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ELECTROSTEEL ALGERIE SPA

Financial Statements as of March 31st, 2019

TOGETHER WITH AUDITORS' REPORT

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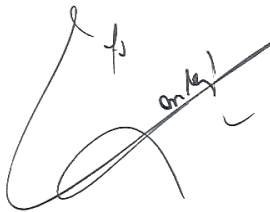
Algiers, April 30th, 2019

**TO THE SHAREHOLDERS OF
ELECTROSTEEL ALGERIE SPA
ALGIERS, ALGERIA**

We have audited the accompanying balance sheet of ELECTROSTEEL ALGERIE SPA (A JOINT STOCK COMPANY UNDER ALGERIAN COMPANIES LAW) as of March 31st, 2019 and the related statements of income. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with Generally Accepted Auditing Standards. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of ELECTROSTEEL ALGERIA SPA as of March 31st, 2019 and the results of its operations for the year then ended in accordance with the Generally Accepted Accounting Principles.



Mohammed Samir Hadj Ali

ELECTROSEEL ALGERIE Spa

Audit as at 31/03/2019

BALANCE SHEET - ASSETS

<i>Description</i>	<i>Notes</i>	<i>Balance at 31.03.2018</i>	<i>Balance at 31.03.2019</i>	<i>Variation</i>
Intangible fixed asset – Software		828 000,00	828 000,00	(0,00)
Tangible fixed asset		9 275 516,62	9 275 516,62	(0,00)
Accumulated depreciation		(10 103 516,42)	(10 103 516,42)	(0,00)
<i>Fixed assets</i>	<i>Note-1</i>	0,20	0,20	(0,20)
Inventory of tubes & fittings		2 758 635,57	0,00	2 758 635,57
Goods in transit		0,00	0,00	0,00
<i>Inventories</i>	<i>Note-2</i>	2 758 635,57	0,00	2 758 635,57
Debtor balance of liability accounts		0,00	0,00	0,00
Advance on CAPEX		13 631 694,03	13 431 694,03	200 000,00
Advance on inventory		0,00	0,00	0,00
Payment on behalf of third parties		15 462 908,11	18 857 185,12	(3 394 277,01)
Prepaid operating expenses		2 988 505,09	3 097 466,17	(108 961,08)
Trade receivable		183 713 415,64	190 731 903,46	(7 018 487,82)
Cash & bank		9 599 687,31	41 178,44	9 558 508,87
Provision for bad debtors		(29 299 914,88)	(29 299 914,88)	0,00
<i>Receivables</i>	<i>Note-3</i>	196 096 295,30	196 240 551,26	144 255,96
<u>Balance sheet – Assets</u>		<u>198 854 931,07</u>	<u>196 240 551,46</u>	2 614 379,61

ELECTROSEEL ALGERIE Spa

Audit as at 31/03/2019

BALANCE SHEET - LIABILITIES

<i>Description</i>	<i>Notes</i>	<i>Balance at 31.03.2018</i>	<i>Balance at 31.03.2019</i>	<i>Variation</i>
Share capital		292 875 000,00	292 875 000,00	0,00
Legal reserve		3 592 245,07	3 592 245,07	0,00
Retained earnings		(269 899 320,47)	(201 519 172,39)	68 380 148,08
Accruals		0,00	0,00	0,00
<i>Equity</i>	<i>Note-4</i>	26 567 924 ,60	94 948 072 ,68	68 380 148,08
Creditor balance of assets accounts		0,00	0,00	0,00
Account payable for CAPEX		0,00	0,00	0,00
Account payable		350 000,00	700 000,00	(350 000,00)
Detention held for third parties		96 947,50	96 947,50	0,00
Associates current account		(157 781 250,00)	(157 781 250,00)	0,00
Account payables for operations		748 179,55	976 424,32	(228 244,77)
Advance received from debtors		0,00	0,00	0,00
Bank overdraft		260 492 981,34	187 938 752,03	(72 554 229,31)
LEASING BNP PARIBAS		0,00	0,00	(0,00)
<i>Account payables</i>	<i>Note-5</i>	103 906 858,39	29 321 912,77	(74 585 945,62)
Profit (Loss) of the year	<i>Note-6</i>	68 380 148,08	71 980 566,01	(3600 417,93)
<u>Balance sheet - Liabilities</u>		<u>198 854 931,07</u>	<u>196 240 551,46</u>	2 614 379,61

ELECTROSEEL ALGERIE Spa

Audit as at 31/03/2019

PROFIT & LOSS STATEMENT

<i>Description</i>	<i>Notes</i>	<i>Balance at 31.03.2018</i>	<i>Balance at 31.03.2019</i>	<i>Variation</i>
Sales of goods		0,00	0,00	0,00
Cost of sales - trading		0,00	0,00	0,00
Gross margin		0,00	0,00	0,00
Service revenue		49 408 711,50	109 461 240,54	(60 052 529,04)
Raw material consumption		(206,433,34)	(236 069,80)	29 636,46
Service		(6 487 261,61)	(8 936 040,88)	2 451 779,27
Added value		42 705 016,55	100 289 129,86	(57 584 113,31)
Added value		42 705 016,55	100 289 129,86	(57 584 113,31)
Other income		16,850.48	98,35	16 752,13
Salaries & wages		(5 546 841,00)	(4 213 320,00)	(1 333 521,00)
Taxes & duties		(97 579,42)	(78 798,99)	(18 780,43)
Financial cost		(19 291 708,06)	(17 567 795,57)	(1 723 912,49)
Insurance & other cost		(145 715,00)	(84 234,50)	(61 480,50)
Depreciation of fixed asset		0,00	0,00	0,00
Operating income		17 640 023,55	78 345 079,15	(60 705 055,60)
Extraordinary income		54 595 647,39	120 390,30	54 475 257,09
Extraordinary expenses		(3 855 522,86)	(6 494 903,44)	2 639 380,58
Extraordinary income		50 740 124,53	(6 374 513,14)	57 114 637,67
Operating income		17 640 023,55	78 345 079,15	(60 705 055,60)
Extraordinary income		50 740 124,53	6 374 513,14	44 365 611,39
Gross profit (or loss)		68 380 148,08	71 980 566,01	(3 590 417,93)
Company tax on benefits		0,00	0,00	0,00
Net profit of the year	-	68 380 148,08	71 980 566,01	(3 590 417,93)

(1) GENERAL

ELECTROSTEEL ALGERIE SPA was established on January 21st, 2004.

The share capital of the company is DZD 292 875 000 consisting of 82 500 shares at a value of DZD 3 550 each.

The share capital distribution is done as follows:

1. ELECTROSTEEL CASTING LIMITED	(82 492 Actions)
2. M. UMANG KEJRIWAL.	(2 Actions)
3. M. MAYANK KEJRIWAL.	(1 Action)
4. M. MAHENDRA KUMAR JALAN.	(1 Action)
5. M. NIGAM CHANDER BAHL.	(1 Action)
6. M. PANKAJ PODDAR.	(1 Action)
7. M. AZIZ CHADLY.	(1 Action)
8. M. JEAN FRANÇOIS HAHANG.	(1 Action)

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2-1 Basis of preparation -

The accompanying financial statements are prepared based on the historical cost principle in accordance with Generally Accepted Accounting Principles.

2-2 Cash and cash equivalents -

Cash includes cash at hand and cash in banks.

2-3 Receivables -

Receivable are stated at the fair value of unpaid invoices including bad debt reservation.

2-4 Inventories -

Adopted method of evaluation of tubes and special parts is weighted average method.

Goods in transit are valued at cost.

2-5 Fixed assets -

Fixed assets values are including all related handling expenses.

Depreciations are calculated on a straight-line basis using annual depreciation rate detailed as follow:

Patent & commercial rights	: 20%
Prefabricated cabins	: 10%
Lifting and handling materials	: 10%
Vehicles	: 20%
Office equipment	: 20%
Furniture & fixture	: 20%

2-6 Revenue recognition -

Sales revenue is recognized when the service has been rendered.

2-7 Costs recognition -

Costs are recognized as an expense in the period in which they are incurred.

2-8 Foreign currency -

Assets and liabilities denominated in foreign currencies are converted to Algerian Dinars using the Bank of Algeria exchange rates prevailing at period end. Foreign currency transactions during the period are recorded using exchange rates that were in effect at the dates of the transactions. Foreign exchange gains or losses are reflected in the accompanying statements of income.

2-9 Income tax -

The company is subject to Algerian Income tax law. The company tax rate was decreased from 30% in 2005 to 25% in 2006 and stays still unchanged until today.

Note 1: Fixed assets

Fixed assets of the company as of March 31st, 2019 shows a net balance of DZD 0,20.

The following statement describes the evolution of fixed assets during the audited period:

Description	Gross				Depreciation				Closing net value
	Opening	New additions	Disposals	Sum	Opening	Depr. Of the year	Disposals	Sum	
<u>Plant & machinery</u>									
Prefabricated cabins	-			-	-			-	-
Machinery & tools	-			-	-			-	-
<u>Fixture & fitting</u>	419 711			419 711	419 712			419 712	
<u>Cars</u>	2 635 176			2 635 176	2 635 176			2 635 176	0,20
<u>Office equipment</u>	6 220 627			6 220 627	6 220 627			6 220 627	
<u>Telephones</u>	-			-	-			-	
<u>Intangible Assets</u>									
Logiciel	828,000			828,000	828 000			828 000	
	10 103 516	0,00	0,00	10 103 516	10 103 516	0,00	0,00	10 103 516	0,20

Note 2: Inventories

Company's inventory as of 31st March 2019 is detailed as follow:

Description	Balance at 31.03.2018	Balance at 31.03.2019	Variation
Tubes – ORAN	2 758 635 57	0,00	2 758 635 57
Special spares – ALGER	-	-	-
Miscellaneous spares	-	-	-
<u>SUM</u>	<u>2 758 635,57</u>	<u>0,00</u>	2 758 635 57

Note 3: Receivables

A. Guarantees, deposits and staff loans

Advances on CAPEX as of 31st March 2019 are amounting to DZD 13 431 691.06 related to:

Guaranties deposits detailed as follow:

Beneficiaries	DZD
Caution THCE	80 000,00
Caution Hydro aménagement	13 351 691,03
SUM	13 431 691,06

B. Payment on behalf of third parties

As of March 31st 2019 the current post is amounting to DZD 18 857 185,12 detailed as follow:

Description	Balance at 31.03.2018	Balance at 31.03.2019	Variation
Input VAT on purchase of assets	-	-	0,00
Input VAT on purchase of materials	-	-	0,00
Input VAT Tax	13 625 406,83	18 857 185,12	(5 231 778,29)
Advances for Benefits	1 837 501,28	0,00	(1 837 501,28)
SUM	15 462 908,11	18 857 185,12	(7 069 279,57)

C. Prepaid operating expenses

Operating Advances as of 31st March 2019 amounting to DZD 3 097 466.17 include mainly:

- Prepaid expenses for DZD 3 097 466.17 as follows:

Description	Supplier	Amont DZD
Residence rent CHADLY	TABTI LOUANAS	332 000,00
Advance for fiscal audit		1 676 505,00
Advance supplie		480 000,00
Other advance		2 608 961.08
SUM		3 097 466.17

D. Trade receivables

As of March 31st 2019 the gross trade receivables are amounting to DZD 190 731 903,46. The domestic customer's receivable represents 80% of gross trade debtor's balance. The main domestic clients are the followings:

Customer	DZD
HYDRO AMENAGEMENT ROUIBA	122 556 289,07
SOUFI MAHMOUD IMED	4 000 000,00
SARL T.H.C.E. NEDJOU	29 299 914,88

It is to be noted that debtors recoverability decreased by 63 days compared to last year, as described in the following statement:

Description	Last Year	Current Year	Variation %
Debtors balance (VAT excluded)	190 607 773,25	190 731 903,46	(.06%)
Sales of the year	-	-	(0%)
<i>Debtors / revenue (number of days)</i>			

- **Cash & cash equivalents**

Cash & cash equivalents as of 31st March 2019 are detailed as follow:

Description	Balance at 31.03.2018	Balance at 31.03.2019	Variation
Bank Accounts	1 637 123,47	36 836.90	1 605 946.04
Bills deposited at bank	-	-	-
Cash in hand	1 068 206,23	4 340.53	1 068 206,23
Credentials	-	-	-
Cash in Transit	6 894 357.61	-	- 6 894 357,61
SUM	9 599 687,31	41 177.43	9 568 509,88

- Bank accounts balances at March 31st 2019 are presented in the statement below:

Description	Balance at 31.03.2018	Balance at 31.03.2019	Variation
SOCIETE GENERALE/ ANNABA Bank	-	-	-
SOCIETE GENERALE/ ORAN Bank	-	-	-
SOCIETE GENERALE/ CHERAGA Bank	-	-	-
BNP HYDRA	1 637 123,47	36 836.90	1 605 946.04
CITI BANK	-	-	-
HSBC BANK	-	-	-
SUM	1 637 123,47	36 836.90	1 605 946,04

Bank reconciliation statements don't show significant outstanding operations.

Note 4: Equity

Company's equity as of March 31st 2019 is presented as follow:

Description	Balance at 31.03.2018	Balance at 31.03.2019	Variation
Share capital	292 875 000,00	292 875 000,00	0,00
Legal reserve	3 592 245,07	3 592 245,07	0,00
Accruals	0	0	0,00
Retained earnings	(269 899 320,47)	(201 519 172,39)	68 380 148,08
SUM	26 567 924,60	94 948 072,68	68 380 148,08

- The increase of DZD 7 901 222,14 shown in the current year equity balance comparing to previous period balance is due to the profit earned last year.

Note 5 Payables:

A. Account payable

Account payables amounting to DZD 700 000 are composed for Auditors Mr. hadj Ali 700 000.00

B. Detention held for third parties

This is related to the taxes and social security payments due to the government liable for the month of March.

C. Bank overdraft

Bank overdraft amounting to DZD 187 938 752.03 as of 31st March 2019 is related to overdraft balance of the following accounts:

Description	Balance at 31.03.2018	Balance at 31.03.2019	Variation
BNP PARIBAS HYDRA Bank	0,00	0,00	0,00
HSBC Bank	0,00	0,00	0,00
ABC BANK	260 492 981,34	187 938 752.03	(72 554 229,31)
Advances against stocks	0,00	0,00	0,00
SUM	260 492 981,34	187 938 752.03	(72 554 229,31)

The overdraft has decreased in comparison to last year due to realization of debtors.