

### Impairment of receivables under current assets and cash and cash equivalents

€1,547,000 was set aside for doubtful debts, taking into account insurance credits.

### Other provisions

None.

### Other operating charges

These include membership fees, the property tax (IMU), bad debts, various taxes and fiscally non-deductible costs.

Description	2015	2014	Change
donations $\neq$ charities	74	14	60
membership fees	362	342	20
taxes and duties	2.006	1.332	674
loss on receivables	319	58	261
others	427	515	(88)
<b>Total</b>	<b>3.188</b>	<b>2.261</b>	<b>927</b>

### C) Financial income and expenses

Description	2015	2014	Change
From other equity investments	-	-	-
Interest from subsidiary companies	-	60	(60)
Other financial gains	225	214	11
<b>Total financial income</b>	<b>225</b>	<b>274</b>	<b>(49)</b>
Interessi e altri oneri finanziari controllanti	-	-	-
Interest and other financial charges	5.156	6.528	(1.372)
<b>Total financial charges</b>	<b>5.156</b>	<b>6.528</b>	<b>(1.372)</b>
Exchange rate gains/losses	265	35	230
<b>Total</b>	<b>(4.666)</b>	<b>(6.219)</b>	<b>1.553</b>

The decrease in financial charges is basically due to the considerable decrease in the rate of interests payable on financial markets.

#### Financial income

This mainly refers to bank interest receivable and interest charged to customers.

Description	2015	2014	Change
Dividends	32	60	(28)
Bank interest and miscellaneous	181	214	(33)
Interests receivable from customers	12	-	12
<b>Total</b>	<b>225</b>	<b>274</b>	<b>(49)</b>

#### Financial expenses

A breakdown of interests and other financial expenses is given in the table below.

Description	2015	2014	Change
Bank interest	(703)	(1.612)	909
Interests on loans	(1.740)	(2.781)	1.041
Discounts and financial charges	(2.201)	(1.438)	(763)
Interests on hedges	(512)	(697)	185
<b>Total</b>	<b>(5.156)</b>	<b>(6.528)</b>	<b>1.372</b>



## D) Adjustment to the value of financial assets

### Revaluations/impairments

The table below shows revaluations and impairments effected during 2015, which are mainly linked to the valuation of equity investments in associates included in the consolidation scope using the equity method.

### Revaluations and impairments in associates

Description	2015	2014	Change
Beta	16	60	(44)
Presider	265	-	265
Media Steel	255	144	111
Far energia	17	-	17
Feralpi Farm	-	2	(2)
Agroittica	20	(15)	35
Comeca	12	-	12
Omega	1	(1)	2
<b>Total revaluations</b>	<b>586</b>	<b>190</b>	<b>396</b>
Agroittica	122	151	(29)
Caleotto	1.482	-	1.482
MPL	172	-	172
Feralpi Farm	-	1	(1)
Dima	49	75	(26)
<b>Total impairments</b>	<b>1.825</b>	<b>227</b>	<b>1.598</b>
<b>Total</b>	<b>(1.239)</b>	<b>(37)</b>	<b>(1.202)</b>

### Revaluations and impairments in other companies

Description	2015	2014	Change
Mittel	290	-	290
Others	3	3	-
<b>Total revaluations</b>	<b>293</b>	<b>3</b>	<b>290</b>
Mittel	-	637	(637)
FeralpiSalò	187	-	187
Others	122	3	119
<b>Total impairments</b>	<b>309</b>	<b>640</b>	<b>(331)</b>
<b>Total</b>	<b>(16)</b>	<b>(637)</b>	<b>621</b>

It should be noted that the item "Others" comprises €15,000 impairment losses referring to CSMT, €73,000 for Banca Popolare di Etruria and €34,000 for Banca Popolare di Novara.

## E) Extraordinary gains and losses

Details are as follows.

Description	2015	2014	Change
Gains from transfers	145	147	(2)
Miscellaneous gains	8.197	2.649	5.548
<b>Total extraordinary gains</b>	<b>8.342</b>	<b>2.796</b>	<b>5.546</b>
Losses from transfers	10	69	(59)
Taxes for previous years	1.925	151	1.774
Miscellaneous losses	926	2.437	(1.511)
<b>Total extraordinary losses</b>	<b>2.861</b>	<b>2.657</b>	<b>204</b>
<b>Total</b>	<b>5.481</b>	<b>139</b>	<b>5.342</b>

It should be noted that the most significant figure in the item "Others" under extraordinary gains is related to a capital gain recognised to Faeco Ambiente for the amount of €6,700,000, resulting from a settlement agreement reached during the year with a customer who, in consideration of the changed management and income prospects, quantified the compensation with certainty. This amount will be by instalments according to a payment schedule granted by the counterparty.

In the item Taxes of previous years, extraordinary losses were accounted for €1,850,000 by the German subsidiary ESF. This amount is attributable to a tax audit relating to previous years.

## Income tax for the year

Description	2015	2014	Change
Current taxes	7.082	3.532	3.550
Deferred taxes	0	11	(11)
Prepaid taxes	24	(344)	368
<b>Total</b>	<b>7.106</b>	<b>3.199</b>	<b>3.907</b>

It should be noted that the companies with a negative operating result recognised deferred tax assets to the fiscal loss for the year. Prepaid taxes are related to impairment losses on receivables included in current assets and the provision for the disposal of scrap and flakes.

For the purpose of deferred taxes, as indicated in article 1, subsections 61-64 of the 2016 Stability Law on the decrease of the nominal rate of the business income tax (IRES) from 27.5% to 24%, all the Group companies included in the consolidation scope adjusted the portion of receivables from the parent company Feralpi Holding S.p.A. of the overall amount of 3,484,000. It is also worth noting that this amount was recognised to item E22 of the financial statements.

The portion of current taxes transferred to Feralpi Holding under the tax consolidation process was appropriate since it is expected that these tax losses will be used and monetized beginning from 2017 onwards.

## Personnel

The table below shows the average number of employees by category in the Group.

Description	Average 2015	Average 2014	Change
Executives	25	24	1
Office Workers	319	309	10
Factory workers	945	926	19
<b>Total</b>	<b>1.289</b>	<b>1.259</b>	<b>30</b>

The table below shows the average number of employees by company.

Companies	Average 2015	Average 2014	Change
Feralpi Holding Spa	41	43	(2)
Ecoeternit Srl	3	3	-
Ecotrading	3	3	-
Feralpi Siderurgica SpA (Italia)	362	360	2
Acciaierie di Calvisano SpA (Italia)	108	106	2
Dieffe Srl (Italia)	2	8	(6)
Nuova Defim Spa (Italia)	72	66	6
ESF GmbH (Germania)	429	423	6
Feralpi Stahlhandel GmbH (Germania)	11	9	2
EDF GmbH (Germania)	162	161	1
Feralpi Logistik GmbH (Germania)	25	23	2
Feralpi Algerié (Algeria)	9	-	9
Feralpi Praha Sro (Rep. Ceca)	52	46	6
Feralpi Hungaria Kft (Ungheria)	10	8	2
<b>Totale</b>	<b>1.289</b>	<b>1.259</b>	<b>30</b>

### Other information

The following overall fees were due to the directors and the auditors as required by law.

Position	Fee
Directors	1.958
Auditors	105
<b>Totale</b>	<b>2.063</b>

The fees paid for conducting a statutory audit of the accounts of the group companies and supervision of the group's consolidated financial statements amounted to €179,000.

These Financial Statements, comprising the Balance Sheet, the Income Statement and Explanatory Notes, give a true and fair view of the company's assets and liabilities, financial situation and the operating result, and correspond to the accounting records.

**Il Presidente**

PASINI Giuseppe

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**Il Vice Presidente**

PASINI Cesare

---

**Il Consigliere Delegato**

PASINI Giovanni

---

**I Consiglieri di Amministrazione**

PASINI Maria Giulia

---

LEALI Marco

---

TOLETTINI Andrea

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TOLETTINI Alessandra

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CORBETTA Giulio

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Lonato del Garda, 30<sup>th</sup> May 2016

**Feralpi Holding S.p.A.**

**Consolidated Financial Statements as at 31<sup>st</sup> December 2015**

Independent auditors' report

pursuant to art. 14 of Legislative Decree no. 39 of 27.1.2010

## **INDEPENDENT AUDITORS' REPORT PURSUANT TO ART. 14 OF LEGISLATIVE DECREE NO. 39 OF JANUARY 27, 2010**

To the shareholders of  
Feralpi Holding S.p.A.

### **Report on the Consolidated Financial Statements**

We have audited the accompanying Consolidated Financial Statements of the Feralpi Holding Group, which comprise the balance sheet as at 31<sup>st</sup> December 2015, the income statement for the year 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 give a true and fair view in accordance with the applicable Italian provisions of law on how to prepare them.

#### *Independent auditors' responsibility*

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with international standards on auditing (ISA Italia) processed pursuant to art. 11, subsection 3, of Legislative Decree 39 of 27 January 2010. These standards require that we comply with ethical requirements and plan and perform the audit to obtain 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 contained in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or unintentional conduct or events. In making these risk assessments, the auditor considers internal control relevant to the preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, and not for the purpose of expressing an opinion on the effectiveness of the company'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 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 opinion.

#### *Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the assets and financial position of the Feralpi Holding Group as at December 31, 2015 and the operating result for the year then ended, in accordance with Italian financial reporting standards.

## **INDEPENDENT AUDITORS' REPORT PURSUANT TO ART. 14 OF LEGISLATIVE DECREE NO. 39 OF JANUARY 27, 2010**

To the shareholders of  
Feralpi Holding S.p.A.

### **Report on the Consolidated Financial Statements**

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

#### *Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the assets and financial position of the Feralpi Holding Group as at December 31, 2015 and the operating result for the year then ended, in accordance with Italian financial reporting standards.

**Board of Auditors' report**  
**on Feralpi Holding S.p.A.'s consolidated financial statements**  
**for the year ended December 31, 2015**

To the Shareholders' Meeting of Feralpi Holding S.p.A. ("Company" or "Feralpi"),

The Consolidated Financial Statements of the Feralpi Group, as at 31<sup>st</sup> December 2015, was prepared by the parent company Feralpi Holding ("Parent company"), in accordance with the law and is accompanied by the business report.

With reference to the Explanatory Notes, they provide a clear and exhaustive representation of the method used in the preparation of the financial statements and the specific accounting policy adopted.

As a result of the information provided and the audits carried out, we can state that the format and layout of the consolidated financial statements comply with the generally accepted accounting standards and the provisions of the Italian Civil Code, which were applied correctly.

Please also note that:

- the consolidated financial statements reflect the events and information that have come to our knowledge in carrying out our tasks;
- the business report to the Feralpi Group's financial statements is drawn up in complete form and in accordance with the provisions of art. 2428 of the Italian Civil Code.

In conclusion, considering all the above and also the results of the activities performed by the supervisory board, no significant events worth mentioning herein occurred during the year.

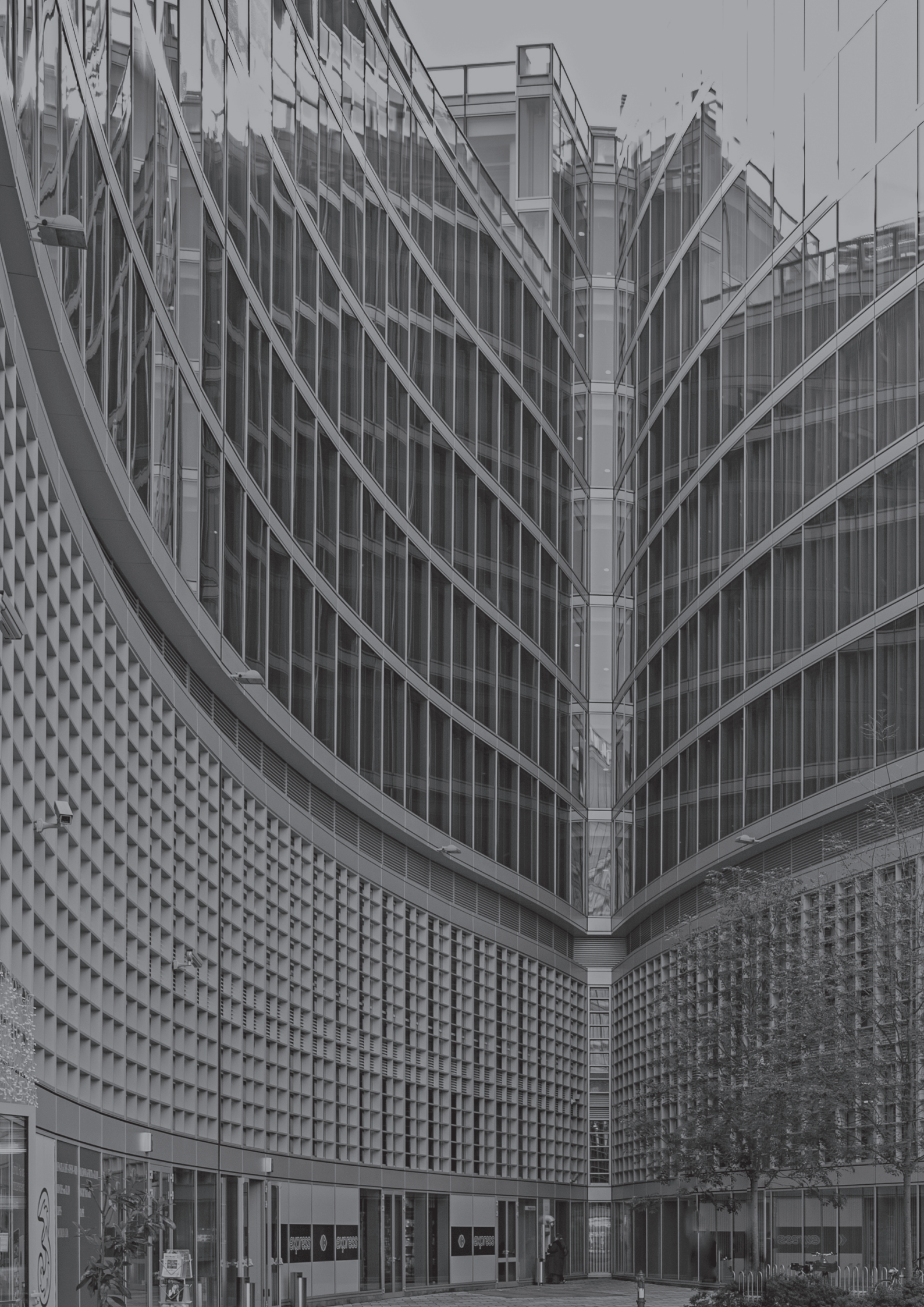
Lonato del Garda, 7<sup>th</sup> June 2016

The Board of Auditors  
Giancarlo Russo Corvace  
Alberto Soardi  
Stefano Guerreschi





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# FERALPI SIDERURGICA SPA

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CONSOLIDATED FINANCIAL STATEMENTS  
AT 31<sup>ST</sup> DECEMBER 2015

- *Business report*
- *Consolidated Financial Statements at 31.12.2015*
- *Explanatory Notes*
- *Board of Auditors' Report*
- *Independent Auditing Firm's Report*



Brescia Trade Register no. 02530630983  
Brescia Economic and Administration Index no. 457238

## **Business Report**

### **on the Consolidated Financial Statements as at 31st December 2015**

*To the Shareholders,*

This Business Report on the Consolidated Financial Statements for the year ending 31.12.2015 has been drawn up in accordance with article 40 of Legislative Decree no. 127/91. Though not forming an integral part of the Financial Statements, unlike the Explanatory Notes the business report constitutes a source of information and support for the financial statements themselves, and aims to provide an overall picture of the companies included in the scope of consolidation, with specific reference to the management trends of the group taken as a single economic unit.

The year which ended on 31.12.2015 shows a negative operating result for the Group amounting to €6.5m, after having allocated €39.8m to the provision for amortisation, depreciation and impairments, generating a cash flow of €33.2m, as against €40.5m in 2014.

## International and national scenario

As part of the slowdown in global growth, with an overall figure remaining at 3.1%, 2015 saw a reduction in the gap between the advanced economies and the emerging and developing economies, due to an acceleration of growth in the former and a weakening in the latter.

Large emerging markets suffered the influence of some factors, such as a slowing economic growth in China and the low price of commodities - in particular oil prices.

Some countries in the BRIC area, such as Brazil and Russia, started to enter into recession. Among the advanced markets, the US economy proved to be the most reactive. The European market performed well, especially Germany and Spain. After three consecutive negative years, Italy finally reversed the downward trend, though with results significantly lower than the whole Eurozone. The elements characterising the severe recession are still looming on the horizon. An apparently incompressible public debt at 132.5% of GDP and a 2.6% deficit do not allow large margins of action, despite an increased flexibility of the European Community. Demand from abroad also declined as a result of the imbalance reported in developing countries.

The growth was fuelled by a recovery in household consumption and a positive sign in terms of investments, namely in means of transport.

An analysis of the sectors related to the steel industry, such as target markets, shows that the overall growth (+2.2%) is substantially due to the excellent results of the automobile industry as well as industry concerning other means of transport, while the Group's main target sector, i.e. the construction industry, shows a highly articulated situation. In Europe, the construction sector grew on average by 1.2% in 2015, with a further acceleration in the fourth quarter (+2.5%).

This indicator conceals a different reality, with countries clearly in the upswing, such as Poland, Spain and Germany, and areas experiencing a downturn, such as Italy, France and Austria.

The positive results mainly refer to the residential sector, low interest rates, wage improvements and greater credit availability, while the non-residential and the infrastructure sector still show signs of weakness.

The table below shows the historical trend of steel-consuming sectors in Europe in 2015.

Industry	% share on total	QI 15	QII 15	QIII 2015	QIV 2015	Year 2015
Construction	35,0	(1,6)	1,4	1,9	2,5	1,2
Mechanical engineering	14,0	1,4	2,2	1,1	2,7	1,9
Automotive	18,0	3,1	4,7	4,9	5,0	4,4
Domestic appliances	3,0	(0,1)	1,6	3,8	3,4	2,2
Other transport	2,0	2,8	4,6	3,8	3,3	3,6
Tubes	13,0	0,4	0,3	1,1	(1,1)	0,2
Metal goods	14,0	0,3	1,8	2,8	4,5	2,3
Miscellaneous	2,0	0,8	1,7	2,3	3,3	2,1
<b>Total</b>	<b>100,0</b>	<b>0,6</b>	<b>2,2</b>	<b>2,6</b>	<b>3,2</b>	<b>2,2</b>

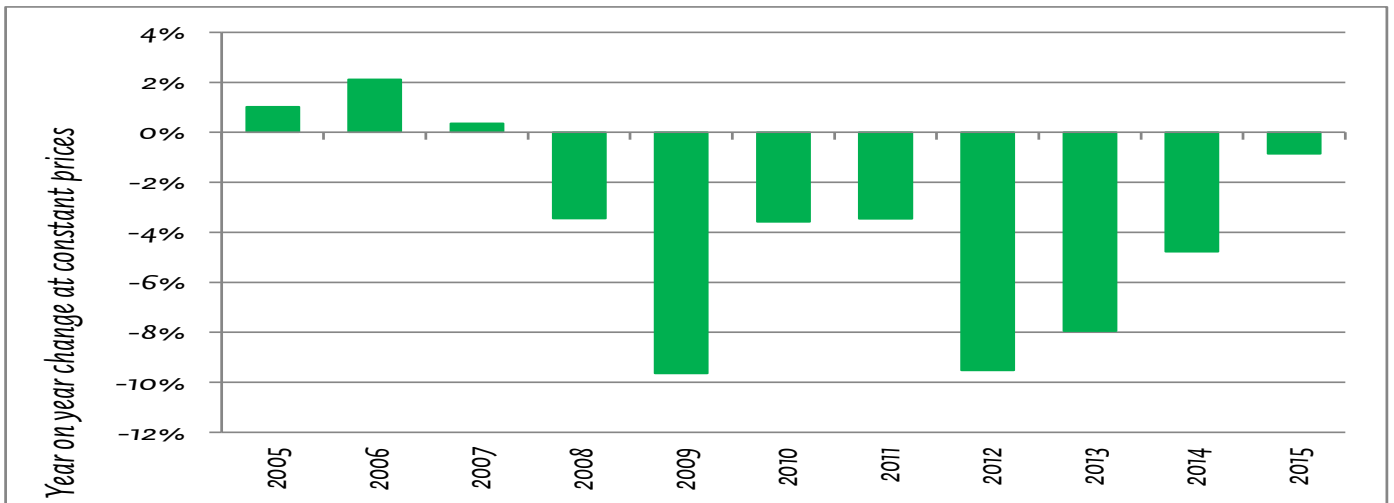
Source: Eurofer

In Italy, the steel-consuming sectors in 2015 were characterised by an extremely high growth in the automotive industry (+26.9%), which did not trigger a positive response in other sectors.

The construction industry continued to decline (-1.3%), after an overall 34.8% drop between 2008 and 2013.

It should be noted, however, that the drop pace reduced progressively and a modest improvement (1%) is expected in 2016, followed by further improvements in coming years.

### Gross capital investments in construction



Source: Istat

### The global steel industry

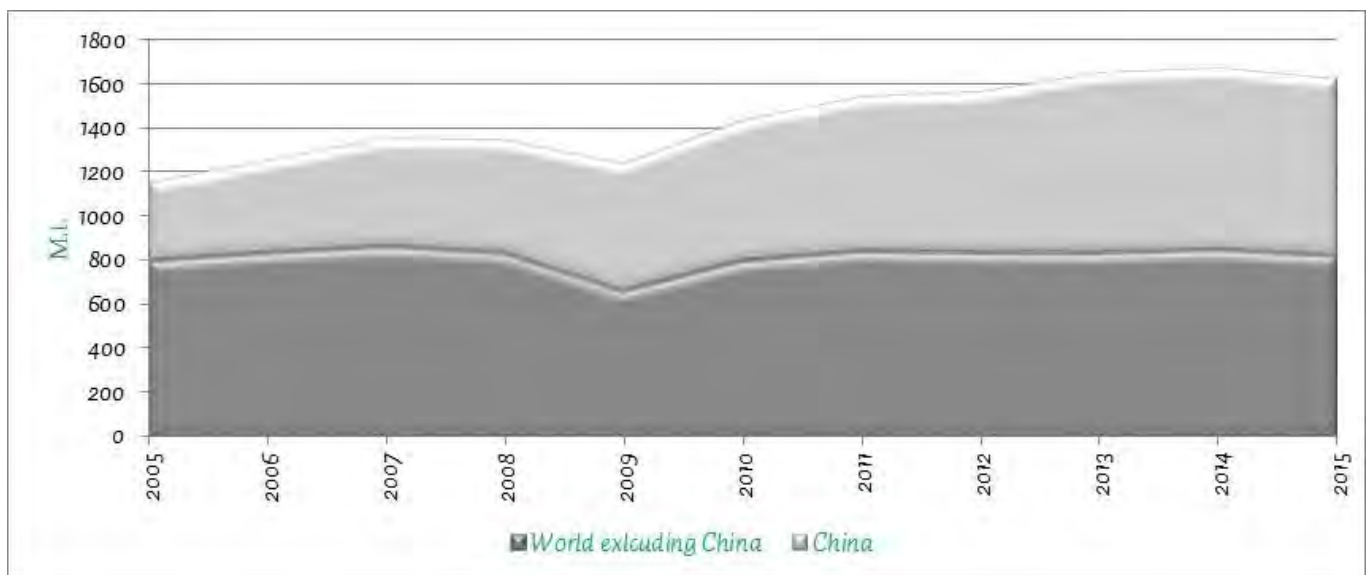
In 2015 the steel production at a global level came to 1,620 m tonnes, with approximately 3% drop on the previous year.

This is the first setback after years of steady growth fuelled by Asian countries, especially China. Indeed, there was a 2.2% decline in China at approx. 804 million tonnes, which account for about 50% of world production, while the whole of the Asian area accounts for over 68% of the total.

The decline in production is generalised at a global level, with significant decreases in North America (-8.4%) and Africa (-8.1%).

The Community of Independent States saw a sharp decline in Russia, which was partly offset by the trend in Ukraine, which improves in relation to the mitigation of political tensions.

### Global steel production

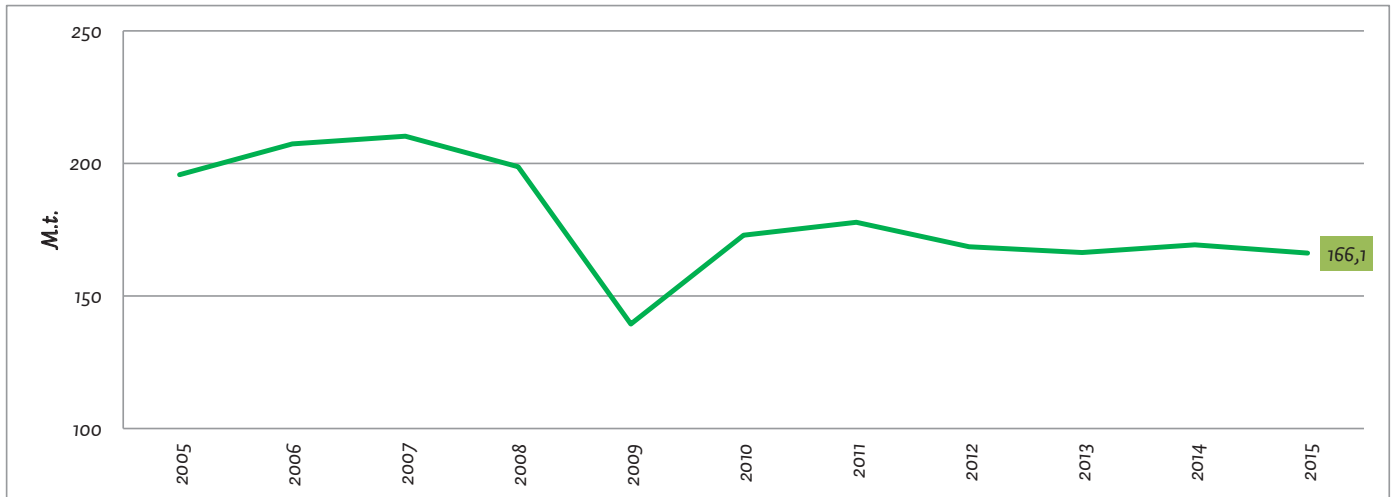


Source: World Steel

Steel production in the **European Union** came to 166.1 million tonnes, with a 1.9% drop year on year. This figure, however, differs considerably with countries in the downtrend, such as Italy (-7.2% with 22 m tonnes), France (-6.9%) and Great Britain (-10%) and others substantially stable, such as Germany (-0.5%) or in the uptrend, such as Poland (+7%) and Spain (+4.2%).

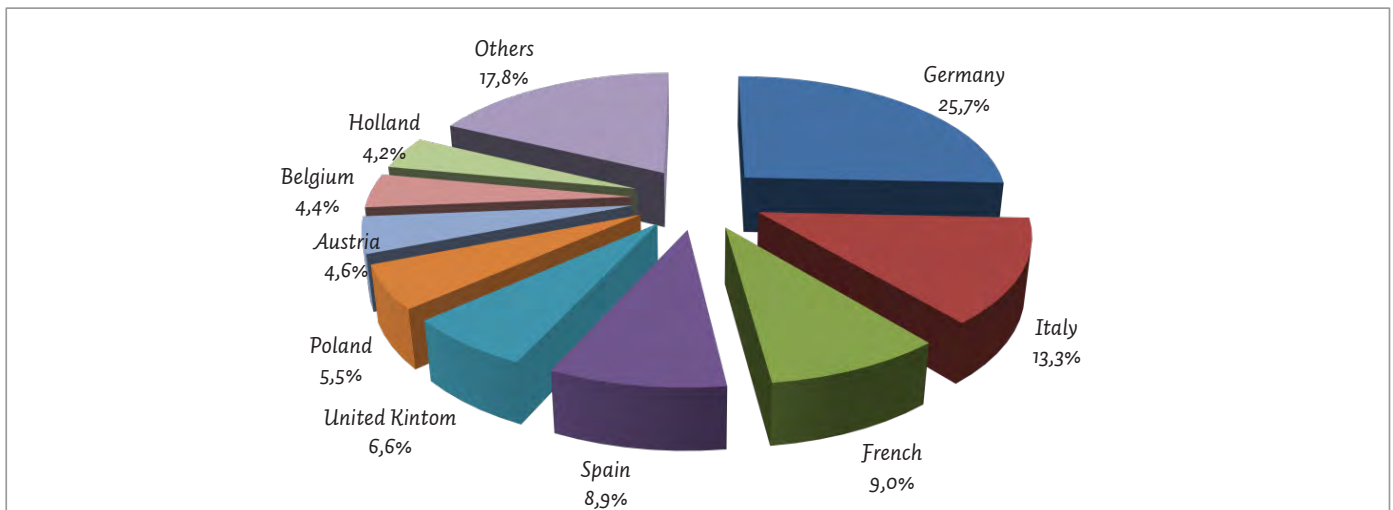
The loss of the benchmark position of Europe in the steel industry is clearly visible in the above graph, which shows the trend of steel production in the world over the last 10 years and the outlook.

### Steel production in the European Union (28)



Sources: Federacciai and World Steel

### Detail of steel production in the European Union (28) in 2015



Sources: Federacciai and World Steel

In the pie chart above, Italy accounts for 13.3% of European production, a decline compared to its 16% share in 2012.

### The steel industry in Italy

As shown above, there was an extensive shrinkage in **Italian steel** production compared to the rest of Europe. As in previous years, the decline was mainly attributable to integral-cycle processes, especially the slump concerning the Ilva plant, while EAF products were substantially stable at 17.2 million tonnes. The production of long products declined by



about 1%, at 11.2 million tonnes, while flat products decreased by over 11%, at 10.5 million tonnes. Overall production decreased by over 6%.

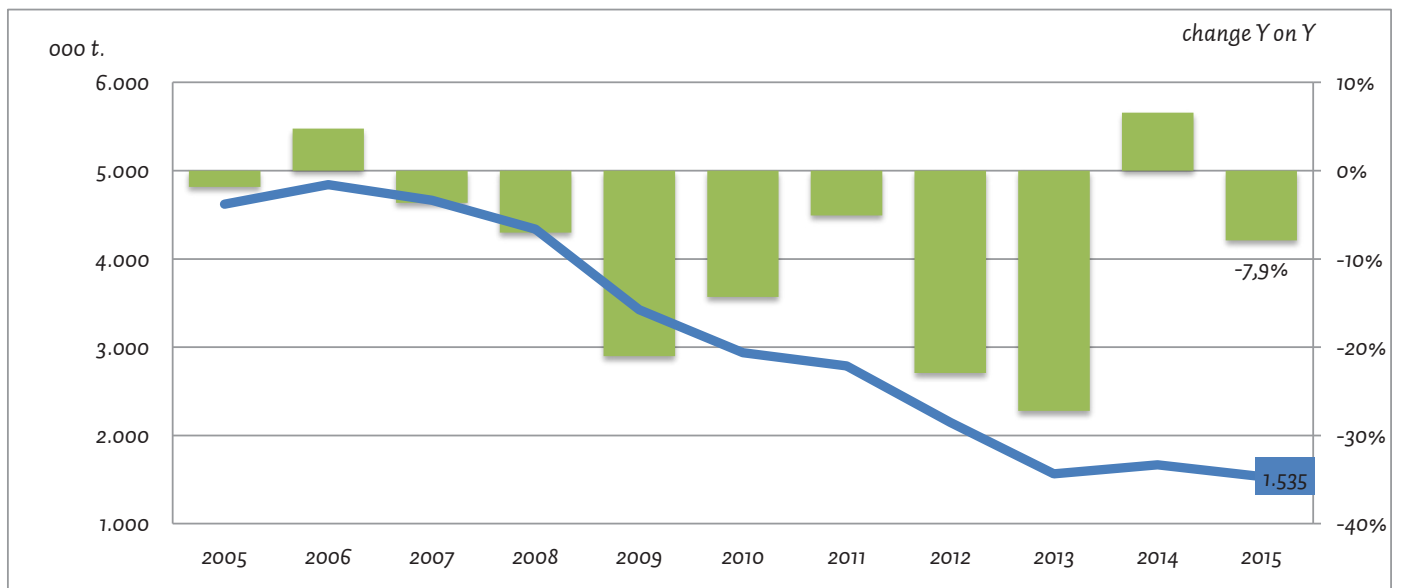
Unlike the production figures, apparent consumption of both flat and long products registered a positive result, rising by 13.3% and 1.5%, respectively. This can be seen in the trend of the import/export balance, where long products, though down on the 2.3 million tonnes of the previous year, recorded a positive balance of about 1.9 million tonnes, where flat products recorded a negative balance of around 6 million tonnes (3.1 million tonnes in the previous year).

Apparent consumption of rebar, which is among the Group's core products, dropped to 1,535 thousand tonnes, less than the previous year (-7.9%), equal to about one third of the 2006-2007 peak value.

This figure is accompanied by an increasingly significant net positive balance, which was partly offset by the dynamics recorded in the domestic market, though it is slightly lower than the 2014 figure.

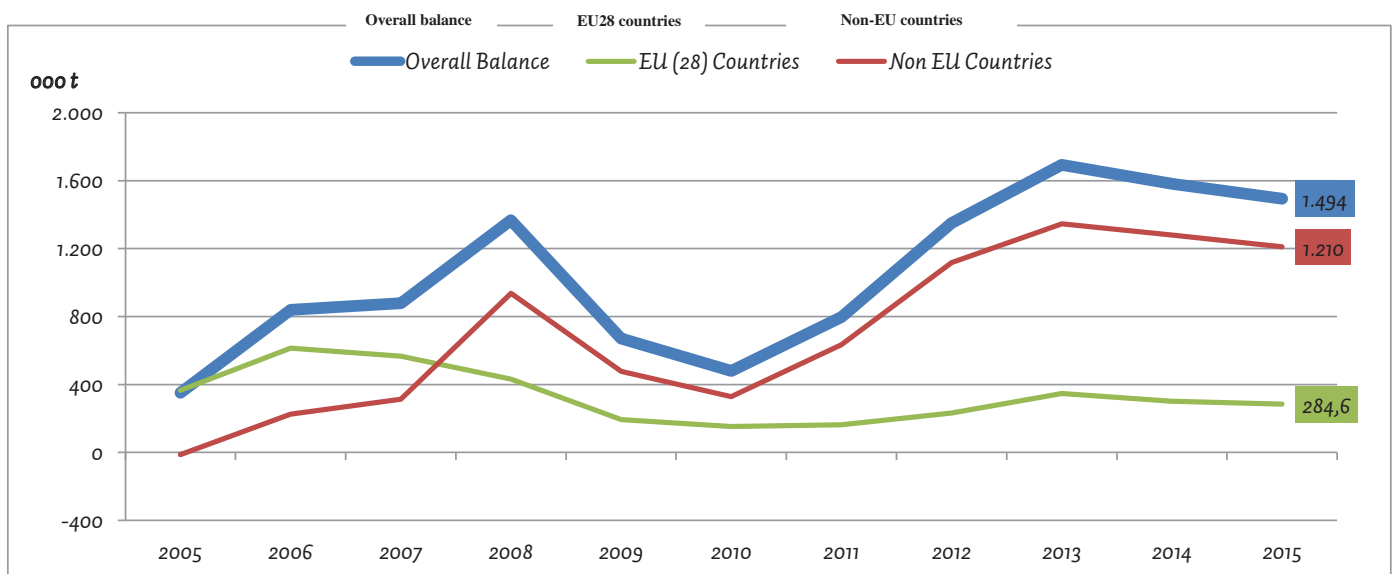
A picture of the downward trend in the **rebar market** and the exports is illustrated in the following charts.

### Rebar - Apparent consumption



Source: Federacciai

### Import - Export balance



Source: Federacciai

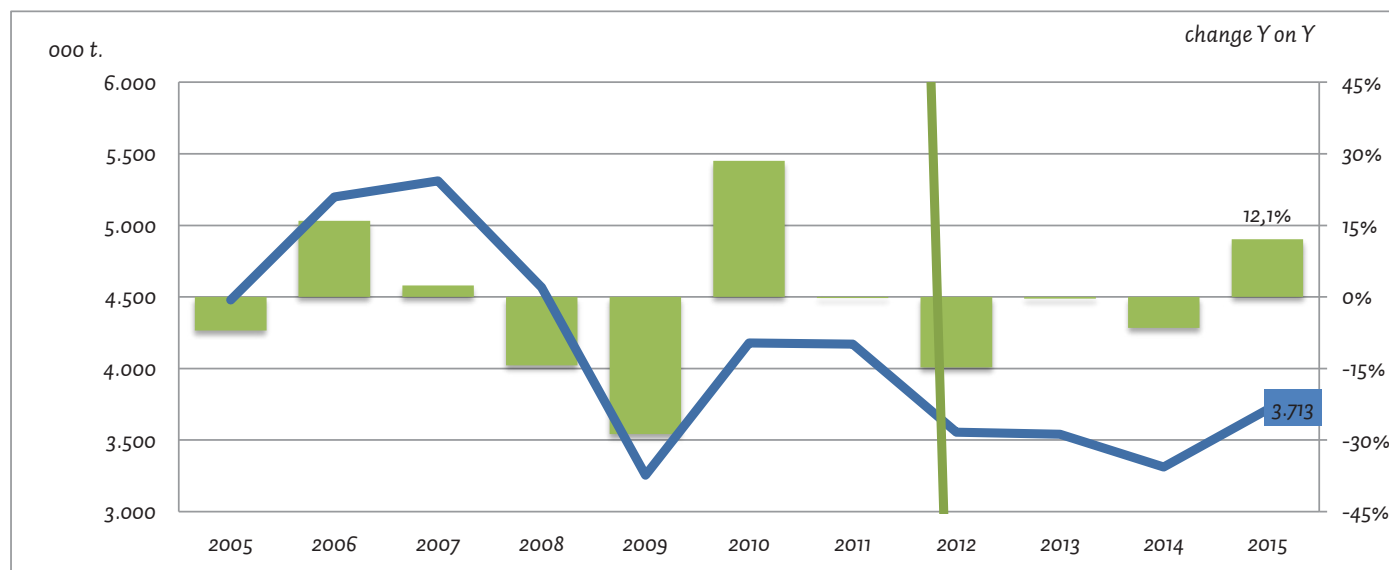
The sluggish market also affected the production activity, which came to 3,048 thousand tonnes, down 5.4% on the previous year.

As regards **wire rod**, there was an improvement in domestic deliveries (+2.5%, with 2,373 thousand tonnes) and also in overall sales (+5.4%, with 3,452 thousand tonnes), with a considerable increase in non-EU sales (+51.5%, with 503 thousand tonnes).

This improvement is essentially related to wire rod that is converted into products for the building industry, while other types have declined. Imports increased as well (+17.6%, with 1,323 thousand tonnes).

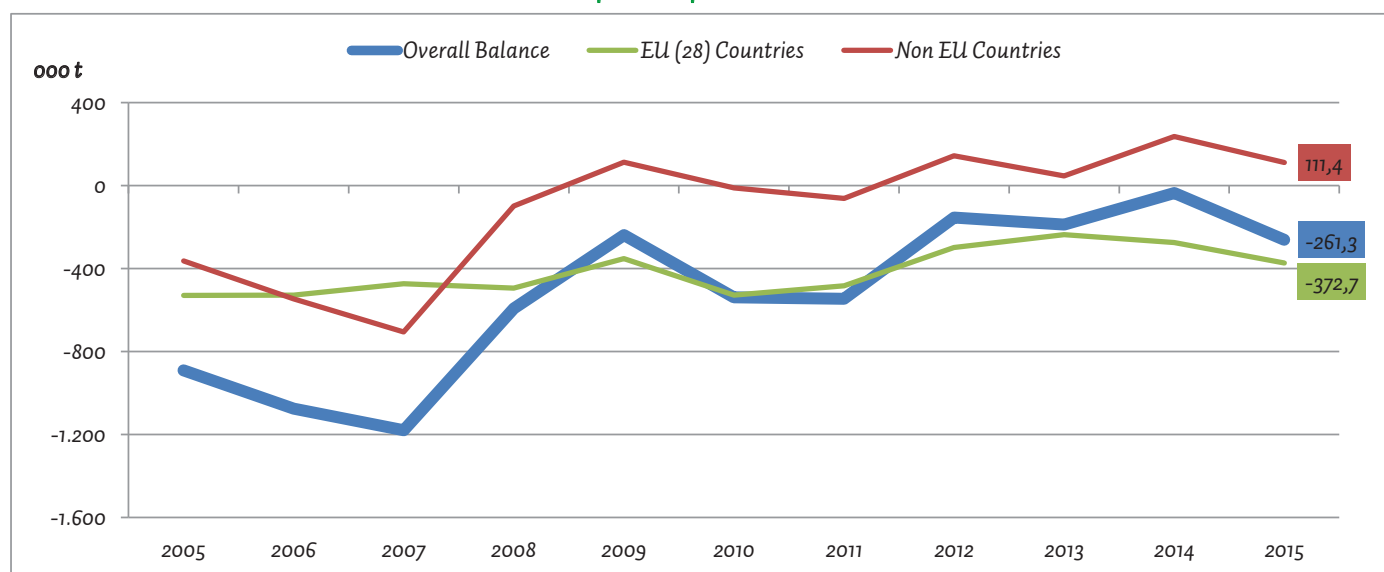
Apparent consumption grew from 3.3 to 3.7 million tonnes, with an overall improvement of over 12%.

### Wire rod - Apparent consumption



Source: Federacciai

### Import/Export balance



Source: Federacciai

The situation in **Germany**, the other major market for the Group companies, was overall different from that of Italy.

The deliveries of **rebar grew** by 3.65%, at 2,138 thousand tonnes, as a result of a substantial growth in exports (+71 thousand tonnes), while domestic sales remained stable (1,391 thousand tonnes).

Domestic apparent consumption decreased (-2.75%) to 1,954 thousand tonnes, as a result of a decline in imports (-59 thousand tonnes), while domestic deliveries remained stable (1,391 million tonnes). The negative import/export balance amounting to 55 thousand tonnes in 2014 became positive at 185 thousand tonnes in 2015.

Apparent consumption in the **wire rod** market increased by 3.36%, totalling 4,942 thousand tonnes, due mainly to domestic deliveries (+6.46%, with 3,412 thousand tonnes). Imports came to 1,531 thousand tonnes, down by about 46 thousand tonnes. Total domestic deliveries and exports increased by 5.5% up to over 6 million tonnes, recording the highest levels of the last few years.

### **Group's production activity**

In terms of production, 2015 saw a sharp increase in **raw steel productions**, which amply exceeded 2.2 million tonnes, with an increase of over 6%.

Rolled products also increased, exceeding 2 million tonnes, i.e. +2.4% compared to 2014. This increment was partly due to the increase in Italian factories, while the German district appears to be substantially stable.

Among finished products, there was a considerable increase in rebar (+5.4%) and downstream products (+6.5%), in relation to the growth in the production of electrowelded mesh.

**Production (in tonnes)**

<i>Steel billets</i>	<i>Country</i>	<i>2015</i>	<i>2014</i>	<i>2015/2014</i>
Feralpi Siderurgica SpA - Lonato	Italy	1.031.755	940.345	9,7%
Acciaierie di Calvisano SpA - Calvisano	Italy	313.941	280.029	12,1%
ESF GmbH - Riesa	Germany	877.371	872.296	0,6%
<b>Total</b>		<b>2.223.067</b>	<b>2.092.670</b>	<b>6,2%</b>

<i>Finished products (rebar – reinforcing steel in coil – wire rod)</i>	<i>Country</i>	<i>2015</i>	<i>2014</i>	<i>2015/2014</i>
Feralpi Siderurgica SpA - Lonato	Italy	1.166.886	1.105.045	5,6%
ESF GmbH - Riesa	Germany	835.344	850.140	(1,7%)
<b>Total</b>		<b>2.002.230</b>	<b>1.955.185</b>	<b>2,4%</b>

<i>Rebar</i>	<i>Country</i>	<i>2015</i>	<i>2014</i>	<i>2015/2014</i>
Feralpi Siderurgica SpA - Lonato	Italy	798.054	759.431	5,1%
ESF GmbH - Riesa	Germany	305.064	287.526	6,1%
<b>Total</b>		<b>1.103.118</b>	<b>1.046.957</b>	<b>5,4%</b>

<i>Reinforcing steel in coil, wire rod</i>	<i>Country</i>	<i>2015</i>	<i>2014</i>	<i>2015/2014</i>
Feralpi Siderurgica SpA - Lonato	Italy	368.832	345.614	6,7%
ESF GmbH - Riesa	Germany	530.280	562.614	(5,7%)
<b>Total</b>		<b>899.112</b>	<b>908.228</b>	<b>(1,0%)</b>

The trend in downstream products is shown below.

<i>Total cold-drawn products - downstream products</i>	<i>2015</i>	<i>2014</i>	<i>2015/2014</i>
Totale Lavorazioni a freddo - derivati	787.526	733.057	7,4%

## Sales

### Subsidiaries

The **aggregate sales figures** relating to each of the production/commercial subsidiaries controlled by the Group are given in the table below.

o,00	Country	2015	2014	2015/2014
Feralpi Siderurgica SpA	Italy	469.881	492.681	(4,6%)
Acciaierie di Calvisano SpA	Italy	114.318	113.875	0,4%
Dieffe Srl	Italy	5.264	4.531	16,2%
Nuova Defim SpA	Italy	25.861	25.456	1,6%
ESF GmbH*	Germany	354.125	405.225	(12,6%)
EDF GmbH*	Germany	85.869	92.463	(7,1%)
Feralpi Stahlhandel GmbH*	Germany	4.872	3.093	57,5%
Feralpi Logistik GmbH*	Germany	3.579	3.276	9,2%
Feralpi Praha Sro*	Eastern Europe	18.844	18.062	4,3%
Feralpi Hungaria Kft*	Eastern Europe	5.276	5.217	1,1%
Feralpi Algérie Sarl*	Non EU	2.153	-	100,0%
<b>Total</b>		<b>1.090.042</b>	<b>1.163.879</b>	<b>(6,3%)</b>

\* figures taken from the financial statements prepared in accordance with statutory principles adopted by each company.

### Breakdown of sales by geographical area.

Description	2015	2014	Change	% Change
Italy	285.340	267.533	17.807	6,7%
EU	420.017	473.924	(53.907)	(11,4%)
Non EU	211.571	226.027	(14.456)	(6,4%)
<b>Total</b>	<b>916.928</b>	<b>967.484</b>	<b>(50.556)</b>	<b>(5,2%)</b>

### Associated companies

The **aggregate sales figures** relating to each of the production/commercial associated companies are given in the table below.

o,00	Country	2015	2014	% Change
Beta Sa	Romania	8.857	8.770	1,0%
Comeca SpA	Italia	18.774	16.898	11,1%
Media Steel Srl	Italia	137.528	120.523	14,1%
Caleotto SpA	Italia	15.292	-	na
Arlenico SpA	Italia	3.941	-	na
Presider SpA	Italia	77.089	-	na
MPL Srl	Italia	14.014	-	na
<b>Total</b>		<b>275.495</b>	<b>146.191</b>	<b>na</b>

## Revenues and expenses for the year

The main **revenues** are specified in the table below.

Description	2015	2014	Change	% Change
Revenues from goods sold and services rendered	916.928	967.484	(50.556)	(5,2%)
Other revenues and income	2.751	3.844	(1.093)	(28,4%)
<b>Total</b>	<b>919.679</b>	<b>971.328</b>	<b>(51.649)</b>	<b>(5,3%)</b>

The main **operating expenses** are detailed in the table below.

Description	2015	2014	Change	% Change
Raw materials and supplies	622.533	661.492	(38.959)	(5,9%)
Services	179.105	172.321	6.784	3,9%
Hire and lease fees	2.064	2.585	(521)	(20,2%)
Personnel	66.524	61.507	5.017	8,2%
Amortisation, depreciation and impairments	39.807	39.151	656	1,7%
Change in inventory	1.369	19.364	(17.995)	(92,9%)
Sundry operating expenses	2.800	1.952	848	43,4%
<b>Total</b>	<b>914.202</b>	<b>958.372</b>	<b>(44.170)</b>	<b>(4,6%)</b>

## Investments

### Equity investments

- Feralpi Siderurgica acquired a 48% interest in **Presider S.p.A.**, which is located in Borgaro Torinese, and **Metallurgica Piemontese Lavorazioni S.r.l.**, which is based in Sito, near Turin.  
 Presider S.p.A. specialises in the manufacture and pre-shaping of steel for the construction industry. It is the second largest Italian manufacturer in the industry. The acquisition will enable Feralpi Siderurgica to complement its downstream processes in the production of reinforcing steel in bar and in coil and electrowelded mesh. Metallurgica Piemontese Lavorazioni S.r.l. specialises in the processing of steel beams and contributes to further extend the Group's product range in close cooperation with Presider S.p.A.
- Together with Duferco Italy Holding S.p.A., Feralpi Siderurgica acquired the line of business, formerly Lucchini S.p.A. in Liquidazione, called **Caleotto**, which is located in San Zeno Naviglio to the south of Brescia.  
 This rolling mill, which is 50% held by Feralpi Siderurgica, specialises in the manufacture of special wire rod for use in numerous applications, including the automotive. Caleotto S.p.A. is held in turn by **Arlenico S.p.A.**, with the rolling mill in Lecco.
- As part of the reorganisation plan involving the Group companies, Feralpi Siderurgica also acquired **Fer-Par S.r.l.** from Feralpi Holding S.p.A.

## Technological investments

In 2015, the Group made numerous planned interventions (during the summer and year-end shutdowns), which involved its production activity as well as environmental protection and safety issues.

Below is a list of the main interventions.

### **Feralpi Siderurgica S.p.A.**

#### Steel mill

- Completion of reconstruction works of some electrical installations relating to the water area, which involved the modernisation and upgrading of the facilities and the provision of advanced management of safety systems in the area.
- Complete replacement of the cooling conduit of the primary offgas extractor on the electric arc furnace.
- Extraordinary maintenance of the secondary offgas extraction hood on the electric arc furnace.
- Starting of works relating to the project for the construction of a new area for the storage and processing of ferrous scrap.

#### Rolling mills and cold-drawing processing

- Installation of the equipment necessary to perform quadrislitting rolling at Rolling Mill 1.
- Installation of a new bridge crane to serve Rolling Mill 1.
- Installation of a robotic station for the automatic application of tags on the bundles of finished product leaving Rolling Mill no. 1.
- Installation of a new flying shear at Rolling Mill 1, in replacement of the existing one.
- Replacement of Rolling Mill 1 of all intermediate stands (from 7 to 12) with latest-generation rolling stands.
- Installation of a control instrument (HI-PROFILE) on the wire rod production line to control quality of the material being processed in real time, via laser scanning of the geometric characteristics.
- Construction of a new shed in the cold-processing area and moving of the wire-drawing machines to a new area.
- Construction of a new shed in the cold processing area to extend the recoiled wire storage area.

#### Buildings, scrap yards and other facilities

- Completion of works for the construction of the new building to house the staff changing-rooms, a section dedicated to subcontractors' workers, rooms for trade union representatives and a whole section reserved for first-aid facilities and the company doctor.
- Continuation of work on replacing the asbestos roofing of Rolling Mill 2.
- Completion of the construction of the central district heating system, which involved the laying of pipes connecting all thermal power plants, the installation of exchange substations and the installation of a heat recovery skid.

#### Photovoltaic system

In 2015, the photovoltaic system, which was installed in 2011, generated 582,515 kWh, equivalent to a 520 tonne-saving in CO<sub>2</sub> emissions, compared to installations with conventional energy mixes.

### **Acciaierie di Calvisano S.p.A.**

- Revamping of the ladle furnace continued, to achieve the objectives aimed at improving and extending the grade of end products.
- Setting to steady rate the new machine used to feed the alloy wire to the ladle furnace.
- Introduction of a new 90° ladle car to reduce the time it takes to pass through the ladles.
- Commissioning of a pit in the continuous casting area for controlled cooling of billets.
- Extension and roofing of the long plate shed.

***ESF Elbe-Stahlwerke Feralpi GmbH***

- Commissioning of a plant for cleaning ferrous scrap using a vibration conveyor belt and a rotary magnetic drum.
- Optimisation of new retractable hydraulic floating benches in the continuous casting area in order to improve the surface quality of the billet and increase machine output.
- Insulation of the plant and extension of the shredder stack.
- Installation of a sample pickup and preparation system for additives and ferroalloys.
- Installation of a product traceability system under the BMU project.
- Installation on a new bar warehouse outbound and inbound crane.
- Numerous interventions made to improve environmental safety, health in the workplace, air circulation and cooling, by creating external openings with forced air circulation and internal ones with convection air circulation to the outside and the installation of noise barriers.

***EDF Elbe-Drahtwerke Feralpi GmbH***

- Installation of a new machine for standard mesh.
- Installation of an emergency lighting network for the mesh production plant.

***Safety and the Environment***

Respect for the environment, health and protection of the workplace have always been the primary goals of the Feralpi Group.

For information purposes only, below is a brief description of the main measures implemented on this subject by Feralpi Siderurgica S.p.A.

***Activities relating to environmental improvement***

In 2015 the shredder was flanked by two new plants that contribute to improving the intermediate treatment of process waters and reduce the amount of emissions from the stack during the process. Additional instruments were added to monitor the flow rate and concentration of dust in the emissions from the steel mill.

Much financial and organisational effort was devoted to implementing the environmental improvement plans, such as the installation of a new system for insufflating lime into the furnace and a new plant for the gasification of liquid nitrogen that contributes to reducing water consumption.

In June 2015, the new building that houses the staff changing-room was inaugurated. It also contains a section dedicated to subcontractors' workers, rooms for trade union representatives and a separate section entirely reserved for emergency first-aid facilities and the company doctor.

The entire building was designed to be independent from an energy point of view, as it is equipped with a thermal solar heating system and a photovoltaic system and is the first building connected to the new in-house central heating system.

Indeed, in 2015, after a phase of experimentation with a pilot "skid" for the recovery of residual heat from the cooling circuits of the furnace extraction system, the first final section of the central heating network was put in place. It also covered the workshop of Rolling Mill 1 and the in-house restaurant.

A project was also launched regarding the reuse in the furnace of the worn refractory dolomite materials of the ladle furnace, which were normally disposed of.

As regards assessments of regulatory compliance and environmental management system performance, an audit was successfully conducted by ARPA supervisory authority of the Province of Brescia. Regulatory requirements and provisions stated in the Integrated Environmental Authorisation were verified. Similarly, as to the audit on the Environmental Management System by independent bodies, monitoring visits carried out by the certifying body IGQ confirmed the maintenance of the ISO 14001, and by the German TÜV in October validated the update of the Environmental Declaration data and confirmed EMAS registration for the whole of 2015.

***Activities relating to the health of workers in the workplace***

Activities regarding all aspects of the prevention and protection of workers' health and safety continued throughout 2015, whether related to personnel training or the development of plant engineering and the workplace, the



optimisation of assessment and procedural aspects, by maintaining and continuously improving the Safety Management System. Below is an illustrative list of the interventions carried out in different areas:

- The Safety Tutor team was upgraded, by developing the Zero Injury programme, which involved all company personnel.
- As many as 83 training courses were held on occupational health and safety issues, which involved a total of 106 lessons and 3,724 training hours.
- Activities continued on the continuous improvement of the plant safety level, namely major interventions were made to optimise the systems of access at height (walkways, ladders, safety lifelines); fully automated devices were installed to limit the exposure of operators to operations (mechanical arms, robotic bundle labelling station); the revamping of the various control panels and safety improvement interventions with the introduction of access interlocking devices. Some parts of the installation were also replaced by newly designed sections, the result being a reduction in maintenance interventions and the associated residual risks.
- In February 2015, Feralpi obtained the Fire Prevention Certificate (CPI), as a result of inspections conducted by the Fire Brigades in 2014.
- On the basis of the process of continuous risk assessment updating and constant focus on the best technical solutions available in accident prevention, the Personal Protection Equipment has been constantly upgraded and a new automatic PPE dispenser was installed.
- As part of the multi-year programme for the disposal of asbestos roofing, about 4,000 square meters of Eternit were moved in 2015.
- Studies were conducted into the construction of a plant dedicated to sanding and painting operations, and for the installation of one more robot to be used to clean EBT sand to the electric arc furnace.
- A further study was conducted on the sources of noise inside the production activity of rolling mills and steel mill, and a noise acoustic propagation model was developed in order to reduce exposure of workers.
- A monitoring visit was conducted by the IGQ certifying body on the Safety Management System, which confirmed the maintenance of the certificate of conformity of the safety management system to OHSAS 18001.

### ***Acciaierie di Calvisano***

The following activities were carried out in 2015 in the field of occupational health and safety:

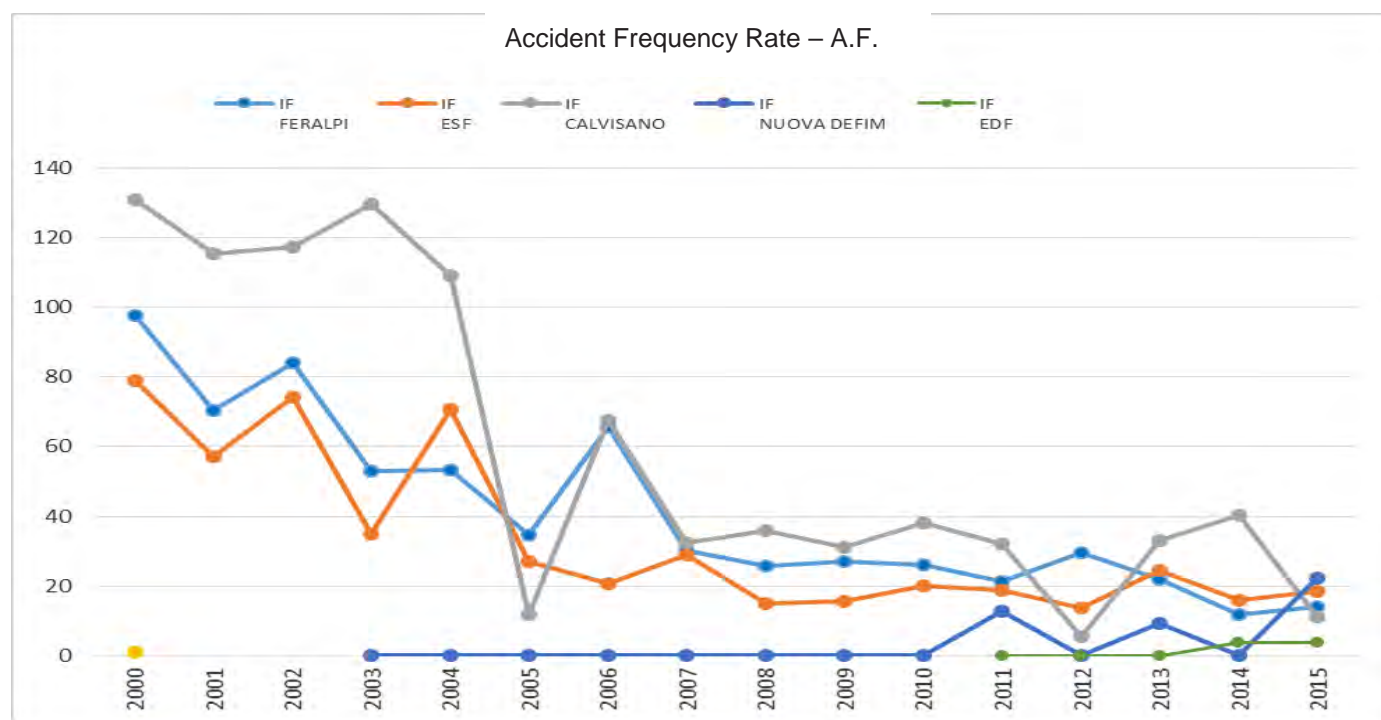
- 16 courses on safety (mandatory training, work equipment, emergency team training and updating, specific risks), which involved 121 teaching hours (1,164 hours for Calvisano employees).
- 2 courses on the environment (ISO 14001, management of waste and hazardous substances), which involved 32 teaching hours (800 hours for Calvisano employees).
- Plant safety improvement interventions were conducted throughout 2015.
- Additional instruments were installed to monitor the dust flow rate and concentration of steel mill emissions.

### ***ESF Elbe-Stahlwerke Feralpi GmbH***

- Personnel training activities continued, concerning the proper use of all the means of access to the installations, with particular emphasis on the protection of workers exposed to work at height. Continuation of the Group-shared programme for the improvement of workers' health conditions. Interventions were made regarding nutritional education and in favour of sporting activity.

The table below shows the **accident frequency rates** for each company.

	IF FERALPI	IF ESF	IF CALVISANO	IF NUOVA DEFIM	IF EDF
2000	97,7	78,8	131,0		
2001	70,5	57,2	115,3		
2002	84,2	74,2	117,4		
2003	53,0	34,9	129,5	-	
2004	53,2	70,7	108,9	-	
2005	34,5	27,1	11,7	-	
2006	65,7	20,8	67,6	-	
2007	30,2	28,9	32,3	-	
2008	25,6	15,0	35,9	-	
2009	26,9	15,7	31,3	-	
2010	26,1	20,1	38,2	-	
2011	21,2	18,7	32,2	12,9	-
2012	29,6	13,9	5,6	-	-
2013	22,0	24,4	33,1	9,2	-
2014	11,9	15,9	40,2	-	3,8
2015	14,1	18,6	11,3	22,3	3,8



Accident frequency rate = (number of accidents / hours worked) x 1,000,000

## Research and development

### *Feralpi Siderurgica S.p.A.*

The following **16 R&D projects** launched in previous years continued throughout 2015:

- Rolling Mill Safety Implementation programme by identifying controlled segregation areas and safety automation using dedicated supervisors; as part of this programme a study was conducted to introduce an automated bundle labelling system in controlled access areas, by extending the controlled areas and for the calculation of safety level performance. The programme will continue in 2016.
- The Safety at Heights project: aimed at improving the working conditions of operators on runways and other high-altitude locations. During the year, the programme mainly involved the extension of automated accesses to the sheds in the Downstream Processed Products Area and Rolling Mill 2. The project will continue in 2016.
- Project aimed at improving the sustainability performance of the overall production process. The project is divided into 4 main areas: air, noise, water and slag. It was carried out in collaboration with the University of Brescia and the Ramet Consortium. The 2015 project for “air” involved the implementation of a new HW/SW system for continuous data acquisition and the return and statistical processing of data; for “water”, it involved the installation of complex flow metering instruments for data collection, aimed at improvement interventions; for “noise”, a study was conducted to assess the distribution of the sound pressure level. The project will continue in 2016.
- Project upgrading automation applications: during the year the Wonderware system was further developed with the study and design of an energy dashboard targeted to the visibility of energy consumption at a specific unit level. The project will continue in 2016.
- Biannual Whaves research consortium project, funded by the European Commission through the SILC call for tender. The project is a feasibility study for the standardisation of the components of a plant for the recovery of thermal and electric energy from the offgas of the electric arc furnace, possibly supplemented with other waste energy from the steel manufacturing process. The programme was completed within the year, as forecast.
- Continuous Casting safety programme by identifying segregation areas and safety automation actions through dedicated supervisors. The SW programme was defined during the year and changes were implemented. The programme will continue in 2016.
- The new LF pulpit project with a focus on noise reduction profiles and the implementation of safety levels. The project was completed successfully in the early months of the year.
- A three-year research programme called Rimfoam, partly funded by the European Community (RFCS), concerning the evaluation and use of waste materials containing both metal oxides and hydrocarbons, as foaming agents in the EAF. The programme will end in 2017.
- A project covering the reuse of white slag and refractory materials in the EAF. Laboratory characterisation of the slag and the study of cooling and injection were initiated during the year. The project will continue in 2016.
- A project for defining the rolled billet cutting process called “Quadrilitting”. The design cylinder, box and rolling guide geometries were performed and the first prototype was constructed. The Project will continue in 2016 with the experimentation.
- A rolling process project for the development of a new product for application in cold recoiling or for direct use on shaping and bending machines. The design of machines and a study of process parameters for some initial testing were developed during the year. The project will continue in 2016.
- Project covering the development of a ferrous scrap cleaning process to reduce losses in steel production and improve process performance. Applicable technological solutions were studied during the year. The project will continue in 2016.
- Project covering the construction of an internal central district heating system based on heat recovery from the offgas cooling system. The design of an internal distribution network, pipe laying and new heat exchange substations was developed during the year. The project will continue in 2016.
- Project covering the construction of an internal central district heating system, by applying a thermal machine that recovers heat from the rolling mill heating offgas. The design of the distribution network and layout for the installation of equipment was developed during the year. The project will continue in 2016.

- Software programme for the monitoring of operating parameters of rolling mill heating profiles, aimed at optimising consumption during production. The programme was implemented during the year with the definition of the heating curves for tests, the installation of equipment and the setup of the data communication system. The project will continue in 2016.
- Programme covering the installation of measurement systems and the design of a data collection system for monitoring consumption and possible feedback on compressors. An assessment was made during the year of potential optimisation using smart SW, depending on the complexity of the existing distribution network and the significant network losses, and possible actions were also identified. The project will continue in 2016.

The following **four new research and development projects** were launched during the year:

- Project aimed at identifying design and manufacturing solutions for the construction of an automatic system for cleaning the EBT tap hole. Conceptual design and logic were defined during the year, in coordination with the segregated areas in which to operate. The project will continue in 2016.
- Project aimed at reducing energy consumption in the smelting furnace, by optimising the electric parameters of the furnace. A study of key measurements on the parameters used was conducted to understand the electric points of the furnace, resulting changes to the power control and monitoring SW. The project will continue in 2016.
- Project aimed at increasing the control level of the product during the rolling process by installing optical meters. The procedures for the safe use of the laser and changes to area management were defined during the year. The project will continue in 2016.
- Project aimed at increasing the security level at company premises by using anti-intrusion detection devices, video surveillance, access control and fire-fighting systems. The design of system logics was initiated during the year. The project will continue in 2016.

#### ***Acciaierie di Calvisano S.p.A.***

- Research and development activities started in 2014 under a multi-year cooperation programme called “Optimization of scrap charge management and related process adaptation for EAF performances improvement and cost reduction” – OptiScrapManage – co-funded by the European Community as part of RFCS projects, and continued throughout the year. The project aims at optimising the performance of the smelting furnace and reducing production costs. The project will continue in 2016.
- The R&D project, also started in 2015, continued throughout the year; the aim being to study and seek design and manufacturing solutions involving the production of quality steels that feed the downstream conversion cycle of the Caleotto plant, which was taken over by the Feralpi Group in 2015. The new steel grades complement the production range and are intended for use in special wire drawing mills; the outlet market is that of the production of mild wire rod for thin wire and high-carbon drawn wire for strands and cables. This project extends the prospects of opening up new markets.

Activities during the year mainly concerned the identification of production process-related actions of significance from a metallurgical point of view, such as the addition of ferroalloys and billet cooling conditions.

The project will continue in 2016 with the study and implementation of second-level automation to monitor process parameters and identify individual billets.

#### ***ESF Elbe-Stahlwerke Feralpi GmbH***

##### *“H-REII DEMO” project, co-funded by the European Commission*

Coordinated by Turboden as project leader, this project is in partnership with Comeca for the development of technological components and is co-funded under the European Commission Life+ programme, the aim being to:

- extend to a European level the results of the R&D policy obtained at a national level with the H-REII project.
- develop the steel industry’s first prototype for recovering heat from the EAF using ORC technology, which will be incorporated in an offgas extraction system. This should lead to a significant reduction in total energy consumption and an improvement in the performance of the offgas treatment system in industrial applications with a high energy consumption (iron and steel, cement, glass, etc.).

- Promote the creation of a European Technological Platform on the subject of energy efficiency and environmental sustainability in the industry, thanks to a consolidated network of contacts and the participation of project partners in dedicated Italian and European working groups.

In this project ESF is a “case study” rather than a partner, being the first steel mill in the world to design and build a system for recovering heat from steel mill offgas to generate steam for use in an integrated industrial process and produce electricity using an ORC turbine generator.

In 2013 the entire plant was built and the Level 1 section for producing saturated steam and went into production at full rate.

In 2015 work continued for putting into full-rate production the Level 2 section (for producing superheated steam) and the ORC system (for producing electricity).

### Environmental Innovation Programme

ESF participates in a programme supported by the Federal Ministry of the Environment entitled “Innovative process engineering combination in a high-power steel mill with an adjacent rolling mill, in view of reducing environmental pollution”. Overall control of the scrap management interfaces, melting activities, continuous casting plant and rolling mill at a process integration level allows the hitherto separate steel mill and rolling mill processes to be linked together and optimised.

Research continued in 2015 on simulating the connection between the continuous casting machine and the rolling mill heating furnace. A new-concept system was installed in 2015 to increase productivity and the quality of the cast billets. The potential increase in the percentage of billets sent straight to the heating furnace and their entry temperature were calculated, and these conditions were verified during a series of industrial tests.

- A degree thesis on steel-making engineering was prepared to optimise ladle furnace technology and guarantee constant conditions of the characteristics of molten steel feeding the continuous casting plant.
- The project to optimise electric and technological settings and hence reduce consumption continued throughout the year.
- New equipment was tested to optimise recarburizers in the melting furnace.
- Controlled cooling systems were installed on hot billets after continuous casting to load billets to the rolling mill heating furnace directly to the steel mill, thus reducing gas consumption.

## **Communication and Corporate Social Responsibility**

Promoting inclusivity and interaction at all levels, the two cornerstones on which the Feralpi Group developed in 2015 are Communication and Corporate Social Responsibility activities.

### **Communication**

Communication activities continued in 2015, involving the planning, management and implementation of actions aimed at achieving primary strategic objectives to strengthen the corporate image, by enhancing the Feralpi brand and sticking to core values, such as dialogue with stakeholders and transparency, constant focus on sustainability, training and safety issues.

The constant diversified in-house application of communication activities and those resulting from corporate social responsibility policies continued to fuel the added value and differential recognised to the Group.

### **Corporate communication**

Exhibitions, trade fairs and other events. The participation at selected events was firmly in place in 2015 as well.

Feralpi Siderurgica, as head of the Feralpi Group, took part in national and international trade fairs. In Italy it participated in Made in Steel (Milan, 20-23 May), an international high-level event, where the knowledge of the entire Feralpi Group was favoured thanks to the adoption of a highly innovative communication technology called “**Oculus Rift**”, the most advanced virtual reality system available on the market in 2016, which gave the possibility of conducting a virtual visit of the plant. At an international level, the company also participated at **Bâtimatec** (Algiers, 3-7 May), the most important trade fair in North Africa for the building and the construction industry.

The agenda in May was particularly intense due, among other things, to the start of Expo 2015 universal exhibition held in Milan (1 May- 31 October). By applying at an industrial level the principle of sustainability at the centre of the international event, Feralpi Siderurgica actively contributed to the construction of the Tree of Life, by joining the Orgoglio Brescia consortium, which conceived the project.

The **Tree of Life** was the emblem of the Expo as it represented the essence of sustainability, intended as the ability to give life again and again while safeguarding the environment and man.

The Group also took part in numerous local events. It was among the partners that supported **Brend** (20 June-24 August), by providing information, objects and digital material to the multi-exhibition area set up for ferrous and non-ferrous metals.

As part of the Brend project, Feralpi collaborated and participated at the meeting entitled “Brescia, territorio e industria. Idee che vale la pena ascoltare” on the theme of sustainability, which was held on 14 July.

Feralpi Siderurgica also participated at Supernova (Brescia, 2-4 October), Italy’s first exclusive festival of innovation, which compares the world of digital innovation 2.0 with major Italian industries and businesses.

### **Dissemination instruments**

Constant and capillary dissemination of information is a central element of the Feralpi Group communication policy, as it is vital in establishing a dialogue with the numerous stakeholders.

In order to encourage the circulation of news and knowledge of activities in and outside the company, every action undertaken was conveyed through traditional and digital means.

In 2015, the house organ VerdeFeralpi was entirely revised with richer content, as well as more modern and attractive design. A new restyled website of the Group was posted at the beginning of 2016.

### **Product communication**

#### **Catalogue**

In early 2015 the sales catalogue was fully revised to include the trade exhibitions and other events planned in the following months. The new catalogue highlights the products according to the requests and suggestions made by the Feralpi Siderurgica sales department.

### **Web Site and videos**

The new corporate website has been structured to facilitate browsing and access to the product digital datasheets. The corporate video produced shows Feralpi Siderurgica and the Feralpi Group as a whole, with the full product range accessible for consultation by customers.

### **External relations**

The activity concerning dialogue with stakeholders acted as an interface between the company and the various external stakeholders, which include trade and other associations at a local and national level, institutional bodies and the public administration, in addition to educational and training institutions, NGOs and associations in general.

This was a highly transversal activity in that each of the projects was implemented by individual company management, and the relation with the relevant entities was followed and handled at both a strategic and operational level.

### **Media Relations and press office**

Relations with national and international specialist and generic press continued to play an important role for the Group. Corporate image risk and the maintenance of the positive opinion that the Feralpi Group have built up over time are the focal point of the activities performed by the media relation and press office, which handled the publication of information regarding the various corporate activities.

### **Corporate Social Responsibility**

The dual inward and outward commitment that has always characterised the Group’s social policy was channelled into multiple activities that directly involved all the stakeholders.

The activity of the Sustainability Committee continued over the year and it involved top management figures of the Italian and German companies, with the specific task of defining objectives and resources, assessing the action to be taken and continuously monitoring the results achieved. The Committee also had the task of planning the activities for the development of the process improvement manual (FESP - Feralpi Environmental & Social Program), with the objective of improving the collection reporting data in accordance with GRI G4 guidelines. This manual is the result of a diversified and complex work, on the basis of which the sixth Sustainability Report was prepared in 2015 and the materiality matrix used to identify corporate awareness of financial, environmental and social risks that may affect the corporate image, intended as an intangible asset, was updated.

The GRI guidelines followed by Feralpi are bound to become a universally recognised standard in 2016, but the Group has actually anticipated that they will become mandatory in 2017, upon the implementation of EU Directive on Disclosure regarding non-financial reporting.

Feralpi continued to play an active role in the institutional context as well. It is a member of the Sustainability work team at Confindustria (the confederation of Italian industrialists' association), the Sodalitas Foundation (which is part of Assolombarda, the Lombardy industrialists' association, the first association to promote corporate social responsibility in Italy), the CSR Network for Italy and Europe and the IEFÉ – Bocconi University Green Economy Observatory.

In 2015 the Group strengthened its activities towards employees, which were scaled on the basis of the company climate survey, the result of which have been communicated to all employees.

This survey, which is conducted every two years for the Italian and German companies, was supplemented by a section dedicated to opinions on action taken by the company regarding corporate welfare, including those contained in the Workplace Health Promotion (WHP) programme, the international project joined by Feralpi Siderurgica and which brought the company an important recognition in 2015 with the mention of honour in the "Community" category of the prestigious Assiteca Award for best corporate welfare practices and models.

The same focus on internal welfare can be found at Feralpi Stahl as well. The Riesa-based factory celebrated Health Day for employees in 2015 as well. Everyone had the possibility of being informed on issues regarding occupational health and safety and accident prevention, with one more opportunity – the administration of the annual flu vaccination to those requesting it.

External activities were focused on the supply chain. The Group played an active role in making the transparency of the supply chain a focal point of operations, with the direct involvement of the relevant suppliers. In this regard, Feralpi Siderurgica organised a training seminar which, based on the explanation of the value of EMAS Environmental Declaration, obtained by the company, and the Sustainability Report, measured the importance given by the supplier to sustainability-related issues, as well as their pro-active approach in incorporating the CSR into their companies.

The German factories of Feralpi Stahl also paid close attention to listening to external stakeholders, with special focus on local ones. In May 2015 a survey was carried out with the aim of gathering the opinions of the citizens of Riesa, Glaubitz and Zeithain on the role and operations of Feralpi Stahl.

The Safety Tutor project, launched at Acciaierie di Calvisano, was extended to Feralpi Siderurgica. This project aimed at identifying figures among the employees (elected by the employees themselves) in order to stimulate the sense of individual responsibility and enhance the level of safety in the workplace.

The respect for human rights is also among the values to be defended. This especially entails the respect for democracy, tolerance and diversity. Feralpi Stahl has actively supported the "Week of democracy" to feed a culture capable of combatting xenophobic tendencies.

On the subject of leveraging the importance of culture and openness, over 2000 students had the opportunity to personally visit the Lonato del Garda-based plant which, among the many initiatives, opened up its doors also for the national event called "Industriamoci" [literally "Let's get moving"] during the PMI Day (13-14 November) promoted by Confindustria.

Close collaboration and interaction with higher education schools, which is a firm point of CRS policy, led Feralpi to allocate financial resources to support technical education and training. Part of the funds were used to set up the chemical test laboratory inaugurated in 2015 at the Cerebotani Higher Education School in Lonato del Garda, in memory of Feralpi's founder Carlo Pasini.

## Personnel

The **consolidated average figure** in 2015 shows an increase of 31 units compared to 2014, from 1,20 to 1,242 units.

<i>Consolidated average figures</i>	<i>2015</i>	<i>2014</i>	<i>change</i>
Feralpi Siderurgica	362	360	2
Acciaierie di Calvisano	108	106	2
Nuova Defim	72	66	6
Dieffe	2	7	(5)
ESF	429	423	6
EDF	163	162	1
Feralpi Stahlhandel	9	9	0
Feralpi-Logistik	26	23	3
Feralpi Praha	52	46	6
Feralpi Hungaria	10	8	2
Feralpi Algérie *	9	-	9
<b>Total</b>	<b>1.242</b>	<b>1.210</b>	<b>32</b>

\* company not included in the scope of consolidation for 2014

<i>Average figure 2015</i>	<i>Units</i>	<i>% Subdivision</i>
Italy	544	43,8%
Abroad	698	56,2%
<b>Total</b>	<b>1.242</b>	<b>100,0%</b>

The year-end figure shows an overall number of employees of 1,258 units compared to 1,205 at the end of 2014, with an increase of 53 units.

<i>Number of employees at year-end</i>	<i>2015</i>	<i>2014</i>	<i>change</i>
Executives	17	16	1
White collar staff and middle-managers	281	271	10
Blue collar staff	960	918	42
<b>Total</b>	<b>1.258</b>	<b>1.205</b>	<b>53</b>

## Training

Feralpi recognises that the enhancement of professional skills and the improvement of its employees' abilities are a key strategic factor for the Group to maintain its competitiveness.

This centrality of human capital is evident in management and development activities and in initiatives in support of human resources, which the Group ensures systematically to all its employees.

Among the training activities put in place, a major role is that closely linked to technical and organisational developments and, hence, the requirements of technical and professional growth.

In addition, priority is given to activities related to occupational health and safety issues, which constitute an essential focus for all Group companies.



The **hours of training** activities organised by the Group companies slightly decreased in 2015.

<i>Training Hours</i>	2015	2014
<i>Feralpi Siderurgica</i>	5.558	8.002
<i>Acciaierie di Calvisano</i>	5.169	2.583
<i>Nuova Defim</i>	878	1.032
<i>Dieffe</i>	-	927
<i>ESF</i>	6.312	7.672
<i>EDF</i>	1.372	1.584
<i>Feralpi Stahlhandel</i>	71	46
<i>Feralpi-Logistik</i>	354	236
<i>Feralpi Praha</i>	498	456
<i>Feralpi Hungaria</i>	-	105
<i>Feralpi Algérie *</i>	-	-
<b>Total</b>	<b>20.212</b>	<b>22.643</b>

\* company not included in the scope of consolidation in 2014

Training activities took up 2,444 hours less at Feralpi Siderurgica as a the result of the completion of update courses planned under State-Regions agreements for training operators on the use of work equipment, while there was an increase of 2,586 hours at Acciaierie di Calvisano.

The latter company put in place major training courses in support of the development of technical and specialist skills in the production of special steels, in line with the policy of product diversification pursued by the company.

Individual training and development activities in the Group companies can be divided into four main areas:

- ✓ technical, specialist or vocational skills
- ✓ managerial and foreign language skills
- ✓ occupational health and safety
- ✓ the environment, environmental management and energy.

Training courses were held at Nuova Defim with the aim of improving specific professional skills, such as web marketing, hydraulics and pneumatics.

In line with the 2014 training policy, the Italian companies continued to hold foreign language conversation courses with capillary e-learning training on the legal provisions concerning the administrative responsibility of entities in accordance with Italian Legislative Decree no. 231/01 and the contents of the Organisational Management and Control Model adopted by the Group companies.

As mentioned above, training on occupational health and safety and on the environment, environmental management and energy continued to play a major role in the Group companies.

In this regard, part of the Group's policy to ensure constant implementation of activities aimed to improve individual skills on the following:

- ✓ the safe use of instruments, machines, equipment and lifting means and accessories,
- ✓ specific safety issues (for first-aid and fire-fighting teams, supervisors and operators),
- ✓ specific updating for the person in charge/members of the internal health and safety service and worker safety representative.

Worthy of note is the "Towards Zero Accidents" project, which was started in 2012 at Acciaierie di Calvisano and was later extended to Feralpi Siderurgica. The immediately visible return was the designation of 49 Safety Tutors (15

appointed in 2015) who, identified with the now familiar red hat, make the dissemination of safety culture a daily practice.

In the **German companies**, the well-established dual school-work alternation scheme, the safety training programmes, the technical and vocational training and foreign language learning continued to be predominant.

An important activity carried out during the period was the *Meisterausbildung* (Master Craftsman) programme, which enabled some selected employees to acquire useful expertise and knowledge in favour of corporate innovation.

In 2015 nine employees took part in the programme and one of them stood out at the final exams and ranked first at the course held in Dresden.

## Other initiatives and activities

### *Feralpi Bootcamp*

As part of corporate welfare activities and care of the geographical area, in 2015 the Feralpi Group strengthened some initiatives for younger generations, which are ideally gathered in the project named **Feralpi Bootcamp**.

The programme includes the following three independent yet complementary initiatives:

- ✓ Orientamento Giovani – Make the Right Choice!
- ✓ Qualified School-Work alternation
- ✓ Higher Training Courses (IFTS/ITS)

### *Orientamento Giovani - Make the Right Choice!*

A vocational guidance for young people for conscious growth is one of the cornerstones for the Feralpi Group, which in its CSR programme, has included a series of initiatives for the younger generations:

### *The Savings Tree*

In line with the “*Make the right choice!* – Vocational Guidance for the children of employees”, the initiative for children named “*the Savings Tree*”, a first consideration on the value of money and the importance of managing it responsibly, provides support to young people for conscious growth.

### *Qualified School-Work Alternation*

In view of meeting the combination of work and theoretical notions learnt in the classroom, Feralpi intended to launch, in collaboration with the L. Cerebotani Higher Education School, a project that would give the groups of students the opportunity to put into practice in the workplace what they had learned at school, thus renewing the traditional internship approach.

In January 2015, the Lonato plant opened up its door for eight weeks to ten students from the L. Cerebotani Higher Education School. In addition to usual in-field tutoring, the programme includes 110 hours of training in the classroom.

In consideration of the positive results, the programme, which was launched on an experimental basis, will be implemented systematically and permanently with the involvement of the associate Acciaierie di Calvisano S.p.A. and the active participation of the Don Milani Higher Education School of Montichiari.

### *Higher Training Courses (IFTS/ITS)*

Over the years, the significant experience of the Apprenticeship Programme (Course for Senior Steel Plant Management Technicians) organised by the Feralpi Group in three two-year courses during the 2007-2011 period was leveraged in experimental higher training courses.

Activities conducted within this framework include, for example, a partnership implemented as part of the Higher Technical Education and Training course offered to teach “*Installation and maintenance techniques of mechanical metallurgy and steel industry equipment*”.

The aim of the project is to promote the job placement within mechanical, steel and metallurgical industries of the Brescia province of qualified high school graduates, through a theoretical and practical training process focused on the acquisition of specialised technical and professional skills necessary to perform the tasks of a civil and industrial systems installation and maintenance technician.

A similar two-year training course was planned for 2015-2016 to teach students how to become a “Higher civil and industrial systems installation and maintenance technician – High-efficiency energy systems” in collaboration with the Zanardelli Vocational Training Centre of Brescia.

### **WHP - Workplace Health Promotion**

Welfare activities under the scheme named WHP (Workplace Health Promotion), which was launched by the Group in 2013, continued throughout 2015 to further enhance the Group focus on and commitment to safeguarding employees’ safety.

During the first two years, the action plan which involved the Group’s Italian companies (Feralpi Siderurgica, Feralpi Holding, Acciaierie di Calvisano, Nuova Defim Orsogrill) encompassed the following themes:

- ✓ Promotion of correct eating habits
- ✓ Promotion of smoking cessation
- ✓ Promotion of physical activity
- ✓ Promotion of personal and social well-being

### **Health Day**

The Health Day for employees was also celebrated in 2015, at the premises of the German associate ESF.

On 10 November 2015, employees could obtain information on numerous issues relating to health protection and accident prevention. Numerous partners took part in the event, which presented different and interesting devices for use by personnel at Feralpi Stahl.

### **Organisation and workforce**

The workforce in the companies within the scope of consolidation amounted to 1,258 units at year-end, compared to 1,205 units in 2014, with an increase of 53 units.

### **Feralpi Siderurgica S.p.A.**

The production activities of Feralpi Siderurgica S.p.A. in 2015 recorded a marked increase in volumes, which enabled the company to ensure full-time employment and to strengthen its overall workforce.

The total number of employees increased from 356 in 2014 to 375 at the end of 2015.

<i>Number of employees at year-end</i>	<i>2015</i>	<i>2014</i>	<i>change</i>
<i>Executives</i>	6	5	1
<i>White collar staff and middle-managers</i>	85	86	(1)
<i>Blue collar staff</i>	284	265	19
<b>Total</b>	<b>375</b>	<b>356</b>	<b>19</b>

More specifically, the increase is the result of the combined effect of multiple technical and organisational factors, namely:

- ✓ the recruitment of qualified resources who had attended higher training course (IFTS),
- ✓ the confirmation of personnel previously hired under a staff leasing contract.,
- ✓ the reinstatement at the company of personnel on secondment at associates.

It is worth noting that in 2015 four employees in possession of technical and specialist skills were hired under the *Technical Management and R&S and Energy Management* scheme, which entailed a review of the technical staff at the plant.

### **Acciaierie di Calvisano S.p.A.**

At the end of the first quarter of the year, the 12-months' *Job Security Agreement*, which had been launched in April 2014, had expired. At the end of 2015 it involved 109 employees, with an increase of 4 units compared to the previous year. The difference is the result of the need to hire skilled workers in the Continuous Casting area, in order to strengthen the company's skills in the production of steel using oxidation-free and submerged-nozzle casting technique..

<i>Number of employees at year-end</i>	2015	2014	change
<i>White collar staff and middle-managers</i>	19	17	2
<i>Blue collar staff</i>	90	88	2
<b>Total</b>	<b>109</b>	<b>105</b>	<b>4</b>

In connection with the plant organisation, in 2015 the production bays involved two production teams. The *Support Team*, which in the previous year proved to be crucial in the production of steel using submerged-nozzle casting technique in the CC area, which became fully operational.

As part of the flexible employment scheme, the company signed an agreement in December 2015, which provides for the entire 2016 weekly work shifts exceeding 40 hours, with accumulation of hours worked beyond ordinary hours.

### **Dieffe S.r.l.**

Following cessation of production activities at the Pomezia plant, in 2014 Dieffe S.r.l. became a trading company. During 2015, the workforce remained unchanged with two employees in charge of logistics and operations.

#### **Dieffe**

<i>Number of employees at year-end</i>	2015	2014	change
<i>White collar staff and middle-managers</i>	2	2	-
<b>Total</b>	<b>2</b>	<b>2</b>	<b>-</b>

### **Nuova DE.FI.M. S.p.A.**

The number of employees at the end of the year was increased by 6 units, as the result of increased work volumes in both the welded mesh and gratings.

<i>Number of employees at year-end</i>	2015	2014	change
<i>Executives</i>	1	1	-
<i>White collar staff and middle-managers</i>	22	22	-
<i>Blue collar staff</i>	52	44	8
<b>Total</b>	<b>75</b>	<b>67</b>	<b>8</b>

The Alzate Brianza production plant, which turns out welded mesh, has worked on three shifts since 2015.

### **Feralpi Stahl**

**(ESF GmbH - EDF GmbH - Feralpi Stahlhandel GmbH - Feralpi Logistik GmbH)**

The number of employees at the end of 2015 increased by 8 units.

<i>Number of employees at year-end</i>	2015	2014	change
Executives	7	7	-
White collar staff and middle-managers	140	133	7
Blue collar staff	479	478	1
<b>Total</b>	<b>626</b>	<b>618</b>	<b>8</b>

In 2015, ESF underwent a series of organisational and operational interventions.

In organisational terms, the technology and production planning departments were centralised and placed under the direct control of the Plant Management, in order to better manage the planning of the entire steel plant.

The *Quality Assurance Department*, which monitors product quality at ESF and EDF, has been separated from *Quality Management*, which maintains the quality system of Feralpi Stahl in Riesa.

At the end of 2015, the Human Resources Department launched an interdepartmental work team that focused on health issues, with the aim of promoting and increasing the participation of employees in health-related programmes.

The members of the work team are representatives of the *Human Resources Department*, the *Labour Safety Bureau* and the *Factory Council*.

An agreement was signed with the trade unions, under which the current company vocational system and the underlying performance assessment method are acknowledged. The agreement, which had been virtually reviewed in May 2014, is valid up to the end of 2018.

As part of the negotiations with the IG Metall trade unions, an agreement was signed to increase the remuneration of apprentices, in accordance with national standard levels.

### **Feralpi Praha Sro**

In 2015 the number of employees increased from 48 to 51 (+3 units).

<i>Number of employees at year-end</i>	2015	2014	change
Executives	2	2	-
White collar staff and middle-managers	10	10	-
Blue collar staff	39	36	3
<b>Total</b>	<b>51</b>	<b>48</b>	<b>3</b>

### **Feralpi Hungaria Kft**

The number of employees remained unchanged with 9 units.

<i>Number of employees at year-end</i>	2015	2014	change
Executives	1	1	-
White collar staff and middle-managers	2	1	1
Blue collar staff	6	7	(1)
<b>Total</b>	<b>9</b>	<b>9</b>	<b>-</b>

## Feralpi Algérie

The average number of employees in the period was 9, while at the end of the year it came to 11 units.

<i>Number of employees at year-end</i>	2015	2014	change
<i>White collar staff and middle-managers</i>	2	Non cons.	
<i>Blue collar staff</i>	9	Non cons.	
<b>Total</b>	<b>11</b>		

## Analysis of key financial indicators

Revenues in 2015 declined at a consolidation level as the result of a sharp drop in the price of steel products, especially in the second half of the year.

**Turnover** came to €917m (-5.2%) and production value also decreased by 5% at €920.5m. Total production costs decreased (-4.6%) to €914.2m, thus generating a difference between production value and production costs of €6.3m, compared to €10.6m in 2014.

Among the costs, the incidence on the production cost varies considerably.

The cost of raw materials (taking into account the change in inventories) decreased from 70.3% to 67.7%, with a 2.6% recovery, which is partly attributable to iron scrap. This recovery was offset by some negative elements, namely the incidence of increases in the cost of services from 18% to 19.5%, personnel expenses from 6.4% to 7.2% and amortisation and depreciation from 4% to 4.3%.

Overall, the difference between production value and costs came to 0.7%, compared to 1.1% of the value of production in 2014.

Group net financial income and expenses decreased from €6.4m to €4.7m, with an incidence of 0.5% on the production value.

Adjustments to the value of financial assets and extraordinary income and expenses, which generated a positive balance of €0.3m in 2014, had a negative impact of €2.9m on the operating result, mainly due to the goodwill of new subsidiaries. Compared to the positive operating result of €4.6m in 2014, the 2015 financial year ended with a negative balance of €1.3m.

The amount of taxes increased from €3.3 to 5.3m, giving a negative operating result of €6.5m.

An analysis of the **Balance Sheet** highlights an increase in net tangible assets (€3.6m), despite accumulated depreciation for the amount of €38.2m.

The item shareholdings increased sharply (from €4.6 to €22.5m), following the takeover of 48% of Presider S.p.A. and MPL S.r.l. and 50% of Caleotto S.p.A.

Fixed assets, which were greatly affected by the financial component, came to €341.8m, a considerable increase compared to the previous year (€312.7m).

The decline in the price of steel products generated a decrease in some items under current assets: inventories decreased from €136.3m to €132.8m, accounts receivable (including trade receivables from associates) decreased from €159.7m to €125.8m, receivables from others exceeded €29m. The difference (€+18m) is mainly attributable to changes in receivables from group companies, which had been included in the scope of consolidation according to the equity method.

Net current assets (inventories and trade receivables net of suppliers) decreased from €118m to €111.

Receivables from parent companies and cash and cash equivalents are virtually stable.

Overall, current assets decreased by about €27m, with total assets substantially stable at €689m.

With regard to liabilities, shareholders equity remains stable over €300.5m, while total provision for contingent liabilities and charges came to €4.2m, with an increase of over €2m on the previous year.

Accounts payable owed to shareholders decreased by over €2m, while bank borrowings rose considerably (€168.9m).

**Net financial position** came to €140.2m, as against €104.3m in 2014, in relation to investments in fixed assets.

Medium/long-term loans (40.4% compared to 38.6% in the previous year) increased further in 2015.

Trade payables decreased from €178m to €147.5m as the result of the decrease in the prices of steel products and raw materials.

Payables to holding companies (€29.7m) mainly consisted of the national tax consolidation regime adopted by the parent company.

Other payables, especially payables towards employees and premiums to customers, rose further to €16.1m.

The level of coverage of fixed assets increased from 84.8% to 89.4%, a further improvement of the financial structure.

Consolidated **shareholders' equity** accounts for 88% of consolidated fixed assets, while the debt/equity ratio increased from 121.1% to 125%.

The table below shows some income indicators of the Group in 2015, compared to the previous two years.

<i>Gross Operating Margin</i>			<i>Net Results</i>			<i>Cash Flow (Net Profit + depreciation)</i>		
2015	2014	2013	2015	2014	2013	2015	2014	2013
46,1	49,9	28,3	(6,6)	1,3	(11,6)	33,2	40,5	23,8

<i>Gross Operating Margin</i>			<i>Net Results</i>			<i>Cash Flow (Net Profit + depreciation)</i>		
<i>% Production Value</i>			<i>% Production Value</i>			<i>% Production Value</i>		
2015	2014	2013	2015	2014	2013	2015	2014	2013
5,0	5,1	3,1	(0,7)	0,1	(1,3)	3,6	4,2	2,6

An analysis of the **cash flow statement** shows a clear decrease in profit before taxation and interest (from €10.9m to €3.1m), mainly due to the worsened net consolidated operating result.

Amortisation, depreciation and write-downs remain substantially stable over €40m.

Cash flow before changes in net current assets came to €44.6m, of which around €10m are absorbed by current assets, mostly due to the impact of the decrease in trade payables (€-28.6m), which is only offset by a reduction in trade receivables.

Cash flow from operating activities totalled €+22m.

This item is opposed to the increase in technical investments (approx. €41m) and financial assets (€18m), thus creating additional financial requirements of over €37m, which is reflected in the net financial position.

<i>Cash Flow Statement</i>	<i>Current Year</i>	<i>Previous Year</i>
<i>A. Cash flows provided by operating activities (indirect method)</i>		
Profit (loss) for the period	(6.575)	1.306
Income taxes	5.280	3.304
Interest expenses (interest income)	4.689	6.385
(Dividends)		
(Capital gains)/Capital losses from the sale of assets	(250)	(82)
<b>1. Profit (loss) for the year before income taxes, interest, dividends and Capital gains/losses from the sale of assets</b>	<b>3.144</b>	<b>10.913</b>
<i>Adjustments for non-cash items that had no contra-entry in net working capital</i>		
Allocations to provisions	3.191	3.102
Non-current asset amortisation and depreciation	38.259	39.151
Write-downs for impairment losses		
Other adjustments for non-cash items		
<i>Total adjustments for non-cash items</i>	<i>41.450</i>	<i>42.253</i>
<b>2. Cash flow before changes in net working capital</b>	<b>44.594</b>	<b>53.166</b>
<i>Change in net working Capital</i>		
Decrease/(increase) in inventories	3.499	23.976
Decrease/(increase) in trade receivables	21.981	14.426
Increase/(decrease) in trade payables	(28.615)	20.711
Decrease/(increase) in accrued income and prepaid expenses	(34)	(201)
Increase/(decrease) in accrued expenses and deferred income	(872)	(828)
Increase/(decrease) intragroup relations	(1.137)	(2.470)
Other changes in net working capital	(5.027)	8.780
<i>Total adjustment in net working capital</i>	<i>(10.205)</i>	<i>64.394</i>
<b>3. Cash flow after changes in net working capital</b>	<b>34.389</b>	<b>117.560</b>
<i>Other adjustments</i>		
Interest received/(paid)	(4.449)	(5.810)
(Income taxes paid)	(5.903)	(7.547)
Dividends received		
Utilisation of provisions	(1.851)	(2.061)
<i>Total other adjustments</i>	<i>(12.203)</i>	<i>(15.418)</i>
<b>4. Cash flow after other adjustments</b>	<b>22.186</b>	<b>102.142</b>
<b>Cash flows provided by operating activities (A)</b>	<b>22.186</b>	<b>102.142</b>



**B. Cash flows provided by investing activities**

Tangible assets		
(Investments)	(41.482)	(28.269)
Divestment selling price	125	
Intangible assets		
(Investments)		351
Divestment selling price		
Financial assets		
(Investments)	(18.253)	(375)
Divestment selling price		
Non-current financial assets		
(Investments)		
Divestment selling price		
Acquisition or disposal of subsidiaries or business units net of cash	-	-
<b>Cash flos provided by investing activities (B)</b>	<b>(59.610)</b>	<b>(28.293)</b>

**C. Cash flows provided by financing activities**

Loan capital		
Increase in short-term borrowings from banks	22.132	(45.734)
Opening of loans	40.062	20.000
Loan repayment	(26.488)	(28.419)
Equity		
Shareholder's loan		
Extraordinary transactions (merger by incorporation)	1.766	(69)
Dividends (and advances on dividends) paid	-	-
<b>Cash flows provided by financing activities (C)</b>	<b>37.472</b>	<b>(54.222)</b>
<b>Increase (decrease) in cash and cash equivalentents (a +/- b +/- c)</b>		
	<b>48</b>	<b>19.628</b>
Opening cash on 1st January 2015	28.618	8.990
<b>Closing cash on 31st December 2015</b>	<b>28.666</b>	<b>28.618</b>
<b>Increase (decrease) in cash and cash equivalentents</b>		
	<b>48</b>	<b>19.628</b>

## Risk management

Statement in accordance with art. 2428, subsection 2, point 6-bis, of the Italian Civil Code.

The Feralpi Group operates in the iron and steel industry, a sector which entails various types of risk:

- ✓ **operational risks** related to the environment and to health and safety in the workplace;
- ✓ **business risks** mainly related to fluctuations in the price of raw materials and end products, and credit risk;
- ✓ **financial risks** deriving from fluctuations in interest and currency rates.

Operational risks are dealt with in detail in the Business Report, to which reference should be made.

Business risks are associated with more or less significant fluctuations in the price of end products and raw materials (mainly ferrous scrap and energy) in the short and long term. The long-term price trend for ferrous scrap tends to be in line with that of end products.

For credit risk management, the Group implements a credit insurance policy at a global level.

The risk deriving from currency fluctuations, which was very low as most transactions are handled in euros, is covered by swap agreements (by setting variable indices), as appropriate, or similar instruments when the risk arises.

The Group also implements a selective currency rate coverage policy.

## Facts of note occurring after the closing date

Global steel output in the first five months of 2016 was **658,227 million tonnes**, with a slight decrease on the same period in 2015.

.000 tonn.	5 months 2016	5 months 2015	% Change 2016/2015
<b>Total World</b>	<b>658.227</b>	<b>673.164</b>	<b>(2,2%)</b>

Source: WSA

In the first five months of 2016, **Europe** recorded a decrease in steel production of 68,854 million tonnes, equivalent to -6.4% on the same period in 2015.

In this context, Italy shows a 2.9% increase. Germany, the main European producer, shows a slight decrease of -1% and France a drop of -12.8%.

<i>.000 tonn.</i>	<i>5 months 2016</i>	<i>5 months 2015</i>	<i>% Change 2016/2015</i>
Austria	3.097	3.374	(8,2%)
Belgium	3.257	3.229	0,9%
Czech Republic	2.238	2.289	(2,2%)
Finland	1.732	1.722	0,6%
France	5.917	6.783	(12,8%)
Germany	18.195	18.381	(1,0%)
Hungary	425	707	(39,9%)
<b>Italy</b>	<b>10.080</b>	<b>9.798</b>	<b>2,9%</b>
Luxembourg	966	928	4,1%
Netherlands	2.888	2.964	(2,6%)
Poland	3.871	4.077	(5,1%)
Slovakia	1.925	2.032	(5,3%)
Spain	6.209	6.604	(6,0%)
Switzerland	1.981	2.198	(9,9%)
United Kingdom	3.237	5.176	(37,5%)
Other non-EU (28)	2.086	2.247	(7,2%)
<b>European Union</b>	<b>68.854</b>	<b>73.536</b>	<b>(6,4%)</b>

Source: WSA

Steel output in **Asia** decreased by 1.4% in the first five months, with a positive trend only for India (+2.4%), while China, the main world producer, showed the same decline as in the continent.

<i>.000 tonn.</i>	<i>5 months 2016</i>	<i>5 months 2015</i>	<i>% Change 2016/2015</i>
China	329.950	334.635	(1,4%)
India	38.599	37.682	2,4%
Japan	43.180	44.071	(2,0%)
South Korea	27.891	28.671	(2,7%)
Taiwan	8.817	9.620	(8,3%)
<b>Asia</b>	<b>451.344</b>	<b>457.520</b>	<b>(1,3%)</b>

Source: WSA

In this overall negative scenario, **North America** (-0.7%) and **Latin America** (-14.8%) are no exception. Among the main countries, the United States are virtually stable, while Brazil declined by 13.9%.

<i>.000 tonn.</i>	<i>5 months 2016</i>	<i>5 months 2015</i>	<i>% Change 2016/2015</i>
<b>North America, of which</b>	<b>46.216</b>	<b>46.556</b>	<b>(0,7%)</b>
United States	33.072	33.136	(0,2%)
<b>Latin America, of which</b>	<b>15.805</b>	<b>18.554</b>	<b>(14,8%)</b>
Brazil	12.326	14.311	(13,9%)

Source: WSA

In this context, some major manufacturers are faced with difficult economic and social situations. Ukraine shows encouraging signs of growth as a result of a mitigation of local conflicts, while **Russia** shows a slight decrease.

<i>.000 tonn.</i>	<i>5 months 2016</i>	<i>5 months 2015</i>	<i>% Change 2016/2015</i>
<b>Other European countries, of which</b>	<b>14.682</b>	<b>14.285</b>	<b>2,8%</b>
Turkey	13.624	13.178	3,4%
<b>CIS (6), of which</b>	<b>42.757</b>	<b>42.456</b>	<b>0,7%</b>
Russia	29.159	30.014	(2,8%)
Ukraine	10.612	9.254	14,7%

Source: WSA

The figure for the other world areas are as follows.

<i>.000 tonn.</i>	<i>5 months 2016</i>	<i>5 months 2015</i>	<i>% Change 2016/2015</i>
<b>Africa</b>	<b>4.949</b>	<b>6.107</b>	<b>(19,0%)</b>
<b>Middle East</b>	<b>11.462</b>	<b>11.811</b>	<b>(3,0%)</b>
<b>Oceania</b>	<b>2.158</b>	<b>2.339</b>	<b>(7,7%)</b>

Source: WSA

In this scenario there are some positive signs of recovery.

**2016** is expected to be the year marking the first turning point in the **construction industry in Italy**. After a period that has been characterised by a continuous decline in investments since 2008, with a peak of -35%, a small yet significant 1% increase is expected in 2016. An improvement of the climate in the construction industry is also confirmed by the upward trend in real estate loans and housing trades. The index of confidence, which has increased since January 2015, is held up by a series of initiatives aimed at revitalizing the sector, such as the abolition of the council property tax (IMU).

National budget constraints, however, do not allow the government to develop the public sector, which would partly contribute to filling the current infrastructure deficit.

The situation in the other reference country for the Group, **Germany**, is completely different, with a 17% increase in residential orders in the first quarter, and a 16% increase in infrastructure works. The confidence index in the industry is the highest since 1991.

Steel demand appears strong in the residential sector, where the result of a mix resulting from low interest rates and the improvement of available revenues combined with government support appears noticeably active.

In the first months of the year, **the construction industry experienced fluctuating situation**. Since March-April the market has corrected the previous oversold situation. Among the factors that favoured the recovery, it is worth mentioning a decrease in Chinese exports to western countries and, hence, an increase in demand for ferrous material which, in turn, resulted in an increase in the price and volumes of steel products, especially basic products such as wire rod for construction and rebar.

The upward trend for rebar was supported by the reopening in March of the most important export market, Algeria, which had been blocked in the first half of the year due to the introduction of the import quota trading scheme. All this caused an abnormal demand, with clear price fluctuations. The situation seems to be calmer though there are signs of speculative potential in the industry.

Operations aimed to strengthen the Group's competitive position and diversification continued in the first months of 2016:

- ✓ at the beginning of the year, the subsidiary Acciaierie di Calvisano S.p.A. took over, under composition proceedings, 50% of a rolling mill specialising in the production of small sections for applications in the mechanical and the construction industry. The remaining 50% was taken over by IN.DI.A S.p.A.  
The **new company CO.GE.ME Steel S.r.l.**, based in Casalmaggiore near Cremona, will act as an interface on the market, while the subsidiary **Nuova Cogeme S.r.l.**, also located in Casalmaggiore, will handle rolling production activities.
- ✓ In May this year the Group acquired via the subsidiaries controlled by Feralpi Siderurgica S.p.A., under the Stefana Group composition with creditors proceedings, 100% of the **business unit located in Nave**, near Brescia, which specialises in the rolling and sale of medium-size steel sections for application in the mechanical and the construction industry. This acquisition is synergic with CO.GE.ME. Steel.

Both acquisitions contribute to enhancing the diversification of the Group and also increasing the saturation of the production capacity of the subsidiary Acciaierie di Calvisano S.p.A.

With the latest acquisitions, namely Presider – MPL, Caleotto, CO.GE.ME Steel and the Nave rolling mill, the Group continues its policy of verticalisation and integration of its products (reinforcing steel in bar and in coil, wire rod and electrowelded mesh) in order to improve customer service and recover market shares. This has also allowed the Group to enter the domestic and European market with an assortment of products diversified by sector of use, with greater value added.

It is worth noting that the company Di.ma has set up one more plant in Calvisano, Brescia, for the reuse of mill slag and other materials.

### **Compliance with Legislative Decree no. 231/2001**

The parent company Feralpi Siderurgica and the main Italian subsidiaries in the Group have each adopted their own organisational, management and control Model that identifies at-risk processes and conduct that the various players should apply in any process of daily work.

The parent company and the main Italian subsidiaries in the Group complement and keep updating their Models. The process of adaptation is carried out by taking into account both the provisions of Legislative Decree 231/2001 and the specific measures already implemented by Feralpi Group as regards corporate governance, based on the company's compliance with the principles of Corporate Social Responsibility (CSR).

The revision of current Organisational Models was approved by the board of directors, or other equivalent board of the companies involved, in 2014.

Act 186 of 15 December 2014, which introduced the new self-laundering crime in the Criminal Code, came into force on 1 January 2015. In relation to the administrative liability of entities, this law also envisages the inclusion of the new self-laundering crime among those referred to in art. 25-octies of Legislative Decree 231/2001.

Other regulatory changes worth mentioning are Law 68/2015 on "Measures regarding crimes against the environment", which came into force on 29 May 2015 and introduces amendments to art. 25-undecies of Legislative Decree 231/2001, thus extending the theory of liability of companies for environmental crimes, and Law 69/2015, which came into force on 24 June 2015, by means of which the legislator reintroduced stricter rules in relation to bribery committed by public servants, thus putting an end to the privileged position of public officials as acting agents and thus considerably extending the possible offense cases and amended the scope of corporate crimes, in particular false accounting.

Following the introduction of these offenses into Legislative Decree 231/2001, risk assessment activities are currently in progress at the parent company and the Italian subsidiaries in the Group.

Based on the results of these activities, each of the companies will evaluate whether their current organisational, management and control model is adequate for preventing these new crimes and, should any uncontrolled risk profiles emerge, the Model will be updated by creating or adding control procedures and protocols in the areas where existing ones are inadequate.

## Expected business developments

World economy in 2015 saw a slight slowdown at +3.1%, compared to 3.3% the previous year. This is attributable to the reduced pace of emerging economies, while there was a recovery in the most advanced economies. The Euro zone increased from +1.4% to +1.9%, especially in Italy which, though late, showed signs of recovery.

Overall forecasts point to a substantial stable recovery.

As for the steel industry, Eurofer forecasts show, in a substantially steady upward trend, a different pattern by sector.

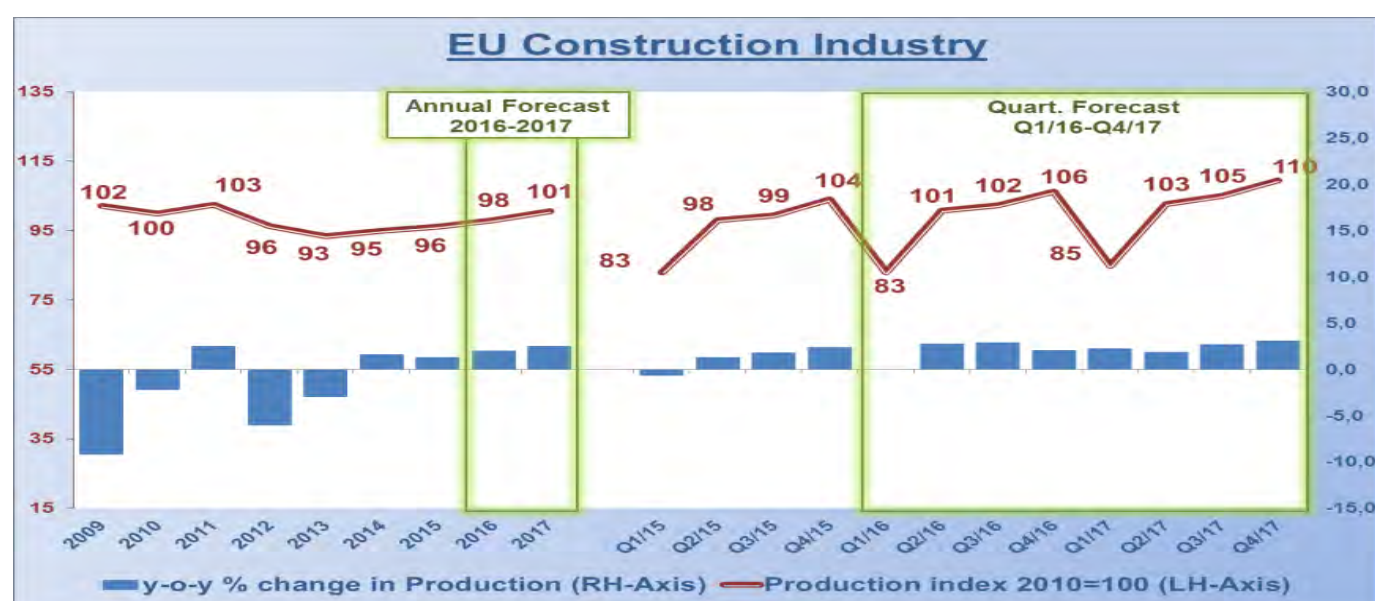
Though remaining substantially positive, the best performing sectors in 2015, such as the automotive and household appliances sectors, are expected to slow down, while others, such as construction, are expected to improve as a result of a more homogeneous strengthening of demand in various countries.

Industry	% share of total consum.	Year 2015	QI 16	QII 16	QIII 16	QIV 16	Year 2016	QI 17	QII 17	QIII 17	QIV 17	Year 2017
Construction	35,0	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	(0,4)	0.6	0.1	0.1	1.2	0.5	2.0	2.8	3.5	3.5	2.9
Automotive	18,0	8.3	3.4	3.6	2.4	2.5	3.0	3.3	4.1	4.6	3.3	3.8
Domestic appliances	3,0	4.1	1.9	3.4	3.1	2.2	2.6	2.5	2.1	1.9	2.2	2.2
Other transport	2,0	6.5	3.1	3.3	1.7	(2,1)	1.4	2.5	2.8	2.6	3.2	2.8
Tubes	13,0	(6,1)	(2,8)	2.2	4.0	5.3	2.0	4.9	3.2	2.3	2.1	3.1
Metal goods	14,0	2.1	1.5	2.1	1.3	0.9	1.5	2.8	2.5	2.9	2.4	2.7
Miscellaneous	2,0	1.4	0.2	0.9	0.8	1.1	0.7	2.1	2.1	2.4	2.2	2.2
<b>Total</b>	<b>100,0</b>	<b>2.0</b>	<b>0.9</b>	<b>2.4</b>	<b>2.2</b>	<b>2.0</b>	<b>1.9</b>	<b>2.8</b>	<b>2.8</b>	<b>3.2</b>	<b>3.0</b>	<b>2.9</b>

Source: Eurofer

The driver for the growth of the activities in the steel industry all over Europe seems to be the demand for residential public and private construction, which was favoured by improved expectations, low interest rates and the overall economic climate. The non-residential and the public works sectors are expected to be weaker.

Prospects in the industry in Europe are illustrated in the graph below.



Source: Eurofer

After a 35% decline between 2008 and 2015, Italy at last records a positive prospect.

The table below illustrates the figures processed by National Builders' Association (ANCI).

#### INVESTMENTS IN CONSTRUCTION

	2015 (in milioni di euro)	2014 (change % vs 2013)	2015 (change % vs 2014)	2016 (change % vs 2015)	2008-2015	2008-2016
<b>CONSTRUCTION</b>	128.510	(5,2%)	(1,3%)	1,0%	(34,8%)	(34,2%)
<i>Residential</i>	68.042	(4,1%)	(1,4%)	(0,1%)	(27,6%)	(27,7%)
- new	21.388	(13,9%)	(6,0%)	(3,5%)	(61,1%)	(62,4%)
- extraordinary maintenance	46.654	1,5%	0,8%	1,5%	19,4%	21,2%
<i>Non-residential</i>	60.468	(6,4%)	(1,2%)	2,2%	(41,4%)	(40,1%)
- private	35.954	(7,3%)	(1,2%)	(0,4%)	(35,0%)	(35,3%)
- public	24.514	(5,1%)	(1,3%)	6,0%	(48,7%)	(45,7%)

Source ANCE - Processed by ANCE on ISTAT data

The Group does not intend, however, to base its growth prospects solely on the construction sector. It has long identified a series of strategies, namely in the field of high quality steels especially designed for use in mechanical applications. This will enable it to enter into less volatile sectors that offer higher added value and solid development prospects. The now unexpressed steel production capacities will then be used in favour of growth in these new applications.

In view of achieving this objective, the 50% acquisition of **Caleotto S.p.A.** was followed by the acquisition of 50% of **CO.GE.ME Steel S.r.l.** which, as mentioned above, specialises in the production and sale of small size steel sections and, more recently, **the acquisition of the business unit of Stefana S.p.A.** under composition with creditors proceedings (the rolling mill based in Nave, Brescia), which also produces steel sections.

At the same time, the Group also intends to further strengthen supply chain activities in the construction sector. In addition to the creation of **Media Steel**, which is active in the procurement of ferrous scrap, the Group is gradually complementing the activities carried out by **Presider S.p.A.** and **MPL S.r.l.**, active in the fields of supply and installation of reinforcing steel in bar and the processing of beams for construction, respectively.

This choice will help the Group to better develop its product supply chain and improve customer service.

Moreover, by setting up **Feralpi Algérie Sarl**, the Group intends to maintain a strategic policy oriented to international markets as an important and crucial resource to the positioning of its products in areas characterised by high steel consumption.

It is therefore a time of decisive change in the traditional business model for a Group that continues to believe in the steel industry and its development prospects.

## ***Number and nominal value of parent company's shares held within the Group***

It should be noted that there are no parent company shares held by any of the companies within the scope of consolidation, either directly or through trustees or intermediaries.

We wish to thank you for the trust you have placed in us, and invite you to examine the consolidated financial statements as presented.

### ***The Chairman***

Giuseppe PASINI \_\_\_\_\_

### ***The Board of Directors***

Giovanni TOLETTINI \_\_\_\_\_

Giovanni PASINI \_\_\_\_\_

Faustino LEALI \_\_\_\_\_

Dante Giuseppe TOLETTINI \_\_\_\_\_

Cesare PASINI \_\_\_\_\_

Ercole TOLETTINI \_\_\_\_\_

Alberto MESSAGGI \_\_\_\_\_

Lorenzo ANGELINI \_\_\_\_\_

Lonato del Garda, 30<sup>th</sup> May 2016





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Brescia Trade Registration no. 02530630983  
Brescia Economic and Administration Index 457238

**GRUPPO FERALPI SIDERURGICA S.p.A.**  
**Sole-Shareholder Company**  
**Management and coordination by FERALPI HOLDING S.p.A.**  
**Registered office at 15 Via A. SAFFI, 25122 BRESCIA**  
**Share capital €50,000,000 fully paid up**

## BALANCE SHEET

ASSETS		31.12.2015	31.12.2014
<b>A</b>	<b>Subscribed capital unpaid, with separate indication of called-up portions</b>		
1	Subscribed capital unpaid, of which called-up	-	-
2	Subscribed capital unpaid, of which uncalled-up	-	-
	<b>Total subscribed capital unpaid</b>	<b>-</b>	<b>-</b>
<b>B</b>	<b>Fixed assets</b>		
<b>I</b>	<b>Intangible assets</b>		
1	Incorporation and extension costs	74.679	142.823
2	Research, development and publicity costs	5.400	13.443
3	Patents and rights for use of intellectual property	140.651	171.349
4	Concessions, licences, trademarks and similar rights	-	-
5	Goodwill	50.000	120.400
6	Works in progress and down payments	30.000	-
7	Others	658.934	767.644
8	Consolidation differences	-	-
	<b>Total intangible assets</b>	<b>959.664</b>	<b>1.215.659</b>
<b>II</b>	<b>Tangible assets</b>		
1	Land e buildings	154.432.836	152.413.357
2	Plant e equipment	141.013.495	138.161.851
2-bis	Leased plant and machinery	-	-
3	Trade e industrial fixtures	454.726	567.724
4	Other assets	7.681.683	7.713.194
5	Work in progress e down payments	6.920.704	8.043.724
	<b>Total tangible assets</b>	<b>310.503.444</b>	<b>306.899.850</b>
<b>III</b>	<b>Long term financial assets, with separate indication for each item of amounts collectable within 12 months:</b>		
1	Equity interests:		
a)	Subsidiaries	-	-
b)	Associates	22.270.548	4.286.815
c)	Holding Companies	-	-
d)	Other Companies	213.378	290.871
	<b>Total equity interests</b>	<b>22.483.926</b>	<b>4.577.686</b>

2	Accounts receivable		
	a) from subsidiaries		
	less than 12 months	-	-
	over 12 months	-	-
	<b>Total receivables from subsidiaries</b>	-	-
	b) From Associates		
	less than 12 months	-	-
	over 12 months	7.500.000	-
	<b>Total receivables from associates</b>	7.500.000	-
	c) From Holding Companies		
	less than 12 months	-	-
	over 12 months	-	-
	<b>Total receivables from holding companies</b>	-	-
	d) From other lenders		
	less than 12 months	-	-
	over 12 months	14.267	14.267
	<b>Total receivables from other lenders</b>	14.267	14.267
	<b>Total financial receivables</b>	7.514.267	14.267
3	Other securities	346.667	-
4	Treasury shares (total nominal value)	-	-
5	Nominal value of treasury shares (for records)	-	-
	<b>Total financial assets</b>	30.344.860	4.591.953
	<b>Total fixed assets</b>	341.807.968	312.707.462
<b>C</b>	<b>Current assets</b>		
I	Inventories		
1	Raw materials, supplies & consumables	46.548.836	48.551.890
2	Work-in-progress & semi-finished products	21.840.928	10.693.283
3	Contracts in progress	-	-
4	Finished products and goods	64.398.478	77.041.949
5	Payments of account	-	-
	<b>Total Inventories</b>	132.788.242	136.287.122

II	Accounts receivable, with separate indication for each item of the amounts collectable within 12 months		
1	from trade debtors		
	a) less than 12 months	115.473.620	159.713.096
	b) over 12 months	-	-
	<b>Total trade debtors</b>	<b>115.473.620</b>	<b>159.713.096</b>
2	from subsidiaries		
	a) less than 12 months	-	-
	b) over 12 months	-	-
	<b>Total receivables from subsidiaries</b>	<b>-</b>	<b>-</b>
3	from associates		
	a) less than 12 months	10.328.211	8.377
	b) over 12 months	-	-
	<b>Total receivables from associates</b>	<b>10.328.211</b>	<b>8.377</b>
4	from holding companies		
	a) less than 12 months	152.499	-
	b) over 12 months	25.835.579	25.897.878
	<b>Total rec. from holding companies</b>	<b>25.988.078</b>	<b>25.897.878</b>
4-bis	Tax assets		
	a) less than 12 months	2.745.072	9.753.593
	b) over 12 months	-	-
	<b>Total tax assets</b>	<b>2.745.072</b>	<b>9.753.593</b>
4-ter	Prepaid taxes:		
	a) less than 12 months	93.117	168.502
	b) over 12 months	188.863	670.876
	<b>Total prepaid tax assets</b>	<b>281.980</b>	<b>839.378</b>
5	from others		
	a) less than 12 months	29.260.482	11.417.530
	b) over 12 months	35.374	10.643
	<b>Total receivables from others</b>	<b>29.295.856</b>	<b>11.428.173</b>
	<b>Total receivables</b>	<b>184.112.817</b>	<b>207.640.495</b>

<i>III Financial assets other than fixed assets:</i>			
1	Stakes in subsidiaries	-	-
2	Stakes in associates	-	-
3	Stakes in holding companies	-	-
4	Other equity interests	-	-
5	Treasury shares, with an indication of overall nominal value	-	-
6	Other securities	-	-
<i>Total financial assets</i>		-	-
<i>IV Cash and cash equivalents</i>			
1	Bank and postal deposits	28.660.908	28.611.991
2	Cheques	1.122	-
3	Cash on hand	3.868	5.737
<i>Total cash and cash equivalents</i>		28.665.898	28.617.728
<i>Total current assets</i>		345.566.957	372.545.345
<i>D Prepayments and accrued income, with separate indication of disagio on loans</i>			
1	Disagio on loans	-	-
2	Prepayments and accrued income	1.726.720	1.692.819
<i>Total prep. and accrued income</i>		1.726.720	1.692.819
<i>Total assets</i>		689.101.645	686.945.626

## BALANCE SHEET

## LIABILITIES

31.12.2015

31.12.2014

<i>A</i> Shareholders' equity			
I	Share capital	50.000.000	50.000.000
II	Share premium reserve	13.500.639	13.500.639
III	Revaluation reserves	34.000.000	34.000.000
IV	Legal reserve	7.653.713	7.653.713
V	Statutory reserves	-	-
VI	Reserve for treasury portfolio	-	-
<i>Total shareholders' equity and reserves</i>		<i>105.154.352</i>	<i>105.154.352</i>
<i>VII</i> Other reserves, indicated separately			
1	Extraordinary reserve	729.337	729.337
2	Capital reserves	-	-
3	Special tax system reserves	-	-
4	Non-distributable profit reserve	-	-
5	Consolidation reserve	130.534.510	123.650.764
6	Currency translation reserve	(71.190)	(225.120)
7	Capital contribution reserve	-	-
8	Other reserves	-	1
9	Accelerated depreciation reserve	-	-
10	Reserve for financial statements in euros	11	5
<i>Total other reserves</i>		<i>131.192.668</i>	<i>124.154.987</i>
VIII	Profit/(Loss) brought forward	70.678.892	72.381.586
IX	Profit/(Loss) for the year	(6.546.587)	990.907
<i>Total Group's shareholders' equity</i>		<i>300.479.325</i>	<i>302.681.832</i>
<i>X</i> Share capital, reserves, minority interest:			
1	Minority interest	138.731	2.401.960
2	Minority interest' profit/(loss)	(28.181)	314.707
<i>Total minority interest</i>		<i>110.550</i>	<i>2.716.667</i>
<i>Total shareholders' equity</i>		<i>300.589.875</i>	<i>305.398.499</i>
<i>B</i> Provisions for contingent liabilities and charges			
1	Retirement benefits and similar indemnities	1.120.036	1.075.807
2	Taxes, including deferred taxes	2.807.036	734.325
3	Others	264.040	328.176
<i>Total provisions for cont. liabilities and charges</i>		<i>4.191.112</i>	<i>2.138.308</i>

C	Provision for employees' severance pay	6.457.570	6.664.986
D	Accounts payable and other liabilities, with indication for each item of sums falling due within 12 months:		
1	Straight bonds		
	a) less than 12 months	-	-
	b) over 12 months	-	-
	<b>Total straight bonds</b>	-	-
2	Convertible bonds		
	a) less than 12 months	-	-
	b) over 12 months	-	-
	<b>Total convertible bonds</b>	-	-
3	Shareholders' loans		
	a) less than 12 months	2.544.600	2.433.361
	b) over 12 months	654.087	3.198.687
	<b>Total shareholders' loans</b>	<b>3.198.687</b>	<b>5.632.048</b>
4	Bank borrowings		
	a) less than 12 months	100.701.440	81.533.613
	b) over 12 months	68.202.794	51.425.055
	<b>Total bank borrowings</b>	<b>168.904.234</b>	<b>132.958.668</b>
5	Borrowings from other lenders		
	a) less than 12 months	-	-
	b) over 12 months	-	-
	<b>Total borrowings from other lenders</b>	-	-
6	Down payments		
	a) less than 12 months	1.016.661	102.788
	b) over 12 months	-	-
	<b>Total down payments</b>	<b>1.016.661</b>	<b>102.788</b>
7	Trade creditors		
	a) less than 12 months	150.890.947	178.031.408
	b) over 12 months	-	-
	<b>Total trade creditors</b>	<b>150.890.947</b>	<b>178.031.408</b>
8	Notes payable		
	a) less than 12 months	-	-
	b) over 12 months	-	-
	<b>Total notes payable</b>	-	-



9	Payables to subsidiaries		
a)	less than 12 months	-	-
b)	over 12 months	-	-
	<i>Total payables to subsidiaries</i>	-	-
10	Payables to associates		
a)	less than 12 months	44.949	-
b)	over 12 months	-	-
	<i>Total payables to associates</i>	44.949	-
11	Payables to holding companies		
a)	less than 12 months	26.356.301	27.493.030
b)	over 12 months	-	-
	<i>Total payables to holding companies</i>	26.356.301	27.493.030
12	Tax liabilities		
a)	less than 12 months	6.582.779	8.448.909
b)	over 12 months	-	-
	<i>Total tax liabilities</i>	6.582.779	8.448.909
13	Social security liabilities		
a)	less than 12 months	2.890.527	2.684.935
b)	over 12 months	-	-
	<i>Total payables to social liabilities</i>	2.890.527	2.684.935
14	Other payables		
a)	less than 12 months	16.104.558	14.645.821
b)	over 12 months	3.015	3.015
	<i>Total other payables</i>	16.107.573	14.648.836
	<i>Total payables</i>	375.992.658	370.000.622
<b>E</b>	<i>Accruals and deferred income, with separate indication of agio on loans</i>		
1	agio on loans	-	-
2	deferred income	1.870.430	2.743.211
	<i>Total accruals and deferred income</i>	1.870.430	2.743.211
	<i>Total liabilities and equity</i>	689.101.645	686.945.626

<i>MEMORANDUM ACCOUNTS</i>		31.12.2015	31.12.2014
<i>A</i>	<i>Memorandum accounts</i>		
<i>I</i>	<i>Sureties issued</i>		
<i>1</i>	<i>Bank guarantees issued</i>	-	-
	<i>d) in favour of third parties</i>	89.003.000	78.027.000
	<i>Total sureties issued</i>	89.003.000	78.027.000
<i>IV</i>	<i>other memorandum accounts</i>		
<i>3</i>	<i>other memorandum accounts</i>	17.353.000	31.598.000
	<i>Total other memorandum accounts</i>	17.353.000	31.598.000
	<i>Total memorandum accounts</i>	106.356.000	109.625.000

## INCOME STATEMENT

31.12.2015

31.12.2014

A		31.12.2015	31.12.2014
<b>Production value:</b>			
1	revenue from goods sold and services rendered	916.928.100	967.484.346
2	changes in inventories of work-in-progress, semi-finished products and finished products;	(2.425.726)	(4.573.375)
3	changes in contracts in progress to order	-	-
4	increase in fixed assets from internal work	3.277.404	2.287.068
5	other revenue and income	-	-
a)	contributions in trading account	237.583	288.614
b)	others	2.513.710	3.554.890
	<b>Total other revenue and income</b>	<b>2.751.293</b>	<b>3.843.504</b>
	<b>Total production value</b>	<b>920.531.071</b>	<b>969.041.543</b>
<b>Production costs:</b>			
6	for raw materials, supplies, consumables and goods	622.532.740	661.491.914
7	for services	179.105.982	172.321.310
8	for hire, purchase and leasing charges	2.064.397	2.585.278
9	for personnel:		
a)	salaries and wages	49.751.134	46.489.788
b)	social security contributions	13.751.488	12.580.668
c)	employees' severance pay allowance	1.643.954	1.594.677
d)	retirement benefits and similar rights	-	-
e)	other costs	1.377.217	842.269
	<b>Total personnel expenses</b>	<b>66.523.793</b>	<b>61.507.402</b>
10	depreciation, amortisation & write-downs		
a)	amortisation of intangible assets	617.672	670.355
b)	depreciation of tangible assets	37.642.108	36.973.678
c)	write-downs of fixed assets	-	-
d)	write-downs of receivables under current assets and cash and cash equivalents	1.547.136	1.507.411
	<b>Total depreciation, amortisation &amp; write-downs</b>	<b>39.806.916</b>	<b>39.151.444</b>
11	changes in inventories of raw materials, supplies, consumable and goods	1.368.501	19.364.188
12	provision for contingent liabilities	-	-
13	other provisions	-	-
14	other charges	2.799.918	1.951.174
	<b>Total production costs</b>	<b>914.202.247</b>	<b>958.372.710</b>
	<b>Difference between production value and costs</b>	<b>6.328.824</b>	<b>10.668.833</b>

<b>C</b>	<b>Financial Income and Expenses</b>		
15	Investment income, with separate indication of those referring to subsidiary and Associates		
	a) from subsidiaries	-	-
	b) from associates	-	-
	c) from holding companies	-	-
	d) from other companies	707	753
	<b>Total income from equity investments</b>	<b>707</b>	<b>753</b>
16	Other financial income		
	a) from long-term investments under assets, with separate indication of those from subsidiaries, associates and holding companies		
	from subsidiaries	-	-
	from associates	-	-
	from holding companies	-	-
	from others	-	-
	<b>Total financial income</b>	<b>-</b>	<b>-</b>
	b) from long-term securities under assets, other than equity investments	-	-
	c) from current assets securities, other than equity investments	-	-
	d) income other than previous items, with separate indication of those from subsidiary, associated and holding companies		
	from subsidiaries	-	-
	from associates	-	-
	from holding companies	-	53.345
	from others	188.765	103.308
	<b>Total income other than previous ones</b>	<b>188.765</b>	<b>156.653</b>
	<b>Total other financial income</b>	<b>188.765</b>	<b>156.653</b>
17	Interest and other financial charges, with separate indication of those from subsidiaries, associates and holding companies		
	a) from subsidiaries	-	-
	b) from associates	-	-
	c) from holding companies	515.555	713.674
	d) from others	4.628.557	5.863.991
	<b>Total interest and other financial charges</b>	<b>5.144.112</b>	<b>6.577.665</b>
17-bis	Exchange gains and losses	(265.535)	(34.589)
	<b>Total financial income and expenses</b>	<b>(4.689.105)</b>	<b>(6.385.670)</b>

<b>D</b>	<b>Adjustments to the value of financial assets:</b>		
18	Re-valuations:		
	a) shareholdings	565.666	204.147
	b) long-term financial assets other than equity investments	-	-
	c) securities under current assets other than equity investments	-	-
	<b>Total revaluations</b>	<b>565.666</b>	<b>204.147</b>
19	Impairments		
	a) shareholdings	1.826.695	74.138
	b) long-term financial assets other than equity investments	-	-
	c) long-term financial assets other than equity investments	-	-
	<b>Total impairments</b>	<b>1.826.695</b>	<b>74.138</b>
	<b>Total adjustments to the value of financial assets</b>	<b>(1.261.029)</b>	<b>130.009</b>
<b>E</b>	<b>Extraordinary gains and losses:</b>		
20	Gains, with separate indication of surplus from sales, the proceeds of which do not come under item 5)		
	a) surplus from sales	135.701	147.362
	b) other extraordinary gains	953.130	2.634.723
	<b>Total extraordinary gains</b>	<b>1.088.831</b>	<b>2.782.085</b>
21	Losses, with separate indication of losses from sales, the effects of which do not come under item 14, and previous years' taxes		
	a) charges	-	-
	b) losses from sales, the effects of which do not come under item 14	9.904	65.190
	c) previous years' taxes	1.871.435	100.000
	d) other extraordinary losses	881.434	2.420.482
	e) round-offs	(1)	-
	<b>Total extraordinary losses</b>	<b>2.762.772</b>	<b>2.585.672</b>
	<b>Total extraordinary gains and losses</b>	<b>(1.673.941)</b>	<b>196.413</b>
	Pre-tax result		
	<b>Pre-tax result</b>	<b>(1.295.251)</b>	<b>4.609.585</b>

<b>T</b>	<b>Income tax</b>		
	22 <i>Income tax – current, deferred and prepaid</i>		
	a) <i>current</i>	5.255.288	3.361.791
	b) <i>deferred</i>	(12.081)	11.304
	c) <i>prepaid</i>	36.310	(69.124)
	<b>Total income taxes for the year</b>	<b>5.279.517</b>	<b>3.303.971</b>
	<i>Result for the year</i>		
	<b>Consolidated result for the year</b>	<b>(6.574.768)</b>	<b>1.305.614</b>
<b>V</b>	<i>Result for the Group</i>	(28.181)	314.707
	<b>Minority interest result</b>	<b>(6.546.587)</b>	<b>990.907</b>

## Explanatory notes to the Consolidated Financial Statements ended on 31st December 2015

(Figures expressed in thousands of euros)

The Group's Consolidated Financial Statements for the year ended on 31<sup>st</sup> December 2015, of which these Explanatory Notes form an integral part pursuant to Art. 29 of Legislative Decree no. 127/91, were drawn up in compliance with articles 29-39 of the same legislative decree and Legislative Decree no. 6 of 17<sup>th</sup> January 2003 as amendments.

These Consolidated Financial Statements were prepared in accordance with the provisions of the Italian Civil Code and, when necessary, with the accounting policies of the National Boards of Chartered Accountants and of Auditors, using the same valuation criteria.

Pursuant to the provisions of law, the valuation criteria adopted were the same as those adopted by the parent company and the other group companies, and the financial statements of the individual companies were adjusted for cases in which the accounting criteria were not homogeneous.

The following points should also be noted:

- In exceptional cases requiring derogations pursuant to article 29, subsection 4 of the above decree, full motivation is provided in these explanatory notes, and the effects on the equity and the results were also reported.
- A breakdown of the items under assets and liabilities is detailed when the figure is substantial.
- Risks and losses for the year were taken into account, even if known after the closing date.
- The 2015 Consolidated Financial Statements are officially drawn up in accordance with Legislative Decree 127/91 and show a comparison with the previous year's figures. Reclassifications have been made where necessary to allow a comparison pursuant to art. 2423-ter of the Italian Civil Code. Reclassifications appear in the part showing comments on the various items.

### Contents and form of the consolidated financial statements

The Consolidated Financial Statements include the financial statements as at 31<sup>st</sup> December 2015 of Feralpi Siderurgica S.p.A. (parent company) and the following companies.

### Scope of consolidation

The subsidiary Feralpi Algérie, which in the previous year entered the scope of consolidation valued at cost as it was non-operational, was included in the scope of consolidation using the equity method. Feralpi Siderurgica also took over 100% of Fer-Par Srl, which was formerly held by Feralpi Holding Spa.

The following companies also entered the scope of consolidation under the equity method in 2015: Caleotto S.p.A., set up during the year following the joint-venture with Duferco Italia Holding S.p.A, and Presider S.p.A. and MPL S.r.l., belonging to the Ferrero Group, both acquired during the year with a 48% stake.

In April 2015, following the sale of a stake in DI.MA. S.r.l., formerly entered in the scope of consolidation under the equity method, the stake held indirectly by the Company decreased from 33% to 31%.

It is worth noting the among the equity investments valued at cost in 2015, there is the newly-established Cogeme Steel, 50% stake held in joint venture with INDIA, which was still non-operational at the end of the year.

<i>Name and location</i>	<i>Share capital</i>	<i>Dir.</i>	<i>Indir.</i>	<i>Stake held by</i>	<i>%</i>	<i>% Parent company</i>
<i>Acciaierie di Calvisano SpA Calvisano (Bs)</i>	3.250	X		<i>Feralpi Siderurgica SpA</i>	<u>100,00%</u>	<u>100,00%</u>
<i>Dieffe Srl Lonato (Bs)</i>	1.900	X		<i>Feralpi Siderurgica SpA</i>	<u>100,00%</u>	<u>100,00%</u>
<i>Nuova Defim SpA Brescia (Bs)</i>	300	X		<i>Feralpi Siderurgica SpA</i>	<u>100,00%</u>	<u>100,00%</u>
<i>Immobiliare Feralpi Srl Lonato del Garda (Bs)</i>	50	X		<i>Feralpi Siderurgica SpA</i>	<u>100,00%</u>	<u>100,00%</u>
<i>Fer-Par Srl Lonato del Garda (Bs)</i>	20	X		<i>Feralpi Siderurgica SpA</i>	<u>100,00%</u>	<u>100,00%</u>
<i>ESF Elbe-Stahlwerke Feralpi GmbH Riesa (D)</i>	11.000	X		<i>Feralpi Siderurgica SpA</i>	<u>98,00%</u>	
			X	<i>Fer-Par Srl</i>	<u>2,00%</u>	
				<i>Totale</i>		<u>100,00%</u>
<i>Feralpi Stahlhandel GmbH Riesa (D)</i>	2.100	X		<i>Feralpi Siderurgica SpA</i>	33,33%	
			X	<i>ESF GmbH</i>	66,67%	
				<i>Totale</i>		<u>100,00%</u>
<i>EDF Elbe-Drahtwerke Feralpi GmbH Riesa (D)</i>	1.500		X	<i>ESF GmbH</i>	90,00%	
			X	<i>Feralpi Stahl. GmbH</i>	10,00%	
				<i>Totale</i>		<u>100,00%</u>
<i>Feralpi Logistik GmbH Riesa (D)</i>	1.000		X	<i>ESF GmbH</i>	35,00%	
			X	<i>Feralpi Stahl. GmbH</i>	65,00%	
				<i>Totale</i>		<u>100,00%</u>
<i>Feralpi Praha Sro Kralupy (Cs)</i>	3.427		X	<i>Feralpi Stahlhandel GmbH</i>	<u>100,00%</u>	<u>100,00%</u>
<i>Feralpi Hungaria KFT Budapest (H)</i>	6.684		X	<i>Feralpi Stahlhandel GmbH</i>	<u>100,00%</u>	<u>100,00%</u>
<i>Feralpi Algerié Orano (Algeria)</i>	471		X	<i>Fer-Par Srl</i>	<u>70,00%</u>	<u>70,00%</u>

It is worth noting that the above companies are directly included in the scope of consolidation and controlled pursuant to subsection 1 (point 1) of art. 2359 of the Italian Civil Code.



## Activities

The parent company is active in the production of steel in billets, rebar and wire rod.

The financial statements of the Italian companies included in the scope of consolidation are those approved and/or being approved by the related general assemblies, while those of companies abroad were included in the consolidated financial statements of ESF GmbH, in accordance with German law.

These Financial Statements are based on homogeneous valuation criteria within the Group and were reclassified and adjusted as required.

The following equity interests in directly controlled associates are valued using the equity method.

<i>Name and location</i>	<i>Share capital</i>	<i>Dir.</i>	<i>Indir.</i>	<i>Stake held by</i>	<i>%</i>	<i>% Parent company</i>
Beta SA Buzau (R)	766	X		Feralpi Siderurgica SpA		<u>28,35%</u>
Dima Srl Italia	1.000		X	Acciaierie di Calvisano		<u>31,00%</u>
Media Steel S.r.l. Italia	200	X		Feralpi Siderurgica SpA		<u>45,00%</u>
Comeca S.p.A. Italia	2.800		X	FerPar S.r.l.		<u>19,85%</u>
Caleotto S.p.A. Italia	2.000	X		Feralpi Siderurgica SpA		<u>50,00%</u>
Arlenico S.p.A. Italia	1.000	X		Feralpi Siderurgica SpA		<u>50,00%</u>
Presider S.p.A. Italia	4.160	X		Feralpi Siderurgica SpA		<u>48,00%</u>
M.P.L. S.r.l. Italia	2.555	X		Feralpi Siderurgica SpA		<u>48,00%</u>

The associate Cogeme Steel S.r.l. was valued at cost as it will close the first financial year on 31<sup>st</sup> December 2016.

<i>Name and location</i>	<i>Share capital</i>	<i>Dir.</i>	<i>Indir.</i>	<i>Stake held by</i>	<i>%</i>	<i>% Parent company</i>
Cogeme Steel. S.r.l. Italia	200		X	Acciaierie di Calvisano		<u>50,00%</u>

## **CONSOLIDATION PRINCIPLES AND METHODS**

### **Consolidation principles**

Consolidation was carried out using the full integration method, in accordance with the principles set out in articles 31, 32 and 33 of Legislative Decree no. 127/91.

The following criteria, which are the same as those used in the previous year, were adopted in applying this method:

The following criteria, which are the same as those used in the previous year, were adopted in applying this method:

a) The items under assets and liabilities, as well as the gains and losses of the companies included in the consolidation, are recognised using the full integration method. The following items have been eliminated:

- equity interest included in the consolidation and the corresponding portions of shareholders' equity;
- receivables and payables between the companies included in the consolidation;
- income and expenses connected with inter-company transactions;
- profits and losses resulting from intercompany transactions and connected with figures under assets;

b) The difference between the cost of acquisition and equity of the consolidated companies on the date of the first Consolidated Financial Statements or at the time of subsequent purchases is, where negative, entered under an equity item called "Consolidation Reserve" or, where positive, attributed to land and buildings owned by the companies, or taken directly from the Consolidation Reserve, if it is not attributable either to assets or liabilities nor to consolidation differences.

The results for the individual subsidiaries following the first consolidation go to increase or decrease the Consolidation Reserve.

c) The minority interest in share capital and reserves of subsidiaries included in the consolidation are entered under a specific equity item. The share of the consolidated result for the year pertaining to minority interest is shown separately

### **Layout of the Financial Statements and Explanatory Notes**

The layouts of the Financial Statements and the Explanatory Notes have been modified to comply with the provisions of articles 2424 and 2427 of the Italian Civil Code.

### **Valuation criteria**

The valuation criteria used are substantially unchanged compared to the previous year. In the case of changes, appropriate reasons are given and the effect on the result and the equity is reported in the explanatory notes.

The figures of the book items can be perfectly compared with those of the previous year. In exceptional circumstances, reclassifications are required and their nature is noted in the explanatory notes.

### **Intangible assets**

Intangible fixed assets are entered at cost and refer to costs attributable to more than one year. They are amortised over five years or, if different, in proportion to their expected useful life, in compliance with article 2426 of the Italian Civil Code.

Costs for research and development attributable to more than one year are amortised over five years with the agreement of the Board of Auditors.

<i>Category</i>	<i>%</i>
<i>Incorporation and extension costs</i>	20%
<i>Research and development costs</i>	20%
<i>Industrial patent fees</i>	20%
<i>Concessions, licences and trademarks</i>	10% 20%
<i>Goodwill</i>	20%

### *Tangible assets*

Tangible assets are entered at cost, plus directly allocated accessory charges, and adjusted according to appreciation in accordance with the Law. Land and buildings are also adjusted by attributing in the first consolidation the difference between the amount entered under holdings and the equity of the subsidiary or associate, in as far as the value has been ascertained by independent experts. The cost of tangible assets is adjusted by depreciation calculated on the basis of the estimated residual life of the assets. To this end, the production units belonging to the group have updated the residual life of their major assets in accordance with the expert valuation.

The following depreciation rates were used. They have not been changed compared to the previous year:

<i>Category</i>	<i>%</i>
<i>Industrial Buildings</i>	5%
<i>Lightweight constructions - roofs</i>	10%
<i>Plant and machinery</i>	da 5% a 20%
<i>Industrial and commercial equipment</i>	12,50% - 20% - 25% - 100%
<i>Other equipment</i>	12% - 20% - 25%

In order to adjust average depreciation to actual temporal use in the first year of life of the new asset, amortisation plans provide for the application of a rate that takes into account the date on which the asset started to be used.

In particular, it should be noted that, within the group, assets are depreciated at rates that take into account their residual life, in compliance with the provisions of article 2426 of the Italian Civil Code, and according to the amortisation plan.

Ordinary maintenance and repair expenses are recognised to income statement for the year in which they are incurred.

In accordance with the Italian Standard Setter (OIC 17), assets leased by third parties come under tangible assets in that there is the reasonable certainty that the redemption option will be exercised at the end of the lease agreement. This gives rise to a financial cost in the consolidated financial statements (on an accrual basis) corresponding to the difference in total contract leases over and above the cost (open market value) of the leased asset.

The asset is entered under tangible assets and the same amount is entered under liabilities. This amount is progressively reduced according to the repayment schedule for the principal values included in the rentals specified in the agreement. The value of the item entered under assets is depreciated systematically according to the policies set out above.

Lastly, the financial statements show the charge for deferred taxation connected with temporary differences between the accounting method described and the method used in statutory financial statements, which state that rentals must be entered as operating charges.

The principle described above is applied for leased assets of a significant amount that are already being used on the closing date.

### Financial Assets

Equity investments in associates, as defined in article 2359 of the Italian Civil Code, are valued using the equity method.

Other equity investments or associates are entered at cost, adjusted as required due to permanent impairment in value.

Amounts receivable are entered at the nominal value, corresponding to the estimated realisable value.

### Inventories

Inventories are valued according to the lesser of either the purchase cost (including accessory charges) or production cost and the fair value, pursuant to art. 2426 of the Italian Civil Code, points 9-10.

Raw materials, supplies, consumables, semi-finished and finished products, and work in progress are valued according to the weighted average cost method. Supplies are valued at the weighted average cost for the year.

The cost of manufacture includes the cost of raw materials, goods, labour and other direct and indirect production costs.

### Accounts receivable and payable

Accounts receivable are entered at the expected salvage value, including any addition and reclassification, by means of direct adjustment of specific depreciation funds. Accounts payable are shown at the nominal value. Accounts receivable and payable in foreign currency are entered in euros at the exchange rate on the date of operation, and the relevant exchange rate gains or losses are credited or debited to the income statement on the date on which payment is received or made.

At the end of the year, accounts receivable and payable originally expressed in a foreign currency were translated into euros at the spot exchange rate on the closing date.

### Tax credit

This item covers amounts receivable from Inland Revenue, which are recognised at the estimated realisable value.

### Prepaid taxes

This item covers amounts resulting from postponed deductibility of negative income components, which are recognised at the estimated realisable value.

### Cash and cash equivalents

These are valued at their nominal value.

### Prepayments and accrued income

Prepayments, accrued income and charges and deferred income were calculated on an accrual basis.

### Provisions for contingent liabilities and charges

This item refers to provisions estimated on the basis of amounts payable or losses of a set nature and of either a certain or probable existence, the amount of which or date of occurrence is unspecified on the closing day.

These provisions were evaluated in compliance with the general principles of prudence and on an accrual basis, and no provisions for generic risks without economic justification were set up.

Contingent liabilities were recognised in the balance sheet and allocated to provisions as they are considered probable and the amount of their obligation can be estimated with reasonable certainty.

#### Provision for employees' severance pay

This provision is calculated according to the law and existing labour agreements, and reflects the amounts payable to employees accrued on the closing date.

#### Tax liabilities

Tax liabilities show income tax for the year based on a realistic forecast, in addition to the various VAT taxes and dues and debts of the individual companies resulting from withholding tax positions.

#### Costs and Revenues

Costs and revenues for the year are recorded on an accrual basis.

Revenues and gains, and costs and charges are entered after deduction of any returns, discounts and allowances.

#### Income tax

Current tax, if required, is set aside according to the applicable rates and regulations on the basis of a realistic forecast of taxable income, taking account of any exemptions.

It must be noted that deferred taxes were entered in the financial statements in accordance with the provisions of document no. 25 of the National Board of Chartered Accountants and pursuant to the general rules of due diligence, competence and prudence (art. 2423, subsection 2, of the Italian Civil Code and art. 2423 bis, subsection 1, of the Italian Civil Code).

Provisions were also made for prepaid and deferred taxes originating from temporary differences between the figures under assets and liabilities, calculated according to statutory and fiscal criteria. Deferred taxes receivable are entered when there is reasonable certainty of the existence - for the years to which the temporary prepaid taxes refer - of a taxable income not less than the amount of the differences to be offset.

#### Translation criteria and rates applied in financial statements expressed in foreign currencies.

The figures under the balance sheet are translated at the spot exchange rate on the closing date.

The figures in the income statements are translated at the average yearly exchange rates.

The exchange rate used by Beta SA as at 31/12/2015 were EUR 1 to lei 4.48.

For companies based in non-euro zone countries, any differences arising out of the translation of the figures in the balance sheets and income statements are entered in a net equity reserve called "Foreign currency translation reserve".

## ASSETS

### B) Fixed assets

#### I. Intangible assets

The breakdown is as follows.

	<i>Incorporation and extended costs</i>	<i>R&amp;D costs</i>	<i>Industrial patent fees</i>	<i>Goodwill</i>	<i>Others intangible assets</i>	<i>Total intangible assets</i>
<i>Opening value</i>						
<i>Cost</i>	1.458	1.568	1.549	1.716	23.285	29.576
<i>Amortisation (accumulated amortisation)</i>	(1.315)	(1.554)	(1.378)	(1.596)	(22.517)	(28.360)
<i>Carrying value</i>	143	14	171	120	768	1.216
<i>Changes during the year</i>						
<i>Increase due to acquisitions</i>			78		282	360
<i>Amortisation allowance</i>	(70)	(8)	(109)	(70)	(361)	(618)
<i>Other changes</i>	2	-	-	-	-	2
<i>Total changes</i>	(68)	(8)	(31)	(70)	(79)	(256)
<i>Closing value</i>						
<i>Cost</i>	1.458	1.568	1.627	1.716	23.567	29.936
<i>Amortisation (accumulated amortisation)</i>	(1.383)	(1.562)	(1.487)	(1.666)	(22.878)	(28.976)
<i>Carrying value</i>	75	6	140	50	689	960

#### Incorporation and extension costs

Incorporation and extension costs are related to costs and expenses sustained previously for the takeover of the Defim and Orsogrill lines of business by Nuova Defim and refer to the registration fee and notarial expenses and advisory fees.

#### Research & development costs

The costs for research and development relate to charges incurred in order to obtain predetermined scientific and technical know-how in the field in which the Group operates and to implement the necessary procedures for economic exploitation of the know-how acquired.

#### Industrial patents and intellectual property rights

These refer entirely to the costs for software and application programmes, which increased by €78 thousand during the year.

## Goodwill

This relates to residual amounts of goodwill amortised in 20 years and paid in relation to various acquisitions made over time.

## Other intangible assets

The major increase relates to Other intangible assets for costs associated with the taking out of new mortgage loans of the amount of €282 thousand.

## II. Tangible assets

	Land & Buildings	Plant and Machinery	Leased plant and machinery	Industrial and Trade fixtures	Other tangible assets	Work in progress and payments on accounts	Total tangible assets
<b>Opening value</b>							
Cost	228.712	616.921	8.315	9.106	29.312	8.044	900.410
Amortisation (accumulated amc)	(76.299)	(478.759)	(8.315)	(8.538)	(21.599)	-	(593.510)
Carrying value	152.413	138.162	-	568	7.713	8.044	306.900
<b>Changes during the year</b>							
Increase due to acquisitions	8.797	26.222	-	103	2.788	4.723	42.633
Amortisation allowance	(6.900)	(27.671)	-	(216)	(2.855)	-	(37.642)
Other changes	123	4.300	-	-	36	(5.846)	(1.387)
Total changes	2.020	2.851	-	(113)	(31)	(1.123)	3.604
<b>Closing value</b>							
Cost	237.509	643.143	8.315	9.209	32.100	12.767	943.043
Amortisation (accumulated amc)	(83.076)	(502.130)	(8.315)	(8.754)	(24.418)	(5.846)	(632.539)
Carrying value	154.433	141.013	-	455	7.682	6.921	310.503

Land and buildings also includes €403,000 (net of depreciation) relating to adjustments made upon consolidation of Acciaierie di Calvisano S.p.A. for the difference between the value of the stake and equity on the date of the first consolidation. This allocation is supported by an estimate made by an independent expert.

Revaluations made in accordance with the 2008 Act (Law Decree no. 185/2008) involved the following companies:

Company	Revalued Items	Value of tangible assets	Effects on shareholders' equity
Feralpi Siderurgica S.p.A.	Land	34.000	34.000
Acc. Di Calvisano S.p.A.	Land	10.768	10.768
Dieffe S.r.l.	Land and buildings	2.648	2.586
<b>Total</b>		<b>47.416</b>	<b>47.354</b>

The €42,633,000 increase is detailed for each company in the business report.

### III. Financial assets

A breakdown of financial assets is given in the table below.

Description	2015	2014	Change
Equity investments	22.484	4.578	17.906
Receivable from subsidiaries	-	-	-
Receivable from associates	7.500	-	7.500
Receivable from other comp.	14	14	-
Other securities	347	-	347
<b>Total</b>	<b>30.345</b>	<b>4.592</b>	<b>25.753</b>

The individual items are detailed below:

Description	2014	Increase	Decrease	2015
Associates	4.287	17.984	-	22.271
Holding companies	-	-	-	-
Others companies	291	28	(106)	213
Provision for equity investment impairment	-	-	-	-
<b>Total Other companies</b>	<b>291</b>	<b>28</b>	<b>(106)</b>	<b>213</b>
<b>Total</b>	<b>4.578</b>	<b>18.012</b>	<b>(106)</b>	<b>22.484</b>

The increase in equity investments in associates relates to €17,117,000 new stakes held directly by the parent company in its associates Caleotto S.p.A. (€6,030,000), Presider S.p.A. (€9,801,000) and MPL (€1,286,000).

During the year the value of the associate Dima Srl also increased by €275,000, following the subscription of a share capital increase.

The item "increase" in associates includes €100,000 paid for the establishment of the company CO.GE.ME. Steel S.r.l.

#### Associates

The table below shows the list of associates valued using the equity method.



Denomination and location	Share capital	Shareholders' equity	Profit/(Loss)	Pertaining Profit/loss	% Stakes Held	Carrying value
Beta S.A. Buzau (R)	766	14.456	74	21	28,35%	2.823
Media Steel Srl	200	2.986	567	255	45,00%	1.434
Dima	1.000	1.204	52	16	31,00%	527
Caleotto S.p.A.	2.000	9.534	(2.466)	(1.233)	50,00%	4.548
Presider S.p.A.	4.160	13.831	553	265	48,00%	10.066
Mpl S.r.l.	2.555	1.767	(358)	(172)	48,00%	1.114
Comeca S.p.A.	2.800	8.355	62	12	19,85%	1.660
<b>Total</b>						<b>22.171</b>

In 2015, Feralpi Holding acquired the sub-holding company Fer.Par S.r.l. with its associate Comeca, the subsidiary Feralpi Algérie and 2% of ESF.

Two joint-ventures were also set up, one with the Duferco group by establishing Caleotto S.p.A. with a 50% share, and the other by setting up Cogeme Steel S.r.l., with the India group.

A 48% stake in Presider S.p.A. and Mpl S.r.l. was also acquired.

Details on the new acquisitions are provided in a dedication section of the Business Report.

Below is the list of associates valued at cost.

Denomination and location	Share capital	Shareholders' equity	Profit/(Loss)	Pertaining Profit/loss	% Stakes Held	Carrying value
Cogeme Steel	200	200	0	0	50,00%	100

### Other companies

Stakes in other companies totalling €213,000, with a €28,000 increase, and relating to Metal Interconnector, with a decrease of €106,000 due to Banca Popolare Etruria and Banca Popolare di Novara capital write-offs.

### Financial accounts receivable

A breakdown of this item is given in the table below.

Description	2014	Increase	Decrease	2015
Subsidiaries (less than 12 months)	-	-	-	-
Subsidiaries (over 12 months)	-	-	-	-
Associates (over 12 months)	-	12.500	(5.000)	7.500
Others (less than 12 months)	-	-	-	-
Others (over 12 months)	14	-	-	14
<b>Total</b>	<b>14</b>	<b>12.500</b>	<b>(5.000)</b>	<b>7.514</b>

The €7,500,000 increase in associates relates to loans granted to Caleotto S.p.A.

Financial accounts receivable from others – over 12 months

The figure of €14,000 refers to long-term guarantee deposits relating to the parent company and Italian companies, which are the same as in the previous year.

**C) Current assets****I. Inventories**

Inventories, which are recognised at the lower of the cost or fair value, are valued using the weighted average cost method.

This method is more appropriate to normalize the fluctuations in the price of raw materials than that of the finished product, thus allowing the reader to have a better interpretation of the financial statements figures.

Closing inventories as at 31.12.2015 were assessed by means of a physical inventory under the supervision of the various heads of department.

A breakdown of each item is given in the table below.

<i>Description</i>	<i>2015</i>	<i>2014</i>	<i>Change</i>
<i>Raw materials, supplies and consumables</i>	46.549	48.552	(2.003)
<i>Work in progress and semi-finished products</i>	21.841	10.693	11.148
<i>Finished products and goods</i>	64.398	77.042	(12.643)
<b><i>Total</i></b>	<b>132.788</b>	<b>136.287</b>	<b>(3.499)</b>

The decrease on the previous year is due to the fact that the Group implemented a careful stocks management policy, which contributed to finalise inventories.

**II. Accounts receivables**

A breakdown of this item is given in the table below.

<i>Description</i>	<i>2015</i>	<i>2014</i>	<i>Change</i>
<i>Receivables from customers entered under current assets</i>	115.474	159.713	(44.239)
<i>Receivables from subsidiaries entered under current assets</i>	-	-	-
<i>Receivables from associates entered under current assets</i>	10.328	8	10.320
<i>Receivables from holding companies entered under current assets</i>	25.988	25.898	90
<i>Tax assets entered under current assets</i>	2.745	9.754	(7.009)
<i>Prepaid tax assets entered under current assets</i>	282	839	(557)
<i>Receivables from others entered under current assets</i>	29.296	11.428	17.868
<b><i>Total</i></b>	<b>184.113</b>	<b>207.640</b>	<b>(23.528)</b>

It is worth noting that the item “Receivables from associates entered under current assets” increased by €10,310,000, mainly due to the effect of sales to the associate Caleotto S.p.A.

Receivables from others include the amount for “Incentives for high energy consuming enterprises” in favour of both Feralpi Siderurgica S.p.A. and Acciaierie di Calvisano S.p.A. of €6,193,000 accrued over the financial year and €5,387,000 relating to the previous year, which will be collected by the Group companies in the course of 2016 in accordance with the last resolution passed by the Regulatory Authority for Electricity, Gas and Water.

A breakdown of accounts receivable by due date for the year ended 31<sup>st</sup> December 2015 is given below.

Description	Less than 12 months	Over 12 months	Over 5 years	Total
Receivables from customers entered under current assets	115.474	-	-	115.474
Receivables from subsidiaries entered under current assets	-	-	-	-
Receivables from associates entered under current assets	10.328	-	-	10.328
Receivables from holding companies entered under current assets	152	25.836	-	25.988
Tax assets entered under current assets	2.745	-	-	2.745
Prepaid tax assets entered under current assets	93	189	-	282
Receivables from others entered under current assets	29.260	35	-	29.296
<b>Total</b>	<b>158.053</b>	<b>26.060</b>	<b>-</b>	<b>184.113</b>

#### Accounts receivable from customers

Accounts receivable from customers are recognised net of the provision for doubtful debts, which currently stands at €3,369,000.

Adjustment of the nominal value to the expected salvage value was achieved via the provision for doubtful debts, which recorded the following movements over the year.

Description	2014	Utilisation	Accrual	2015
Provision for doubtful debts	2.978	(1.156)	1.547	3.369

Accounts receivable from customers are all of a trade nature and are divided by geographical area, as shown in the table below.

Description	Italy trade	Italy Other	Other EU countries trade	Other EU countries other	Non EU	Total
Receivables from customers entered under current assets	78.996	-	26.795	-	9.682	115.473
Receivables from subsidiaries entered under current assets	-	-	-	-	-	-
Receivables from associates entered under current assets	10.323	-	-	5	-	10.328
Receivables from holding companies entered under current assets	308	25.680	-	-	-	25.988
Tax assets entered under current assets	337	1.138	-	1.187	84	2.745
Prepaid tax assets entered under current assets	-	282	-	-	-	282
Receivables from others entered under current assets	-	24.296	-	4.886	114	29.296
<b>Total</b>	<b>89.964</b>	<b>51.395</b>	<b>26.795</b>	<b>6.078</b>	<b>9.880</b>	<b>184.112</b>

The amount of accounts receivable from customers decreased considerably due to the new mix of revenues, which gradually moved to sales abroad, for which the terms of payment are shorter.

#### Accounts receivable from the holding company

Receivables from the holding company are related only to Feralpi Holding S.p.A. and are of a financial nature and associated with the applicable tax consolidation regime. A breakdown is given in the table below.

Descrizione	Receivables from holding comp.	
	Trade	Financial
Feralpi Siderurgica S.p.A.	153	17.003
Acciaierie di Calvisano S.p.A.	-	7.803
Feralpi Stahl	-	-
Nuova Defim S.p.A.	-	313
Dieffe srl	-	714
Presider	-	-
Beta	-	-
MediaSteel	-	-
Immobiliare Feralpi	-	2
<b>Italy</b>	<b>153</b>	<b>25.835</b>
Gruppo Esf	-	-
<b>Abroad</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>153</b>	<b>25.835</b>
<b>Total receivables</b>		<b>25.988</b>

Non-trade receivables are related to the national tax consolidation regime and represent the amount the group is owed from the parent company following the transfer to the parent company of the tax losses accumulated in previous years and current year.

### Tax assets

Tax assets totalling €2,745,000 are divided as shown below.

Description	2015	2014	Change
VAT	644	7.653	
R&D	454	178	276
IRAP/IRES (Regional business tax/Corporate income tax)	359	328	31
Excise taxes	1.288	1.491	(203)
Others less significant	-	104	(104)
<b>Total</b>	<b>2.745</b>	<b>9.754</b>	<b>(7.009)</b>

### Prepaid taxes

A breakdown of prepaid taxes is given below.

Description	2015	2014	Change
Material for slag and offgas deferrization	-	74	(74)
Prepaid taxes on bad debts	282	765	(483)
<b>Total</b>	<b>282</b>	<b>839</b>	<b>(557)</b>

Prepaid tax assets, which were calculated on the tax loss incurred by the parent company under the national tax consolidation regime by the various group companies, are recognised on the basis of the reasonable certainty of recovery by means of the Group's profitability prospects outlined in the latest Business Plan.

### Accounts receivable from others

The figure of €29,296,000 under this item is broken down as follows.

Description	2015	2014	Change
Energy cost refund	13.489	7.898	5.591
Receivables from other Group companies	11.697	-	11.697
Unemployment benefits	215	197	18
Social security institutions	61	47	14
Sundry amounts receivable	3.614	2.293	1.321
Contr. Received for investments	-	424	(424)
Others less significant	220	569	(349)
<b>Total</b>	<b>29.296</b>	<b>11.428</b>	<b>17.868</b>

Under receivables from others, the most significant item is related to "Receivables from other Group companies", which includes amounts referring to Caleotto S.p.A., which was consolidated using the equity method.

Another significant components is associable to invoices to be issued regarding “Incentives for high energy consuming enterprises”. The amount accrued in previous years will be collected by the Group companies in the course of 2016 in accordance with the last resolution passed by the Regulatory Authority for Electricity, Gas and Water.

#### IV. Cash and cash equivalents

Description	2015	2014	Change
Bank and postal current accounts	28.661	28.612	49
Cheques	1	-	1
Cash and cash equivalents on hand	4	6	(2)
<b>Total</b>	<b>28.666</b>	<b>28.618</b>	<b>48</b>

The balance represents cash on hand and the existence of cash and securities available on the closing date, the majority of which is held by the Group’s German companies. For more details on the origins of the liquidity funds, please refer to the financial statements illustrated in the business report.

#### D) Prepayments and accrued income

They measure income and charges received or paid in advance or on an accrual basis; they are independent of the date of payment or collection of the related income and charges, refer to two or more years and can be allocated on an accrual basis.

For these items too, the criteria adopted in assessing and translating values expressed in foreign currency are shown in the first part of these notes.

A breakdown of this item is given below.

Description	2015	2014	Change
Other prepaid expenses	1.727	1.693	34
<b>Total</b>	<b>1.727</b>	<b>1.693</b>	<b>34</b>

A breakdown by type is given below.

Description	2015	2014	Change
Sundry	309	275	34
Interest and commissions	1.018	1.017	1
Insurance and guarantees	400	401	(1)
<b>Total prepaid expenses</b>	<b>1.727</b>	<b>1.693</b>	<b>34</b>

A breakdown by time is given in the table below.

<i>Description</i>	<i>Less than 12 months</i>	<i>Over 12 months</i>	<i>Total</i>
<i>Prepayments and accrued income</i>	1.222	505	1.727
<i>Total</i>	1.222	505	1.727

## LIABILITIES

### A) Shareholders' equity

The share capital of the parent company as at 31<sup>st</sup> December 2015 amounted to €50,000,000.

Adjustments deriving from the consolidation process resulted in the following differences between the financial statements as at 31<sup>st</sup> December 2015 for the parent company Feralpi Siderurgica S.p.A. and the Group's consolidated financial statements on that date.

### PARENT COMPANY'S EQUITY RECONCILIATION STATEMENT

	Result	Initial share capital and reserves	Shareholders' Equity
<i>Feralpi siderurgica Spa</i>	(1.979)	176.563	174.584
<i>Adjustment to Group's accounting policies</i>			
<i>Intangible asset amortization adjustment</i>	(170)	986	816
<i>Inventory valuation adjustment</i>	-	(232)	(232)
<i>Write-off of intercompany transaction effects</i>			
<i>Intra-group margins included in the inventory value</i>	-	-	-
<i>Gains resulting from intra-group sales of assets</i>	(38)	-	(38)
<i>Write-off of the carrying value of equity investments</i>			
<i>Elision of equity interests</i>	8.705	125.903	134.609
<i>Elision of dividends</i>	(11.910)	-	(11.910)
<i>Consolidation using the equity method</i>	(1.154)	3.806	2.651
<i>Group profit/equity</i>	(6.547)	307.026	300.480
<i>Minority shareholders' profit/equity</i>	(28)	139	111
<i>Consolidated profit/equity</i>	(6.575)	307.165	300.590

The figures shown are net of taxes.

Movements in shareholders' equity are shown in the table below.



	Share capital	Share premium reserve	Legal Reserve	Extraor. Reserve	Profit/loss brought forward	Other reserves	Currency translation reserve	Consol. Reserve	Result for the year	Total	Minority interest result	Minority equity	Total
31 Dicembre 2013	50.000	13.501	7.653	1.577	81.444	34.000	(159)	125.341	(11.608)	301.749	57	2.356	304.162
allocation to the 2013 result					(9.063)			(2.545)	11.608	-	(57)	57	-
dividends													-
other movements				(847)			(66)	855		(58)			(58)
2014 operating results									991	991	315	(12)	1.294
31 Dicembre 2014	50.000	13.501	7.653	730	72.381	34.000	(225)	123.651	991	302.682	315	2.401	305.398
allocation to the 2014 result					(1.703)			2.694	(991)	-	(315)	315	-
dividends													-
other movements							154			154			154
acquisitions during the year								4.190		4.190		(2.577)	1.613
2015 operating result									(6.547)	(6.547)	(28)		(6.575)
31 Dicembre 2015	50.000	13.501	7.653	730	70.678	34.000	(71)	130.535	(6.547)	300.479	(28)	139	300.590

It is worth noting that the change relating to the item "Acquisition during the year" of €4,190,000 under the consolidation reserve is attributable to the first year of entry in the consolidation scope of Feralpi Algérie and the acquisitions during the year of a stake in Fer Par, Comeca, ESF (formely entered in the scope of consolidation of Feralpi Holding).

The amount of €28,000 under "Minority interest result" is entirely related to the minority interest of the subsidiary Feralpi Algérie.

## B) Provisions for contingent liabilities and charges

Description	2014	Increase	Decrease	2015
Supplementary indemnity fund for sales agents	1.076	44	-	1.120
Deferred taxes	734	2.073	-	2.807
Slag disposal	-	184	-	184
Other sundry risks	328	-	(248)	80
<b>Total</b>	<b>2.138</b>	<b>2.301</b>	<b>(248)</b>	<b>4.191</b>

The provision for deferred taxes is mainly related to the following:

- €345,000 allocated to ESF GmbH (consolidated) as differences between degressive depreciation (German financial statements) and linear depreciation (Italian financial statements), resulting from compliance with the accounting policies adopted by the parent company and alignment with valuation of the closing stock. The amount of €1,949,000 is related to a tax audit of the German company for the years 2006-2009 and allocated to provision for the year.
- €184,000 allocated to Feralpi Siderurgica is related to statutory depreciation that is fiscally deductible in future periods.

The item "Other risks" cover the provision for the disposal of slag regarding the parent company. A breakdown is given in the table below.

	Provision for pension and similar obligations	Provision for deferred and other taxes	Other provisions	Total provision for risks and charges
Opening value	1.076	734	328	2.138
<i>Changes during the year</i>				
Allocation for the year	44	2.073	197	2.314
Utilisation during the year			(261)	(261)
Closing value	1.120	2.807	264	4.191

### C) Employees' severance pay

The breakdown is as follows.

	Employee severance pay
Opening value	6.665
<i>Changes during the year</i>	
Allocation for the year	1.644
Utilisation during the year	(1.851)
Closing value	6.458

The figure set aside represents what the company actually owe its employees as at 31.12.2015, after deduction of advances paid.

### D) Accounts payable

Accounts payable are valued at their nominal value and due date, as detailed below.

Description	2015	2014	Change
Borrowings from shareholders	3.199	5.632	(2.433)
Bank borrowings	168.904	132.959	35.946
Borrowings from other lenders	-	-	-
Advanced payments received	1.017	103	914
Trade creditors	150.891	178.031	(27.140)
Payables owed to subsidiaries	-	-	-
Payables owed to associates	45	-	45
Payables owed to holding companies	26.356	27.493	(1.137)
Tax liabilities	6.583	8.449	(1.866)
Payables owed to social security institutes	2.891	2.685	206
Other payables	16.108	14.649	1.459
<b>Total</b>	<b>375.993</b>	<b>370.001</b>	<b>5.992</b>

Description	Less than 12 months	Over 12 months	Over 5 years	Total
Borrowings from shareholders	2.545	654	-	3.199
Bank borrowings	100.701	50.633	17.570	168.904
Borrowings from other lenders	-	-	-	-
Advanced payments received	1.017	-	-	1.017
Trade creditors	150.891	-	-	150.891
Payables owed to subsidiaries	-	-	-	-
Payables owed to associates	45	-	-	45
Payables owed to holding companies	26.356	-	-	26.356
Tax liabilities	6.583	-	-	6.583
Payables owed to social security institutes	2.891	-	-	2.891
Other payables	16.105	3	-	16.108
<b>Total</b>	<b>307.133</b>	<b>51.290</b>	<b>17.570</b>	<b>375.993</b>

### Loans

Loans and borrowings from banks and credit institutions covering investments and financial restructuring work totalled €168,904,000 as at 31 December 2015. They are secured by collateral for €179,700,000 (€85,000 Feralpi Siderurgica and €94,715 ESF):

Description	2015	2014	Change
Bank current accounts	56.242	55.676	566
Loans falling due less than 12 months	44.460	25.998	18.462
Loans falling due over 12 months and less than 5 years	50.632	40.465	10.167
Loans falling due over 5 years	17.570	10.820	6.750
<b>Total</b>	<b>168.904</b>	<b>132.959</b>	<b>35.945</b>

New loans were taken out in 2015 for about €40m, of which €30m by Feralpi Siderurgica S.p.A. and €10m by ESF. The Group repaid instalments of existing loans for €26.5m.

Payables owed to suppliers are all of a trade nature. A breakdown by geographical area is given below.

Description	Trade - Italy	Trade other EU countries	Non EU	Total
Trade payables	118.212	28.980	329	147.521
<b>Total</b>	<b>118.212</b>	<b>28.980</b>	<b>329</b>	<b>147.521</b>

### Payables

Payables relating to Feralpi Holding S.p.A., amounting to €26,356,000, are broken down as follows.

<i>Companies</i>	<i>Italy</i>	
	<i>Trade</i>	<i>Financial</i>
<i>Feralpi Siderurgica</i>	1.122	24.939
<i>Acciaierie di Calvisano SpA</i>	-	149
<i>Dieffe Srl</i>	-	25
<b><i>Italy</i></b>	<b>1.122</b>	<b>25.113</b>
<i>Gruppo ESF</i>	-	121
<b><i>Abroad</i></b>	<b>-</b>	<b>121</b>
<b><i>Total</i></b>	<b>1.122</b>	<b>25.234</b>
<b><i>Total payables</i></b>		<b>26.356</b>

The table below shows tax liabilities broken down by type.

<i>Description</i>	<i>2015</i>	<i>2014</i>	<i>Change</i>
<i>Withholding tax</i>	1.649	1.761	(112)
<i>VAT liability</i>	-	190	(190)
<i>Sundry tax liabilities and duties</i>	4.934	6.498	(1.564)
<b><i>Total</i></b>	<b>6.583</b>	<b>8.449</b>	<b>(1.866)</b>

The table below shows Other payables broken down by type.

<i>Description</i>	<i>2015</i>	<i>2014</i>	<i>Change</i>
<i>Personnel expenses</i>	6.655	6.185	470
<i>Rewards to customers</i>	7.491	6.782	709
<i>Others less significant</i>	1.962	1.682	280
<b><i>Total</i></b>	<b>16.108</b>	<b>14.649</b>	<b>1.459</b>

### *E) Accruals and deferred income*

These items are calculated on an accrual basis.

A breakdown of accruals is given below.

<i>Description</i>	<i>Opening value</i>	<i>Change during the year</i>	<i>Closing value</i>
<i>Accruals and deferred income</i>	2.743	(873)	1.870
<b><i>Total</i></b>	<b>2.743</b>	<b>(873)</b>	<b>1.870</b>

Deferred income is mainly due to investment subsidies for future use by ESF GmbH for the amount of €1,870,000 and by EDF GmbH for the amount of €1,719,000.

<i>Description</i>	<i>Less than 12 months</i>	<i>Over 12 months</i>	<i>Over 5 years</i>	<i>Total</i>
<i>Accruals and deferred income</i>	922	948	-	1.870
<b>Total</b>	<b>922</b>	<b>948</b>	<b>-</b>	<b>1.870</b>

## Memorandum accounts

The change during the year is detailed below.

Description	2015	2014	Change
<b>Guarantees received:</b>			
in favour of subsidiaries	72.478	71.784	694
in favour of other companies	6.799	108	6.691
Our commitments:	-	-	-
Our risks:	9.726	9.863	(137)
<b>Total</b>	<b>89.003</b>	<b>81.755</b>	<b>7.248</b>
Others: Interest-rate swaps (IRS)	17.353	10.218	7.135
<b>Total</b>	<b>106.356</b>	<b>91.973</b>	<b>14.383</b>

Underlying	Interest rates and debt securities			
	Type of information	notional value	fair value	
			Positive	Negative
<b>Derivati non quotati</b>				
IRS				
	Unicredit	5.000.000	-	(80.723)
	Unicredit	5.000.000	-	(30.940)
	Banco di brescia	7.353.448	-	(50.435)
	Coba	10.000.000	-	(96.230)
	Coba	9.053.270	-	(101.424)
	HSH	8.000.000	-	(71.283)
<b>Total</b>		<b>44.406.718</b>	<b>-</b>	<b>(431.035)</b>

A breakdown of the item "Other risks" is illustrated in the table below.

<i>Description</i>	<i>Amount</i>
<i>BNL / Brescia Customs Authority</i>	<i>77</i>
<i>Atradius / Lombardy Regional Authority</i>	<i>9</i>
<i>Banca popolare di Vicenza / Terna</i>	<i>715</i>
<i>Allianz / Brescia Customs Authority</i>	<i>150</i>
<i>Banco di Brescia / Ministry of Economic Development</i>	<i>737</i>
<i>Coface / Brescia Provincial Authority</i>	<i>6.494</i>
<i>Coface / Italian Railway Network</i>	<i>70</i>
<i>Elba Assicurazioni Spa (aon spa) / Equalisation Fund for electricity</i>	<i>940</i>
<i>Elba Assicurazioni Spa (aon spa) / Equalisation Fund for electricity</i>	<i>534</i>
<b><i>Totale</i></b>	<b><i>9.726</i></b>

## Income statement

Below is a comparison of the consolidated financial statements for 2015 and 2014.

### A) Production value

A breakdown of this item is detailed below.

Description	2015	2014	Change
Revenues from goods sold and services rendered	916.928	967.484	(50.556)
Changes in product stock	(2.426)	(4.573)	2.148
Changes in work in progress on order	-	-	-
Increase in fixed assets for internal work	3.277	2.287	990
Other revenues and income	2.751	3.844	(1.092)
<b>Total</b>	<b>920.531</b>	<b>969.042</b>	<b>(48.510)</b>

The decrease in turnover on the previous year reflects the market situation in the industry, which was characterised by constant decline in the price of finished products. Further details are provided in the business report.

A breakdown of other revenues and income by category is given in the table below.

Category	2015	2014	Change
Rentals	706	600	106
Insurance and other amounts recovered	266	686	(420)
GSE incentives	333	406	(73)
Incentives	1.261	1.704	(443)
Other revenues	186	448	(262)
<b>Total</b>	<b>2.751</b>	<b>3.844</b>	<b>(1.093)</b>

The item "Incentives" comprises subsidies mainly resulting from consolidation of the subsidiary ESF GmbH. Revenues from sales by geographical area are divided as follows.

Geographical Area	2015	2014	Change
Italy	285.340	267.533	17.807
EU countries	420.017	473.924	(53.907)
Non EU countries	211.571	226.027	(14.456)
<b>Total</b>	<b>916.928</b>	<b>967.484</b>	<b>(50.556)</b>



## B) Production costs

The breakdown and change of this item are shown in the table below.

Description	2015	2014	Change
Raw materials, supplies and consumables	622.533	661.492	(38.959)
Services	179.106	172.321	6.785
Leases and rentals	2.064	2.585	(521)
Personnel expenses	66.524	61.507	5.016
Amortisation and depreciation allowances	39.807	39.151	655
Changes in the stocks of raw materials	1.369	19.364	(17.995)
Other operating charges	2.800	1.951	849
<b>Total</b>	<b>914.202</b>	<b>958.373</b>	<b>(44.171)</b>

### Costs for raw materials, supplies, consumables and goods

Compared to the previous year, the cost of raw materials, supplies and consumables decreased by €38,959,000. For further details on the economic situation during the year, reference is made to the business report.

It is noted that the cost of scrap accounted for 83% of the total cost of raw materials.

### Costs for services

The table below shows a breakdown of the cost for services, where the most significant item is related to energy and other utilities for the amount of €77,520,000, up €1,921,000 over the previous year.

Description	2015	2014	Change
Maintenance and outsourced services	7.344	9.366	(2.021)
Production services	25.900	26.504	(604)
Energy and other utilities	77.520	75.600	1.921
Transport and in-house handling	38.678	36.697	1.981
Consultancy, insurance, advertising	14.440	13.187	1.252
Other less significant costs	15.224	10.967	4.257
<b>Total</b>	<b>179.106</b>	<b>172.321</b>	<b>6.785</b>

### Personnel expenses

This item comprises all expenses for employees including merit salary increases, promotions, cost-of-living increases, cost of untaken leave and provisions required by law and collective labour agreements.

<i>Description</i>	<i>2015</i>	<i>2014</i>	<i>Change</i>
<i>Wages and salaries</i>	49.751	46.489	3.262
<i>Social security contributions</i>	13.751	12.581	1.170
<i>Severance pay allowance</i>	1.644	1.595	49
<i>Others</i>	1.377	842	535
<b><i>Total</i></b>	<b>66.524</b>	<b>61.507</b>	<b>5.017</b>

### Depreciation allowance for tangible assets

This allowance was calculated on the basis of the useful life of assets and their utilisation in the production process.

<i>Description</i>	<i>2015</i>	<i>2014</i>	<i>Change</i>
<i>Depreciation allowance for tangible assets</i>	37.642	36.974	668
<i>Amortisation allowance for intangible assets</i>	618	670	(52)
<i>Allowance for bad debts</i>	1.547	1.507	40
<b><i>Total</i></b>	<b>39.807</b>	<b>39.151</b>	<b>656</b>

### Other fixed assets impairments

None.

### Provisions for doubtful debts included under current assets and cash and cash equivalents

An allowance of €1,547,000 was allocated to the provision for bad debts, taking into account secured receivables.

### Other provisions

None.

### Other operating charges

This item comprises association membership fees, the property tax (IMU), losses on receivables, sundry taxes, duties and non-deductible costs. A breakdown is shown in the table below.

<i>Description</i>	<i>2015</i>	<i>2014</i>	<i>Change</i>
<i>Donations and charities</i>	58	58	-
<i>Membership fees</i>	348	318	30
<i>Taxes and duties</i>	1.113	1.060	53
<i>Loss on deductible receivables</i>	319	-	319
<i>Others</i>	962	515	447
<b><i>Total</i></b>	<b>2.800</b>	<b>1.951</b>	<b>849</b>

### C) Financial income and expenses

Description	2015	2014	Change
Income from other equity investments	-	1	(1)
Interest receivable from associates	-	-	-
Other financial income	189	157	32
<b>Total financial income</b>	<b>189</b>	<b>158</b>	<b>31</b>
Income and other financial expenses from holding companies	516	714	(199)
Interest and other financial expenses from others	4.628	5.864	(1.236)
<b>Total financial expenses</b>	<b>5.144</b>	<b>6.579</b>	<b>(1.435)</b>
Exchange gains and losses	265	35	230
<b>Total</b>	<b>(4.689)</b>	<b>(6.386)</b>	<b>1.697</b>

The decrease in financial expenses is mainly due to the considerable decrease in the rates of interest payable on financial markets.

#### Interest and other financial income

This item, totalling €189,000, is related to interest charged to customers.

Description	Holding companies	Associates	Others	Total
Dividends	-	-	-	-
Bank and other interest	-	-	181	181
Interest accrued from customers	-	-	8	8
<b>Total</b>	<b>-</b>	<b>-</b>	<b>189</b>	<b>189</b>

#### Interest and other financial expenses

The figure of €516,000 for the parent company is related to interest maturing between Feralpi Siderugica and Feralpi Holding in connection with their intercompany mutual current account.

A breakdown of this item is shown in the table below.

Description	Holding companies	Associates	Others	Total
Bank interest	-	516	(686)	(1.202)
Interest on loans	-	-	(1.543)	(1.543)
Bank commissions and charges	-	-	(82)	(82)
Sundry interest and expenses	-	-	(2.117)	(2.117)
Hedging interest	-	-	(199)	(199)
Exchange gains/(losses)	-	-	265	265
<b>Total</b>	<b>-</b>	<b>516</b>	<b>(4.362)</b>	<b>(4.878)</b>

### D) Adjustments to the value of financial assets

The table below shows the revaluations and impairment losses for 2015, which are mainly associated with the valuation of equity interests in associates included in the scope of consolidation using the equity method.

Description	2015	2014	Change
Media Steel	255	144	111
Beta	16	60	(44)
Presider	265	-	265
Comeca	12	-	12
<b>Totale revaluations</b>	<b>549</b>	<b>204</b>	<b>345</b>
Dima	49	71	(22)
Caleotto	1.482	-	1.482
MPL	172	-	172
Altre minori	106	3	103
<b>Total</b>	<b>1.810</b>	<b>74</b>	<b>1.736</b>
<b>Total</b>	<b>(1.261)</b>	<b>130</b>	<b>(1.391)</b>

### E) Extraordinary income and expenses

Description	2015	2014	Change
Capital gains from assets sold	136	147	(11)
Various insurance indemnities	-	2.635	(2.635)
Others	953	-	953
<b>Total extraordinary income</b>	<b>1.089</b>	<b>2.782</b>	<b>(1.693)</b>
Capital losses	10	65	(55)
Taxes from previous years	1.870	100	1.770
Others	882	2.421	(1.539)
<b>Total Extraordinary losses</b>	<b>2.763</b>	<b>2.586</b>	<b>177</b>
<b>Total</b>	<b>(1.674)</b>	<b>196</b>	<b>(1.870)</b>

The item "Others" in the table above is the most significant and is related to the reversal of €240,000 electricity costs pertaining to previous years. The reversal of €87,000 tax assets concerning research and development cost for the years 2008 and 2009.

The item "Tax from previous years" includes €1,850,000 pertaining to the German subsidiary ESF and concern a tax audit conducted in previous years.

### Income tax for the year

A breakdown is given below.

<i>Description</i>	<i>2015</i>	<i>2014</i>	<i>Change</i>
<i>Current taxes</i>	5.255	3.362	1.893
<i>Deferred taxes</i>	(12)	11	(23)
<i>Prepaid taxes</i>	36	(69)	105
<b><i>Totale</i></b>	<b>5.279</b>	<b>3.304</b>	<b>1.975</b>

All the companies with a negative operating result recognised deferred taxes on the fiscal loss for the year.

Prepaid taxes are related to doubtful accounts under current assets and the provision for disposal of slag and scales.

It is highlighted that for the purpose of deferred taxation, as indicated in art. 1, subsection 61-64 of the 2016 Stability Act, in connection with reduction of the nominal rate of the regional business tax from 27.5% to 24%, all the Group companies adopting the fiscal consolidation regime have adjusted the portion of receivables pertaining to Feralpi Holding S.p.A. for an overall amount of €3,294,000. It is also noted that the amount shown was recognised to item E22 of the balance sheet.

An adjustment was made to the portion of current taxes transferred to Feralpi Holding following adoption of the fiscal consolidation regime since tax losses will be used and offset starting from 2017.

### Employees

The average number of employees in the Group (entirely consolidated companies) increased by 32 units, compared to the previous year, which is broken down by category as shown in the table below.

<i>Description</i>	<i>Average 2015</i>	<i>Average 2014</i>	<i>Change</i>
<i>Executives</i>	17	16	1
<i>Office workers</i>	285	273	12
<i>Factory workers</i>	940	921	19
<b><i>Total</i></b>	<b>1.242</b>	<b>1.210</b>	<b>32</b>

### Other information

As required by law, the overall fees paid to the members of board of directors and board of auditors are shown below.

:

<i>Qualification</i>	<i>Fee</i>
<i>Directors</i>	1.783
<i>Board of auditors</i>	91
<b><i>Total</i></b>	<b>1.874</b>

The fees paid for statutory audits of the group companies' accounts amounted to €177,000 overall.

These Financial Statements, comprising the Balance Sheet, the Income Statement and Explanatory Notes give a correct and fair view of the company's assets and liabilities, financial situation and the operating result, and correspond to the accounting records.

*The Chairman*

Giuseppe PASINI

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*The Board of Directors*

Giovanni TOLETTINI

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Giovanni PASINI

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Faustino LEALI

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Dante Giuseppe TOLETTINI

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Cesare PASINI

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Ercole TOLETTINI

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Alberto MESSAGGI

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Lorenzo ANGELINI

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Lonato del Garda, 30<sup>th</sup> May 2016

**Feralpi Siderurgica S.p.A.**  
**Consolidated Financial Statements as at 31<sup>st</sup> December 2015**  
Independent auditors' report  
pursuant to art. 14 of Legislative Decree no. 39 of 27.1.2010

**Independent Auditors' Report  
pursuant to art. 14 of Legislative Decree no. 39 of January 27, 2010**

To the sole shareholder of  
Feralpi Siderurgica S.p.A.

**Report on the Consolidated Financial Statements**

We have audited the accompanying Consolidated Financial Statements of the Feralpi Siderurgica Group, which comprise the balance sheet as at 31<sup>st</sup> December 2015, the income statement for the year 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 give a true and fair view in accordance with the applicable Italian provisions of law on how to prepare them.

*Independent auditors' responsibility*

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with international standards on auditing (ISA Italia) processed pursuant to art. 11, subsection 3, of Legislative Decree 39 of 27 January 2010. These standards require that we comply with ethical requirements and plan and perform the audit to obtain 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 contained in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or unintentional conduct or events. In making these risk assessments, the auditor considers internal control relevant to the preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, and not for the purpose of expressing an opinion on the effectiveness of the company'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 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 opinion.

*Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the assets and financial position of the Feralpi Siderurgica Group as at December 31, 2015 and the operating result for the year then ended, in accordance with Italian financial reporting standards.



**Report on other legal and regulatory requirements**

*Opinion on the consistency of the business report with the consolidated financial statements*

We have performed the procedures required under audit standard (SA Italia) no. 720B in order to express, as required by law, an opinion on the consistency of the business report, which is the responsibility of the directors of Feralpi Siderurgica S.p.A., with the consolidated financial statements of the Feralpi Siderurgica Group as at December 31, 2015. In our opinion the business report is consistent with the financial statements of the Feralpi Siderurgica Group as at 31<sup>st</sup> December 2015.

Brescia, 6<sup>th</sup> June 2016

Reconta Ernst & Young S.p.A.

Stefano Colpani  
Partner

**Board of Auditors' report**  
**on Feralpi Siderurgica S.p.A.'s consolidated financial statements**  
**for the year ended December 31, 2015**

To the Shareholders' Meeting of Feralpi Siderurgica S.p.A. ("Company" or "Feralpi"),

The Consolidated Financial Statements of the Feralpi Group, as at 31<sup>st</sup> December 2015, was prepared by the parent company Feralpi Siderurgica ("Parent company"), in accordance with the law and is accompanied by the business report.

With reference to the Explanatory Notes, they provide a clear and exhaustive representation of the method used in the preparation of the financial statements and the specific accounting policy adopted.

As a result of the information provided and the audits carried out, we can state that the format and layout of the consolidated financial statements comply with the generally accepted accounting standards and the provisions of the Italian Civil Code, which were applied correctly.

Please also note that:

- the consolidated financial statements reflect the events and information that have come to our knowledge in carrying out our tasks;
- the business report to the Feralpi Group's financial statements is drawn up in complete form and in accordance with the provisions of art. 2428 of the Italian Civil Code.

In conclusion, considering all the above and also the results of the activities performed by the supervisory board, no significant events worth mentioning herein occurred during the year.

Lonato del Garda, 7<sup>th</sup> June 2016

The Board of Auditors

Giancarlo Russo Corvace

Alberto Soardi

Stefano Guerreschi



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