



# CONSOLIDATED FINANCIAL REPORT

2019



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

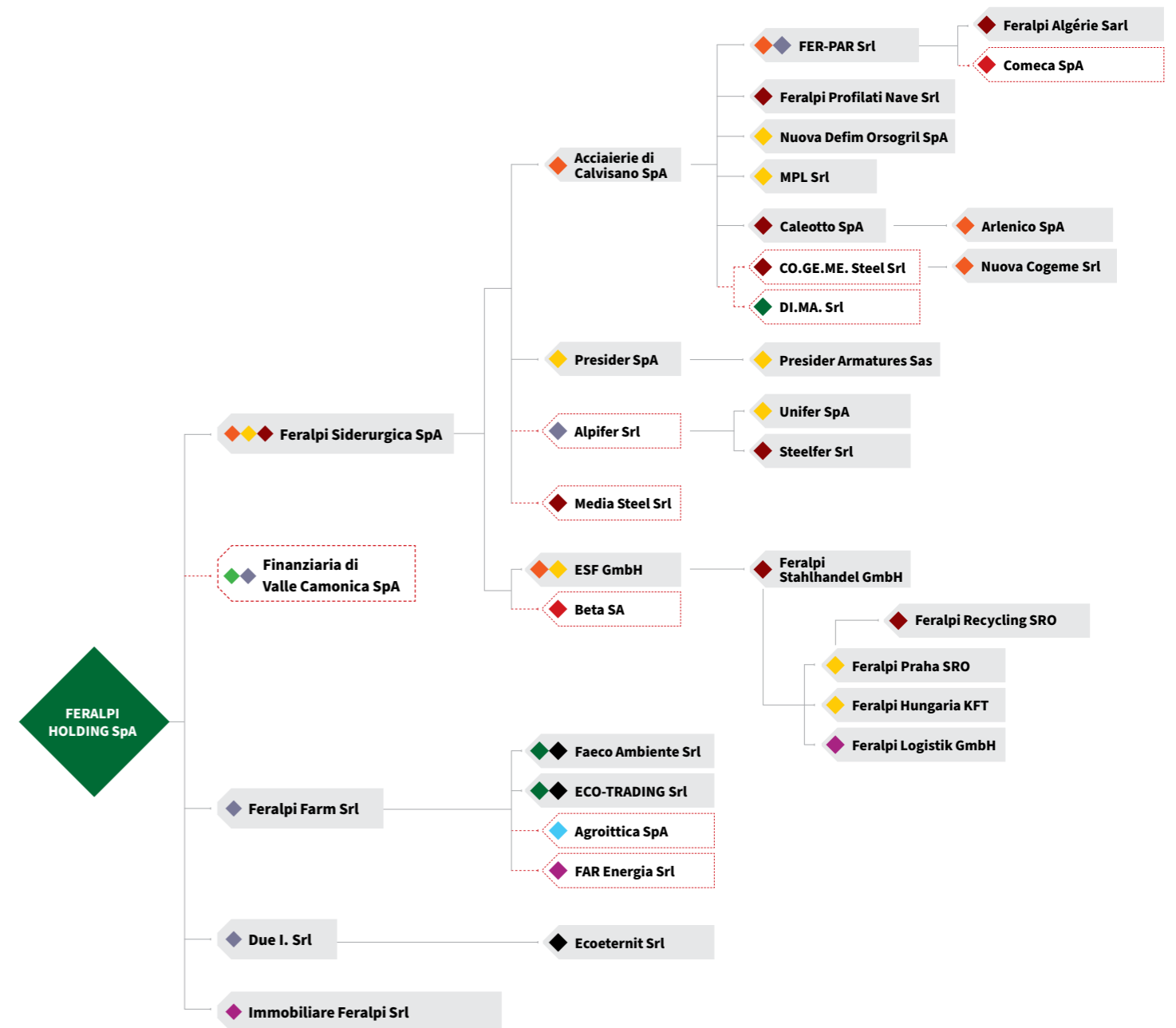
2019

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# COMPANY ORGANISATION CHART 2020



### Legend

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

# KEY ECONOMIC FIGURES

## KEY EQUITY AND FINANCIAL FIGURES

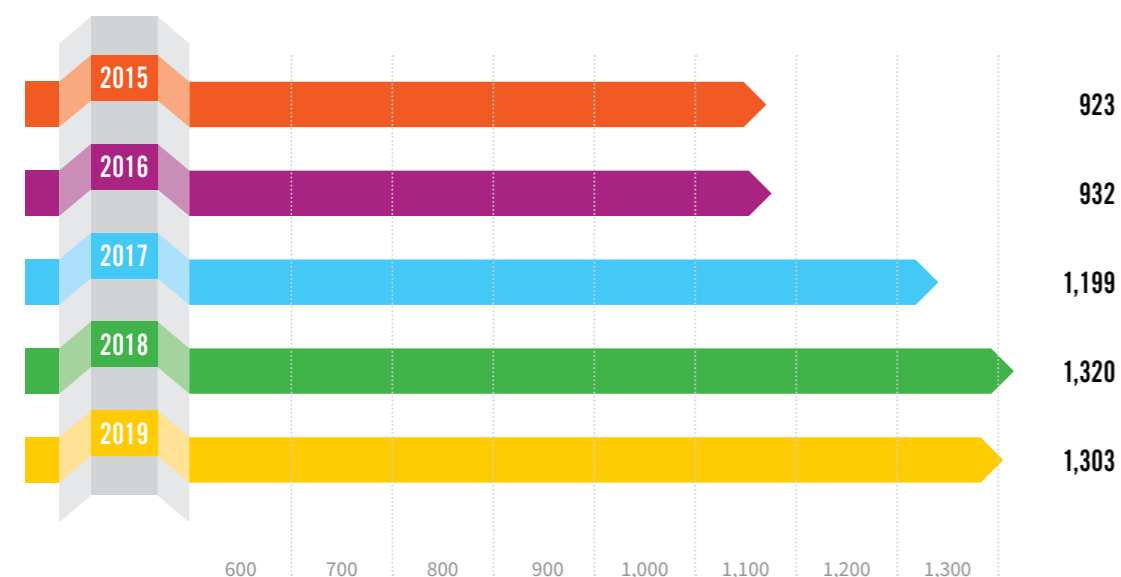
KEY ECONOMIC FIGURES	2017	2018	2019
<b>Sales</b>	<b>1,198,970</b>	<b>1,320,333</b>	<b>1,302,752</b>
Italy	(36%) 431,323	(38%) 500,421	(37%) 483,784
Exports	(64%) 767,647	(62%) 819,912	(63%) 818,968
<b>Production value</b>	1,244,835	1,366,314	1,331,674
<b>Pre-tax result</b>	50,574	77,610	54,508
<b>Net result for the year</b>	30,576	53,735	40,831
<b>Depreciation, amortisation and write-off</b>	(43,412)	(46,092)	(53,935)
<b>Cash Flow</b>	73,988	99,827	94,766
<b>Ebitda</b>	96,598	126,237	125,101
<b>Ebit</b>	53,186	80,145	71,166

(€,000)

KEY EQUITY AND FINANCIAL FIGURES	2017	2018	2019
<b>Investments made</b>	36,861	60,618	<b>54,521</b>
<b>Net fixed assets</b>	333,977	350,807	<b>357,424</b>
<b>Net equity</b>	423,525	475,449	<b>509,496</b>

(€,000)

## CONSOLIDATED SALES (€/m)



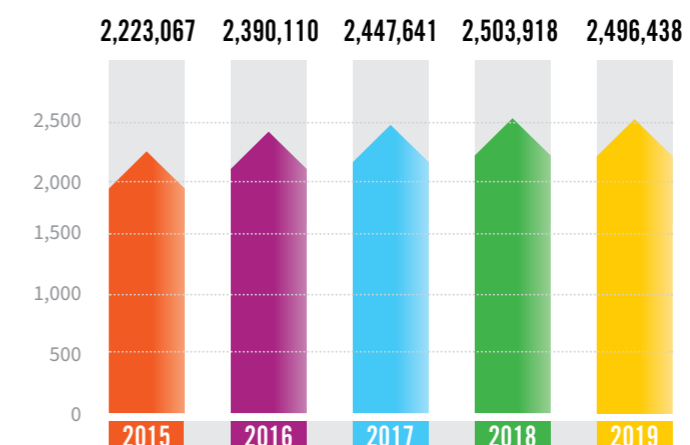
# PRODUCTION

## STEEL BUSINESS



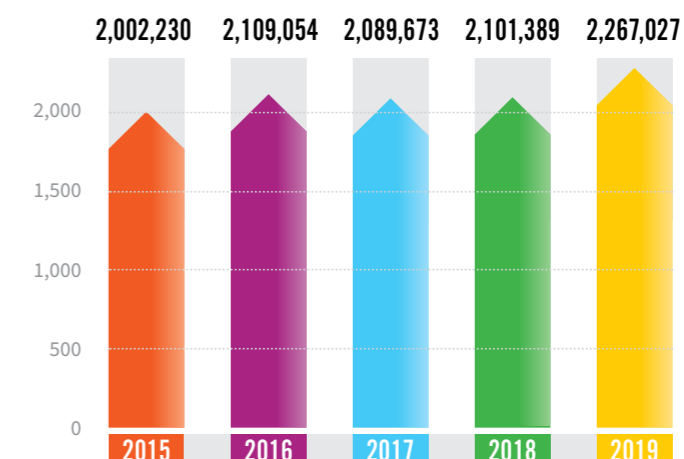
### STEEL BILLETS (tonnes)

Feralpi Siderurgica SpA  
Acciaierie di Calvisano SpA  
ESF GmbH



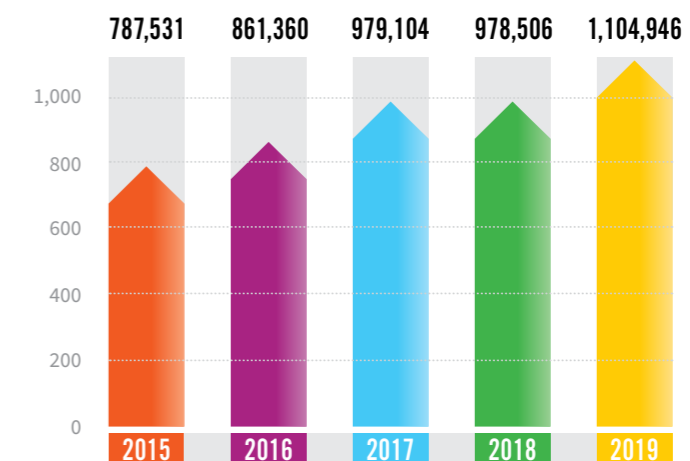
### REBAR, REINFORCING STEEL IN COILS, WIRE ROD AND MERCHANT BARS - (tonnes)

Feralpi Siderurgica SpA  
ESF GmbH  
Feralpi Profilati Nave Srl



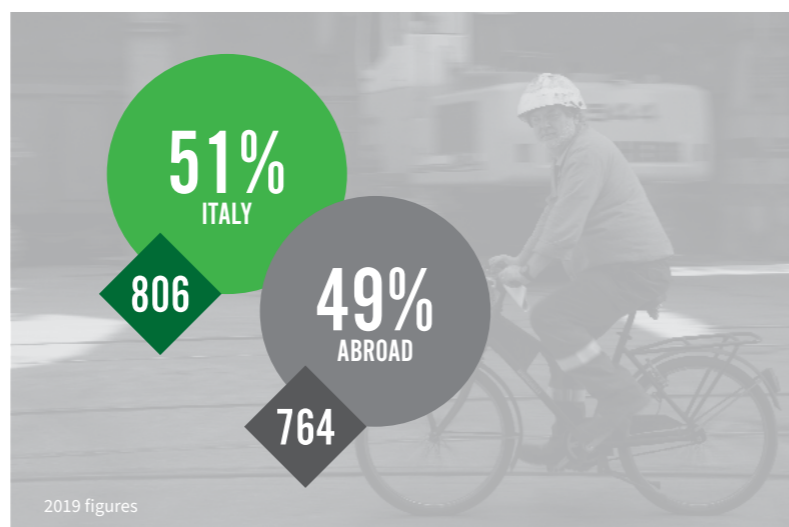
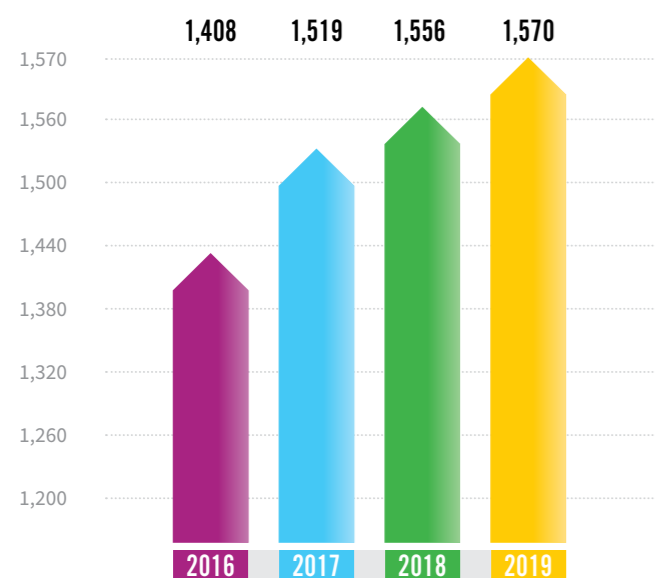
### COLD-DRAWN STEEL - DOWNSTREAM PRODUCTS (tonnes)

Feralpi Siderurgica SpA  
Nuova Defim SpA  
ESF GmbH  
EDF GmbH  
Feralpi Praga Sro  
Feralpi Hungaria Kft



# PERSONNEL

## PERSONNEL AS AT 31.12



## TRAINING HOURS

COMPANY	2017	2018	2019
Feralpi Holding	475	1,695	1,533
Feralpi Siderurgica	4,216	9,199	8,057
Acciaierie di Calvisano	1,470	3,443	2,532
Nuova Defim	1,592	2,040	1,097
Feralpi Profilati Nave*	44	1,414	99
Fer-Par	2,402	12	1,885
Presider**	608	1,017	535
MPL**	0	149	147
Ecoeternit	0	0	104
Presider Armatures	0	0	0
ESF***	11,127	9,119	6,665
EDF	1,817	1,930	0
Feralpi Stahlhandel	40	53	10
Feralpi-Logistik	450	267	8
Feralpi Praha	337	303	451
Feralpi Hungaria	0	0	80
Feralpi Algérie	7	58	14
<b>TOTAL</b>	<b>24,585</b>	<b>30,699</b>	<b>23,217</b>

\* formerly Dieffe Srl  
 \*\* subsidiaries since June 2017  
 \*\*\* including EDF training hours (company taken over in 2019)

# CERTIFICATIONS



- EMAS**: Feralpi Siderurgica IT - 001669 since 10.12.2014; Feralpi STAHL Riesa DE - 144 - 00047 von 2.08.2012
- IGQ**: Certification logo
- TUV SUD**: Certification logo
- ICMQ**: ICMQ Eco Gold n. ICMQ ECO 0024
- EPD**: Environmental Product Declaration www.environdec.com n. S-P-00256
- suststeel**: Sustainability for steel construction products mark n. ES089606-1
- 92% CONTENUTO MINIMO DI ACCIAIO RICICLATO**: Recycled steel content logo
- SOCIO UNSIDER**: Ente Italiano di Unificazione Siderurgica

# BUSINESS REPORT

Consolidated Financial Statements as at 31<sup>st</sup> December 2019

## Business Report on the Consolidated Financial Statements as at 31 December 2019

*To the Shareholders,*

*This Business Report on the Consolidated Financial Statements for the year ended 31.12.2019 was prepared 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.*

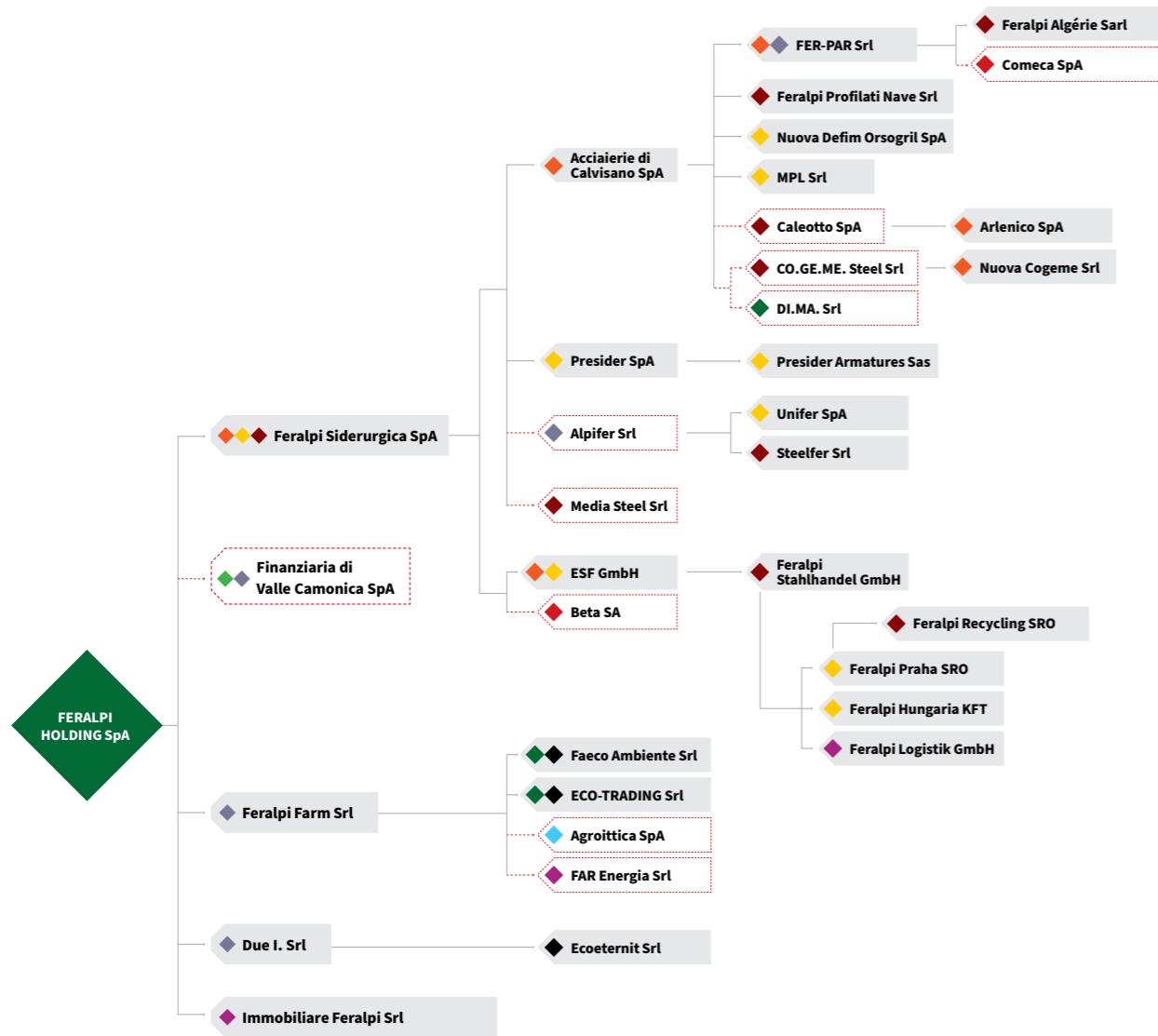
*The year which ended on 31.12.2019 shows a positive result for the Group amounting to €40 million and a turnover of €1,303 million.*

It is appropriate to carry out a detailed examination of the Financial Report after first analysing the structure of the Group.

The Group is controlled by Feralpi Holding and is split into two main areas - the first relating to the steelmaking business, and the second to various businesses, including operations in the environmental sector, property, and portfolio holdings.

In 2019 the corporate structure changed radically compared with the previous year, following a demerger by the company Feralpi Siderurgica in favour of Acciaierie di Calvisano and Feralpi Holding. As a result, Acciaierie di Calvisano became the focal point for the production of special steels and downstream products, and it received all of the shares in Feralpi Profilati Nave, Nuova Defim Orsogrill, Fer-Par and Metallurgica Piemontese Lavorazioni, in addition to a 50% share in the company Caleotto. In this demerger Feralpi Siderurgica also transferred the 100% share in the company operating in property sales and management, Immobiliare Feralpi, to Feralpi Holding.

As at 31.12.2019 the Feralpi Group organisational chart is as follows:



## Group Structure

### Steel business

The **Italian production hub**, dealing with productions typical of the construction industry supply chain, consists of the following companies:

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

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 group’s Steel Business. It is also the Group’s sub-holding for the steel sector and controls all the Italian and foreign subsidiaries.

The production site covers 433,100 m<sup>2</sup>, including 99,300 m<sup>2</sup> indoors, and is served by a railway siding.

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

The company is located at Borgaro Torinese (TO) and manufactures reinforcing steel in bar and coils for building sites for use in the construction industry.

It covers a surface area of 38,285 m<sup>2</sup>, of which 20,830 m<sup>2</sup> indoors, including the sheds and buildings.

The company also has a production plant in Maclodio (BS) covering 6,100 m<sup>2</sup> and one in Rome covering 21,624 m<sup>2</sup>.

#### 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 250,214 m<sup>2</sup>, including 43,976 m<sup>2</sup> indoors.

This company, which is benchmark in the production of diversified special steels, comprises:

#### Feralpi Profilati Nave S.r.l. - Italy (100% owned by Acciaierie di Calvisano S.p.A.)

The company Dieffe S.r.l., after the takeover of operations under “Stefana” composition, changed its corporate name into Feralpi Profilati Nave S.r.l. The main activity is the marketing of steel sections.

#### Fer-Par S.r.l. – Italy (100% owned by Acciaierie di Calvisano S.p.A.)

The company, which was set up in 2012, holds an equity interest in production and trading companies operating in the steel and structural work industry, such as ESF GmbH (2%), Comeca S.p.A. and Feralpi Algérie S.a.r.l.

The company also acquired the plant engineering line of business under the “Stefana” composition and works as subcontractor for Feralpi Profilati Nave S.r.l.

#### Nuova DE.FI.M. Orsogrill S.p.A. - Italy (100% owned by Acciaierie di Calvisano 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 Orsogrill brand.

#### MPL Metallurgica Piemontese Lavorazioni S.r.l. – Italy (100% owned by Acciaierie di Calvisano S.p.A.)

The company, which is based in Sito (TO), specialises in the manufacture of girders for use in building sites.

### Legend

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

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

(€,000)	2019	2018	% change
Feralpi Siderurgica S.p.A.	638,681	612,132	4.3%
Acciaierie di Calvisano S.p.A.	176,074	194,196	(9.3%)
Feralpi Profilati Nave S.r.l.	40,800	43,056	(5.2%)
Nuova Defim S.p.A.	26,475	29,165	(9.2%)
Fer Par S.r.l.	8,517	8,541	(0.3%)
Presider S.p.A.	79,089	90,450	(12.6%)
MPL S.r.l.	21,181	20,600	2.8%
<b>Total</b>	<b>990,817</b>	<b>998,140</b>	<b>(0.7%)</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, and also a vast range of drawn products, including welded mesh, available either in standard format or made to measure. Products are mostly sold in Germany and neighbouring countries, such as Belgium, Holland, the Czech Republic, Hungary and Poland. The production site covers 607,000 m<sup>2</sup>, including 153,000 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.

During the year, the company incorporated the subsidiary EDF Elbe-Drahtwerke Feralpi GmbH, which produces downstream products, especially standard and cut-to-size welded mesh. This merger took place especially to simplify the organisation.

**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 and ESF 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 and third parties.

A breakdown of the sales figures of the main companies in Germany is given below.

(€,000)	2019	2018	% change
ESF GmbH	459,824	463,940	(0.9%)
EDF GmbH	-	110,667	(100.0%)
Feralpi Stahlhandel GmbH	27,258	20,435	33.4%
Feralpi Logistik GmbH	4,749	4,347	9.2%
<b>Total</b>	<b>491,831</b>	<b>599,389</b>	<b>(17.9%)</b>

In Eastern Europe, the Group controls companies operating in the Czech Republic and Hungary. They both hold market shares for products used in the 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 electro-welded mesh.

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

The company has a production plant in Budapest for the production of drawn products and electro-welded 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 is given in the table below

(€,000)		2019	2018	% change
Feralpi Praha Sro	Czech Republic	20,731	22,783	(9.0%)
Feralpi Hungaria Kft	Hungaria	4,976	6,006	(17.1%)
<b>Total</b>		<b>25,707</b>	<b>28,789</b>	<b>(10.7%)</b>

The Steel Business also comprises the following foreign companies:

**Presider Armatures Sas – France (99% owned by Presider S.p.A.)**

Like the parent, this company manufactures shaped reinforcing steel in bar and coils for building sites. The Saint Souplets-based production plant covers over 37,000 sq.m. and 6,500 m<sup>2</sup> indoors. The company has been in operation since 2018.

(€,000)		2019	2018	% change
Presider Armature s.a.s.	France	12,228	9,930	23.1%
<b>Total</b>		<b>12,228</b>	<b>9,930</b>	<b>23.1%</b>

**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 electro-welded mesh.

(€,000)		2019	2018	% change
Feralpi Algeria Sarl	Algeria	14,691	14,432	1.8%
<b>Total</b>		<b>14,691</b>	<b>14,432</b>	<b>1.8%</b>



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)

Steel billets	Country	2019	2018	% change
Feralpi Siderurgica S.p.A. - Lonato	Italy	1,168,995	1,160,968	0.7%
Acciaierie di Calvisano S.p.A. - Calvisano	Italy	421,804	433,258	(2.6%)
ESF GmbH - Riesa	Germany	905,639	909,692	(0.4%)
<b>Total</b>		<b>2,496,438</b>	<b>2,503,918</b>	<b>(0.3%)</b>

Finished products (Rebar – Reinforcing steel in coils – Wire rod - Merchant bars)	Country	2019	2018	% change
Feralpi Siderurgica S.p.A. - Lonato	Italy	1,340,076	1,235,908	8.4%
Feralpi Profilati Nave S.r.l. - Nave	Italy	77,190	76,192	1.3%
ESF GmbH - Riesa	Germany	849,761	789,289	7.7%
<b>Total</b>		<b>2,267,027</b>	<b>2,101,389</b>	<b>7.9%</b>

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

Cold-drawn steel - downstream products	2019	2018	% change
<b>Total</b>	<b>1,104,946</b>	<b>978,506</b>	<b>12.9%</b>

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

### Alpifer S.r.l. – Italy (50% owned by Feralpi Siderurgica S.p.A.)

Alpifer is a company holding a 100% interest in Unifer S.p.A. and Steelfer S.r.l. The former manufactures and sells “cut-to-size” and standard electro-welded mesh”, bent mesh, trellis and drawn wire, the latter is a commercial company that distributes steel products.

### Caleotto S.p.A. – Italy (50% owned by Acciaierie di Calvisano S.p.A.)

Caleotto S.p.A. and its 100% subsidiary Arlenico S.p.A. are located in Lecco. 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. It covers a surface area of 96,000 m<sup>2</sup>, of which 47,000 m<sup>2</sup> indoors (sheds and buildings). The company was held in equal shares with Duferco Italia Holding S.p.A.; on 31.03.2020 Acciaierie di Calvisano acquired the remaining 50%, and became the sole shareholder.

### 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> indoors (sheds and buildings).

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

Media Steel, which is based in Massa (MS), 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, runs two facilities for the reuse of slag from the steelwork and other materials. The company has also established a plant in Calvisano (BS) for the reuse of slag and other 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 world 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.

**These Financial Statements contain Annex 1, relating to Feralpi Siderurgica S.p.A.’s Consolidated Financial Statements, which gives greater visibility of our main field of activity.**

## Diversified Equity Investments

The following **Italian Companies** come under this line of business.

### Feralpi Farm S.r.l. – Italy (100% owned by Feralpi Holding S.p.A.)

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

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

This company, which was set up in 2013 and was 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. In 2016, it also acquired an industrial building in Nave (BS) from Stefana S.p.A. under composition proceedings.

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

This company acquires stakes in Italian and foreign companies and controls Ecoeternit S.r.l.

### San Vigilio partecipazioni S.r.l. – Italy (33% owned by Feralpi Farm S.r.l.)

The company manages equity investments.

### Finanziaria di Valle Camonica S.p.A. - Italy (3.61% owned by Feralpi Holding S.p.A.)

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

### Faeco Ambiente S.r.l. – Italy (85% 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. Feralpi Holding acquired a further 15% of the stake, reaching 85% in the first months of 2019.

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

The business purpose of this company is the trading of waste.

### Agroittica Lombarda S.p.A. – Italy (45.46% 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. It has recently acquired the company Fjord, with the production plant located in Busto Arsizio, which produces and sells smoked products. 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 smoked and frozen products.

### Far Energia S.r.l. – Italy (30% owned by Feralpi Farm S.r.l.)

This company provides the supply, installation and maintenance services for waste-to-energy systems. During the year, the equity interest increased from 20% to 30%.

### Ecoeternit S.r.l. – Italy (70% owned by Due I. Investimenti S.r.l.)

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

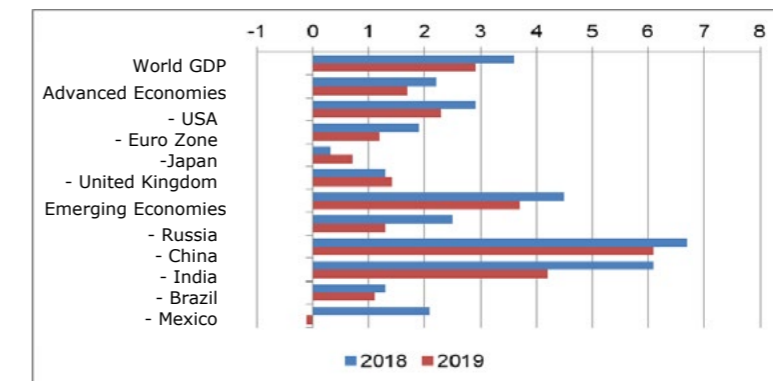
In order to provide the widest possible range of information, we make **an analysis of the economic situation**, with particular reference to the iron and steel sector, which is the most relevant for the Group.

## International and national scenario

In 2019 the **global economy** slowed down, with the rate of growth stationary at 2.9% in a marked downturn compared with 3.6% in 2018 and the average for the last decade (3.8%). More significant was the slowdown in world trade, which went from 3.8% in 2018 to 0.9% last year.

The general weakening of economic growth is evident from the downward trend in performance both in advanced economies, moving from growth of 2.2% in 2018 to 1.7% in 2019, and developing countries, moving from 4.5% to 3.7%.

GDP - Main World Economies – y-on-y % change

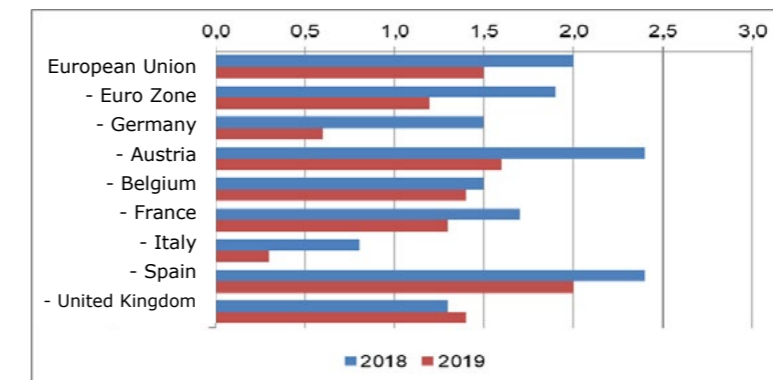


Source: IMF

**In the EU**, economic growth was characterised by a downward trend, from 2% in 2018 to 1.5% last year, and saw its momentum grind to a halt.

In particular, **economic growth in Germany**, which had already been slowing down, went from 1.5% in 2018 to 0.6% in 2019, reporting its smallest increase since 2013. The drop in manufacturing production (-4.4% on 2018) affected Germany's performance significantly, following not only other factors common to global dynamics, but also structural factors linked to performance in the automotive sector, down 11.6% on 2018.

GDP - Main European Economies - y-on-y % change



Sources: ISTAT, Eurostat and IMF

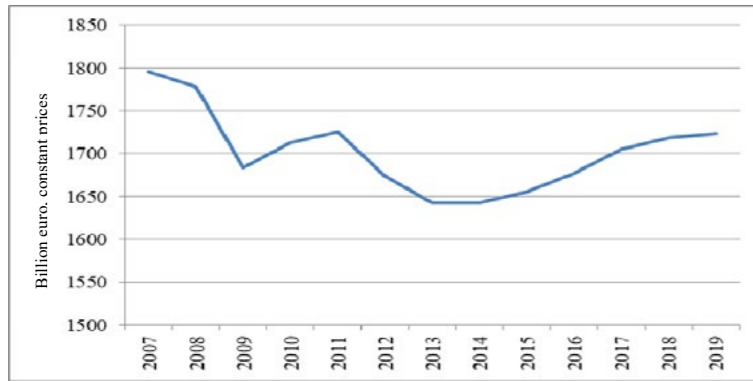
The national economy, which had already been stagnating since the second quarter of 2018, was among those that suffered most, with economic growth that decreased from 0.8% in 2018 to 0.3% last year.

For the second consecutive year the slowdown in business affected all GDP components.

The effects of weak international trade are reflected in the performance of national trade flows, with exports increasing by 1.2% (2.3% in 2018), and imports decreasing by 0.4% (3.4% in 2018), resulting in foreign demand (0.5%) contributing positively to an increase in GDP.

National demand was stagnant, with an increase of 0.2% (0.7% in 2018), which was affected by the sluggish dynamics of household consumption. The latter was caused by the weakness in disposable income, job market performance, and a new tendency to save, mainly as a precaution.

GDP in Italy

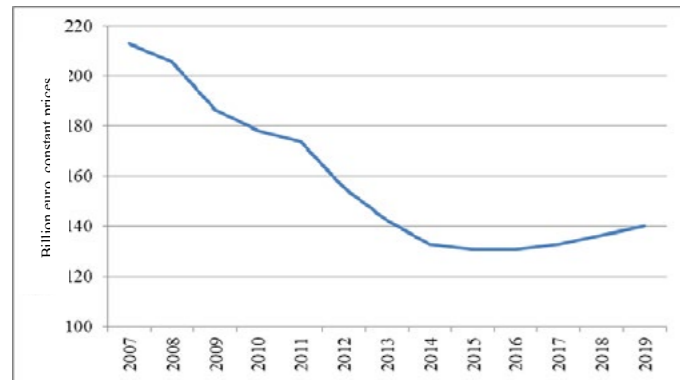


Source: ISTAT

In this very delicate scenario, gross fixed investments were the GDP component with the most dynamic growth, despite the slowdown in rate of growth from 3.1% in 2018 to 1.4% last year, which was affected by a reduction in investment in machinery and vehicles.

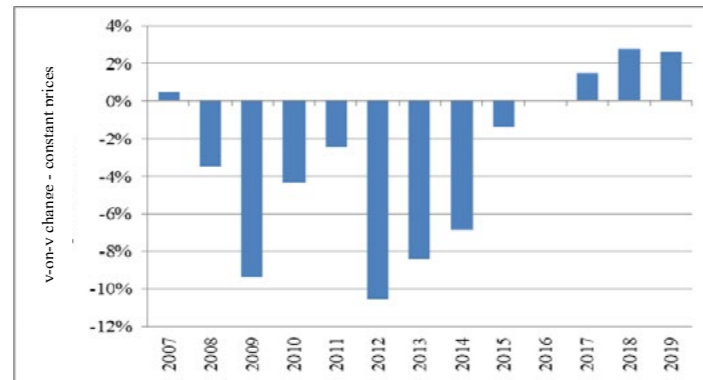
Investment in construction registered a more contained variation, with a rate of growth that went from 2.8% in 2018 to 2.6% in 2019, confirming the change in trend observed from 2016 onwards after the deep recession in the sector in the 2007-2015 period.

Gross capital investments in construction industry



Source: ISTAT

Gross capital investments in construction industry

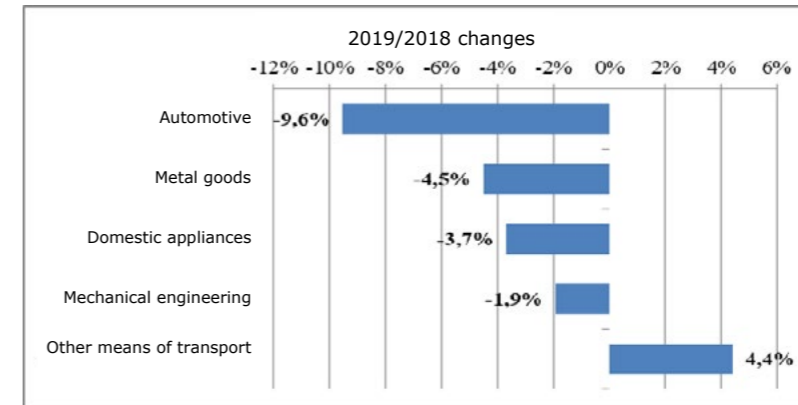


Source: ISTAT

In 2019 industrial production decreased by an average of 1% against the previous year, marking the first negative variation since 2014. Apart from international dynamics, the performance of industrial production suffered from the slowdown of the Germany economy in particular, and the weakness in internal demand.

In unison, the activity of steel-using sectors returned to the negative, with downturns that were clearly more significant with respect to industrial production overall. Even in the last year the automotive sector has been the industry suffering most (-9.6%), followed by metal products (-4.5%), whereas the sector with other means of transport showed improvement (+4.4%).

Industrial production in steel-using sectors



Source: ISTAT

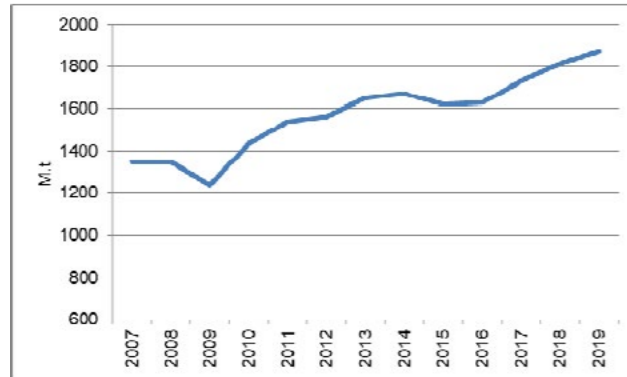
## The global steel industry

In 2019 **global steel production** came to 1.9 billion tonnes, which was up by 3.4% (+61.1m tonnes) on the previous year, a decreasing rate of growth compared with 4.7% in 2018.

Production growth was maintained by China which, with output equivalent to 996.3 million tonnes, i.e. over 53% of global production, increased by 8.3% (+76.3m tonnes) on the previous year, with a continually expanding monthly trend. Production in the rest of the world, 878.3 million tonnes, decreased by 1.7% (-15.2m tonnes) on the previous year, with general downward trends among the various global producers.

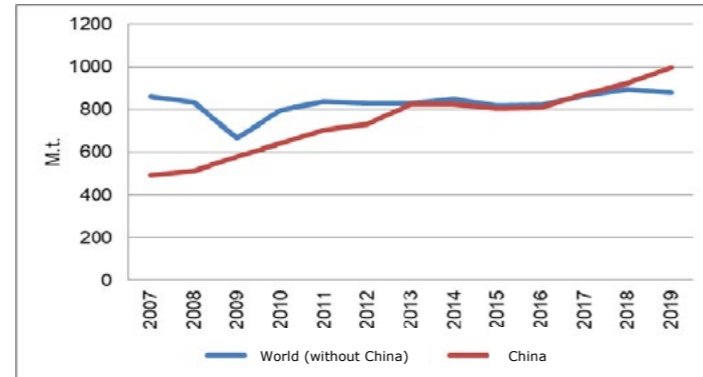
As a result, the production gap between China's output and that of the rest of the world has become even bigger.

Global steel production



Sources: Federacciai and Worldsteel

Detail of global production: China and the rest of the World



Sources: Federacciai and Worldsteel

The table below shows a breakdown by macro-zones

million tonnes	2015	2016	2017	2018	2019	% change 2019/2018	share 2019
European Union (28)	166.2	162.2	168.5	167.5	158.7	-5.3%	8.5%
Other European countries	35.8	37.6	42.2	42.4	39.0	-8.2%	2.1%
CIS	101.6	102.1	101.2	100.9	100.4	-0.5%	5.4%
North America	110.9	110.6	115.4	120.9	119.8	-0.9%	6.4%
South America	43.9	40.6	44.1	44.9	41.1	-8.5%	2.2%
Africa	13.7	13.1	14.8	17.6	16.7	-5.2%	0.9%
Middle East	29.4	31.5	34.5	43.1	50.5	17.2%	2.7%
Asia	1,114.2	1,125.5	1,205.5	1,269.8	1,342.4	5.7%	71.6%
Oceania	5.7	5.8	6.0	6.3	6.2	-2.9%	0.3%
<b>World</b>	<b>1,621.5</b>	<b>1,629.0</b>	<b>1,732.1</b>	<b>1,813.5</b>	<b>1,874.6</b>	<b>3.4%</b>	<b>100.0%</b>

Sources: Federacciai and Worldsteel

## The steel industry in Europe

The decline in production in the EU (28) involved all the main producers, with the most considerable drop in volume for Germany, where the output has dropped below the 40 million tonne threshold (39.7m tonnes, -2.7m tonnes, -6.5%), followed by Italy (23.2m tonnes, -1.3m tonnes, -5.3%) and Poland (9m tonnes, -1.2m tonnes, -11.5%).

Steel production in the EU (28)



Sources: Federacciai and Worldsteel

Steel production in the EU (28) and change on the total in 2019

million tonnes	2015	2016	2017	2018	2019	% change 2019/2018	share 2019
Germany	42.7	42.1	43.3	42.4	39.7	-6.5%	25.0%
Italy	22.0	23.3	24.0	24.5	23.2	-5.3%	14.6%
France	15.0	14.4	15.5	15.4	14.4	-6.1%	9.1%
Spain	14.8	13.6	14.4	14.3	13.5	-5.7%	8.5%
Poland	9.2	9.0	10.3	10.2	9.0	-11.5%	5.7%
Belgium	7.3	7.7	7.8	8.0	7.8	-2.8%	4.9%
Others	55.3	52.1	53.0	52.8	51.2	-3.0%	32.2%
<b>European Union (28)</b>	<b>166.2</b>	<b>162.2</b>	<b>168.5</b>	<b>167.5</b>	<b>158.7</b>	<b>-5.3%</b>	<b>100.0%</b>

Sources: Federacciai and Worldsteel

With reference to the ranking of global steel producers, it is worth noting that in 2019, Italy dropped out of the league table of the top ten, falling to the eleventh spot, surpassed by Iran.

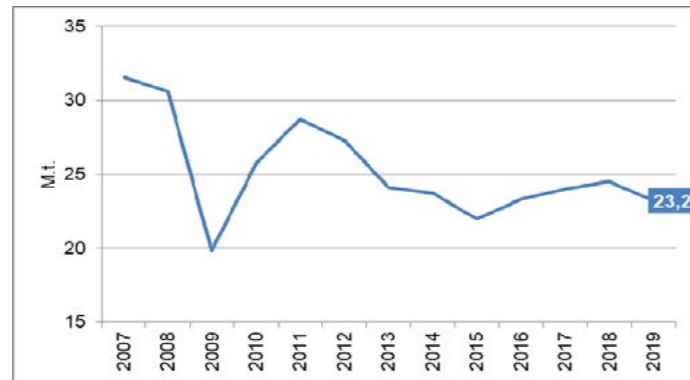
## The Italian steel industry

In 2019 the **domestic steel market** was characterised by a new slowdown in production and actual demand, whereas apparent consumption remained at the previous year's level, mainly following the increase in imports.

On the production side, 2019 closed with Italy dropping out of the league table of the top ten worldwide producers of crude steel. On the demand side, the activity of user sectors was in continuous decline throughout the year, undermined by the crisis in the automotive industry and, more generally, weakened manufacturing activity. Despite the weakness of actual demand, apparent national consumption remained at levels of the previous year, with a consequential worsening of the gap between actual and apparent demand.

In 2019 the **production of crude steel** was 23.2 million tonnes, a decrease of 5.3% (-1.3m tonnes) on the previous year, reversing the trend of slight recovery observed in the three previous years.

Steel production

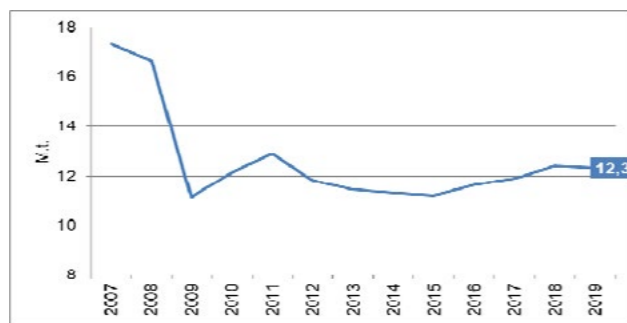


Source: Federacciai

The **production of long products** remained at the levels of the previous year with 12.3 million tonnes, down by 0.6% (-74 thousand tonnes) on 2018. A breakdown by product family shows that this stability is the result, on the one hand, of the decline in merchant bars and the growth of other production sectors on the other. In particular, the production of merchant bar in 2019 decreased by 12.8% with 3.4 million tonnes (-504 thousand tonnes) on the previous year, following the drop in the output of rods (2.3m tonnes, -468 thousand tonnes, -17.2%) and flat products (632 thousand tonnes, -93 thousand tonnes, -12.8%), with long products confirmed their upward trend (548 thousand tonnes, +58 thousand tonnes, +11.8%).

With reference to sectors with an upward trend, the greatest growth in absolute terms was recorded by wire rod (5m tonnes, i.e. +212 thousand tonnes, equivalent to +4.4%), followed by reinforcing steel in bar (3m tonnes, i.e. +179 thousand tonnes, equivalent to +6.3%) and girders and reinforcing material (879 thousand tonnes, i.e. +40 thousand tonnes, equivalent to +4.7%).

Production of long products

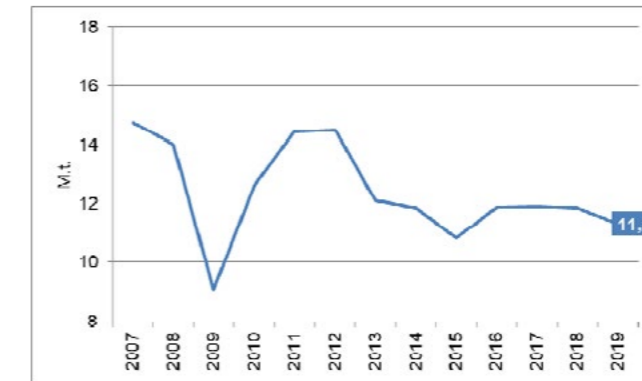


Source: Federacciai

In 2019 the **production of flat, hot rolled products** was 11.3 million tonnes, down by 4.5% on the previous year.

The figure for the production division shows that the downturn was caused by the new fall in the output of coils (8.9m tonnes, -552 thousand tonnes, -5.9%), while output of large flat and hot-worked products was at 2018 levels (2.4m tonnes, +15 thousand tonnes, +0.6%).

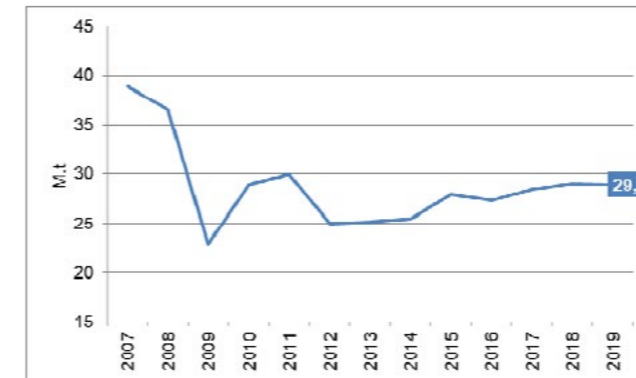
Production of flat products



Source: Federacciai

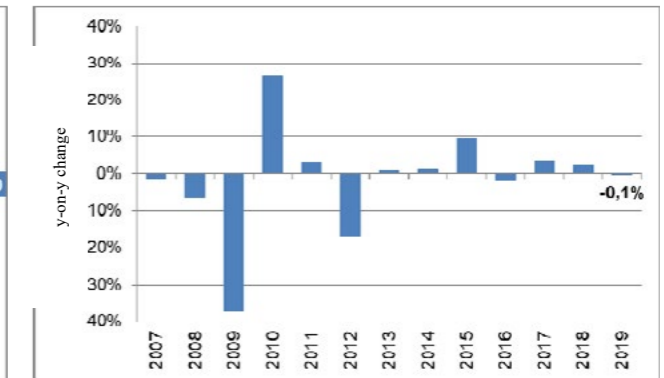
In 2019 the **apparent consumption** of primary steel products was 29 million tonnes, remaining at the previous year's level with a slight reduction (-27 thousand tonnes, -0.1%). The comparison between the rate of growth in apparent consumption and activity in steel user sectors, down overall by 2% on the previous year, not only confirms the imbalance between actual and apparent demand already recorded in previous years, but shows it has increased.

Apparent Consumption



Sources: Federacciai and ISTAT

Apparent Consumption



Sources: Federacciai and ISTAT

## Performance of the Group's main products

The overall improvement in the building sector enabled the performance of **rebar** to progress in **Italy**, with increases in production and consumption that are definitely visible, as highlighted below.

<b>Rebar – million tonnes</b>			
	<b>2018</b>	<b>2019</b>	<b>% change</b>
Output	2,837	3,016	6.3%
Deliveries	2,780	2,974	7.0%
Imports	20	8	-56.2%
- EU Imports (28)	4	3	-22.0%
- Non-EU imports	16	5	-65.4%
Exports	1,425	1,484	4.1%
-EU exports (28)	828	912	10.1%
-Non-EU exports	597	572	-4.1%
<b>Apparent Consumption</b>	<b>1,375</b>	<b>1,498</b>	<b>9.0%</b>

Source: Federacciai

Progress was different in the performance of **wire rod**, which is used in various sectors, such as construction, engineering, automobiles, etc. There was a marked improvement in production levels, whereas apparent consumption fell considerably (-5.8%). This was mainly due to a significant fall in imports, whereas the opposite trend was observed for exports.

<b>Wire rod – million tonnes</b>			
	<b>2018</b>	<b>2019</b>	<b>% change</b>
Output	4,790	5,002	4.4%
Deliveries	4,701	4,936	5.0%
Imports	1,455	1,039	-28.6%
- EU Imports (28)	1,091	830	-24.0%
- Non-EU imports	364	209	-42.5%
Exports	1,465	1,556	6.2%
-EU exports (28)	1,040	1,163	11.9%
-Non-EU exports	426	392	-7.8%
<b>Apparent Consumption</b>	<b>4,691</b>	<b>4,419</b>	<b>-5.8%</b>

Source: Federacciai

At a **European level**, apparent consumption for **rebar** showed a good increase, but at a slower pace than in 2018. The +3% registered is considerably lower than the +9% registered in 2018. The relative weakness was also highlighted by the fall in imports (-16%).

With regard to **wire rod**, 2019 represented a setback. The difficulties highlighted in the mechanical engineering and automobile sectors brought the annual figure for apparent consumption to -5%, whereas the figure for consignments is -2%. This discrepancy is well represented by the figure for imports which, on an annual basis, have fallen by 26%.

Looking more specifically at **Germany**, the consumption of **rebar** suffered a setback, even though levels have been at a historic high. Bearing the consequences of this are local producers, while the weight of imports is increasing.

<b>Rebar – million tonnes</b>			
	<b>2018</b>	<b>2019</b>	<b>% change</b>
Deliveries	2,187	2,045	-6.5%
Imports	908	935	3.0%
Exports	694	680	-2.0%
<b>Apparent Consumption</b>	<b>2,401</b>	<b>2,300</b>	<b>-4.2%</b>

Source: Wirtschaftsvereinigung Stahl

As to **wire rod**, the drop is even more significant (-5,7%). In this case, the result is most affected by the automotive sector, which is experiencing a major crisis.

<b>Wire rod – million tonnes</b>			
	<b>2018</b>	<b>2019</b>	<b>% change</b>
Deliveries	5,985	5,602	-6.4%
Imports	1,463	1,507	3.0%
Exports	2,303	2,257	-2.0%
<b>Apparent Consumption</b>	<b>5,145</b>	<b>4,852</b>	<b>-5.7%</b>

Source: Wirtschaftsvereinigung Stahl

## Equity investments

As part of an investment plan, Acciaierie di Calvisano made financial investments in its subsidiary Fer-Par. Feralpi Holding increased the assets of its subsidiary Immobiliare Feralpi by waiving part of the existing loan. Feralpi Farm increased its share *pro quota* in Agroittica, and also its stake in Far Energia (10%) and Faeco Ambiente (15%). The same company transferred its stake (40%) in Omega.

## Technological investments

### Feralpi Siderurgica S.p.A.

#### Steel mill

- ✓ Completion, installation and commissioning of the revamped continuous casting plant, with replacement of ingot moulds, oscillating benches and coolers to allow the production of 150x150mm billets and improve material's internal health.
- ✓ Installation of the new automatic system for loading ferroalloys to the ladle at the EAF.
- ✓ Installation of two horizontal ladle heat regeneration burners in replacement of existing ones, and consequent reduction of natural gas consumption.
- ✓ Installation of the new slagging door on the EAF manifold, which improves the management of the melting and slagging process.
- ✓ Purchase of new ferrous scrap handling means, such as self-propelled vehicles, shovels and trucks.
- ✓ Purchase of a special automatic means for cleaning ladle edges.
- ✓ Replacement of the EAF shaft and manifold.
- ✓ Replacement of the magnetic drum of the ferrous scrap cleaning system.

#### Rolling mills

- ✓ Completion, installation and commissioning of the revamped wire rod roll train at Rolling Mill 2, with the installation of a calibrator that allows for greater productivity and better product quality.
- ✓ Execution of construction works and installation of systems related to project covering the enlargement and refurbishing of the coil finishing area at Rolling Mill 2.
- ✓ Execution of construction works and installation of systems related to the billet welder project at Rolling Mill 2.

#### Downstream process

- ✓ Installation of a new machine for the production of recoiled wire and related plant engineering works (electricity, plumbing, fume extraction systems, etc.)
- ✓ Installation of a new Modula automatic spare part warehouse in the department.

#### Buildings, storage yards and other facilities

- ✓ Completion of works related to the enlargement of the district heating network outside the plant for supplying thermal energy to Engie S.p.A. and subsequent connection to public and private users in the municipality of Lonato del Garda.
- ✓ Replacement of the cooling towers of the secondary circuits of the continuous casting plant and the train at Rolling Mill 1 with brand-new ones.
- ✓ Upgrading of the fire detection and alarm system at the steel mill.
- ✓ Replacement of asbestos roofing and wall at Rolling Mill 1 and the Proler workshop.

#### Photovoltaic system

The photovoltaic system installed in 2011 generated 500 MWh in 2019.

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

At a plant engineering level, the changes made to improve the production process and product and its traceability, and rationalize the use of production factors were completed throughout 2019.

The following interventions were carried out or are still in progress:

- ✓ Construction of a new loft building for improved warehousing of refractory materials and additives.
- ✓ Creation of an external scrap storage and processing area in order to improve scrap charges.
- ✓ A new system to control the ingot mould level and optimize process management.
- ✓ A new electrode regulation system at the electric arc furnace to improve the use of energy in the furnace.

The following end-of-life parts of the system were replaced.

- ✓ Power distribution panels for the flue gas system and the compressed air network.
- ✓ Electrode-holding arms for the electric arc furnace
- ✓ Shaft casing

### Presider S.p.A.

#### Borgaro Torinese Plant

- ✓ Replacement of the runways in the main warehouse in Borgaro. The works will be completed in 2020.
- ✓ It was necessary to upgrade the stands and adapt the assembly area with construction works, which will be completed in the first months of 2020.

#### Maclodio Plant

- ✓ Replacement of the cutting line with a new machine.
- ✓ The plant was equipped with a stand and roofing.

#### Pomezia Plant

- ✓ Creation of an appropriate layout for the construction of voussoirs for the TBM.
- ✓ Installation of a new coil-forming machine.

### Presider Armatures

#### Saint Soupplets Plant

We implemented the first-stage investments to equip the plant with suitable gates and doors that allow access control of vehicles and people. The works will be completed in 2020.

### Fer-Par S.r.l.

The efficiency improvement process for the relaunch of the site continued, which basically entailed three interventions:

- ✓ Remake of the rolling train automation system; works carried out during the summer stop.
- ✓ Reorganisation of processes to minimize tooling, changeover and setting times.
- ✓ Plant engineering works to improve the reliability of the production system.

In particular,

- ✓ The setting up of the trio system for rolling 140x160mm billets was completed.
- ✓ The installation and commissioning of the profilometer for in-line measurement of rolled sections was completed.
- ✓ The automation of the rolling stands and cutters, cooling plate, straightening and pre-packaging cut-to-size machine was completely redone; brand-new hardware, software, supervisory and monitoring systems contribute to significantly reduce the start times of each production cycle and ensure smooth operation.
- ✓ At the same time, operational safety on the plant has been improved by segregating different areas with controlled access.
- ✓ A new billet-charging bridge crane was installed and a new one was ordered for the finished product warehouse (to be installed in summer 2020). The related runway were remade.
- ✓ The medium-voltage cells were replaced for reasons of both safety and timeliness in the event of intervention.

### ESF Elbe-Stahlwerke Feralpi GmbH

In line with its tradition, Feralpi Stahl continued to radically innovate its production system.

The main investments in the period were:

#### Steel mill

- ✓ Replacement of the electrode-holding arms
- ✓ Replacement of the airconditioning system in the continuous casting, ladle and substation 2 areas.

#### Rolling mill

- ✓ Automation upgrading
- ✓ Replacement of rolling stands
- ✓ The construction of a new coil handling system combined with a modern strapping machine, including a well with an easy-down system is in progress.

#### Downstream process

- ✓ Installation of a new system for the production of spacers.

#### Infrastructures

- ✓ Reconstruction of the downstream product warehouse roofing.
- ✓ Construction of a new gatekeeper lodge.
- ✓ Renovation of the power substation system to the west of the plant.

#### Logistics

- ✓ A new self-propelled vehicle was purchased to handle ferrous scrap
- ✓ New finished product handling equipment was purchased.

## Environment and Safety

Respect for the environment, health and safety in the workplace have always the Group's primary goal. The main actions taken in this regard are summarised below.

### Feralpi Siderurgica S.p.A.

#### Actions relating to environmental improvement

- ✓ During 2019 the commitment of Feralpi Siderurgica to improve environmental performance continued. Particularly worthy of note are actions demonstrating a commitment to the circular economy and respect for the environment.
- ✓ Infrastructure for electric car charging points has been implemented at the company's two access points. The addition of the two points (enabling four vehicles to be charged simultaneously) is one of the actions set out in the Feralpi Siderurgica improvement plan published in the last EMAS Environmental Declaration.
- ✓ A district heating network was created outside company premises, and connected to council users and five blocks of flats, two buildings with sports facilities, a primary school, Cerebotani school, Paola di Rosa school, and the Madonna del Corlo care home.
- ✓ The WeAreFeralpi App was created to promote interaction between company stakeholders, and provide information/updates on environmental and safety initiatives
- ✓ To facilitate the understanding and awareness of Feralpi's commitment, the results achieved and future objectives, the conventional EMAS Environmental Declaration in document format was accompanied by a video declaration which, by capitalising on multi-media capability, enables the communication of environmental reporting to be improved.
- ✓ The reuse of materials from recycled plastic (EoW) commenced in the electric furnace to support new circular economy projects.
- ✓ The replacement of mineral-based lubricants with fully biodegradable, vegetable oil-based products continued within the production process, where technically possible.
- ✓ The acquisition of items produced using Feralpi residue or sub-bases and asphalt made with black slag was implemented in yards and storage areas. Furthermore, in addition to carefully managing the production process and recovery of black slag as a by-product, through a management system known as 2+, since October 2019 Feralpi Siderurgica has reported environmental Greenstone data through product certification constituting the EPD (Environmental Product Declaration).
- ✓ The ongoing work to contain the use of conventional energy sources continued, and as a result the containment of CO<sub>2</sub> emissions, through various projects set up to reduce the use of methane and the consumption of electricity especially.
- ✓ In March 2019 IGQ carried out a renewal audit on the Environmental Management System, and issued a certificate of compliance for the safety management system with standard ISO 14001 in accordance with the new 14001:2015 version.
- ✓ In April 2019 the TÜV audit was carried out to maintain the EMAS registration.

#### Actions relating to the health of workers and workplaces

- ✓ During 2019, actions relating to all employee safety aspects continued, including monitoring physical/chemical agents, continually updating the risk assessment, developing systems and work environments, optimising procedural aspects, personnel training, and the ongoing improvement of the Safety Management System
- ✓ 110 courses on health and safety in the workplace were implemented and delivered in 170 editions in total, amounting to 4379 hours of training. The involvement of personnel continued in this initiative, by improving interaction with departmental safety instructors.



- ✓ The installation of the first section of a fully revamped fire detection system commenced.
- ✓ Plans were implemented for regular safety checks, routine preventive maintenance and assessment specific to equipment, especially lifting equipment and accessories, and work environments, especially in relation to defining measures to manage confined spaces, and assess/manage seismic risk.
- ✓ Actions for the ongoing improvement of production plant safety levels continued, especially in relation to optimising the separation of areas concerning different sections for Rolling Mill 2, continuous casting and the scrap sorting plant.
- ✓ Operations to remove asbestos from site roofing were completed.
- ✓ Interaction with departmental safety instructors was improved, to gather suggestions for improvement and regularly communicate significant events.
- ✓ In 2019 IGQ carried out an inspection of the Safety Management System to retain its certificate of compliance with standard OHSAS 18001.

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

#### Activities relating to environmental improvement

- ✓ Acciaierie di Calvisano continued to keep an watchful eye to the environment throughout the year. It maintained the successful cooperation with leading local manufacturers and the municipal authority in the development of the Q-Cumber, a multi-media platform designed to monitor the geographical area by involving the residents in the care of the environment.
- ✓ The great efforts were made during the year to implement and develop proposals for improvement that emerged during the audit of the Integrated Environmental Authorisation (IEA).
- ✓ The entire Environmental Management System was audited by the IGQ certifying body, and the environmental certification of compliance with the new UNI ISO 14001/2015 was maintained.
- ✓ Documentary checks and infield controls by the Supervisory Body continued in 2019 in order to ensure compliance with the 231 governance model relating to environmental issues.

#### Activities relating to the health of workers and workplaces

- ✓ The company delivered numerous hours for the training of employees. The training plan provided for the acquisition of basic knowledge and consolidation of skills with refreshing courses, by developing the cognitive principles of prevention and the qualification for the use of work equipment and PPE.
- ✓ The commitment and continuity of training activities in the previous year is clearly recognised as the element that contributed, together with technological innovation, to the sharp reduction in the number and severity of accidents.
- ✓ Major plant engineering interventions have been carried out for the steel smelting process, with the upgrading of EAF supervision and the improved efficiency of some of the plant's auxiliary activities. A centralized system capturing the welding fumes generated by welding operations in the mechanical workshop was installed. A series of actions were taken to improve the organisation with the construction of a new warehouse for the storage of consumables at the steel mill and the new LF control room and new chemistry.
- ✓ Corporate governance control pursuant to act 231/2001 was regularly conducted in 2019 by the Supervisory Body.

### FER-PAR S.r.l.

#### Actions relating to environmental improvement and the health and safety of employees in the workplace

- ✓ Courses on safety and hygiene in the workplace amounting to a total of 866 hours were delivered.
- ✓ A project for rolling mill CE marking is underway. This project includes actions to: separate different areas of the plant, with controlled access using safety keys and/or electric/magnetic interlocks - install mechanical protection for dangerous and moving plants - install optical barriers and laser safety scanners - install acoustic and optical warning systems (flashing lights, sirens, traffic lights etc.) - install new walkways - install radio control equipment to implement various commands safely.
- ✓ The bridge crane in the billet yard was replaced.
- ✓ Various outdoor areas destined for storing materials and the transit of vehicles were paved.
- ✓ The external area was paved in the zone with the process water cooling plant, with recovered rainwater now channelled into the plant itself.
- ✓ New work instructions and management procedures were put in place.

### ESF Elbe-Stahlwerke Feralpi GmbH

#### Activities relating to environmental improvement

- ✓ ISO 9001, ISO14001 and ISO50001 control tests for the year 2019 were only partially completed. The audits scheduled at the start of 2020 have slowed down due to the lockdown caused by the Covid-19 pandemic.
- ✓ The measurement of dust and heavy metal emissions continued throughout 2019. The limits fully complied with the stated values.
- ✓ The lighting systems in the EDF warehouses were replaced with more advanced environmentally friendly solutions.

#### Activities relating to the health of workers and workplaces

- ✓ Installation on lifelines on the bridge crane gangways.
- ✓ Provision of devices for the safety of people at a height.
- ✓ Installation of new fire-fighting systems.
- ✓ Like every year, the company promoted a widely attended Employee Health and Safety Day.

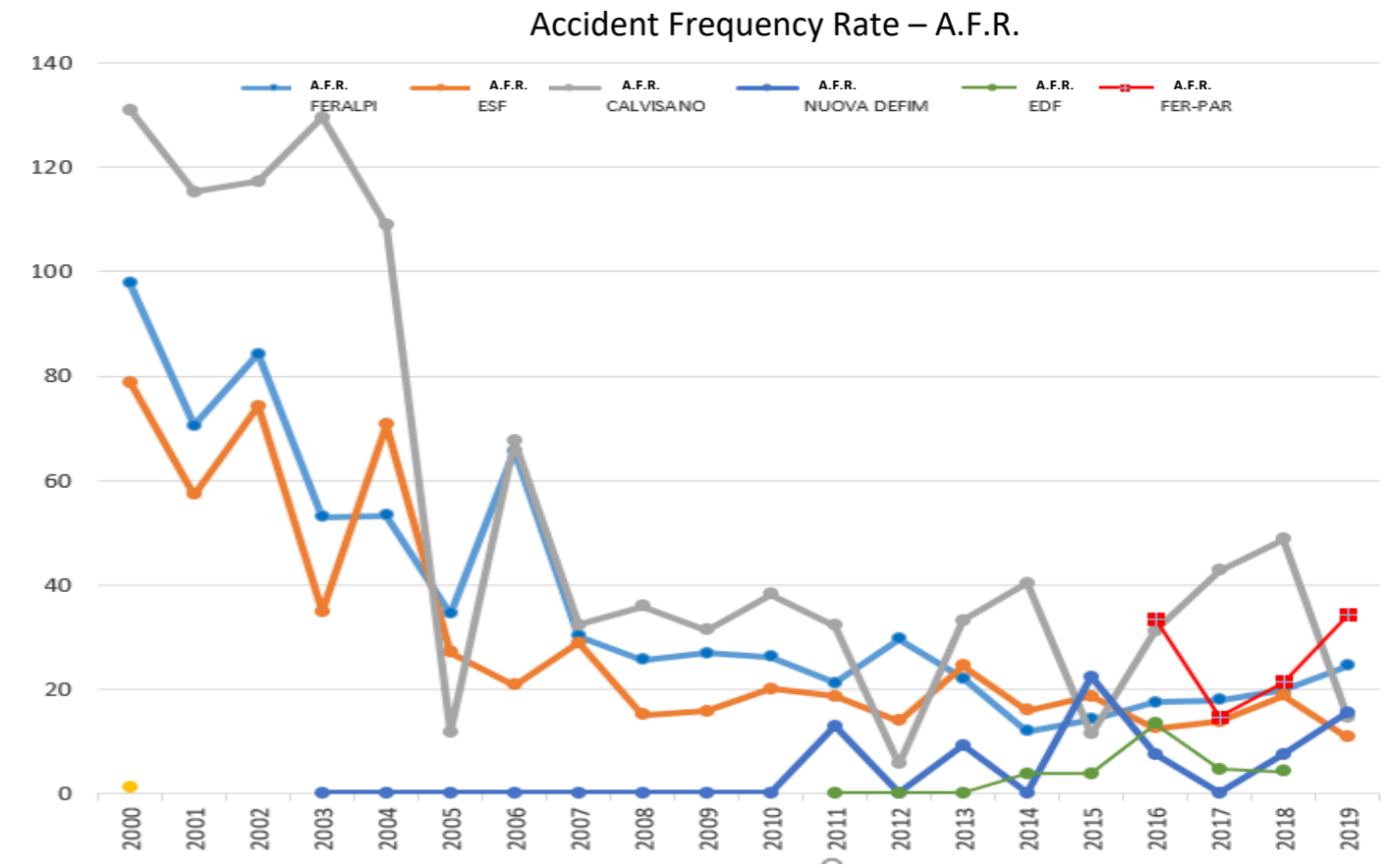
### Feralpi Logistik GmbH

#### Activities relating to environmental improvement

- ✓ Six tractor trucks were replaced. They are usually replaced every four years to ensure maximum efficiency on the one hand and minimum environmental impact on the other.

Details of the accident frequency rate by company are given below.

A.F.R. Year	A.F.R. FERALPI	A.F.R. ESF	A.F.R. CALVISANO	A.F.R. NUOVA DEFIM	A.F.R. EDF	A.F.R. FER-PAR
2000	97.72	78.83	131.00			
2001	70.51	57.21	115.25			
2002	84.17	74.19	117.37			
2003	53.01	34.93	129.51	0.00		
2004	53.22	70.68	108.93	0.00		
2005	34.49	27.07	11.71	0.00		
2006	65.72	20.79	67.58	0.00		
2007	30.19	28.93	32.31	0.00		
2008	25.63	14.99	35.91	0.00		
2009	26.92	15.72	31.27	0.00		
2010	26.14	20.06	38.17	0.00		
2011	21.20	18.66	32.18	12.85	0.00	
2012	29.55	13.85	5.63	0.00	0.00	
2013	21.99	24.40	33.09	9.19	0.00	
2014	11.86	15.90	40.21	0.00	3.80	
2015	14.13	18.60	11.27	22.31	3.80	
2016	17.50	12.47	31.17	7.52	13.34	33.48
2017	17.91	13.80	42.76	0.00	4.60	14.67
2018	19.78	18.70	48.66	7.49	4.20	21.36
2019	24.44	10.80*	14.68	15.49	*	34.10



By accident frequency rate is meant the number of recorded incidents by 1,000,000 and then dividing that number by the number of work hours.

In this case as well, the EDF rate has been incorporated in that of ESF following the merger completed in 2019.

\* \*The 2019 A.F.R. at ESF also includes the EDF results, as the latter was incorporated into ESF during the year.

## Research & Development

Research and development activities have become increasingly important for the Group in recent years, and the costs incurred are recognized in the income statement.

Developments in the main companies are shown below.

### Feralpi Holding SpA

During the 2019 financial year, the company implemented further developments of advanced business intelligence software systems. Project activities focused on intelligent vision of the business, and envisaged the development of innovative management and data analysis methods, starting with the collection of data in the integrated management system. Monitoring panel implementations concern strategic company areas, and on completion will provide company management teams with support for making decisions.

### Feralpi Siderurgica SpA

The following R&D projects that commenced in previous years continued during the financial year:

- ✓ Project on the innovative ferrous scrap cleaning process, with performance analysis and testing continuing throughout 2019, in order to optimise operations to manage ferrous scrap
- ✓ District heating network project with heat recovered from the steelworks fume cooling system. This continued with verification tests, and a system extension to include users outside the Lonato Del Garda council area was designed and implemented
- ✓ Project on an internal distributed cooling system, to generate chilled water by reusing heat from steelworks fumes. In 2019 feasibility studies were carried out on extending the distributed cooling system to the Rolling Mill 1, Rolling Mill 2 and Derivatives areas, in order to further reduce energy consumption, and hence environmental impact.
- ✓ Project to increase the efficiency of the compressed air generation and distribution network in the compressor station. This proceeded by updating simulations of potential network generation and distribution configurations, and assessing the optimisation of circulating flow control.
- ✓ Project designed to increase the level of security in the company area. The project proceeded in 2019 by analysing the inclusion of additional systems to control access and extend the anti-intrusion system.
- ✓ Fissac project co-funded by the EU Horizon 2020 programme designed to promote and apply the concept of the circular economy.
- ✓ In 2019 activities to characterise slag and processing operations continued. Eco-cement products were created and studies on the mechanical characteristics of new products continued.
- ✓ 2019 saw the end of the PerMonList project co-funded by the European Research Fund for Coal and Steel (RFCS), which started in 2016 and aimed to develop and implement calculation systems and performance monitoring methods in steelmaking processes. Activities in 2019 involved adding new functionality to the EAF model, including forecasting the temperature of steel in the casting ladle, and implementing the process control guidelines for reducing metal bath oxidation conditions, to improve the coverage of the electric arc in the EAF and provide instructions designed to improve the stability of the steel temperature in the various phases of the process. As planned, the work was completed with the addition of self-learning criteria based on the progress of the process.
- ✓ The project entitled Integration of I4.0 Systems, relating to the implementation of interconnected systems integrated with the site network. In particular R&D activities involved an innovative, interconnected rubber-coated loading system.

- ✓ The Wire Accuracy 4.0 project, involving through-process actions for making wire rod with thermomechanical treatment, bars and derivatives in new steels using Industry 4.0 engineering and control operations. The project was launched in 2018 and is co-funded by the Italian Ministry of Economic Development (MISE). It continued during the 2019 financial year with analysis and simulation activities, engineering implementations and testing of the innovative areas.
- ✓ The revamp of the wire rod rolling line was completed, with the new thermomechanical treatment and test campaigns started. The installation of the new welding machine and spool evacuation line commenced. At the same time continuous casting plant operations were completed and testing on the new production setup started, with billet sections with a diameter of 150 mm, and plant operations in the derivatives area continued.
- ✓ With regard to the simulation and process control part, analysis and simulation activities commenced, in addition to a review of monitoring and control criteria to improve process management and production tracking capability.
- ✓ Planning of the IT support system for the e-business area commenced.

The following new projects kicked off in the 2019 financial year:

- ✓ Plastic injection project which, thanks to numerous studies on the topic, has enabled the use of polymers within the electric arc furnace, as reducing agents replacing carbon. Test campaigns and further optimisation of the material mix will be investigated in the coming years
- ✓ Project to implement an innovative scorification door for the EAF, initiated to optimise its movement and scorification operations. Objectives include optimising process conditions and metallurgical reactions, and facilitating scorification operations for control station operators, and maintenance operations during stoppages.
- ✓ Project to improve machines in the downstream product area, to optimise the quality of the finished product, with work on wire rewinding machine 4 and system machine 5

Also initiated in 2019 were the design and implementation of operational machinery modifications, and investigations into innovative evacuation methods and finished product stacking methods.

- ✓ Project to introduce an innovative machine for the addition of ferroalloys when tapping, involving testing the new methods for increasing ferroalloys in the ladle, to improve the quality of the reactions and the chemical composition arriving in the LF.
- ✓ Project to measure slag in 2019, with objectives to improve output and the quality of the smelting process in the electric arc furnace. Activities are scheduled to proceed in 2020.
- ✓ Project to capture CO<sub>2</sub>, focusing on the analysis of decarbonisation processes, especially capturing and transforming CO<sub>2</sub>, as a result of which actions to improve company sustainability commenced at the Lonato del Garda site.
- ✓ Project to develop a digital assistant for managerial and business activities.

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

- ✓ 2019 saw the continuation of the SteelPro4.0 project to develop special steels through innovation in the implementation of the manufacturing process, the characterisation of materials, and the integrated management of the entire production chain. This project aims to implement engineering and software solutions to improve steelworks production processes. The project is co-funded by the Lombardy Regional Government Dept. with the support of partners such as Milan Polytechnic for analysis in the steelworks and continuous

casting area, UniBS for assessing results on products, and Optel and Visiorobotics for the development of a billet surface analysis system to identify defects caused by pouring.

Testing and monitoring was carried out in 2019 for the scrap treatment system, and the cleaning and automatic EBT system in the EAF, with new ladle system additions.

Development and test campaigns continued for the new pilot chemical set for the EAF, and the new final linear stirrer in continuous casting.

Also completed was the installation of the new scrap loading bridge cranes, and the installation of a new innovative injector was planned.

With regard to the implementation of software solutions, work continued in relation to the tundish assembly monitoring system, the EAF process monitoring system with performance indicators, the continuous casting solidification simulator, and the steelworks process data integration platform.

Metal analysis continued with PoliMi and UniBS, including the characterisation of billet and wire rod after continuous casting modifications, and with Visiorobotics activities regarding the development of a system for measuring continuous casting surface defects continued.

- ✓ The Quality Integration project co-funded by the Ministry of Economic Development (MISE) continued in 2019, to increase product quality and the flexibility of wire rod and profile production through innovative technologies applied to the entire production chain.

The research and development project involves partners such as Acciaierie di Calvisano as the billet producer, Arlenico for the production of wire rod in special steels, and FER-PAR for rolling billet into profiles. It aims to extend the range of products in the Acciaierie di Calvisano-Arlenico-FerPar chain, reduce instances of defects at the three sites, and start from the billets at Calvisano. During the financial year engineering work continued to improve quality, in particular to monitor tapping slag, sample steel in the EAF, implement the TDR, analyse new tundishes and continuous casting plant modifications, both in ingot moulds and downstream of the secondary cooling process. Concurrent analysis continued on inclusions in the LF, casting simulation, and ingot mould activities planned.

Furthermore, work on the Industry 4.0 strategy continued, with the implementation of a new short plate labeller, the development of the system to analyse processes outside of CC and the implementation of the integration platform, providing data capable of giving an integrated global view of full production chain logic.

- ✓ The four-year SupportCast project continued in the 2019 financial year. This is co-funded by the EU through the Research Fund for Coal and Steel (RFCS), and aims to improve the interior and surface quality of billets from continuous casting by applying process simulations, innovative plant solutions to reduce interior defects, and applying a mapping system of surface billet temperature to detect casting defects. During the financial year, work with Milan Polytechnic on the simulations of continuous casting process simulations and the characterisation of billets concluded. Finally, a thermal camera was purchased with the project partner BFI (VDEH Betriebsforschungsinstitut GmbH) to detect surface defects, and the first version of the monitoring and post-processing software was implemented, in addition to initial laboratory and system tests.

### Nuova Defim Orsogril

- ✓ The research and development project continued in the 2019 financial year, with the aim of analysing design and implementation solutions for wire made of Corten steel for wine growing, never attempted previously in the sector. This would offer innovative elongation characteristics, mechanical resistance and durability, enabling the use of smaller diameters than conventional solutions and improving aesthetic impact. The project was implemented in conjunction with Feralpi Siderurgica to optimise the steel used, draw wire into samples, and test it on customer premises. The product was tested by Milan Polytechnic.

- ✓ Two sub-projects kicked off in the 2019 financial year, one relating to the implementation of stakes and another relating to the implementation of springs. The stake project concluded with positive results during the financial year, whereas the spring project achieved intermediate results and will continue in 2020.

Due to their design complexity and implementation, both sub-projects required new knowledge to refine them, and the consolidation of this knowledge with prototyping and test phases.

### Fer-Par

- ✓ The Quality Integration project co-funded by the Ministry of Economic Development (MISE) continued in 2019, to increase product quality and the flexibility of wire rod and profile production through innovative technologies applied to the entire production chain.

The research and development project involves partners such as Acciaierie di Calvisano as the billet producer, Arlenico for the production of wire rod in special steels, and FER-PAR for rolling billet into profiles. It aims to extend the range of products in the Acciaierie di Calvisano-Arlenico-FerPar chain, reduce instances of defects at the three sites, and start from the billets at Calvisano.

During the financial year large-scale operations continued to initiate and improve the production of new round and square profiles, in addition to the process to optimise the rolling process for billets with a cross-section of 140 mm. Profile dimensions also started to be continually monitored.

The site automation overhaul continued, in particular with the full reconstruction of rolling mill automation through to cutting the finished product to the required measurements.

### ESF Elbe-Stahlwerke Feralpi

- ✓ **Project to improve electric arc coverage with foamed slag**

In 2019 these activities continued with the use of an acoustic sensor to assess the efficiency of electric arc coverage with foamed slag, to act directly on the carbon injection to manage slag foaming. The system has been in regular operation with success.

- ✓ **ConSolCast Project**

In 2019 this project on the comprehensive modelling, monitoring and control of solidification to optimise the continuous casting process continued in conjunction with other European partners. It aims to develop systems to monitor and control billet solidification during casting to optimise process parameters, and is co-funded by the EU Research Fund for coal and Steel (RFCS).

2019 saw the implementation of an innovative system of ingot mould instrumentation in continuous casting, to monitor ingot mould temperature on-line and assess the accuracy of the solidification process in progress. The system will be tested in 2020.

Preliminary tests were carried out in 2019 for the application of a sensor to detect billet vibrations to assess the solidification process and the liquid pit closure position.

- ✓ **Project to improve the EAF and scrap charge**

The project regarding a pre-crusher for ferrous scrap that becomes charge for the EAF, with test campaigns carried out the previous year, continued in 2019 with the approval of the project by the Saxony region with SAB (Sächsische Aufbaubank) to improve scrap cleaning and splitting operations.

The aim of the project is to standardise the scrap to obtain tundish charge that has little variation, in order to improve the stability of the smelting process and make it invariable from one cast to the next.

✓ **Project to automate tundish loading**

A project kicked off with the Dresden TU logistics department regarding the automatic loading of tundishes with scrap, by means of modelling to verify the most suitable practices. The aim is to identify unfavourable phases in the overall scrap process cycle, and receive information to size the scrap handling system correctly.

✓ **Project to model rolling mill conditions**

In 2019 a project commenced to model rolling mill conditions between the six-step monoblock and the CSB for the wire rod line, in conjunction with TU Bergakademie in Freiberg. The aim is to keep rolling mill conditions stable for the high-speed range, as obtaining standard conditions in the calibration unit will enable higher productivity in continuous mode.

✓ **Project to use portable burners in the EAF**

In 2019 a project kicked off with HTT to use portable burners in the EAF, with the completion of development and testing for the application of one burner, verifying its suitability for the process, and the application of 3 burners in the EAF was developed, with testing for this being carried out in 2020.

The aim of this application is to improve the efficiency of scrap smelting in the EAF, to improve metal yield and reduce energy consumption and treatment times.

## Corporate Social Responsibility

During the year Corporate Social Responsibility actions continued to focus on the sustainable development goals outlined in the UN's 2030 Agenda.

In addition to the four which are deemed essential (9. Innovation and Infrastructure, 11. Sustainable Cities & Communities, 12. Responsible Consumption and 13. Climate Action), the company decided to include 7 and 8 from 2020 onwards (ensure access to affordable, reliable, sustainable and modern energy for all, and decent work and economic growth, respectively).

These have guided the definition of sustainability strategies, which in turn have steered the company communication plan, leading to action commencing within the Group's companies.

The responsible decision to strengthen the company's commitment was also demonstrated by the CEOs' Call to Action. This was directed at the top levels of major European companies, to incentivise the mobilisation of other businesses, public organisations and government departments towards action to tackle climate and social challenges.

This participation is consistent with the support for the Confindustria Manifesto on sustainability signed in 2018.

Furthermore, a Code of Conduct was introduced voluntarily for non-listed, family-controlled businesses, which was achieved thanks to the implementation of a modern governance system. In this regard, the company has expressly chosen to commit to three specific areas in accordance with corporate identity, by fostering cultural development in terms of the supply chain and the sector, with particular focus on communities and the areas where the Group operates through its various companies.

The Group has defined investment in production which is increasingly sustainable as a priority for the environment, the company itself, and the people working there. This also means transferring the potential of digital transformation to organisational and production processes, thanks to financial support directed at green investment. This is the case with the financing of the sum of 20 million euro to fund sustainable investment last September.

The Group, with Feralpi Holding, was the first to access this type of loan, which has terms linked to specific, measured and monitored sustainability indices that must be achieved for the financing to become more competitive for the company.

These efforts combine ethically with a commitment to facilitate the development and growth of the country's social fabric, starting with employment, defined as key for developing an individual within a social and community context.

This means prioritising safety, by promoting employee health and safety initiatives, and contributing to the wellbeing of employees *and* their families. It also means optimising processes to focus on material efficiency, the development of circular processes, investment in research and innovation, and Industry 4.0 technologies.

Both aspects are consistent with Feralpi's commitment to fostering a responsible work culture, that also aims to educate and train future generations.

Seven key points have therefore been outlined to define the company's approach to change - develop people, multiply the use of raw materials, contribute to reducing consumption and environmental impact, develop a quality offering, adopt ethical business management, community development and inclusion, work culture and education for young people.

The communication strategy was structured in line with six chapters defining the corporate values that each of the Group's companies must cover in their communication tools, with the aim of consolidating the reputation of the brand.

The Group's strategy is underpinned by investment in employment for young people, the importance of digital innovation and Industry 4.0, and the use and development of circular models.

These values have been circulated via numerous tools.

The first is the 2018 Sustainability Report (translated into English and German), which was written and published in 2019 and provided international stakeholders with information on the Group's economic, social and environmental performance.

Throughout the year, transparency was the driving force that enabled thousands of people to visit the Group's premises (from schools and universities, government departments and institutions, suppliers, customers, journalists etc.).

Furthermore, Group managers actively participated in conferences, workshops and seminars, with the Made in Steel trade fair in Milan last May constituting a major event.

The e-Farmer project to engage with young people reached a significant milestone by bringing twelve digital innovators into the company.

External activity strengthened in the digital world, by increasing interaction with stakeholders through social networks, sharing a social media policy and supporting the websites [www.feralpigroup.com](http://www.feralpigroup.com) and [www.feralpi.de](http://www.feralpi.de), in addition to specific websites belonging to various companies in the Group.

Internal communication activities were also targeted at employees and collaborators through the company magazine VerdeFeralpi, with approximately 3000 copies published in Italian and German.

Media relations activities were also significant throughout the year.

Hundreds of articles on the Group were published throughout 2019 in national and international press (paper and digital), in addition to general and industry-specific publications.

## Personnel

### Organisation and workforce

Below is a *breakdown by qualification and geographical area*

Number of employees at year end by category	2019	2018	Change
Executives	34	32	2
Office workers and middle managers	445	438	7
Factory workers	1,091	1,086	5
<b>Total</b>	<b>1,570</b>	<b>1,556</b>	<b>14</b>

Number of employees at year end by geographical area	2019	2018	Change
Italy	806	819	(13)
Abroad	764	737	27
<b>Total</b>	<b>1,570</b>	<b>1,556</b>	<b>14</b>

### Training

The commitment to training and updating staff remained at a high level in 2019, with a total of over 23,000 hours delivered.

Training activities developed along four usual macro-areas, which reflect Feralpi's main guidelines for the development of human capital.

- ✓ manual trades and technical-specialist areas
- ✓ health and safety in the workplace, environment and energy
- ✓ compliance and regulatory updates
- ✓ quality

Among the new training activities, worthy of note are those related to migration to G Suite – a software platform and productivity tools for cloud computing.

The strategic change, which is part of Feralpi's cultural revolution in terms of digitization, clearly required a significant update of all users.

As regards participation in higher education courses, the presence of employees to Master's course on Business Management & Innovation modules organized by ISFOR 2000 and the Master's course in Metallurgy 4.0 as a result of the partnership between AQM, Isfor and Riconversider, was confirmed for 2019 as well.

October 2019 saw the start of **Management 4 Steel**, the first training course put in place by the *Academy Siderurgica*, whereby Aso, Duferco, Feralpi and Pittini groups surpassed company's individuality and pooled their synergies to carry out common training courses.

Management 4 Steel is a shared programme of advanced high training aimed at providing transversal knowledge and soft skills to in-house collaborators. The project aims to increase managerial culture at all levels, including new technologies while favouring the creation of a network in the steel industry.

The health, safety and environment (OHSE) area maintained an absolutely important role in Feralpi, in terms of both centrality and number of training hours. Numerous training initiatives were taken in 2019 concerning updated courses on the safe use of tools, machines, equipment and lifting means and accessories.

In terms of Quality, the commitment to training under the UNI EN ISO 9001 standard was confirmed also in 2019.

As regards Compliance, a workshop entitled **Antitrust Compliance Program** was held in 2019 at Feralpi, which involved all top-ranking employees of the Group's companies. Feralpi aims to transform antitrust risk management into an opportunity for growth, in the engine of its increased entrepreneurial competitiveness.

In another important training session held in 2019 for the employees of the Group's companies, the issue of legislative updates on Legislative Decree 231/01, which could have an impact on the application of the Governance Models adopted by the Group's companies was addressed.

Lastly, training was held on the sustainability reporting process at a Group level, which had already reviewed the process put in place at Feralpi and showed what will be the next steps.

In line with the Group's policy, the German subsidiaries continued to focus on professional/technical update courses and language classes, in addition to training on health and safety in the workplace.

Throughout the year, a total of 6,684 hours of training were delivered.

A significant part of the training activities was confirmed within the SAP programme. These activities continued the process started the previous year, given that in 2018 Riesa had already started to implement the SAP ERP. In addition to mapping business processes, the HR provided for the accompaniment of colleagues with ad hoc training sessions to gradually facilitate the transition to the new operating system.

The work-education projects introduced in German associates in 1997 continued to be prominent for the Group. They are developed according to the rules laid down by the German dual apprenticeship system and assessed in the Riesa area as training courses of excellence. At the end of the year, 35 apprentices were in force in Riesa, 11 of whom were hired during 2019, a particularly noticeable result in consideration of the negative demographic trend recorded in the area in recent years.

Language training courses involved numerous employees in 2019, with particular focus on the teaching of English and Italian languages by native language teachers.

### Other initiatives and activities

In 2019 Feralpi maintained a high level of engagement in activities aimed to promoting health, welfare, concern over the local community, digital conversion and social inclusion.

### SAP SuccessFactors

The use of the SAP SuccessFactors platform was consolidated in 2019 as an integrated system for the management of Human Resources. This implementation was engaged as part of the Feralpi's digital transformation. In addition to the modules closely related to personnel management, which is currently used at all levels of the organisation, the Learning Management System (LMS) has been implemented and will be gradually shared with managers and heads of departments.

### WHP – The network of companies in Lombardy promoting good health

Within the Workplace Health Promotion (WHP), that has been joined by Feralpi since 2013, at the Lonato, Calvisano and Nave sites, the Group has voluntarily started a study aimed at intercepting and preventing postural problems related to the oral cavity. Developed in collaboration with the Department of Medical-Surgical Specialties, Radiological Sciences and Public Health at Brescia University, the project envisages individual meetings with specialists, during working hours, to fill out a medical postural history questionnaire, a specialist dental examination and postural assessment on a stabilometric platform.

### Employee Health days e “Gemeinsam Fit”

The appreciation of the traditional Health Days (Gesundheitstage) is confirmed among German sister companies. During the two days' event, the colleagues had the opportunity to check their physical condition and know more about health and safety issues.

The second edition of the sports festival “Gemeinsam Fit” (*Lit. Fit Together*) was held as part of the Welfare programme. A day of celebrations during which employees and their families could devote themselves to numerous sports activities where the playful element was central.

### WELFer

Starting from 2019 Feralpi Holding, Feralpi Siderurgica, Acciaierie di Calvisano, Fer-Par and Presider employees use the WELFer webplatform for managing their flexible benefits. This is a market place through which each employee can create his/her own package of benefits (assets and services) independently and consciously.

### Feralpi Bootcamp

The Feralpi Bootcamp project continued as a conceptual connector which, in line with the Group's commitment in terms of corporate welfare and attention to local communities, encompasses all Feralpi's initiatives for younger generations. It provides

- ✓ Guidance for conscious growth of employees' children
- ✓ Dual work-education project, which provides significant classroom training courses lasting over 110 hours, with sessions dedicated to safety and technical issues and events aimed at promoting soft skills. A commitment towards young people living in the area was again recognized with the BAQ 2019, the Confindustria Seal of Quality for Alternating Education, which confirms for the second year running the excellence of the in-house educational programme.
- ✓ Advanced training courses (IFTS/ITS) – In Autumn 2017, Feralpi was actively involved in the new ITS (Higher Technical Institute) course for mechatronics, a two-year advanced training course characterized by skills for the construction, integration and control of machines and automatic systems.

### Feralpi Sider+ training

In October 2019, Feralpi launched an innovative training initiative. Known as *Sider+*, this project was designed to give the participants with a significant basic knowledge required to work in the steel industry. The renewed project allowed 12 people to follow a 148-hour training course with theoretical and practical lessons on technical subjects, soft skills and safety. At the end of the course, participants could obtain certificates for the use of forklift trucks and bridge cranes.

### Personnel recruitment at ESF

The recruitment of new employees in the Riesa area remains a subject of particular attention because of the demographic trend, which has been negative for some years now.

Noteworthy is therefore the efforts in organising opportunities to meet the young generations, during which new media are used (e.g. a 3D movie was produced using virtual reality viewers that provide an allround bird's-eye view of the production premises).

With this in mind, the traditional Open Day (*Tag der Schüler* – Student Day) was renewed for the 200 or so students of the eighth and ninth year of the schools in the area.

### Performance Management

In 2019, the Performance Management system was extended to more companies and currently involves a total of 25 managers from 6 Italian Group companies. It was implemented to support the Management Team in identifying objectives consistent with the corporate policy. Furthermore, in order to encourage the development of leadership skills, a path of managerial skills was developed in 2019, aimed specifically at managers involved in the Performance Management System.

### Best Practices Sharing

Conceived with the aim of sharing current best practices in the various sites at a group level, especially in Italy and Germany, and promoting the team integration, in 2018 this project involved such areas as scrap management. Rolling mills, downstream processes and maintenance. In 2019, the project moved from the analysis and identification of improvement actions to the implementation phase.

### Social inclusion internship

In the summer of 2019, Feralpi employed a prisoner after release – under a joint collaboration between the Brescian Industrialists' Association (AIB) and the Surveillance Court, the Brescia Penitentiary and the Brescia Guarantor of Prisoners - for work at the Lonato plant as part of a nine-month orientation, training and reintegration internship programme.

### Territorial Laboratory for Employment

Teaming up with institutions and businesses for the future of the youngsters. With this in mind, the Feralpi Group contributed to the creation of the Territorial Laboratory for Employment (LTO), which was inaugurated in December 2019 at the Lonato del Garda-based Cerebotani technical high school, where it is physically located. The LTO laboratories are the brainchild of a project coordinated at a national level by the MIUR university and co-funded by public and private institutions and companies, the aim being to offer a new space open to the community, capable of integrating training courses for students already included in educational initiatives and also be an option aimed at reintegration into the labour market.

### Compliance with Legislative Decree 231/2001

As part of institutional activities, following the coming into force of legislative decree no. 231 of 8 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 its Italian major Italian subsidiaries constantly supplement and update their Models. The review of the Organisational Models, currently in force, was approved by the respective Boards of Directors, or equivalent bodies, of most of the Group companies during 2017.

Numerous regulatory changes of potential interest to the Group have been introduced, including the provisions of legislative decree no. 38 of 15 March 2017, which came into force on 15 April 2017, regarding bribery among individuals, the main one being:

- ✓ the new formulation of bribery among private individuals (art. 2635 of the Italian Civil Code), a crime that entails the administrative liability of entities, pursuant to art. 25-ter of Legislative Decree no. 231/2001, in which the offense is considered as a crime of mere conduct (or danger), i.e. without the provision of a damage event.
- ✓ the introduction of the independent crime of “instigation to bribery among private individuals (art. 2635-bis of the Italian Civil Code), thereby the active subject is prosecuted even when the offer or promise of money or other benefits to perform unloyal action towards own company is not accepted by the passive subject of bribery.

Official Journal No. 13 of 16 January 2019 published Anti-Corruption Act no. 3/2019, concerning measures on fighting crimes against the public administration, and the matter of statute of limitations and transparency of political parties and movements, which came into force on 31 January 2019. This legislation introduced changes that are significant for the purposes of decree 231 in terms of crimes of corruption between private parties, and incitement to corruption between private parties (2635 and 2635-bis of the Italian civil code), as automatic prosecution is now possible, without the requirement for victims to make a formal complaint. Act no. 3/2019 also partially amended article 25 of decree 231 in relation to corporate liability for acts of corruption, adding influence peddling as a punishable offence and, a new feature of significant impact, tightening up on prohibitive measures, determining extent on the basis of the position held within the organisation by the party committing the crime.

Act no. 179 of 30 November 2017 on whistleblowing (in force since 29 December 2017) also led to the addition of clause 2-bis of article 6 in legislative decree 231/2001, according to which governance models adopted must include one or more channels set up to enable parties to report illegal conduct or breaches of the governance model in confidence, on the basis of accurate, consistent facts which they become aware of in their normal course of duties. These channels must ensure that the identity of anyone reporting such matters remains confidential, and at least one must be suitable for ensuring confidentiality by means of electronic methods.

It should therefore be noted that on 16 May 2019, Act no. 39 of 3 May 2019 was published in the Official Journal, in relation to the ratification and execution of the European Council's convention on the manipulation of sports competitions. This Act also affected legislative decree no. 231 of 8 June 2001, with the addition in article 5 of article 25-*quaterdecies* in the body of legislative decree 230/2001, relating to fraud in sports competitions and illegal sports betting.



Finally, note in particular that on 24 December of last year, Act no. 157/2019 was published in the Official Journal, which came into force the following day (converting what was known as the tax decree into law) and, among the various measures, includes the liability of organisations for tax offences already provided for in legislative decree 74/00 to be classed as predicate offences. In particular, the new article 25 *quinquiesdecies* of legislative decree 231/01 stipulates that, if one of the offences outlined below is committed, in addition to the individual who committed the offence having criminal responsibility, the organisation will be punished in line with the same conditions for other predicate offences.

The offences involved are:

- ✓ Fraudulent declarations via invoices or other documents for non-existent operations (article 2 of legislative decree 74/00)
- ✓ Fraudulent declarations via other means (article 3)
- ✓ The issue of invoices or other documents for non-existent transactions
- ✓ Concealment or destruction of accounting documents (article 10)
- ✓ Tax evasion (article 11)

In accordance with standard practice, the Group's companies adapted their Governance Models to the new legislation. Preventative analysis was carried out to assess the suitability of any control measures already being implemented, and the need to create or supplement procedures and protocols to cover the new risks/offences. These procedures are being completed, and will result in amendments for the Group's companies to include in their Governance Models.

## Risk management

*Disclosure pursuant to art. 2428, subsection 2, point 6-bis, of the Italian Civil Code*

The Feralpi Holding Group mainly operates, through Feralpi Siderurgica, in the **Iron and Steel industry**, a sector that entails various types of risk:

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

**Operational risks** are related to the type of steel activities. The company has developed highly advanced systems for the protection of its Tees and the impact on the environment; continuous improvement of the accident frequency rate and the numerous environmental certifications received are tangible evidence of the effectiveness of the measures adopted.

**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 euro, 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** hedging policy.

Unfortunately, a health risk has recently been added to traditional risks. With specific regard to the risk related to the spread of the Covid-19 pandemic, the Group has scrupulously followed the provisions issued from time to time by Italian national and regional health authorities, namely those included in the Prime Ministerial Decree issued on 11.03.2020.

As regards the **Diversified Equity Interest sector**, the main risk factor is substantially the one associated with changes to environmental laws and regulations and their interpretation and application by the surveillance bodies, in addition to the risk related to the spread of the Covid-19 virus.

## Antitrust

As already mentioned, in 2017 Feralpi Siderurgica S.p.A. was sentenced, together with other steel manufacturers, in relation to alleged anti-competitive behaviour for an amount of €29.4 million.

Against the Antitrust Authority's decision, the company filed an appeal with the Lazio Regional Court, which cancelled the previous sentence and recognized the lawfulness of the behaviour.

The Attorney General of the State filed an appeal with the Council of State against the decision of the Regional Administrative Court.

The Council of State, in turn, confirmed the decision of the Regional Administrative Court. This final decision is a confirmation of the company's reasons to close an unfortunate chapter.

Moreover, the report also mentions a fine of €5.125 million sanctioned by the European Anti-trust authority for anti-competitive behaviour for facts that occurred between 1992 and 2000, which had already been fined twice of €10,250,000. In both cases the European Anti-trust Authority was unsuccessful in court but still wanted to resume, for the third time, the procedure decades after the alleged events.

## Analysis of the economic-financial performance

Feralpi Holding registered a slight decline in terms of turnover (-1.3%), and production value (-2.6%). The reduction in production value would have been greater if there hadn't been a positive result registered among the components of 29.4 million euro, concerning the removal of the Feralpi Siderurgica SpA provisions set aside for the litigation with the Italian Anti-trust Authority, which the company finally won.

Considering the variation in unsold stock, the amount for raw materials, subsidiaries, consumables and goods, the value of production was lower (decreasing from 65.4% to 63.2%).

The increase relating to other entries more than compensates for this reduction: services increased from 17.9% to 18.2% and the cost of personal rose from 6.5% to 7.5%.

Amortisation and depreciation allowances registered a rate of 4% compared with 3.4% on the value of production. This also relates to the write-down of fixed assets. Of particular significance was the item for risk provision, which went from being practically non-existent in 2018 to now registering a provision for an EEC Anti-trust fine (€5,125 thousand). This sanction was imposed for the third time by the European Antitrust Authority and is mentioned elsewhere in this report.

The difference between production value and costs is 5.3% of the value of production (5.9% in 2018).

**Financial management** reported a negative balance of approximately 2.8 million euro (-0.2%), a further reduction compared with the €3.6 million figure for 2018 (-0.3%). The figure for value adjustments for assets and liabilities was decidedly negative at over €13.8 million. Action was taken in the form of write-downs, in particular regarding Agroittica, Cogeme Steel and Caleotto.

This effect was offset considerably by lower tax incidence (over €10 million).

The **consolidated result for the financial year** came to €40.8 million (3.1% of the production value against 3.9% in the previous year).

The **group operating result** was positive at €39.8 million.

An analysis of the **Consolidated Balance Sheet** shows at first a significant increase of tangible assets (nearly €7 million), which exceeds accumulated amortization and depreciation (€45.3m). Financial assets, on the other hand, decreased due to write-downs of investments made during the period.

The drop in unit values generates a significant reduction of inventories (nearly €26m) and receivables from customers (nearly €41m). Total receivables declined by around €37 million).

Group's cash and cash equivalents decreased from €49m to €35m.

**Liabilities and Shareholders' Equity** show a further significant increase in the Consolidated Shareholders' Equity (€+34m), in addition to dividends paid during the year (€7m). The provisions for contingencies and liabilities decreased as a result of the elimination of the Italian Anti-trust fine, while the amount of the EU fine (€5.125m) is set aside. In this regard, it is worth of note the significant amount (€9,5m) concerning the provisions allocated for the post-closure of the landfill owned by Ecoeternit.

Payables owed to banks decreased from €219.3m to €164.5m, with a clear variation of the breakdown.

Amounts falling due over 12 months now account for 55.5% of the total (38.3% in 2018).

The net financial position decreased from €175.6m to €134.9m.

The net financial position also takes into account cash on hand, the portion expiring over one year accounts for 71.4% of the total, compared with 51% in 2018.

Payables owed to suppliers declined by over €13 million; so did payables owed to associates (€25m).

Total liabilities dropped by about €95 million, at €455 million.

In essence, in 2019 the Group decidedly strengthened its financial structure through the equity intervention and the extension of financial liabilities.

The permanent sources/fixed assets ratio is 145.3% (142.4% in 2018);

Equity accounts for 51.4% of total liabilities (44.5% in 2018).

Net Working Capital declines to €222.2 million, as against €248.9 million in 2018.

In essence, equity indices improve significantly, while EBITDA remains stable, declining from €126.2 million in 2018 to €125.7 million in 2019.

Net Financial Assets/EBITDA ratio, already at 1.39, improves further at 1.08.

For a better understanding of the Group's operating result, a statement of the **reclassified Balance Sheet, Income Statement and Result Indicators** is given below.

#### Balance Sheet - Assets

Item	2019	%	2018	%
	<b>Current assets</b>			
	304,258	30.7%	346,446	32.5%
	<b>Ready cash and cash equivalents</b>			
	34,859	3.5%	48,993	4.6%
Cash and cash equivalents	34,859		48,993	
	<b>Deferred cash and cash equivalents</b>			
	269,400	27.1%	297,453	27.9%
Subscribed capital unpaid	-		-	
Short-term current receivables	263,611		294,585	
Short-term non-current receivables	3,423		473	
Financial assets	802		802	
Prepayments and accrued income	1,564		1,594	
	<b>Inventories</b>			
	243,812	24.6%	269,602	25.3%
Inventories	243,812		269,602	
	<b>Non-current assets</b>			
	444,477	44.8%	451,155	42.3%
Intangible assets	15,486		13,626	
Tangible assets	357,424		350,807	
Financial assets	49,806		59,751	
Medium/long-term current receivables	21,761		26,972	
	<b>Total utilisation</b>			
	992,547	100.0%	1,067,203	100.0%

**Balance Sheet - Liabilities**

Item	2019	%	2018	%
Minority interest	2,089	0.2%	2,763	0.3%
<b>Current liabilities</b>	<b>358,895</b>	<b>36.2%</b>	<b>460,507</b>	<b>43.2%</b>
Short-term payables	358,278		459,855	
Accruals and deferred income	617		652	
<b>Consolidated liabilities</b>	<b>124,156</b>	<b>12.5%</b>	<b>131,246</b>	<b>12.3%</b>
Medium/long-term liabilities	96,683		89,870	
Provisions for contingent liabilities and charges	20,101		33,757	
Provision for severance pay	7,372		7,619	
<b>Shareholders' equity</b>	<b>507,407</b>	<b>51.1%</b>	<b>472,686</b>	<b>44.3%</b>
Share capital	55,000		55,000	
Reserves	373,083		331,189	
Profit/(Loss) brought forward	39,512		33,746	
Profit/(Loss) for the year	39,812		52,751	
<b>Total sources</b>	<b>992,547</b>	<b>100.0%</b>	<b>1,067,203</b>	<b>100.0%</b>

**Income Statement**

Item	2019	%	2018	%
Production value	1,331,674		1,366,314	
Raw materials consumption	841,531		893,847	
General expenses	246,347		249,954	
<b>Added value</b>	<b>243,796</b>	<b>18.3%</b>	<b>222,512</b>	<b>16.3%</b>
Personnel expenses	99,621		89,171	
Provisions & write-downs	14,139		4,542	
<b>Gross operating margin</b>	<b>130,036</b>	<b>9.8%</b>	<b>128,800</b>	<b>9.4%</b>
Depreciation, amortisation & write-downs	53,344		43,020	
<b>Net operating margin</b>	<b>76,693</b>	<b>5.8%</b>	<b>85,780</b>	<b>6.3%</b>
Sundry operating expenses	5,526		5,635	
<b>Operating income before financial results</b>	<b>71,166</b>	<b>5.3%</b>	<b>80,145</b>	<b>5.9%</b>
Financial income	534		529	
Financial expenses	3,328		4,131	
<b>Income net of financial operations</b>	<b>68,373</b>	<b>5.1%</b>	<b>76,542</b>	<b>5.6%</b>
Revaluation of equity interests	1,384		2,332	
Impairment of equity interests	15,249		1,264	
<b>Pre-tax result</b>	<b>54,508</b>	<b>4.1%</b>	<b>77,610</b>	<b>5.7%</b>
Income tax	13,677		23,875	
<b>Net operating result</b>	<b>40,831</b>	<b>3.1%</b>	<b>53,735</b>	<b>3.9%</b>

**Cash flow indicators**

	2019	2018
Availability margin (Current assets / Current Liabilities)	189,175	155,540
Availability ratio (Current assets to Current Liabilities)	1.53	1.34
Cash flow margin (Def.cash + Ready Cash) - Current liabilities	(54,637)	(114,061)
Cash flow ratio (Def.Cash + Ready cash) to Current Liabilities	0.85	0.75

**Soundness indicators**

	2019	2018
Primary structure margin (Equity - Non-current Assets)	62,930	21,531
Primary structure ratio (Equity to Non-current Assets)	1.14	1.05
Sec. struct. margin (Equity+Cons.Liab.) - Non-Current Assets	187,086	152,777
Sec. struct. ratio (Equity to Cons.Liab.) - Non-Current Assets	1.42	1.34
Overall indebtedness ratio (Cons. Liab.+Curr.Liab.) to Equity	1.0	1.3

## Revenues and operating expenses

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

Description	2019	2018	Change
Revenues from sales and services rendered	1,302,752	1,320,333	(17,581)
Other revenues and income	40,424	8,861	31,563
<b>Total</b>	<b>1,343,176</b>	<b>1,329,194</b>	<b>13,982</b>

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

Description	2019	2018	Change
Raw materials, supplies and consumables	832,497	931,200	(98,703)
Services	242,415	245,311	(2,896)
Hire and lease fees	3,932	4,643	(711)
Personnel	99,621	89,171	10,450
Amortisation and depreciation allowances	53,935	46,092	7,843
Change in inventories of raw materials	9,034	(37,353)	46,386
Other charges	5,527	5,636	(109)
<b>Total</b>	<b>1,246,960</b>	<b>1,284,700</b>	<b>(37,740)</b>

## Financial management

Description	2019	2018	Change
From equity investments	50	48	2
Interest income from associates	124	133	(9)
Other financial income	360	347	13
<b>Total financial income</b>	<b>534</b>	<b>529</b>	<b>5</b>
Interest expense and other financial expenses	3,296	4,092	(796)
<b>Total financial expenses</b>	<b>3,296</b>	<b>4,092</b>	<b>(796)</b>
Exchange gains (losses)	(31)	(39)	8
<b>Total</b>	<b>(2,794)</b>	<b>(3,603)</b>	<b>809</b>

The table below compares equity figures of individual companies in 2019 with net pro-quota profit

	% stake	Total shareholders' equity	Group's shareholders' equity 2019	Carrying value of equity investments	Difference	Net pro-quota result	ROE
Feralpi Siderurgica	100	248,930	248,930	64,932	183,998	75,946	32.0
Acciaierie di Calvisano	100	43,598	43,598	16,155	27,443	(23,469)	(64.2)
Feralpi Profilati Nave	100	6,481	6,481	6,481	(0)	(1,433)	(19.9)
Nuova Defim	100	5,642	5,642	4,456	1,186	652	12.3
Immobiliare Feralpi	100	1,090	1,090	550	540	(583)	(66.1)
Fer-Par	100	7,317	7,317	3,162	4,155	(8,075)	(166.3)
Comeca	19.85	9,739	1,933	336	1,597	130	2.4
Caleotto Gruppo	50	8,404	4,202	4,202	0	(1,760)	(21.9)
Presider	100	12,348	12,348	15,472	(3,124)	70	0.6
MPL	100	1,857	1,857	2,569	(712)	(410)	(19.9)
Alpifer	50	17,736	8,868	7,931	936	(35)	(0.3)
Feralpi Algérie	70	841	589	369	220	140	21.3
Co.ge.me Steel	50	28	14	0	14	(133)	(86.3)
ESF	100	167,260	167,260	10,697	156,563	31,223	19.7
Feralpi Stahlhandel	100	10,533	10,533	682	9,851	1,205	11.4
Feralpi Logistik	100	1,524	1,524	1,000	524	1,239	81.3
Feralpi Praha	100	6,703	6,703	3,111	3,593	(538)	(7.8)
Feralpi Hungaria	100	2,408	2,408	4,700	(2,292)	(187)	(7.5)
Dima	31	2,099	651	723	(72)	187	17.5
Media Steel	45	5,561	2,503	990	1,513	264	7.1
Beta	28	13,869	3,932	354	3,578	63	0.7
<b>Total</b>		<b>573,969</b>	<b>538,382</b>	<b>148,871</b>	<b>389,511</b>	<b>74,495</b>	<b>14.1</b>

The Group Shareholders' Equity in 2018 came to €509.5 million.

In the **Diversified Equity Interest sector**, the Group shareholders' equities exceed the equity book value by about €9 million.

	% stake	Total shareholders' equity	Group's shareholders' equity 2019	Carrying value of equity investments	Difference	Net pro-quota result	ROE
Due I. Investimenti	100	5,419	5,419	991	4,428	2,076	47.5
Feralpi Farm	100	9,176	9,176	8,756	421	(12,296)	(80.2)
Faeco Ambiente	85	3,714	3,157	1,628	1,529	(4)	(0.1)
Ecoetemit	70	4,556	3,189	746	2,443	2,297	74.3
Eco-Trading	100	10	10	10	0	(19)	(99.5)
Agroittica	45	19,017	8,645	8,645	0	(414)	(5.1)
Far Energia	30	681	204	35	169	17	10.1
<b>Total</b>		<b>42,574</b>	<b>29,801</b>	<b>20,811</b>	<b>8,990</b>	<b>(8,344)</b>	<b>(24.4)</b>

## Demerger deed

On 20 June 2019 a special assembly of Feralpi Holding shareholders approved the partial demerger of Feralpi Siderurgica SpA in favour of Acciaierie di Calvisano SpA and Feralpi Holding SpA, by transferring part of the company's assets to the latter two organisations.

Following this operation the production of mesh and rebar remained under the control of Feralpi Siderurgica, the production of special steel and downstream products was concentrated at Acciaierie di Calvisano, and property management in the hands of Feralpi Holding.

Essentially, all of the shares in Feralpi Profilati Nave, Nuova Defim Orsogrill, Fer-Par and MPL were transferred to Acciaierie di Calvisano, and 50% of the company Caleotto, in addition to credits resulting from finance already paid out to these companies (except Feralpi Profilati Nave), and a debt in relation to Feralpi Holding equivalent to €20 million.

100% of the company Immobiliare Feralpi was transferred to Feralpi Holding, in addition to a credit of €14 million.

Overall the company reduced its equity by a total of €52 million, with €37.5 million of that amount allocated to Acciaierie di Calvisano and €14.6 million to Feralpi Holding.

The demerger deed was finalised on 15 October 2019.

## Expected management development

In the first quarter of 2020, **worldwide steel production** showed substantial and unexpected stability overall (-1.4%). The marked reduction in EU countries (-10%) and the American continent (North America -4%, South America -7.1%), was mainly offset by growth in other areas of the world. China, where the Coronavirus pandemic originated, still registered overall growth of 1.2%. If we do a monthly comparison from March 2019 to March 2020 the dynamics appear different, registering falls greater than 20% in the European Union, -4.1% in Asia, and over 9% in North America.

Overall the monthly drop registered reached 6%, and it is easy to speculate that the coming months will confirm the negative trend.

Thousand tonnes	1 <sup>st</sup> Quarter 2020	1 <sup>st</sup> Quarter 2019	2020/2019 % change
European Union (28)	38,292	42,568	(10.0%)
Other EU countries	9,798	9,134	7.3%
C.I.S.	25,151	25,309	(0.6%)
North America	29,516	30,748	(4.0%)
South America	9,964	10,729	(7.1%)
Africa	3,503	3,831	(8.6%)
Middle East	10,243	9,509	7.7%
Asia	315,151	315,957	(0.3%)
Oceania	1,412	1,436	(1.7%)
<b>World total</b>	<b>443,030</b>	<b>449,221</b>	<b>(1.4%)</b>

Source: World Steel Association

**Italy** shows even more marked figures, the drop in production in March 2020 compared to March 2019 accounted for over 40% and over 16% quarter on quarter.

At quarterly level it is by far the sharpest drop among continental producers. The drop in long products in March was 46.7%.

The situation worsened further in April, with most of the steel mills closed down.

As for construction companies, the Markit index, i.e. total activities in the construction industry in Italy, reached 4.8, down from the 15.9 index of previous March. The rate of decline has been by far the biggest in over 20 years. It should also be considered the line between development and contraction is located at 50.

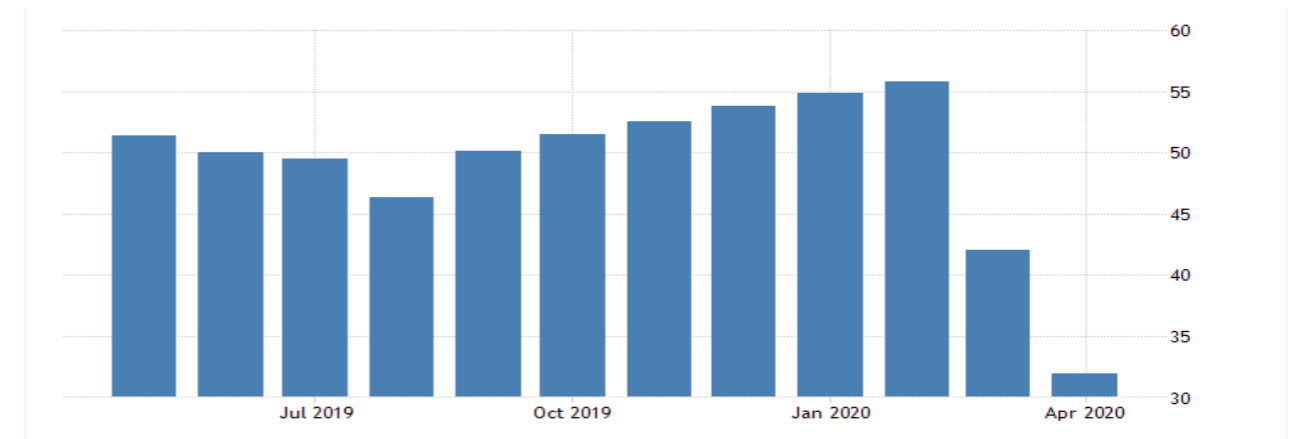
### Total Activity Index

sa, > 50 = growth on the previous month



Source: IHS Markit

Clearly the situation was determined by the decisions of the authorities in order to avoid an unstoppable spread of the contagion. However, this situation is shared by all the other countries, though at a different extent. The diagram below shows the Markit index for Germany.



Actual	Previous	Highest	Lowest	Dates	Unit	Frequency
31.90	42.00	59.80	31.90	2013 - 2020	points	Monthly SA

Source: IHS Markit

The current situation is difficult to interpret at a national and international level.

Alongside the impact of plant suspensions in various countries, there are also customer closures, interruptions or difficulties in the supply chain, the deferring of investments, and a general loss of previous levels of confidence.

Recovering from the current situation will undoubtedly depend on the speed with which countries can exit the current pandemic, and the initiatives put in place by the government and international institutions to stimulate demand.

This extremely onerous effort should be based on two main components - providing businesses with liquidity to remedy the devastation caused, and incentivise private and public demand.

As part of a potential recovery, the construction sector, especially infrastructure, would seem to have an advantage, in that it doesn't seem to depend on complicated international supply chains, and it is a powerful growth multiplier.

Budgetary constraints play an important role however.

Commercial and residential construction will experience considerable difficulties. The impact will be over a long period, and Cresme has estimated an overall slump in construction activity of 22.6% for 2020, in relation to site stoppages estimated in a three-month period with a subsequent cautious recovery.

The drop in investment will weigh heavily on mechanical and engineering sectors, not to mention the automobile industry which, in addition to the problems caused by the crisis, will also have to deal with issues due to a demand crisis.

It is clear that, given the situation of undoubted fragility and uncertainty, new ways of operating are required.

The Group has therefore put additional mechanisms in place to manage risk, not only to address the health emergency and protect employees, but also to keep additional criticality under control, such as the generation of takings, the stability of financial resources, the capacity for introducing flexibility into production levels, the management of business risk, and the supply chain.

It should be noted however that, in the face of changes in the economic and production panorama, the crisis will not change steel's central role in the economy.

A commitment to an increasingly proactive presence in the industry can therefore be reiterated, as well as in the special steels sector. In this regard, at the end of March the subsidiary Acciaierie di Calvisano acquired 50% of the shares in the company Caleotto, becoming the sole shareholder.

The diversified businesses, another component of the Group, do not have a standard situation. The company Agroittica is expecting an extremely complicated business situation, impacted by the drop in consumption of luxury foods after the collapse of tourism, the closure of restaurants and the dwindling inclination to spend.

Other companies however, such as Ecoeternit, are having pleasing results and are less exposed to the situation.

The Group did however close 2019 with solid finances and assets.

This is important, not only for tackling the current critical situation, but also for providing the impetus for future growth.

Investments made in recent years in human resources, engineering and new technologies, will be able to reach their full potential in the future.

## Covid-19

The health emergency brought about by COVID-19 emerged in Italy at the end of February 2020, constituting an exceptional event that could not have been predicted on 31.12.2019, and as such is considered a subsequent factor that does not entail a change in the statements' figures.

Any type of forecast is obviously to be deemed as unreliable. The situation of extreme uncertainty in the last several weeks, impossible for even the most prudent operators to predict, has hit most production sectors right across the board on a global scale, and means that any type of business/economic forecast is completely unreliable. With regard to the immediate consequences of the Covid-19 medical emergency, it should be noted that production was temporarily suspended in the Group's Italian companies mid-March, and application was made to access the standard Italian furlough scheme for employees. Halfway through April 2020, employees started to return to production activities using a staggered regime where possible, in line with the legislation in force and in full compliance with health and safety measures. Homeworking was available as an option for all employees able to work remotely. The Group's German companies continued operations in line with local legislation, introducing the precautions required to prevent the spread of the virus.

*Furthermore, progressive sales in May dropped by 33% for the Italian companies, and 22% for the German companies compared with the previous year. The initial expectations with respect to the crisis were a drop of 40%. Prices are still weak due to relative consumption and the aggressiveness of some competitors. Our assumption is that we are getting closer to the production budget in Italy, and improving foreign performance in relation to resuming business concerning large exports. We are predicting no stoppages in the coming months in order to partially recover the current gap.*

## Number and par value of own shares owned through Feralpi Farm S.r.l.

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

**The Chairman**  
Giuseppe PASINI

**The Vice-Chairman**  
Cesare PASINI

**The Managing Director**  
Giovanni PASINI

**Board Directors**  
Maria Giulia PASINI

Marco LEALI

Andrea TOLETTINI

Alessandra TOLETTINI

Guido CORBETTA

Lonato del Garda, 27<sup>th</sup> May 2020

Annex 1 to the Consolidated Feralpi Siderurgica Financial Statements

**CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO EU DIRECTIVE IV**  
**FERALPI SIDERURGICA S.p.A.**  
*(figures expressed in thousand euros)*

**BALANCE SHEET**

ASSETS		31.12.2019	31.12.2018
<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	13	43
2	Research, development and publicity costs	8	11
3	Patents and rights for use of intellectual property	1,320	1,009
4	Concessions, licences, trademarks and similar rights	-	-
5	Goodwill	1,320	1,509
6	Works in progress and down payments	1,616	128
7	Others	1,453	632
8	Consolidation differences	-	-
	<b>Total intangible assets</b>	<b>5,729</b>	<b>3,331</b>
<b>II</b>	<b>Tangible assets:</b>		
1	Land & buildings	151,706	162,032
2	Plant & equipment	153,517	143,663
2-bis	Leased plant and machinery	-	-
3	Trade & industrial fixtures	2,515	2,566
4	Other assets	9,010	7,542
5	Work in progress & down payments	31,242	34,814
	<b>Total tangible assets</b>	<b>347,989</b>	<b>350,618</b>
<b>III</b>	<b>Long-term financial assets, with separate indication for each item of amounts collectable within 12 months:</b>		
1	<b>Equity interests:</b>		
	b) Associates	21,508	23,886
	d) Other companies	6,389	6,390
	<b>Total equity interests</b>	<b>27,897</b>	<b>30,276</b>

2	Accounts receivable		
	b) from associates		
	over 12 months	7,500	7,500
	<b>Total receivables from associates</b>	<b>7,500</b>	<b>7,500</b>
	d-bis) from others		
	less than 12 months	3,413	7
	over 12 months	2,062	28
	<b>Total receivables from others</b>	<b>5,476</b>	<b>35</b>
	<b>Total financial receivables</b>	<b>12,976</b>	<b>7,535</b>
3	Other securities	347	347
	<b>Total financial assets</b>	<b>41,219</b>	<b>38,157</b>
	<b>Total fixed assets</b>	<b>394,938</b>	<b>392,106</b>
<b>C</b>	<b>Current assets</b>		
I	Inventories		
1	Raw materials, supplies and consumables	99,544	107,935
2	Work-in-progress & semi-finished products	31,717	26,928
4	Finished products and goods	108,781	134,738
5	Advance payments	-	-
	<b>Total inventories</b>	<b>240,042</b>	<b>269,602</b>
II	Accounts receivable, with separate indication for each item of the amounts collectable over 12 months		
1	from trade debtors		
	a) less than 12 months	192,008	232,949
	<b>Total trade debtors</b>	<b>192,008</b>	<b>232,949</b>
3	from associates		
	a) less than 12 months	25,772	23,537
	b) over 12 months	-	-
	<b>Total receivables from associates</b>	<b>25,772</b>	<b>23,537</b>
4	from parent companies		
	a) less than 12 months	277	152
	b) over 12 months	13,840	16,096
	<b>Total receivables from parent companies</b>	<b>14,118</b>	<b>16,248</b>

5	from entities controlled by parent company		
	a) less than 12 months	40	0
	<b>Total receivables from entities controlled by parent company</b>	<b>40</b>	<b>0</b>
5-bis	Tax assets		
	a) less than 12 months	25,795	22,429
	b) over 12 months	-	-
	<b>Total tax assets</b>	<b>25,795</b>	<b>22,429</b>
5-ter	Prepaid taxes		
	a) less than 12 months	4,288	740
	b) over 12 months	253	433
	<b>Total prepaid taxes</b>	<b>4,540</b>	<b>1,173</b>
5-quater	From others		
	a) less than 12 months	10,238	8,895
	b) over 12 months	11	11
	<b>Total receivables from others</b>	<b>10,248</b>	<b>8,906</b>
	<b>Total receivables</b>	<b>272,522</b>	<b>305,242</b>
IV	Cash and cash equivalents		
1	Bank and postal deposits	26,073	42,282
2	Cheques	-	5
3	Cash on hand	6	5
	<b>Total cash and cash equivalents</b>	<b>26,080</b>	<b>42,292</b>
	<b>Total current assets</b>	<b>538,643</b>	<b>617,135</b>
D	Prepayments and accrued income		
1	Prepayments and accrued income	1,460	1,503
	<b>Total prepayments and accrued income</b>	<b>1,460</b>	<b>1,503</b>
	<b>Total assets</b>	<b>935,041</b>	<b>1,010,745</b>



BALANCE SHEET  
LIABILITIES

		31.12.2019	31.12.2018
<b>A</b>	<b>Shareholders' equity:</b>		
I	Share capital	50,000	50,000
II	Share premium reserve	13,501	13,501
III	Revaluation reserves	27,460	34,000
IV	Legal reserve	8,259	8,259
V	Statutory reserves	-	-
	<b>Total shareholders' equity and reserves</b>	<b>99,219</b>	<b>105,759</b>
VI	Other reserves, indicated separately		
1	Extraordinary reserve	-	12,220
2	Capital contributions	-	-
3	Special tax system reserves	-	-
4	Non-distributable profit reserve	-	-
5	Consolidation reserve	215,243	171,221
6	Currency translation reserve	378	294
	<b>Total other reserves</b>	<b>215,620</b>	<b>183,735</b>
VII			
1	Expected cash flow hedging reserve	(460)	(526)
VIII	Profit/(Loss) brought forward	74,675	60,700
IX	Profit/(Loss) for the year	57,117	52,280
	<b>Total Group's shareholders' equity</b>	<b>446,172</b>	<b>401,948</b>
X	Treasury share reserve	-	-
X	Share capital, reserves, minority interest		
1	minority interest	130	125
2	minority interest profit/(loss)	35	60
	<b>Total minority interest</b>	<b>165</b>	<b>185</b>
	<b>Total shareholders' equity</b>	<b>446,337</b>	<b>402,134</b>
<b>B</b>	<b>Provisions for contingent liabilities and charges</b>		
1	Retirement benefits and similar indemnities	1,202	1,391
2	Taxes, including deferred taxes	306	675
3	Provision for financial derivatives liability	605	693
4	Others	3,309	23,014
	<b>Total provisions for contingent liabilities and charges</b>	<b>5,422</b>	<b>25,773</b>

C	Provision for employees' severance pay	5,907	6,235
D	Accounts payable and other liabilities, with indication for each item of sums falling due over 12 months:		
2	Convertible bonds		
	b) over 12 months	347	347
	<b>Total convertible bonds</b>	<b>347</b>	<b>347</b>
4	Bank borrowings		
	a) less than 12 months	73,400	134,620
	b) over 12 months	91,042	84,028
	<b>Total bank borrowings</b>	<b>164,442</b>	<b>218,647</b>
6	Down payments		
	a) less than 12 months	96	212
	<b>Total down payments</b>	<b>96</b>	<b>212</b>
7	Trade creditors		
	a) less than 12 months	215,596	228,000
	<b>Total trade creditors</b>	<b>215,596</b>	<b>228,000</b>
10	Payables to associates		
	a) less than 12 months	28,672	53,276
	<b>Total payables to associates</b>	<b>28,672</b>	<b>53,276</b>
11	Payables to parent companies		
	a) less than 12 months	33,203	42,472
	b) over 12 months	447	349
	<b>Total payables to parent companies</b>	<b>33,650</b>	<b>42,821</b>
11-bis	Payables to entities controlled by parent company		
	a) less than 12 months	88	(0)
	<b>Total payables to entities controlled by parent company</b>	<b>88</b>	<b>(0)</b>
12	Tax liabilities		
	a) less than 12 months	4,627	6,033
	<b>Total tax liabilities</b>	<b>4,627</b>	<b>6,033</b>
13	Social security liabilities		
	a) less than 12 months	4,171	3,902
	<b>Total social security liabilities</b>	<b>4,171</b>	<b>3,902</b>
14	Other payables		
	a) less than 12 months	25,062	22,707
	b) over 12 months	8	8
	<b>Total other payables</b>	<b>25,070</b>	<b>22,714</b>
	<b>Total payables</b>	<b>476,758</b>	<b>575,953</b>

E Accruals and deferred income			
1	Accruals and deferred income	617	651
	<b>Total accruals and deferred income</b>	<b>617</b>	<b>651</b>
	<b>Total liabilities</b>	<b>935,041</b>	<b>1,010,745</b>

INCOME STATEMENT		31.12.2019	31.12.2018
<b>A Production value:</b>			
1	revenue from goods sold and services rendered	1,293,253	1,311,051
2	changes in inventories of WIP, semi-finished and finished products	(16,729)	33,156
4	increase in fixed assets from internal work	5,227	3,964
5	other revenue and income		
	a) contributions in trading account	3,020	3,190
	b) others	37,181	5,445
	<b>Total other revenue and income</b>	<b>40,201</b>	<b>8,634</b>
	<b>Total production value</b>	<b>1,321,952</b>	<b>1,356,805</b>
<b>B Production costs:</b>			
6	for raw materials, supplies, consumables and goods	832,320	931,008
7	for services	244,981	248,371
8	for hire, purchase and leasing charges	3,138	3,718
9	for personnel:		
	a) wages and salaries	67,793	62,904
	b) social security contributions	18,559	17,534
	c) employees' severance pay allowance	2,055	2,107
	d) retirement benefits and similar rights	-	-
	e) other costs	6,187	2,437
	<b>Total personnel expenses</b>	<b>94,595</b>	<b>84,981</b>
10	depreciation, amortisation & write-downs:		
	a) amortisation of intangible assets	1,015	750
	b) depreciation of tangible assets	45,003	40,085
	c) other write-downs of fixed assets	4,500	-
	d) write-downs of receivables under current assets and cash and cash equiv.	592	3,072
	<b>Total depreciation, amortisation &amp; write-downs</b>	<b>51,110</b>	<b>43,908</b>
11	changes in inventories of raw materials, supplies, consumable and goods	8,196	(37,353)
12	provision for contingent liabilities	6,853	9
14	other charges	4,954	5,134
	<b>Total production costs</b>	<b>1,246,147</b>	<b>1,279,777</b>
	<b>Difference between production value and costs</b>	<b>75,804</b>	<b>77,029</b>

<b>C Financial income and expenses:</b>			
15	Investment income, with separate indication of those referring to subsidiary and associates and those referring to holding companies and to entities under holding company control		
	e) from other companies	1	16
	<b>Total income from equity investments</b>	<b>1</b>	<b>16</b>
16	other financial income from long-term investments under assets, with separate indication of those		
	a) from subsidiaries, associates and holding companies and from entities under holding company control		
	from associates	124	107
	from other companies	64	26
	<b>Total income from receivables under fixed assets</b>	<b>188</b>	<b>133</b>
	other income	252	343
	<b>Total income other than above</b>	<b>252</b>	<b>343</b>
	<b>Total other financial income</b>	<b>440</b>	<b>477</b>
17	interest and other financial charges, with separate indication of those from subsidiaries and associate to parent companies		
	c) from parent companies	256	384
	d) from other companies	3,142	3,926
	<b>Total interest and other financial charges</b>	<b>3,398</b>	<b>4,310</b>
17-bis	exchange gains and losses	31	39
	<b>Total financial income and expenses</b>	<b>(2,988)</b>	<b>(3,856)</b>
<b>D Adjustment to financial assets and liabilities</b>			
18	revaluations:		
	a) equity interests	1,301	2,238
	d) financial derivatives	-	13
	<b>Total revaluations</b>	<b>1,301</b>	<b>2,251</b>
19	impairments		
	a) equity interests	3,679	-
	<b>Total impairments</b>	<b>3,679</b>	<b>0</b>
	<b>Total adjustments to the value of financial assets and liabilities</b>	<b>(2,378)</b>	<b>2,251</b>
	Pre-tax result		
	<b>Pre-tax result</b>	<b>70,438</b>	<b>75,423</b>

<b>T Income tax</b>			
20	current, deferred and prepaid income taxes		
	a) current taxes and duties	16,726	24,139
	b) deferred taxes and duties	3	-
	c) prepaid taxes and duties	(3,443)	(1,055)
	<b>Total income tax for the year</b>	<b>13,286</b>	<b>23,083</b>
21	Profit (Loss) for the year		
	<b>Consolidated operating result for the year</b>	<b>57,152</b>	<b>52,340</b>
<b>V Result for the Group:</b>			
22	minority interest operating result	35	60
	<b>Operating result pertaining to the Group</b>	<b>57,117</b>	<b>52,280</b>

# CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements as at 31<sup>st</sup> December 2019

## CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO EU DIRECTIVE IV: FERALPI HOLDING S.p.A. AS AT 31 DECEMBER 2019

(figures expressed in thousands of euros)

### BALANCE SHEET

#### ASSETS

31.12.2019 31.12.2018

A	Subscribed capital unpaid, with separate indication of called-up portions:		
B	Fixed assets:		
I	Intangible assets:		
1	Incorporation and extension costs	13	43
2	Research, development and publicity costs	8	11
3	Patents and rights for use of intellectual property	4,844	4,375
5	Goodwill	1,320	1,509
6	Works in progress and down payments	1,616	128
7	Others	7,685	7,559
	<b>Total intangible assets</b>	<b>15,486</b>	<b>13,626</b>
II	Tangible assets:		
1	Land & buildings	160,724	162,032
2	Plant & equipment	153,517	143,663
3	Trade & industrial fixtures	2,515	2,566
4	Other assets	9,421	7,732
5	Work in progress & down payments	31,246	34,814
	<b>Total tangible assets</b>	<b>357,424</b>	<b>350,807</b>
III	Long term financial assets, with separate indication for each item of amounts collectable within 12 months		
1	Equity interests:		
	b) Associates	30,541	42,582
	d) Other companies	9,701	9,641
	<b>Total equity interests</b>	<b>40,242</b>	<b>52,223</b>
2	Accounts receivable		
	b) from associates		
	less than 12 months	10	466
	over 12 months	7,500	7,500
	<b>Total receivables from associates</b>	<b>7,510</b>	<b>7,966</b>

	d-bis) from other lenders		
		Total receivables from other lenders	5,478 35
		Total financial receivables	12,988 8,001
	3 Other securities	802	802
		Total financial assets	54,031 61,026
		Total fixed assets	426,941 425,458
<b>C</b>	<b>Current assets</b>		
I	Inventories		
1	Raw materials, supplies & consumables	99,544	107,935
2	Work-in-progress & semi-finished products	31,717	41,778
4	Finished products and goods	112,551	119,889
	Total inventories	243,812	269,602
II	Accounts receivable, with separate indication for each item of the amounts collectable over 12 months		
1	from trade debtors		
	a) less than 12 months	195,398	236,005
	b) over 12 months	2,849	3,537
	Total trade debtors	198,246	239,542
3	from associates		
	a) less than 12 months	25,840	23,537
	b) over 12 months	-	-
	Total receivables from associates	25,840	23,537
5-bis	Tax assets		
	a) less than 12 months	27,359	24,838
	b) over 12 months	-	-
	Total tax assets	27,359	24,838
5-ter	Prepaid tax assets		
	Total prepaid tax assets	23,187	24,161

	5-quater from others		
	a) less than 12 months	10,277	9,015
	b) over 12 months	13	13
	Total receivables from others	10,290	9,028
	Total receivables	284,922	321,107
III	Financial assets other than fixed assets:		
6	Other securities	450	450
	Total financial assets	450	450
IV	Cash and cash equivalents		
1	Bank and postal deposits	34,852	48,980
2	Cheques	-	5
3	Cash on hand	7	7
	Total cash and cash equivalents	34,859	48,993
	Total current assets	564,042	640,151
D	Prepayments and accrued income		
1	Prepayments and accrued income	1,564	1,594
	Total prep.& and accrued income	1,564	1,594
	Total assets	992,547	1,067,203

## BALANCE SHEET

## LIABILITIES

		31.12.2019	31.12.2018
<b>A</b>	<b>Shareholders' equity</b>		
I	Share capital	55,000	55,000
II	Share premium reserve	516	516
III	Revaluation reserves	1,964	138
IV	Legal reserve	4,499	4,499
V	Statutory reserves	-	-
	<b>Total shareholders' equity and reserves</b>	<b>61,979</b>	<b>60,153</b>
VI	Other reserves, indicated separately		
1	Extraordinary reserve	24,833	24,833
2	Capital reserves	-	-
3	Special tax system reserves	-	-
4	Non-distributable profit reserve	-	-
5	Consolidation reserve	342,380	302,462
6	Currency translation reserve	378	294
7	Capital contribution reserve	-	-
8	Other reserves	-	-
9	Accelerated depreciation reserve	-	-
10	Reserve for financial statements in euros	-	-
	<b>Total other reserves</b>	<b>367,591</b>	<b>327,590</b>
VII			
1	Expected cash flow hedging reserve	(460)	(526)
VIII	Profit/(Loss) brought forward	39,512	33,746
IX	Profit/(Loss) for the year	39,812	52,751
	<b>Total shareholders' equity</b>	<b>508,435</b>	<b>473,714</b>
X	Reserve for treasury share	(1,028)	(1,028)
X	Share capital, reserves, minority interest:		
1	minority interest	1,070	1,780
2	minority interest profit/(loss)	1,019	984
	<b>Total minority interest</b>	<b>2,089</b>	<b>2,763</b>
	<b>Total shareholders' equity</b>	<b>509,496</b>	<b>475,449</b>

<b>B</b>	<b>Provisions for contingent liabilities and charges</b>		
1	Retirement benefits and similar indemnities	1,202	1,391
2	Taxes, including deferred taxes	306	675
3	Financial derivatives liability	605	693
4	Others	17,987	30,998
	<b>Total provisions for cont. liabilities and charges</b>	<b>20,101</b>	<b>33,757</b>
<b>C</b>	<b>Provision for employees' severance pay</b>	<b>7,372</b>	<b>7,619</b>
<b>D</b>	<b>Payables with separate indication of amounts falling due over 12 months</b>		
2	convertible bonds		
	b) less than 12 months	5,347	5,347
	<b>Total convertible bonds</b>	<b>5,347</b>	<b>5,347</b>
4	Bank borrowings		
	a) less than 12 months	73,407	135,293
	b) over 12 months	91,042	84,028
	<b>Total bank borrowings</b>	<b>164,449</b>	<b>219,321</b>
6	Down payments		
	a) less than 12 months	97	213
	<b>Total down payments</b>	<b>97</b>	<b>213</b>
7	Trade creditors		
	a) less than 12 months	216,870	230,397
	<b>Total trade creditors</b>	<b>216,870</b>	<b>230,397</b>
10	payables to associates		
	a) less than 12 months	28,675	53,276
	<b>Total payables to associates</b>	<b>28,675</b>	<b>53,276</b>
12	Tax liabilities		
	a) less than 12 months	8,083	12,490
	<b>Total tax liabilities</b>	<b>8,083</b>	<b>12,490</b>
13	Social security liabilities		
	a) less than 12 months	4,688	4,329
	<b>Total social security liabilities</b>	<b>4,688</b>	<b>4,329</b>

14	Other payables		
	a) less than 12 months	26,459	23,856
	b) over 12 months	294	495
	<b>Total other payables</b>	<b>26,753</b>	<b>24,351</b>
	<b>Total payables</b>	<b>454,961</b>	<b>549,725</b>
<b>E Accruals and deferred income</b>			
1	Accruals and deferred income	617	652
	<b>Total accruals and deferred income</b>	<b>617</b>	<b>652</b>
	<b>Total liabilities</b>	<b>992,547</b>	<b>1,067,203</b>

INCOME STATEMENT		31.12.2019	31.12.2018
<b>A Production value:</b>			
1	revenue from goods sold and services rendered	1,302,752	1,320,333
2	changes in inventories of WIP, semi-finished and finished products	(16,729)	33,156
4	increase in fixed assets from internal work	5,227	3,964
5	other revenue and income		
	a) contributions in trading account	3,122	3,372
	b) others	37,301	5,490
	<b>Total other revenue and income</b>	<b>40,424</b>	<b>8,861</b>
	<b>Total production value</b>	<b>1,331,674</b>	<b>1,366,314</b>
<b>B Production costs:</b>			
6	for raw materials, supplies, consumables and goods	832,497	931,200
7	for services	242,415	245,311
8	for hire, purchase and leasing charges	3,932	4,643
9	for personnel:		
	a) wages and salaries	71,312	65,895
	b) social security contributions	19,672	18,465
	c) employees leaving indemnity allowance	2,284	2,304
	e) other costs	6,353	2,507
	<b>Total personnel expenses</b>	<b>99,621</b>	<b>89,171</b>
10	depreciation, amortisation & write-downs:		
	a) amortisation of intangible assets	3,553	2,885
	b) depreciation of tangible assets	45,291	40,135
	c) other write-downs of fixed assets	4,500	-
	d) write-downs of receivables under current assets and cash and cash equivalents	592	3,072
	<b>Total depr., amortisation &amp; write-downs</b>	<b>53,935</b>	<b>46,092</b>
11	changes in inventories of raw materials, supplies, consumable and goods	9,034	(37,353)
12	provision for contingent liabilities	11,978	9
13	other provisions	1,569	1,460
14	other charges	5,527	5,635
	<b>Total production costs</b>	<b>1,260,508</b>	<b>1,286,169</b>
	<b>Difference between production value and costs</b>	<b>71,166</b>	<b>80,145</b>
<b>C Financial income and expenses</b>			
15	Investment income, with separate indication of those referring to subsidiaries and associates and to parent companies and entities under parent control		
	e) from other companies	50	48
	<b>Total income from equity investments</b>	<b>50</b>	<b>48</b>

16	Other financial income		
	receivables entered under non-current assets, with separate indication of those		
	a) referring to subsidiaries and associates and to parent companies and entities		
	under parent control		
	from associates	124	107
	from others	-	26
	<b>Total long-term investments under non-current assets</b>	<b>124</b>	<b>133</b>
	from others	360	347
	<b>Total income other than previous ones</b>	<b>360</b>	<b>347</b>
	<b>Total other financial income</b>	<b>484</b>	<b>481</b>
17	Interest and other financial expenses, with separate indication of those		
	referring to subsidiaries, associates and parent companies		
	d) from others	3,296	4,092
	<b>Total interest and other financial expenses</b>	<b>3,296</b>	<b>4,092</b>
17-bis	Exchange gains and losses	31	39
	<b>Total financial income and expenses</b>	<b>(2,794)</b>	<b>(3,603)</b>
D	<b>Adjustments to the value of financial assets and liabilities</b>		
18	Revaluations		
	a) equity interests	1,384	2,319
	d) financial derivatives	-	13
	<b>Total revaluations</b>	<b>1,384</b>	<b>2,332</b>
19	Impairments		
	a) equity interests	15,249	1,264
	<b>Total impairment</b>	<b>15,249</b>	<b>1,264</b>
	<b>Total adjustments to the value of financial assets and liabilities</b>	<b>(13,865)</b>	<b>1,068</b>
	Pre-tax result		
	<b>Pre-tax result</b>	<b>54,508</b>	<b>77,610</b>
T	<b>Income tax for the year</b>		
20	Current, deferred and prepaid income taxes		
	a) current	17,351	24,902
	b) deferred	3	28
	c) prepaid	(3,677)	(1,055)
	<b>Total income taxes for the year</b>	<b>13,677</b>	<b>23,875</b>

21	Profit (loss) for the year		
	<b>Consolidated operating result for the year</b>	<b>40,831</b>	<b>53,735</b>
V	<b>Result for the Group</b>		
22	Minority interest result	1,019	984
	<b>Result for the Group</b>	<b>39,812</b>	<b>52,751</b>



Cash Flow	Current Year	Previous Year
<b>A. Cash flows generated by operating activities (indirect method)</b>		
Profit (loss) for the year	40,831	53,735
Income taxes	13,677	23,875
Interest expenses (interest income)	(2,794)	(3,603)
(Dividends)	(50)	(48)
(Capital gains)/capital losses from the sale of assets	-	0
<b>1. Profit (loss) for the year before income taxes, interest, dividends and capital gains/losses from the sale of assets</b>	<b>51,665</b>	<b>73,960</b>
<i>Adjustments for non-cash items that had no contra-entry in net working capital</i>		
Allocations to provisions	17,348	3,773
Non-current asset amortisation and depreciation	48,844	43,020
Write-downs for impairment losses	13,865	(1,056)
Other adjustments for non-cash items	592	3,072
<i>Total adjustments for non-cash items</i>	<i>80,648</i>	<i>48,809</i>
<b>2. Cash flow before changes in net working capital</b>	<b>132,313</b>	<b>122,769</b>
<i>Changes in net working capital</i>		
Decrease/(increase) in inventories	25,790	(71,698)
Decrease/(increase) in trade receivables	40,704	19,593
Increase/(decrease) in trade payables	(13,643)	(345)
Decrease/(increase) in accrued income and prep. exp	30	596
Increase/(decrease) in accrued expenses and def.inc	(35)	(598)
Increase/(decrease) infragroup transactions	(26,904)	(226)
Other changes in net working capital	(68,484)	(31,734)
<i>Total changes in net working capital</i>	<i>(42,542)</i>	<i>(84,411)</i>
<b>3. Cash flow after changes in net working capital</b>	<b>89,771</b>	<b>38,358</b>
<i>Other adjustments</i>		
Interest received/(paid)	(2,794)	(3,602)
(Income taxes paid)	(13,677)	(19,997)
Dividends received	-	-
Utilisation of provisions	32,827	8,712
<i>Total other adjustments</i>	<i>16,356</i>	<i>(14,887)</i>
<b>4. Cash flow after other adjustments</b>	<b>106,127</b>	<b>23,471</b>
<b>Cash flow from operating activities (A)</b>	<b>106,127</b>	<b>23,471</b>

**B. Cash flows generated by investment activities**

<i>Tangible assets</i>		
(Investments)	(51,908)	(56,966)
Realizable price of divestments		
<i>Intangible assets</i>		
(Investments)	(5,413)	(3,976)
Realizable price of divestments		
<i>Financial assets</i>		
(Investments)	(6,871)	1,909
Realizable price of divestments		
<i>Financial assets other than fixed assets</i>		
(Investments)		
<i>Acquisition or transfer of subsidiaries or business units net of cash</i>		
<b>Cash flows generated by investment activities (B)</b>	<b>(64,192)</b>	<b>(59,033)</b>

**C. Cash flows generated by funding activities**

<i>Loan capital</i>		
Increase in short-term borrowings from banks	(49,092)	11,593
Opening of loans	57	40,064
Loan repayment	(34)	(26,802)
<i>Equity</i>		
Shareholders' loan		(5,000)
Extraordinary transactions (merger by incorporation)		
Dividends and advances on dividends paid	(7,000)	
<b>Cash flows generated by funding activities (C)</b>	<b>(56,069)</b>	<b>19,855</b>
<b>Increase (decrease) in cash and cash equivalents (C)</b>	<b>(14,134)</b>	<b>(15,706)</b>

Cash and cash equivalents as at January 1	48,993	64,699
<b>Cash and cash equivalents as at December 31</b>	<b>34,859</b>	<b>48,993</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(14,134)</b>	<b>(15,706)</b>

# EXPLANATORY NOTE

Consolidated Financial Statements as at 31<sup>st</sup> December 2019

## Explanatory Note to the Consolidated Financial Statements as at 31<sup>st</sup> December 2019

(Figures expressed in thousands of euros)

The Group's Consolidated Financial Statements for the year ended on 31<sup>st</sup> December 2019, of which this Explanatory Note forms 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 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 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 2019 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 were reported in the comments to the financial statements items.

### Activities

The parent company is a mixed equity investment holding operating 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.

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

The consolidated Financial Statements consist of the Balance Sheet (prepared in accordance with the layout provided by arts. 2424 and 2424-bis of the Italian Civil Code), the Income Statement (prepared in accordance with the layout provided by arts. 2425 and 2425-bis of the Civil Code), the Cash Flow Statement (complying with art. 2425-ter of the Italian Civil Code, and presented in accordance with Italian Accounting Standards Board OIC 10) and these Explanatory Notes, which were prepared in accordance with art. 38 of Italian Legislative Decree 127/1991.

The Explanatory Note analyse and complement the accounting figures with the information deemed necessary to provide a true and fair representation of the data shown, taking into account that no exemptions were made pursuant to art. 29 of the Legislative Decree 127/1991.

To this end, the Explanatory Notes are accompanied by a statement reconciling the parent company's operating result with the consolidated operating result, and the parent company's shareholders' equity with the consolidated shareholders' equity, and by the list of companies included in the scope of consolidation.

Items not expressly included in the Balance Sheet and the Income Statement, as provided by arts. 2424 and 2425 of the Italian Civil Code and the Cash Flow Statement prepared in accordance with OIC 10, are considered void. The option of not including said items is intended only for the case in which they amount to zero in both current and previous financial years.

Reference is made to the board of directors' business report for additional information regarding the Group's business situation and outlook, the operating result as a whole and by business sector in which the Group operates, with particular regard to costs, revenues and investments, as well as for a description of the main risks and contingencies to which the Group is exposed.

### Scope of consolidation

Contents and form of the consolidated financial statements

Subsidiaries as identified by art. 26 of Italian Legislative Decree 127/1991 are subject to consolidation.

The Group's consolidated financial statements comprise the financial statements as at 31<sup>st</sup> December 2019 of Feralpi Holding S.p.A. (parent) and the companies listed below.

Name and location	Share capital	Dir.	Indir.	Stake held by	%
Feralpi Siderurgica Brescia (Bs)	50,000	X		Feralpi Holding S.p.A.	100.00%
Acciaierie di Calvisano S.p.A. Calvisano (Bs)	3,250		X	Feralpi Siderurgica S.p.A.	100.00%
Feralpi Profilati Nave S.r.l. Lonato (Bs)	1,900		X	Acciaierie di Calvisano	100.00%
Nuova Defim S.p.A. Brescia (Bs)	300		X	Acciaierie di Calvisano	100.00%
Ecotrading S.r.l. Lonato del Garda (Bs)	50	X		Feralpi Holding S.p.A.	100.00%
Immobiliare Feralpi S.r.l. Lonato del Garda (Bs)	50	X		Feralpi Holding S.p.A.	100.00%
Fer-Par S.r.l. Lonato del Garda (Bs)	20		X	Acciaierie di Calvisano	100.00%
Presider S.p.A. Borgaro Torinese (TO)	4,160		X	Feralpi Siderurgica S.p.A.	100.00%
MPL S.r.l. Rivoli (TO)	2,555		X	Acciaierie di Calvisano	100.00%
Presider Armatures Saint Souplets (FR)	1,000		X	Acciaierie di Calvisano	100.00%
ESF Elbe-Stahlwerke Feralpi GmbH Riesa (D)	11,000		X X	Feralpi Siderurgica S.p.A. Fer-Par S.r.l.	98.00% 2.00%
Feralpi Stahlhandel GmbH Riesa (D)	2,100		X X	Feralpi Siderurgica S.p.A. ESF GmbH	33.33% 66.67%
Feralpi Logistik GmbH Riesa (D)	1,000		X X	ESF GmbH Feralpi Stahl. GmbH	35.00% 65.00%
Feralpi Praha Sro Kralupy (Cs)	3,427		X	Feralpi Stahlhandel GmbH	100.00%
Feralpi Hungaria KFT Budapest (H)	6,684		X	Feralpi Stahlhandel GmbH	100.00%
Feralpi Farm	80	X		Feralpi Holding S.p.A.	100.00%
Ecoeternit	1,000		X	Due Inv. Industriali S.p.A.	70.00%
Due Inv. Industriali S.p.A.	60	X		Feralpi Holding S.p.A.	100.00%
Faeco Ambiente	1,000		X	Feralpi Holding S.p.A.	85.00%
Feralpi Algerie Orano (Algeria)	411		X	Fer-Par S.r.l.	70.00%

The table below shows the list of associates values using the equity method.

Name and location	Share capital	Dir.	Indir.	Stake held by	%
Beta SA Buzau (R)	717		X	Feralpi Siderurgica S.p.A.	28.35%
Agroittica S.p.A. Calvisano (BS)	12,500		X	Feralpi Farm S.r.l.	45.46%
Far Energia S.r.l. Sirmione (BS)	100		X	Feralpi Farm S.r.l.	30.00%
Dima S.r.l. Italy	1,000		X	Acciaierie di Calvisano	31.00%
Media Steel S.r.l. Italy	200		X	Feralpi Siderurgica S.p.A.	45.00%
Comeca S.p.A. Italy	2,800		X	Fer Par S.r.l.	19.85%
Caleotto S.p.A. Italy	2,000		X	Acciaierie di Calvisano	50.00%
Arlenico S.p.A. Italy	1,000		X	Acciaierie di Calvisano	50.00%
Alpifer S.r.l. Italy	9,560		X	Feralpi Siderurgica S.p.A.	50.00%
Cogeme Steel. S.r.l. Italy	200		X	Acciaierie di Calvisano	50.00%

### Changes in the scope of consolidation

It should be noted that the consolidation scope did not change, though there was some changes in equity investments compared with the previous year:

- ✓ Increase from 70% to 85% of the stake held in the subsidiary Faeco Ambiente S.r.l.;
- ✓ Increase from 20% to 30% of the stake held in the associate Far Energia S.r.l.;
- ✓ Transfer of the stake in Omega S.r.l.

### Consolidation method

The full consolidation method was used for all the subsidiaries. This method consists of fully incorporating the assets and liabilities and the costs and revenues of entities within the scope of consolidation, regardless of the percentage of equity interest of the consolidating entity.

Consolidated balance sheet and income statement show all the elements of the parent company and the other companies within the scope of consolidation, net of the adjustments shown here below.

The carrying value of equity interests in subsidiaries is cancelled against the corresponding fractions of shareholders' equity. This involves replacing the value of the corresponding balance sheet item with the assets and liabilities of each of the consolidated companies. Any difference between the equity interest purchase price and the carrying shareholders' equity on the date on which the control was acquired is recognised, where possible, in each identifiable acquired asset, within the limit of the current value of that asset and, in any case, for values not exceeding their recoverable amount, and in each identifiable assumed liability, including any prepaid and deferred taxes to be recognised against plus or minus values allocated to items in the consolidated companies' assets and liabilities.

Any difference resulting from the allocation process:

- if positive, is recognised as "goodwill" under assets, provided that it meets the requirements for recognition, in accordance with the OIC 24 "Intangible assets", conversely (if the difference does not, in whole or in part, correspond to a higher value of the subsidiary, it is recognised in the income statement under item B14 "other charges").
- if negative, is recognised as "consolidation reserve" under shareholders' equity, unless it relates, in whole or in part, to estimated unfavourable economic results (in which case a specific "Consolidation provision for risks and future contingencies" is established among consolidated liabilities).

Moreover, the financial statements of the parent company and its subsidiaries were adjusted as appropriate:

- by recognising the financial lease using the financial method, i.e. by eliminating the effect on the income statement of lease fees relating to capital goods obtained under lease agreements and by restoring the effect those goods would have on the balance sheet if they were purchased originally under a specific loan (thus recognising the value of leased fixed asset and the corresponding financial liability in the balance sheet and the related depreciation allowances and interests in the income statement);
- by eliminating the effect of tax consolidation for IRES purposes;
- by eliminating intra-group balances and transactions.

These operations have modified the relevant operating results and hence the shareholders' equity of the companies included in the scope of consolidation. The financial statements adjusted as above were translated into euro, where required, and were used for form the consolidated financial statements.

### Consolidated equity and operating result and minority interest

All equity transactions carried out between the Group and entities exercising their rights and duties as shareholders are recognised in shareholders' equity. The share capital shown in the consolidated financial statements coincides with that of the parent company.

Shareholders' equity shares and the consolidated economic result corresponding to minority shareholders are recognised as "Share capital and minority shareholders reserves" and as "Profit (Loss) pertaining to minority shareholders", respectively, in dedicated items under consolidated shareholders' equity. The portion of operating result corresponding to minority interests is deducted from the overall consolidated economic result.

If any losses pertaining to a subsidiary causes the "Share capital and minority shareholders reserves" to turn into the negative, the negative excess is accounted for by the majority shareholders. If a profit is generated subsequently, the portion entitled to minority shareholders is allocated to majority shareholders until the overall losses previously charged are fully offset. If the minority shareholders have expressly undertaken to recover the loss, and this is likely to occur, the loss is left as is in "Share capital and minority shareholders reserves".

If, on the acquisition of a stake, the minority interest consists of a deficit, it is valued at zero, unless the minority shareholders have expressly undertaken to recover the loss.

When cancelling the stake, this situation is reflected in an increase in the write-off difference.

Any subsequent profit pertaining to minority shareholders are deducted until making up the goodwill entered when allocating the write-off difference until full recovery of the loss initially recognized as an increase in goodwill net of amortization.

### Translation of foreign currency financial statements

For the purpose of consolidating companies that issue their financial statements in a currency other than the euro, a translation into euro is first made. The same applies to equity interests valued using the shareholders' equity method.

Foreign currency financial statements are translated for consolidation purposes, using:

- the spot exchange rate on the closing date for items under assets and liabilities;
- the exchange rate prevailing on the date of each transaction for items in the income statement and cash flow statement;
- the historical exchange rate in force at the time of their establishment for equity reserves (other than the translation difference reserve).

The net effect of foreign currency translation into the account currency in the financial statements of an associate is recognised in "Translation difference reserve" as part of the consolidated shareholders' equity that becomes available in the event of the partial/total transfer of a foreign company.

It is worth noting that the foreign currencies that were translated for the purpose of the consolidated financial statements are the Algerian dinar (exchange rate 133.89 dinars to 1 euro), the Rumanian Leu (exchange rate 1 Leu to EUR 0.298).

There are also exchange rates for Feralpi Hungaria (Hungarian Forint 330.53 to 1 euro) and Feralpi Praha (Czech crown 25.408 to 1 euro).

If an associate operates in a high-inflation foreign country, before translating the financial statements into the parent company's account currency for consolidation purposes, a revaluation is made of the cost of tangible assets and related depreciation and any other adjustments of the carrying value of other assets, liabilities, income and expenses, in order to offset the distorting effects of inflation.

Inflation in the country where the associate operates is considered to be more or less high, depending on specific circumstances, taking into account, for example, the current and cumulative inflation rate and the share capital used in managing the subsidiary. As a general rule, a country whose economy is subject to a cumulative inflation rate of at least 100% over three years is considered to be a high-inflation country.

### Accounting concepts and principles in the preparation of financial statements

In accordance with the provisions of art. 2423 of Italian Civil Code, the general principles of clarity and correct and fair representation of Company's equity and financial situation and the operating result for the year have been complied with.

The recognition, valuation, presentation and disclosure of items may differ from the provisions of the law on financial statements in cases where their non-compliance has no significant effect on the correct and fair representation of the Company's equity and financial situation and the operating result for the year. To this end, by 'relevant disclosure', in qualitative and/or quantitative terms, is meant when its omission or wrong indication could reasonably influence the decisions made by users on the basis of corporate financial statements. Further specific criteria adopted to identify the concept of irrelevance are shown for individual items in the financial statements when involved in their application. The relevance of individual items is determined within the context of other similar items.

The principles laid out in art. 2423-bis of the Italian Civil Code were also complied with, as outlined below.

The assessment of the various items of the financial statements was carried out in accordance with the principles of prudence and going-concern, and also taking into consideration the substance of the transaction or contract. For each transaction or fact, and in general for every business event, the substance is then identified regardless of its origin, and the possible interdependence of several contracts making up complex transactions was also assessed.

Profits/losses indicated in the financial statements are only those realized on the reporting date.

Income and expenses shown are those pertaining to the financial year, regardless of the date of collection or payment.

Risks and losses pertaining to the financial year were taken into consideration, regardless of whether they were known on the reporting date.

Miscellaneous elements included in individual items were valued and recognised separately.

Pursuant to art. 2423-ter, subsection 5, of the Italian Civil Code, the amount of the corresponding item of previous financial year is shown for each item in the balance sheet and income statement. If the items are not comparable, those of the previous year are appropriately adjusted and the non-comparability and adaptation or impossibility are reported and commented on in these explanatory notes.

In accordance with art. 2423-ter, subsection 2, of the Italian Civil Code, the items preceded by Arabic numerals may be further subdivided, without deleting the whole item and the corresponding amount; they can be grouped only when grouping is quantitatively irrelevant to the effect of a correct and fair representation of company's equity and financial position and the operating result for the year or when this provides a clearer view of the financial statements. In the latter case, the explanatory notes contain a breakdown of the items being grouped.

The financial statements and all the figures in the comments and statements in these explanatory notes are expressed in units of euro, unless expressly specified.

The information in these explanatory notes relating to items in the balance sheet and income statement is presented in the order in which they are listed in the balance sheet and income statement in accordance with art. 2427, subsection 2, of the Italian Civil Code.

### Valuation criteria

The valuation criteria of the various items of the financial statements comply with those set out by art. 2426 of the Italian Civil Code and the reference accounting standards. Among the accounting concepts there is also the continuity with the previous year in the application of valuation criteria adopted for the preparation of the financial statements. The new provisions of law and individual accounting principles have envisaged transitional rules to the new valuation criteria that enable companies to make certain choices regarding their applicability in the first and the following years of adoption.

### Intangible assets

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

R&D costs pertaining to more than one year are recognised and amortised over five years, with the agreement of the Board of Auditors.

Category	%
Incorporation and extension costs	20%
Research and Development costs	20%
Industrial patent fees	20%
Concessions, licences and trademarks	10% 20%
Goodwill	10%
Other tangible assets	10% 20%

**Tangible assets**

Tangible assets are entered at cost, plus directly allocated accessory charges, and adjusted according to revaluation made 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 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.

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

**Steel**

Category	%
Land and buildings	5%
Lightweight construction	10%
Plant and machinery	5% - 10%
Industrial and commercial equipment	12.50/20/25/100%
Other tangible assets	10/12/20/25%

**Environment**

Category	%
Plant and machinery	10% - 15%
Industrial and commercial equipment	12%
Other tangible assets	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 was first 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.

**Financial assets**

Equity investments in associates, as defined in art. 2359 of the Civil Code, are valued using the equity method.

Equity investments in other companies, are entered at cost, adjusted if necessary due to durable losses in value.

Amounts receivable are entered at the nominal value, corresponding to the estimated realisable value.

The entry can be adjusted due to durable losses in value, as required.

Other securities are recognised at the nominal value, corresponding to the estimated realisable 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**

Receivables are entered at amortised cost, taking into account the time factor and within the limits of their expected realisable value and are, therefore, recognised in the balance sheet net of the provision for bad debts deemed appropriate to cover the loss due to reasonably predictable uncollectability.

If the interest rate associated with the transaction does not differ significantly from the market rate, the receivable is first entered at a value equal to its nominal value, net of all premiums, trade discounts, rebates and bonuses and inclusive of all costs directly attributable to the transaction that had generated the receivable. These transaction costs, sales commissions paid or received and any difference between the original value and nominal value at maturity are allocated over the duration of the receivable, using the actual interest rate method.

Conversely, if the transaction interest rate deriving from the contract conditions differs significantly from the market rate, the receivable (and the corresponding revenue in the event of commercial transactions) is initially entered at a value equal to the current value of future cash flows plus any transaction costs. The rate used to discount future cash flows is the market rate.

In the case of receivables deriving from commercial transactions, the difference between the original accounting value of the receivable so established and the forward value is recognized in the income statement as financial income for the entire duration of the receivable, using the actual interest rate method.

In the case of financial receivables, the difference between cash and cash equivalents paid and the actual value of future financial flows, determined using the market interest rate, is recognised among financial expenses or income in the income statement at the time of the original recognition, unless the substance of the transaction or contract does not suggest the attribution of another nature to that component. Subsequently, interest income accruing on the transaction is calculated at the actual interest rate and recognised in the income statement with the value of the receivable as contra-entry.

The value of receivables is subsequently reduced of the amounts received, as both principal sum and interest, and of any write-downs in order to bring the receivables back to their estimated realisable value or of losses.

The company assumes the effects deriving from the application of the amortised cost and discounting as non-significant when the receivables maturity is within 12 months, taking into account all contractual and material considerations existing at the time of their recognition, and the amount of any transaction costs and difference between the original value and the nominal value at maturity is not significant. In this case, discounting was not considered, the interest was calculated at the nominal value and the transaction costs were entered as deferrals and amortised on a straight-line basis over the term of the receivable in order to adjust the nominal interest income.

**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, taking into account the expected taxable income in coming years.

**Cash and cash equivalents**

These are valued at their nominal value.

**Prepayments and Accruals**

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

**Provision for risks and contingencies**

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 employee-leaving indemnity**

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 for the year**

Direct tax liability for the year is entered on the basis of the estimated taxable income, in compliance with the provisions of law and applicable rates, taking into account any applicable exemptions.

An analysis of the existence of temporary differences between the value of assets and liabilities and the corresponding values of relevance for tax purposes and/or between income components recognized in the income statement and those taxable or deductible in future years for the recognition of accrued taxes, as required by OIC 25.

In the presence of temporary taxable differences, deferred tax liabilities are entered, with the exceptions provided by OIC 25.

In the presence of deductible temporary differences, deferred taxes are recognised only if there is reasonable certainty of their future recovery.

Prepaid and deferred taxes are calculated on the cumulative amount of all temporary differences for the year at the tax rates applicable in the year in which the temporary differences are recognized, as provided for by the tax law in force at the reporting date.

Prepaid tax assets and deferred tax liabilities are not discounted.

For classification purposes in the financial statements, tax assets and liabilities are offset only if there exists a legally enforceable right to offset the amounts recognized based on tax legislation and there is an intention to settle tax assets and liabilities on a net basis with a single payment.

#### **Currency translation criteria**

In accordance with art. 2426, subsection 1, no. 8-bis of the Italian Civil Code, assets and liabilities expressed in a currency other than the reporting currency (so-called “account currency”) are, following the original entry, recognized at the spot exchange rate in force at the reporting date. The resulting gains and losses are recognized in the income statement under C17-bis “Exchange gains and losses”, and any net profit contributing to the formation of the operating result for the year is allocated to the dedicated reserve of non-distributable profit pending realization.

Non-monetary assets and liabilities in a currency other than the account currency are recognized at the exchange rate prevailing at the time of purchase. If the exchange rate in force at the reporting date is significantly different from that applicable at the date of acquisition, the difference is one of the elements taken into consideration in the valuation process to determine the carrying amount for individual non-monetary assets. In this case, the (positive or negative) exchange differences contribute to the determination of the recoverable amount.

With reference to equity investments valued using the equity method, in which the underlying financial statements are expressed in a foreign currency, they are translated into the account currency in accordance with OIC 17 “Consolidated financial statements and equity method” and the equity investment is subsequently valued according to the specific equity accounting policy.

Significant, unforeseeable fluctuations in exchange rates after the end of the year with foreign currencies to which the company is most exposed without hedges are not recognized in the financial statements as pertaining to the next financial year, but they are illustrated in these explanatory notes, under the dedicated section “significant events after year end”.

#### **Change in accounting principles**

Except as provided in the section entitled “First-time adoption rules”, about the transition to the rules contained in the new set of OIC accounting standards and statutory provisions transposing the so-called “Accounting Directive” and related choices made by the Company, a description is provided below of the accounting policies adopted following the change to the voluntary or mandatory accounting standards, unless different specific rules are provided.

The change of an accounting standard is recognized in the year in which it was adopted and the associated facts and transactions are dealt with in accordance with the new standard that is applied retrospectively. This entails the recognition of the resulting effects on the opening shareholders’ equity amount for the year.

For comparative purposes only, when not feasible or it is too costly, the previous year opening shareholders’ equity amount and any previous-year comparative data are adjusted as if the new accounting standard had always been applied.

When it is impracticable to calculate the previous cumulative effect of the change of standard or the determination of the previous effect is too costly, the Company adopts the new accounting standard from the first feasible date. When this date coincides with the beginning of the current year, the new accounting standard is applied prospectively.

Any effects on the balance sheet, income statement and cash flow statement resulting from the adoption of new accounting standards have been highlighted and explained in these explanatory notes in connection with the accounting items specifically concerned.

#### **Correction of errors**

An error is recognised at the time an incorrect qualitative and/or quantitative representation of an accounting figure and/or any disclosure in the explanatory note is identified and the correct disclosure and data are available for proper processing. Material errors are corrected by adjusting the accounting item that was previously affected by the error, by recognizing the correction to the opening shareholders’ equity value for the year in which the error is identified.

For comparative purposes only, the company fixes, when practicable, a material error committed in the previous year by restating the comparative amounts; if the error was committed in the years prior to the previous year, it is fixed by re-determining the opening balances of the previous year. When it is impracticable to determine the cumulative effect of a material error for all previous years, the Company reinstates the comparative values to correct the material error, starting from the first date on which it is practicable.

Non-material errors committed in previous years are recognized in the income statement of the year in which the error was identified.

## ASSETS

### B) Non-current assets

#### I. Intangible assets

The table below shows the movement of intangible assets during 2019:

	Incorporation and extension costs	R&D costs	Industrial patent fees	Goodwill	Work in progress &downpay.	Other intangible assets	Total intangible assets
<b>Opening value</b>							
Cost	1,513	1,600	10,182	3,763	513	37,563	55,134
Amortisation (accumulated)	(1,470)	(1,589)	(5,807)	(2,254)	(384)	(30,004)	(41,508)
Carrying value	43	11	4,375	1,509	129	7,559	13,626
<b>Changes during the year</b>							
Increase due to acquisitions			1,974		1,487	1,892	5,353
Amortisation allowance	(32)	(3)	(1,563)	(189)	0	(1,765)	(3,553)
Other changes	2		58				60
Total changes	(30)	(3)	469	(189)	1,487	127	1,860
<b>Closing value</b>							
Cost	1,513	1,600	12,156	3,763	2,000	39,455	60,487
Amortisation (accumulated)	(1,500)	(1,592)	(7,312)	(2,443)	(384)	(31,769)	(45,000)
Carrying value	13	8	4,844	1,320	1,616	7,685	15,486

#### Incorporation and extension costs

Incorporation and extension costs are mainly 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 and 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 computer applications. The main investments relate to the implementation of the SAP management software charged to the Parent's accounts, and the development and purchase of licences for the automation of the production warehouse of one of the Group's companies.



**Goodwill**

In 2017 the companies Presider S.p.A. and MPL S.r.l. were taken over, which generated a €2,047 thousand goodwill for the Group. This goodwill is amortised over ten years and in 2019 it has a residual value of €1,321 thousand.

**Work in progress and advances**

This item contains projects in progress that will be completed in the following year.

**Other intangible assets**

The main increase in this item relates to expenses incurred by the subsidiary Ecoeternit and relating to the construction of new landfills and the repair of embankments €704 thousand.

Moreover, the increase relating to the SAP project in the German subsidiary ESF is recognized in the Work in progress and advances item.

**II. Tangible assets**

The table below shows the movements of tangible assets during the year.

	Land and buildings	Plant and machinery	Leased plant and machinery	Industrial and commercial equipment	Other tangible assets	Work in progress & down payments	Total tangible assets
<b>Opening value</b>							
Cost	276,116	734,284	8,315	13,142	39,480	34,814	1,106,152
Depreciation (accumulated)	(114,084)	(590,621)	(8,315)	(10,576)	(31,748)	-	(755,344)
Carrying value	162,033	143,663	-	2,566	7,732	34,814	350,807
<b>Changes during the year</b>							
Increase due to acquisitions	6,426	41,693	-	928	4,542	932	54,521
Depreciation allowance	(7,544)	(33,537)	-	(979)	(3,230)	-	(45,290)
Other changes	(191)	1,698	-	-	377	(4,500)	(2,616)
Total changes	(1,309)	9,854	-	(51)	1,689	(3,568)	6,615
<b>Closing value</b>							
Cost	282,542	775,977	8,315	14,070	44,022	35,746	1,160,672
Depreciation (accumulated)	(121,819)	(622,460)	(8,315)	(11,555)	(34,601)	(4,500)	(803,250)
Carrying value	160,724	153,517	-	2,515	9,421	31,246	357,424

The item Land and Buildings includes the amount (net of accumulated depreciation) relating to adjustments made at first consolidation of Acciaierie di Calvisano S.p.A. for €134 thousand, due to the attribution of the difference between the value of the equity interest and shareholders' equity on the date of first consolidation. This allocation is supported by expert independent appraisal and the residual value is zero.

It should be noted that the increase of €54,521 thousand for acquisitions are illustrated in detail under the related section of the business report.

It is worth noting that the most significant increase of about €29,000 thousand relates to the subsidiary Feralpi Siderurgica S.p.A., Acciaierie di Calvisano S.p.A. accounted for nearly EUR 5,500 thousand, the German Group for about €14,000 thousand. Moreover, the item "Intangible assets in progress and down payments" in other variations contemplate an impairment loss of €4,500 relating to the renovation plan for the subsidiary Fer Par, which is expected the start of works during the next summer stop or in any case by the end of 2020. The works are expected to last beyond 2020.

**III. Financial assets**

A breakdown of financial assets showing the changes compared to the previous year is given in the table below.

Description	2019	2018	Change
Equity interest in associates	30,541	42,582	(12,041)
Equity interest in other companies	9,701	9,641	60
Receivables from associates	7,510	7,966	(456)
Receivables from others	5,478	35	5,443
Other securities	802	802	-
<b>Total</b>	<b>54,031</b>	<b>61,026</b>	<b>(6,995)</b>

The items equity interest in associates reflects the result pertaining to the group of individual companies, which is detailed in the relevant section of the income statement.

**Equity interest in associates**

The following associates were valued using the equity method.

Name and location	Share capital	Shareholders' equity	Profit/ (Loss)	Relevant Profit/ (Loss)	% stake held	Carrying value
Beta S.A. Buzau (R)	717	13,823	222	63	28.35%	3,070
Media Steel S.r.l.	200	5,561	586	264	45.00%	2,647
Dima	1,000	2,270	604	187	31.00%	785
Caleotto S.p.A.	2,000	8,404	(3,520)	(1,760)	50.00%	4,202
Alpifer Srl (Unifer-Steelfer)	9,560	17,736	(69)	(35)	50.00%	8,868
Cogeme Steel S.r.l.	200	280	(618)	(309)	50.00%	0
Comeca S.p.A.	2,800	9,739	653	130	19.85%	1,936
Agroittica S.p.A.	12,500	19,017	(911)	(414)	45.46%	8,645
San Vigilio partecipazioni	50	556	202	67	33.00%	183
Far Energia S.r.l.	100	681	55	17	30.00%	204
<b>Total associates</b>				<b>(1,791)</b>		<b>30,541</b>

A breakdown of write-downs and revaluations made during the year is shown in the table below.

Description	2019	2018	Change
Beta	62	65	(3)
Media Steel	264	343	(79)
Far energia	17	31	(14)
San Vigilio partecipazioni	67	50	17
Alpifer	(877)	539	(1,416)
Cogeme Steel	(1,163)	7	(1,170)
Caleotto	(981)	1,040	(2,021)
Dima	187	143	44
Agroittica	(11,232)	(738)	(10,494)
Comeca	130	100	30
Omega - equity interest transferred	-	(9)	9
Feralpi Salò	(338)	(476)	138
Other minority interest companies	(1)	(41)	40
<b>Total revaluations/impairments</b>	<b>(13,865)</b>	<b>1,055</b>	<b>(14,920)</b>
of which revaluations	1,384	2,319	(935)
of which impairments	(15,249)	(1,264)	(13,985)

### Other companies

A breakdown of movements during the year for this item is given below.

Description	2018	Increase	Decrease	2019
Finanziaria di Valle Camonica S.p.A.	3,144			3,144
Fondazione nazionale CRS	5			5
CSMT	22			22
Feralpi Salò	69	400	(337)	132
Metalinterconnector	6,195			6,195
Other minority interest companies	206		(1)	205
<b>Total other companies</b>	<b>9,641</b>	<b>400</b>	<b>(338)</b>	<b>9,701</b>

The movements in 2019 refer entirely to the Feralpi-Salò football team and concern the capital writing-off for operating losses and the relevant reconstitution of the team.

### Financial receivables

Description	2018	Increase	Decrease	2019
Associates (<12 months)	466	-	(456)	10
Associates (>12 months)	7,500	-	-	7,500
Others	35	5,451	7	5,478
<b>Total</b>	<b>8,001</b>	<b>5,451</b>	<b>(449)</b>	<b>12,988</b>

The increase in financial receivables mainly refer to loans made by Feralpi Siderurgica S.p.A. for €3,413 thousand and Acciaierie di Calvisano S.p.A. for €2,025 thousand in favour of Metalinterconnector.

### Financial receivables from associates

The decrease in receivables from associates maturing within twelve months, amounting to €455 thousand, is related to the writing off of loans made by associates to Omega Immobiliare, as the equity interest was fully transferred, and to San Vigilio. A breakdown of this item is given in the table below.

Description	2019	2018	Change
Fer-Farm S.r.l. Fin. Omega S.r.l.	-	390	(390)
Fer-Farm S.r.l. Fin. Ecotrading S.r.l.	10	-	10
Fer-Farm S.r.l. Fin. San Vigilio S.r.l.	-	76	(76)
Caleotto S.p.A. Fin. Caleotto S.p.A.	7,500	7,500	-
<b>Total</b>	<b>7,510</b>	<b>7,966</b>	<b>(456)</b>

### Financial receivables from others

These receivables are mainly represented for guarantee deposits made by the Parent and Italian companies.

## C) Current assets

### I. Inventories

Inventories, which are recognised at the lower of the cost and the 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 finished products, thus allowing the reader to have a better interpretation of the accounting figures.

Closing inventories as at 31.12.2019 were assessed by means of a physical inventory under the supervision of the various heads of department.

A breakdown of individual items is given in the table below.

Description	2019	2018	Change
Raw materials, supplies and consumables	99,544	107,935	(8,392)
Work in progress and unfinished products	31,717	41,778	(10,061)
Finished products and goods	112,551	119,889	(7,337)
<b>Total</b>	<b>243,812</b>	<b>269,602</b>	<b>(25,790)</b>

## II. Accounts receivables

The balance of this item is given below.

Description	2019	2018	Change
Receivables from customers under current assets	198,246	239,542	(41,296)
Receivables from associates under current assets	25,840	23,537	2,303
Tax assets under current assets	27,359	24,838	2,519
Prepaid tax assets under current assets	23,187	24,161	(974)
Receivables from others under current assets	10,291	9,029	1,262
<b>Total</b>	<b>284,923</b>	<b>321,107</b>	<b>(36,186)</b>

A breakdown of accounts receivable by due date for the year ended 31 December 2019 is given below.

Description	Less than 12 months	Over 12 months	Over 5 years	Total
Receivables from customers under current assets	195,398	2,849	-	198,246
Receivables from associates under current assets	25,840	-	-	25,840
Tax assets under current assets	27,359	-	-	27,359
Prepaid tax assets under current assets	3,783	18,900	-	22,682
Receivables from others under current assets	10,277	13	-	10,290
<b>Total</b>	<b>262,655</b>	<b>21,761</b>	<b>-</b>	<b>284,416</b>

Accounts receivable from customers are recognised net of the provision for doubtful debts, which currently stands at €3,196 thousand. The adjustment of the nominal value to the estimated realisable value was achieved via the provision for doubtful debts, which recorded the following movements over the year. In particular, the most significant decrease refers to the Parent, where a problematic position was settled with an amicable agreement.

As regards the provision, the most significant amount is due to the subsidiary Presider S.p.A., which has always worked in a market where customers work mainly in the field of "Public Works", a market notoriously characterized by uncertain payments.

Description	2018	Utilisation	Allocation	2019
Provision for doubtful debts	3,158	(1,347)	1,385	3,196
<b>Total</b>	<b>3,158</b>	<b>(1,347)</b>	<b>1,385</b>	<b>3,196</b>

Receivables from customers are of a commercial nature only and are broken down by geographical area as illustrated in the table below.

	Italy Commercial	Italy Others	Other EU countries Commercial	Other EU countries Others	Non-EU	Total
Receivables from customers under current assets	137,885	-	45,306	1,034	14,022	198,247
Receivables from associates under current assets	25,840	-	-	-	-	25,840
Tax assets under current assets	-	17,919	-	9,216	223	27,358
Prepaid tax assets under current assets	-	22,682	-	-	-	22,682
Receivables from others under current assets	-	1,879	-	7,993	419	10,290
<b>Total</b>	<b>163,724</b>	<b>42,481</b>	<b>45,306</b>	<b>18,243</b>	<b>14,664</b>	<b>284,416</b>

## Tax assets

Tax assets, totalling €27,359 thousand, are broken down as shown below.

Description	2019	2018	Change
VAT assets	22,256	16,313	5,943
R&D assets	3,218	2,937	281
IRAP/IRES tax assets	1,811	5,497	(3,686)
Other tax assets	74	91	(17)
<b>Total</b>	<b>27,359</b>	<b>24,838</b>	<b>2,521</b>

The €5,943 thousand increase in VAT is mainly attributable to the significant credit accrued at Feralpi Profilati Nave. In the first months of 2020, the Inland Revenue paid the first portion of €2,300 tax assets as reimbursement in favour of the company.

**Prepaid taxes**

The table below shows a breakdown of prepaid taxes. Further details are provided in the income statement under the item Taxes:

Description	2019
Opening value - deferred tax assets	24,161
Provision for deferrization material, slag and offgas	653
Utilisation of prepaid taxes	(2,132)
<b>Total</b>	<b>22,682</b>

**Receivables from others**

Receivables from others, amounting to €10,290 thousand, increased by €1,261 thousand compared to the previous year, and can be broken down as follows.

Description	2019	2018	Change
Energy cost refund	3,810	4,498	(688)
Unemployment benefits	8	5	3
Social security institutions	388	155	233
Sundry receivables	1,776	752	1,024
Down payments from suppliers	3,963	3,515	448
Others	345	104	241
<b>Total</b>	<b>10,290</b>	<b>9,029</b>	<b>1,261</b>

As shown in the summary table, the most significant item is related to the increase in Sundry Receivables relating to the subsidiaries ESF and Presider Armature.

**Financial assets other than non-current assets**

The table below shows a breakdown of this item, which has not changed compared to the previous year:

Description	2019	2018	Change
Financial assets other than non-current assets	450	450	-

**IV) Cash and cash equivalents**

Description	2019	2018	Change
Bank and postal deposits	34,852	48,980	(14,129)
Cheques	-	5	(5)
Cash in hand	7	7	-
<b>Total</b>	<b>34,859</b>	<b>48,993</b>	<b>(14,134)</b>

The balance represents cash in 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 a foreign currency are shown in the first part of this explanatory note. As at 31.12.2019 there were no prepayments or accruals pertaining to more than five years. The change in this item compared to the previous year and its composition is shown in the table below.

Description	2019	2018	Change
Other accrued income	1,563	1,594	(31)
<b>Total</b>	<b>1,563</b>	<b>1,594</b>	<b>(31)</b>

Description	2019	2018	Change
Sundry	893	610	283
Interest and commissions	60	90	(30)
Insurance and guarantees	610	894	(284)
<b>Total accrued income</b>	<b>1,563</b>	<b>1,594</b>	<b>(31)</b>

## LIABILITIES

### A) Shareholders' equity

It is noted that the share capital of the parent company amounted to €55,000 thousand as at 31 December 2019. The adjustments deriving from the consolidation process resulted in the following differences between the financial statements as at 31 December 2019 for the parent company Feralpi Siderurgica S.p.A. and the Group's consolidated financial statements on that date.

#### RECONCILIATION STATEMENT BETWEEN THE PARENT COMPANY'S SHAREHOLDERS' EQUITY AND OPERATING RESULT AND THE SAME ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31/12/19

	Operating result	Shareholders' equity
Feralpi Holding S.p.A.	(8,792)	117,533
<b>Adaptation to Group's accounting policies</b>		
Intangible assets amortisation adjustment	12	-
Goodwill adjustment	(189)	1,320
<b>Elimination of intercompany transaction effects</b>		
Intra-group margins included in the value of inventories	(246)	(1,597)
Gains from intra-group sales of assets	-	-
<b>Elimination of equity interest carrying value</b>		
Equity interest revaluation/write-down	19,447	-
Elision of profit/ equity interests	65,932	346,788
Elision of dividends	(39,180)	39,180
Profit/equity interest of companies consolidated using the equity method	3,846	7,300
<b>Consolidated profit/equity interest</b>	<b>40,831</b>	<b>510,524</b>
Treasury share reserve	-	(1,028)
Minority interest profit / share capital	1,019	2,089
<b>Group's profit/share capital</b>	<b>39,812</b>	<b>507,407</b>

The figures shown are net of taxes

Movements in shareholders' equity are shown in the table below.

	Share capital	Share premium reserve	Legal reserve	Extraord. Reserve	Profit/(Loss) brought forward	Currency translation reserve	Share premium reserve	Negative share premium reserve	Reval. Reserve	Consol. Reserve	Financial operators hedging reserve	Result for the year	Total	Minority interest result	Minority interest capital	Total
31 December 2018	55,000	516	4,499	24,833	33,746	294	-	(1,028)	138	302,462	(526)	52,751	472,682	1,780	984	475,449
Allocation of the 2018 operating result					43					52,708		(52,751)	-	984	(984)	0
Dividends					(7,000)								(7,000)	(990)		(7,990)
Other movements						85				1,760	66		1,910	(704)		1,206
Splitting					12,723				1,826	(14,550)			0			0
2019 operating result												39,812	39,812		1,019	40,831
31 December 2019	55,000	516	4,499	24,833	39,512	378	-	(1,028)	1,964	342,380	(460)	39,812	507,407	1,070	1,019	509,496

The currency translation reserve reflects the exchange rate difference between Shareholders' equity as at 31 December 2019 and that at 31 December 2018, entered following the valuation of the ESF consolidated financial statements for Hungarian and Czech equity investments.

Other reserves, amounting to €1,028 thousand, comprise the negative reserve for treasury shares in portfolio.

### B) Provision for contingent liabilities and charges

A breakdown of this item is given below.

Description	2018	Increase	Decrease	2019
Suppl. sales agents' customer indemnity	1,391	81	270	1,202
Provision for deferred taxation	675	-	369	306
Financial derivatives liability	693	-	87	606
For slag disposal	326	-	-	326
Other contingencies	30,672	16,486	29,497	17,661
<b>Total</b>	<b>33,757</b>	<b>16,567</b>	<b>30,223</b>	<b>20,101</b>

The most significant change in the Provision for contingencies and charges is related to item "Other contingencies", which recorded an increase of €16,486 thousand and a decrease of €29,497 thousand. The provisions relate to the allocation by the Parent of €5,125 thousand in relation to the European Antitrust Authority's proposal for the sanction imposed in 1994 and repeatedly paid and returned following to the decisions issued by the various competent bodies at different degrees of judgement, to which is added the €9,554 thousand thirty-year provision relating to the landfill post-closure entered by Ecoeternit. Finally, the Group is preparing a renovation plan for the subsidiary Fer Par S.r.l., which is expected to start with the next summer stop. In economic terms, the implementation of this plan would entail additional expenses and costs which have prudently been included in the provision for future liabilities and contingencies for €2,2250. The rest of the allocations relates to provisions that Feralpi Siderurgica and Acciaierie di Calvisano have set aside to hedge any disputes with employees. Worthy of note are the utilisations, which relate entirely to the release of the provision that was set aside in 2017 in relation to the sanction imposed to Feralpi Siderurgica S.p.A. by the Italian Antitrust Authority, and subsequently cancelled following the decision of the Council of State.

### C) Employees' severance pay

The movement was as follows.

	Employee severance pay
Opening value	7,619
<b>Changes during the year</b>	
Allocation for the year	2,330
Utilisation during the year	(2,577)
<b>Closing value</b>	<b>7,372</b>

The figure set aside reflects the amount the company actually owes its employees as at 31 December 2019, net of any advances paid.

**D) Accounts payable**

Accounts payable are valued at their nominal value and due date, as detailed below.

Description	2019	2018	Change
Convertible bonds	5,347	5,347	-
Bank borrowings	164,449	219,321	(54,872)
Down payments	97	213	(117)
Trade creditors	216,870	230,397	(13,527)
Payables owed to associates	28,675	53,276	(24,601)
Tax liabilities	8,083	12,490	(4,407)
Social security contribution liabilities	4,688	4,329	359
Other liabilities	26,753	24,350	2,403
<b>Total</b>	<b>454,961</b>	<b>549,725</b>	<b>(94,764)</b>

Description	Less than 12 months	Over 12 months	Over 5 years	Total
Convertible bonds	-	5,347	-	5,347
Bank borrowings	73,407	91,042	-	164,449
Down payments	97	-	-	97
Trade creditors	216,870	-	-	216,870
Payables owed to associates	28,675	-	-	28,675
Tax liabilities	8,083	-	-	8,083
Social security contribution liabilities	4,688	-	-	4,688
Other liabilities	26,460	294	-	26,754
<b>Total</b>	<b>358,280</b>	<b>96,683</b>	<b>-</b>	<b>454,961</b>

**Convertible bonds**

The bonded loan of €10,000 that the company had reimbursed to the shareholders expired in 2019. The shareholders subscribed a new loan of the amount of €5,000, comprising a non-convertible bonded loan expiring on 1 July 2023, made up of 5,000,000 bonds of a nominal value of €1 each.

**Bank borrowings**

Loans and borrowings from banks and credit institutions covering investments and financial restructuring work totalled €164,449 thousand as at 31 December 2019. They are secured by collateral for €111m (€85m Feralpi Siderurgica, €20m Calvisano, €6m Presider). It is noted that the covenants on loans in being have been fulfilled; As to loans falling due after 5 years have been written off.

The table below shows a breakdown of this item.

Description	2019	2018	Change
Bank current accounts	21,714	107,673	(85,959)
Loans falling due <12 months	58,712	27,620	31,092
Loans falling due >12 months and <5 years	84,023	82,778	1,245
Loans falling due >5 years	-	1,250	(1,250)
<b>Total</b>	<b>164,449</b>	<b>219,321</b>	<b>(54,872)</b>

New loans were taken out in 2019 for about €50m by Feralpi Siderurgica S.p.A.

**Trade creditors**

Payables owed to suppliers are all of a commercial nature. A breakdown by geographical area is given below.

Description	Italy Commercial	Other EU countries Commercial	Non EU	Total
Trade creditors	151,421	62,178	3,271	216,870
<b>Total</b>	<b>151,421</b>	<b>62,178</b>	<b>3,271</b>	<b>216,870</b>

**Tax liabilities**

Tax liabilities within 12 months are broken down as follows.

Description	2019	2018	Change
Individual income tax (IRPEF)	2,345	2,410	(65)
VAT liability	2,140	1,633	507
Sundry tax and duty liabilities	3,598	8,447	(4,849)
<b>Total</b>	<b>8,083</b>	<b>12,490</b>	<b>(4,407)</b>

The reduction in tax payables is mainly due to the lower payables to be paid for Group's IRES, as it is offset by the significant amount of previous year prepaid taxes.

**Other payables**

The table below shows the item "Other payables" broken down by type.

Description	2019	2018	Change
Personnel expenses paid	12,900	10,593	2,307
Rewards to customers	7,944	8,783	(839)
Others	5,911	4,974	937
<b>Total</b>	<b>26,755</b>	<b>24,350</b>	<b>2,405</b>

The most significant amount is related to employee remuneration and collaborator fees accrued in December, which is normally paid within the first days of the following month. The increase relates to all the Group companies for bonuses paid and some extraordinary expenses for celebrations at the German Group. It should be noted that payables owed to others is virtually unchanged compared to the previous year.

#### E) Accruals and deferred income

Accruals and deferred income reflects harmonised items for the year calculated on an accrual basis. It should be noted that as at 31 December 2019 there were no accruals and deferred income exceeding five years. The comparative table below shows a virtually unchanged situation on the previous year.

Description	Opening value	Change during the year	Closing value
Accruals and deferred income	652	(35)	617
<b>Total</b>	<b>652</b>	<b>(35)</b>	<b>617</b>

A breakdown of deferred income distributed over time is given below.

Description	Less than 12 months	Over 5 years	Total
Accruals and deferred income	617	-	617
<b>Total</b>	<b>617</b>	<b>-</b>	<b>617</b>

It should be noted that the Group issued €178m guarantees in favour of credit institutions for credit lines and/or loans granted to Group companies.

## INCOME STATEMENT

A comparison is made between the 2019 and 2018 consolidated income statements.

#### A) Production value

A breakdown of this item is detailed below.

Description	2019	2018	Change
Revenues from goods sold and services rendered	1,302,752	1,320,333	(17,581)
Change in product inventories	(16,729)	33,156	-49,885
Increase in capitalized internal work	5,227	3,964	1,263
Other revenues and income	40,424	8,862	31,562
<b>Total</b>	<b>1,331,674</b>	<b>1,366,314</b>	<b>(34,640)</b>

The decrease in turnover on the previous year reflects the market situation in the industry, which was characterised by a slight decrease. Further details are provided in the business report.

A breakdown of other revenues and income by category is given in the table below.

Category	2019	2018	Change
Rentals	716	812	(96)
Insurance reimbursement and collection	7,067	1,003	6,064
Release of provisions for risks	29,429	-	29,429
Incentives	3,170	3,346	(176)
Other revenues and income	40	3,700	(3,660)
<b>Total</b>	<b>40,424</b>	<b>8,862</b>	<b>31,562</b>

The amount of insurance reimbursement and collection for €7,067 thousand comprises €6,885 thousand repayment by the Italian Antitrust Authority of the instalments already paid in relation to the sanction imposed following the publication of the ruling in favour of the Company.

After the favourable judgment issued by the Council of State, Feralpi Siderurgica, which in 2017, following the publication of the sanction, had allocated this amount to the provision for risks, released the provision for €29,429 thousand.

The decrease in the item "Other revenues and income" relates to capital gains that occurred in the previous year regarding the subsidiaries Presider and ESF.

Revenues from sales by geographical area are broken down as follows.

Geographical area	2019	2018	Change
Italy	483,784	500,421	(16,636)
Other EU countries	618,600	643,707	(25,108)
Non-EU countries	200,368	176,205	24,163
<b>Total</b>	<b>1,302,752</b>	<b>1,320,333</b>	<b>(17,581)</b>

### B) Production costs

The breakdown and changes of this item are shown in the table below.

Description	2019	2018	Change
Raw materials, supplies, consumables and goods	832,497	931,200	(98,703)
Services	242,415	245,311	(2,896)
Hire, purchase and leasing charges	3,932	4,643	(711)
Personnel	99,621	89,171	10,449
Amortisation, depreciation and write-downs	53,935	46,092	7,843
Changes in inventories	9,034	(37,353)	46,385
Provision for contingent liabilities	11,978	9	11,969
Other provisions	1,569	1,460	109
Other operating charges	5,527	5,636	(109)
<b>Total</b>	<b>1,260,508</b>	<b>1,286,169</b>	<b>(25,662)</b>

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

Compared to the previous year, the cost of raw materials, supplies, consumables and goods decreased by €98,703 thousand. For further details on the economic situation during the year, reference is made to the business report. It should be noted that the cost of scrap accounted for 75% of the total cost of raw materials.

#### Cost for services

The table below shows a breakdown of the cost for services. It shows a significant decrease in third-party services and energy consumption, as a result of increased production process efficiency. The decrease mainly relates to less unit costs and energy consumption.

Description	2019	2018	Change
Maintenance and outsourced services	40,726	48,165	(7,438)
Production services	23,132	20,797	2,335
Energy and utilities	92,529	104,929	(12,401)
Transport and internal movements	44,165	42,289	1,876
Consultancy, insurance, advertising	30,043	21,053	8,990
Others	11,820	8,078	3,741
<b>Total</b>	<b>242,415</b>	<b>245,311</b>	<b>(2,896)</b>

#### Costs for hire, purchase and leasing charges

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

Description	2019	2018	Change
Rentals	2,773	3,618	(845)
Licence fees	1,159	1,025	134
<b>Total</b>	<b>3,932</b>	<b>4,643</b>	<b>(711)</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.

Description	2019	2018	Change
Wages and salaries	71,312	65,895	5,417
Social security contributions	19,672	18,465	1,207
Severance pay allowance	2,284	2,304	(20)
Others	6,353	2,507	3,845
<b>Total</b>	<b>99,621</b>	<b>89,172</b>	<b>10,449</b>

The item Others includes the counter-entry of the provision for risks associated with the renovation plan that the Group is preparing for the subsidiary Fer Par S.r.l.

#### Depreciation allowance for non-current assets

This allowance was calculated on the basis of the useful life of assets and their utilisation in the production process. The amount in the provision for doubtful debts relates to its adjustment and was allocated on the basis of the estimated collectability of receivables entered in the accounts.



Description	2019	2018	Change
Depreciation of tangible assets	45,291	40,135	5,156
Amortisation of intangible assets	3,553	2,885	668
Impairment of receivables	592	3,072	(2,481)
<b>Total</b>	<b>49,435</b>	<b>46,092</b>	<b>3,343</b>

#### Other write-downs of non-current assets

In the income statement this item totals €4,500 thousand and relates to non-current assets in progress at the Nave site, which were assessed to be no longer useful under the company's strategic plan, so the company decided to reduce the relevant carrying value.

#### Provision for risks

Significant allocations relating to the ECSC sanction were made by the Parent for €5,125 thousand and €6,853 thousand by Feralpi Siderurgica. These amounts relate to the reimbursement, net of interest, of the instalments reported under the Other income item, which the company had re-allocated to the provision for risks in order to reconstitute the whole amount of the sanction imposed by the Italian Anti-Trust Authority, pending the judgment of the Council of State.

#### Other provisions

These are amounts set aside during the year by the companies that manage landfills, in relation to post-closure expenses.

#### Other operating charges

This item comprises membership fees, municipal tax (IMU), credit losses, tax liabilities and other duties and non-deductible expenses. The table below shows a decrease of €111 thousand on the previous year.

Description	2019	2018	Change
Donations and charities	1,122	99	1,023
Membership fees	327	352	(25)
Taxes and duties	1,274	1,579	(305)
Loss on receivables	426	28	398
Others	2,376	3,576	(1,200)
<b>Total</b>	<b>5,527</b>	<b>5,636</b>	<b>(109)</b>

Charity donations relates to the amount of €1,000 thousand made in favour of the sports club Virtus Feralpi, concerning the "sport bonus" awarded to Feralpi Siderurgica during the year and to be used as tax assets in the next three years.

#### C) Financial income and expenses

Description	2019	2018	Change
From equity investments in other companies	50	48	2
Interest income from associates	124	133	(9)
Other financial income	360	347	13
<b>Total financial income</b>	<b>534</b>	<b>528</b>	<b>6</b>
Interest and other financial expenses	3,297	4,092	(795)
<b>Total financial expenses</b>	<b>3,297</b>	<b>4,092</b>	<b>(795)</b>
Exchange gains and losses	(31)	(39)	8
<b>Total</b>	<b>(2,794)</b>	<b>(3,603)</b>	<b>809</b>

Financial income and expenses have decreased compared to the previous year, mainly as a result of reduced interest rate payables on financial markets and reduced indebtedness.

#### Financial income

This item mainly reflects bank interest income and interest charged to customers.

Description	2019	2018	Change
Dividends	49	48	1
Bank and other interest income	124	133	(9)
Interest income from customers	361	347	14
<b>Total</b>	<b>534</b>	<b>528</b>	<b>7</b>

#### Financial expenses

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

Description	2019	2018	Change
Bank interest expense	(1,647)	(1,673)	26
Interest on loans	(1,075)	(1,474)	399
Financial discount and expenses	(39)	(680)	641
Interest expense on hedges	(536)	(265)	(271)
<b>Total</b>	<b>(3,297)</b>	<b>(4,092)</b>	<b>795</b>

**D) Adjustment to the value of financial assets****Revaluations/impairments**

The table below shows the revaluations and impairment losses for 2019, which are mainly associated with the valuation of equity investments in associates included in the scope of consolidation using the equity method and other minor companies.

Description	2019	2018	Change
Beta	62	65	(3)
Media Steel	264	343	(79)
Far energia	17	31	(14)
San Vigilio partecipazioni	67	50	17
Alpifer	(877)	539	(1,416)
Cogeme Steel	(1,163)	7	(1,170)
Caleotto	(981)	1,040	(2,021)
Dima	187	143	44
Agroittica	(11,232)	(738)	(10,494)
Comeca	130	100	30
Omega - equity interest transferred	-	(9)	9
Feralpi Salò	(338)	(476)	138
Other minority interest companies	(1)	(41)	40
<b>Total revaluations/impairments</b>	<b>(13,865)</b>	<b>1,055</b>	<b>(14,920)</b>
<b>of which revaluations</b>	<b>1,384</b>	<b>2,319</b>	<b>(935)</b>
<b>of which impairments</b>	<b>(15,249)</b>	<b>(1,264)</b>	<b>(13,985)</b>

The above table shows the values relating to companies entered in the consolidation scope according to the net equity method for revaluations and/or write-downs that have been offset in a single amount. Conversely, the totals show the separate effects of revaluations and write-downs. The most significant amount relates to the subsidiary Agroittica for which the value of the stake was adjusted to its shareholders' equity.

**Income tax for the year**

Description	2019	2018	Change
Current taxes	17,351	24,902	(7,551)
Deferred taxes	3	28	(25)
Prepaid taxes	(3,677)	(1,055)	(2,622)
<b>Total</b>	<b>13,677</b>	<b>23,875</b>	<b>(10,198)</b>

All the companies with a negative operating result recognised deferred taxes on the fiscal loss for the year, as detailed in the table below.

Description	Tax
Utilisation of deferrization material, slag and offgas	85
Exceeding maintenance	138
Allocation to soundry provisions	2,414
Others	1,040
<b>Total</b>	<b>3,677</b>

**Employees**

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

Description	2019 average	2018 average	Change
Executives	35	30	5
Office workers and middle managers	441	426	15
Factory workers	1,082	1080	2
<b>Total</b>	<b>1,558</b>	<b>1,536</b>	<b>22</b>

The average number of employees by company is given in the table below.

Company	2019 average	2018 average	Change
Feralpi Holding S.p.A. (Italy)	51	47	4
Ecoetemit S.r.l. (Italy)	6	4	2
Presider S.p.A. (Italy)	64	63	2
MPL S.r.l. (Italy)	13	12	1
Feralpi Siderurgica S.p.A. (Italy)	389	391	(2)
Presider Armature (France)	4	2	2
Acciaierie di Calvisano S.p.A. (Italy)	124	119	5
Fer Par S.r.l. (Italy)	86	85	1
Feralpi profilati Nave S.r.l. (Italy)	3	3	(0)
Nuova Defim S.p.A. (Italy)	77	80	(3)
ESF GmbH + EDF (Germany)	628	616	12
Feralpi Stahlhandel GmbH (Germany)	10	11	(1)
Feralpi Logistik GmbH (Germany)	35	32	3
Feralpi Algerié (Algeria)	12	12	0
Feralpi Praha Sro (Czech Republic)	43	46	(3)
Feralpi Hungaria Kft (Hungary)	14	13	1
<b>Total</b>	<b>1,558</b>	<b>1,536</b>	<b>22</b>

**Supplementary disclosure**

As required by law, the overall fees paid to the members of board of directors and board of auditors are shown below.

Position	Fee
Directors	2,736
Auditors	146
<b>Total</b>	<b>2,882</b>

The fees paid for statutory audits of the group companies' accounts and the supervision of the group consolidated financial statements amounted to €215 thousand.

**Facts of note occurring after the closing date**

The health emergency brought about by COVID-19 emerged in the world at the end of February 2020, constituting an exceptional event that could not have been predicted on 31.12.2019, and as such is considered a subsequent factor that does not entail a change in the statements' figures.

At present, however, it is not yet possible to provide a description of the impact on the company's financial, equity and economic situation.

As at the date on which this document was prepared, the health crisis led to a lockdown of the production activities effective as from 16 March for the Group's Italian companies, which partially resumed production at the end of April, while the impact of the emergency was less significant for the Group's German companies, which could continue operations, though with due precautions. The significance of the impact will only be possible to be determined in upcoming months.

It is also highlighted that the Group's equity and financial soundness ensures business continuity for all the Group's companies.

These Financial Statements, comprising the Balance Sheet, the Income Statement and Explanatory Note 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

---

**The Vice-Chairman**

Cesare PASINI

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**The Managing Director**

Giovanni PASINI

---

**Board Directors**

Maria Giulia PASINI

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Marco LEALI

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Andrea TOLETTINI

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Alessandra TOLETTINI

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Guido CORBETTA

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Lonato del Garda, 27<sup>th</sup> May 2020

# BOARD OF AUDITORS' REPORT

Consolidated Financial Statements as at 31<sup>st</sup> December 2019

## Board of Auditors' report on Feralpi Holding S.p.A.'s Consolidated Financial Statements for the year ended 31 December 2019

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

The consolidated financial statements of the Feralpi Group, as at 31 December 2019, were prepared in accordance with the law and is accompanied by the business report.

It is noted that due to the complex situation of social distancing and lockdown measures related to so-called Covid-19 health emergency, and taking into account the provisions of the Cura Italia legislative decree of 16 March 2020, the directors deemed it appropriate to use the term of six months for the approval of the financial statements closed at 31.12.2019.

With reference to the Explanatory Notes, the statements provide a clear and exhaustive representation of the method used in the preparation of the financial statements and the specific accounting standards 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 the Directors' Business Report and the Explanatory Notes, the company acknowledged the current situation caused by the Covid-19, reporting them and highlighting the first data as a result of the lockdown period, being unable, at the moment, to make more accurate forecasts.

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, 9 June 2020

THE BOARD OF AUDITORS

Giancarlo Russo Corvace

Alberto Soardi

Stefano Guerreschi



# INDEPENDENT AUDITORS' REPORT

Consolidated Financial Statements as at 31<sup>st</sup> December 2019

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

Consolidated Financial Statements as at 31<sup>st</sup> December 2019

Independent auditor's report

Pursuant to art. 14 of Legislative Decree no. 39 of 27<sup>th</sup> January 2010

## INDEPENDENT AUDITOR'S REPORT pursuant to art. 14 of Legislative Decree no. 39 of 27<sup>th</sup> January 2010

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

### Report on the Financial Statements

#### Opinion

We have audited the accompanying consolidated financial statements of Feralpi Group (the Group), which comprise the balance sheet as at 31<sup>st</sup> December 2019, the income statement and the statement of cash flows for the year then ended, and the explanatory notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31<sup>st</sup> December 2019, its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with Italian laws governing the layout principles.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italy). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the *Audit of the Consolidated Financial Statements* section of our report. We are independent of the Feralpi Holding S.p.A. in accordance with the code of ethics for professional accountants established by Italian law on financial statements auditing. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of Directors and the Board of Auditors for the Consolidated Financial Statements

Directors are responsible for the preparation and fair representation of the consolidated financial statements in accordance with Italian Law governing the preparation standards and, within the terms of the law, for such internal control as directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Directors are responsible for assessing the Group's ability to continue as a going concern, the appropriateness of the use of the going-concern assumption and the adequate relevant disclosure, as applicable. Directors are also responsible for using the going-concern basis in preparing the financial statements, unless they have ascertained the existence of the conditions for the liquidation of the parent company Feralpi Holding S.p.A. or cease operations, or there is no realistic alternative but to do so.

The board of auditors is responsible for overseeing the Group's financial reporting process.

### Independent Auditor's responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italy), we exercised professional judgement and maintained professional scepticism throughout the audit. We also took steps to:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors.
- conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, on whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to review our opinion accordingly. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicated with those charged with governance, identified at an appropriate level, as required by International Standards on Auditing (ISA Italy), regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

## Report on Other Legal and Regulatory Requirements

### Opinion pursuant to art. 14, subsection 2, letter e) of Italian Legislative Decree no. 39 of 27<sup>th</sup> January 2010

The directors of Feralpi Holding S.p.A. are responsible for preparing the Feralpi Holding Group's business report as at 31<sup>st</sup> December 2019, including consistency with the related consolidated financial statements and compliance with the law.

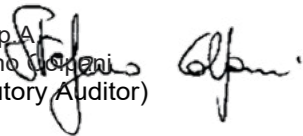
We performed the procedures required under audit standard (ISA Italia) no. 720B in order to express an opinion on the consistency of the business report with the consolidated financial statements of the Feralpi Holding Group as at 31<sup>st</sup> December 2019, and on its compliance with the provision of law, as well as issue a declaration on any material error.

In our opinion, the business report is consistent with the consolidated financial statements of the Feralpi Holding Group as at 31<sup>st</sup> December 2019, which was prepared in compliance with legal requirements.

With reference to the report issued pursuant to art. 14, subsection 2, letter e), of Legislative Decree no. 39, dated 27<sup>th</sup> January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Brescia, 1<sup>st</sup> June 2020

EY S.p.A.  
Stefano Uboldi  
(Statutory Auditor)





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