FERALPI GROUP

FY 2022 Consolidated Financial Statements **Feralpi Holding**

We dedicate a special thought to our founder, Carlo Pasini, and his wife Lidia Camilla Savoldi

Consolidated Financial Statements
Feralpi Holding

FY 2022

WE ARE A GLOBAL PLAYER, AN ORGANISATION OF PASSIONATE PEOPLE, A COMMUNITY OF STEEL.

Our Group is a major steel manufacturer in Europe, but this isn’t the achievement we’re most proud of. The push for innovation, the trust of our partners, the knowledge of our people, the R&D projects to achieve maximum efficiency, and development towards the circular economy - these are the elements that describe who we are and outline the path towards our current goals.

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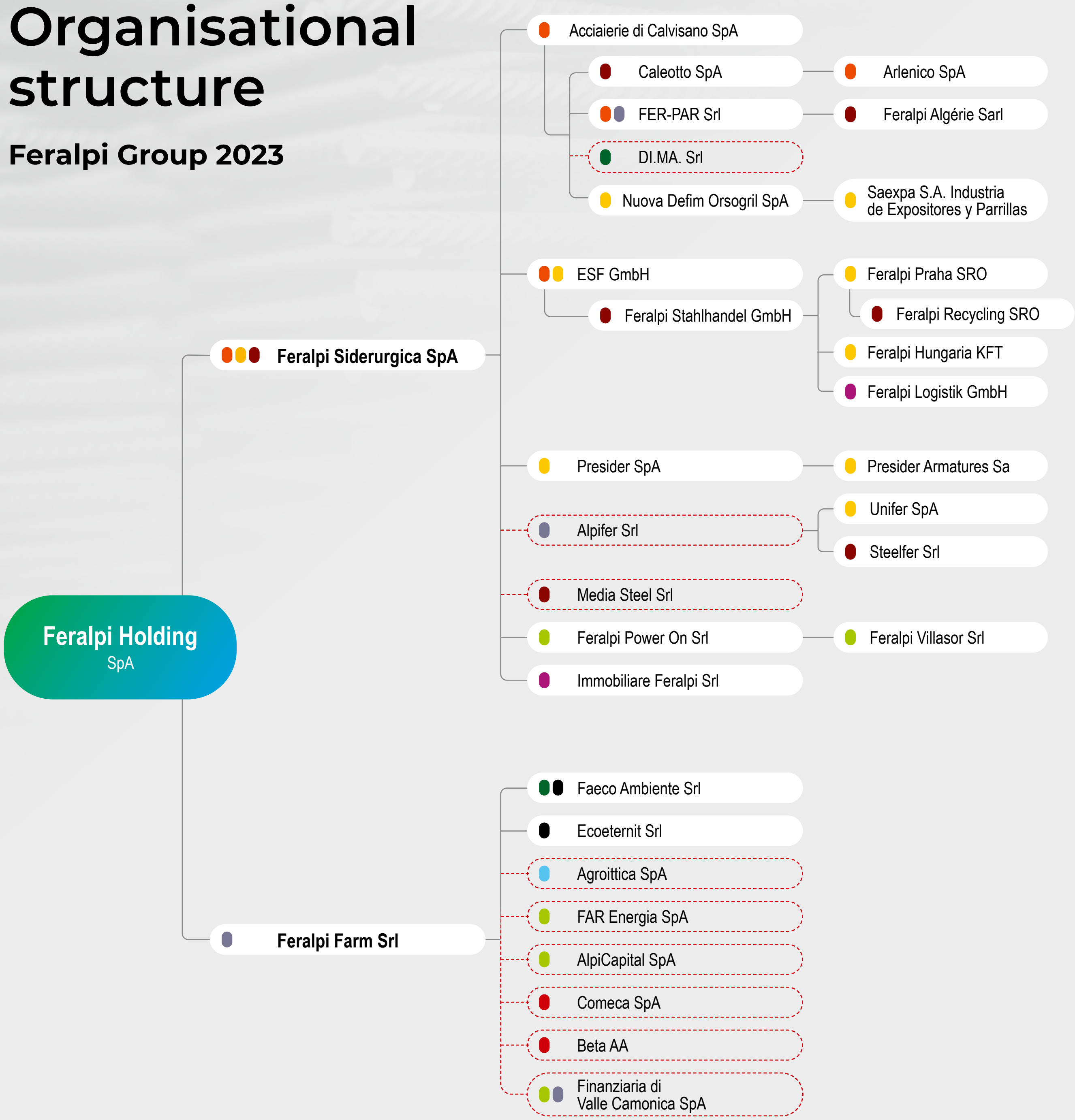
2022 Oscar di Bilancio 58ª EDIZIONE

Organisational structure

Feralpi Group 2023



Legend

- Control
- Shareholding
- Steel products
- Cold-drawn steel - derivatives
- Trade
- Metal carpentry
- Metal carpentry
- Environment
- Waste disposal
- Fishing
- Other
- Energy from renewable sources

Feralpi in figures

(euro thousands)

OPERATING HIGHLIGHTS		2022		2021		2020	
Consolidated revenues			**2,398,071**		1,928,446		1,238,398
of which	Italy	37%	**881,511**	41%	795,643	38%	469,229
	Abroad	63%	**1,516,560**	59%	1,132,803	62%	769,169
Value of production			**2,535,795**		2,064,296		1,222,458
Costs of production			**2,094,412**		1,850,909		1,203,902
Amortisation, depreciation & write-downs			**60,320**		58,315		55,196
Financial income and charges			**2,068**		3,309		3,866
Result before taxes			**436,756**		209,948		12,642
Income taxes			**102,546**		57,818		7,192
Net result			**334,210**		152,130		5,450
EBITDA			**501,702**		271,702		73,751
EBIT			**441,382**		213,387		18,555

KEY FINANCIAL HIGHLIGHTS	2022	2021	2020
Technical investments in the period	**116,909**	55,996	55,597
Net technical assets	**465,604**	402,622	405,052
Shareholders' equity	**1,002,154**	673,792	520,849
NFP	**3,482**	(125,189)	(145,918)

Personnel

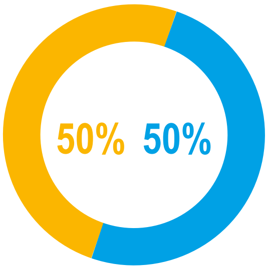
Workforce at year-end

2022	1,856
2021	1,749
2020	1,710

Workforce by region

931 employees Italy

925 employees Abroad



Workforce main Group companies

AVERAGE NUMBER	2022	2021	2020
Feralpi Holding SpA (Italy)	**60**	57	53
Feralpi Siderurgica SpA (Italy)	**452**	433	392
Acciaierie di Calvisano SpA (Italy)	**125**	128	122
Nuova Defim SpA (Italy)	**82**	79	77
Caleotto SpA (Italy)	**9**	9	8
Arlenico SpA (Italy)	**93**	87	83
Presider SpA (Italy)	**78**	106	64
Presider Armatures Sa (France)	**4**	4	4
ESF Elbe-Stahlwerke Feralpi GmbH (Germany)	**707**	671	659
Feralpi Stahlhandel GmbH (Germany)	**9**	9	10
Feralpi Logistik GmbH (Germany)	**34**	34	35
Feralpi Praha SRO (Czech Republic)	**45**	45	45
Feralpi Hungaria KFT (Hungary)	**17**	17	16
Feralpi Algerié Sarl (Algeria)	**13**	12	13
Saexpa S.A.* (Spain)	**84**	–	–

* Company acquired in 2022

Training

	2022	2021	2020
Total hours	**43,987**	**24,819**	**17,889**

1
Directors' Report


FERALPI GROUP
THE MISSION
To be an international leader in the steel industry, anticipating standards of excellence through technological innovation, sustainability, and talent development.
THE FOUNDATIONS ON WHICH WE BUILD
INTERNATIONALISATION
VERTICALISATION
DIVERSIFICATION
SUSTAINABILITY

BS Companies Reg. No. 01898120173
BS REA No. 277718

FERALPI HOLDING CONSOLIDATED

Parent company FERALPI HOLDING S.p.A.

Registered office Via Aurelio Saffi, 15 - 25122 BRESCIA Share capital approved Euro 55,000,000
of which Euro 55,000,000 fully paid-in

Consolidated Financial Statements at December 31, 2022

- Directors' Report
- Financial Statements
- Explanatory Notes
- Board of Statutory Auditors' Report
- Independent Auditors' Report

Directors' Report on the Consolidated Financial Statements at December 31, 2022

Dear Shareholders,

the year to December 31, 2022 reports a Group profit of Euro 327 million, with sales of Euro 2,398 million.

The Feralpi Holding Group has for the third year voluntarily prepared a Non-Financial Statement, which is published as a separate report. Detailed examination of the data in the financial statements is appropriate after the Group's structure has been analysed.

The Board of Directors wishes to express its sincerest thanks to every member of the Feralpi Group's staff for the commitment and dedication they bring to their work.

Group Structure

During the year, a Group Corporate Reorganisation Project was approved. This has the following objectives:
- create a leaner Group corporate structure;
- ensure the strategy of the core steel business and the results of different activities are more accessible and transparent;
- strengthening Governance.

The reorganisation of the Group's corporate structure was carried out in several steps: regarding the first phase, the corporate reorganisation led to the establishment of two separate groups: one focused on the core business of steel (Feralpi Siderurgica Group), and one encompassing all holdings in the other businesses (Feralpi Farm Group).

The main steps were as follows:
1. transfer through the conferral (pursuant to Article 2343-*ter* of the Civil Code) from Feralpi Holding Spa (the transferor) to its wholly owned subsidiary Feralpi Siderurgica Spa (the transferee) of the business unit providing strategic, administrative, tax and accounting services, and IT consulting services currently carried out by the transferor to various Group operating companies. Included in the transfer of the business unit are the current employees and functional business assets (software and hardware). The transfer of the business unit took place at appraisal value prepared pursuant to Article 2343-*ter* Civil Code and the net transferred amount of Euro 100,000 was accounted for in the transferee as an increase in carrying amount of shareholders' equity;
2. intercompany transfer, against payment of cash consideration, from Feralpi Siderurgica Spa to Feralpi Farm Srl of the equity investment held in BETA SA (Romania - Buzau), of 328,910 shares with a total nominal value of Euro 160,000.00, corresponding to 24.00% of the share capital; this transfer was finalised at a price, in line with the equity of the investee and therefore totalling Euro 3,412,823.00;

3. in view of the circumstance that the properties held by Immobiliare Feralpi Srl are leased to the operating companies of the steel sector and are therefore strategic, an intercompany transfer was made, against payment of consideration, from Feralpi Holding S.p.A. to Feralpi Siderurgica S.p.A. of the equity investment held in Immobiliare Feralpi S.r.l, of shares with a nominal value of Euro 500,000.00 (corresponding to 100% of the share capital); the transfer was carried out at a price of Euro 893,330, in line with the equity of the investee as of June 30, 2022. At the same time, the interest-bearing loan receivable of Euro 19,600,000.00 of Feralpi Holding S.p.A. with the subsidiary was also transferred (at a price corresponding to the nominal value), taking into account also the transfer to Immobiliare Feralpi Srl of the equity investment in Feralpi Profilati Nave Srl;
4. intercompany transfer, against payment of cash consideration, from FER-PAR Srl to Feralpi Farm Srl of the equity investment consisting of 555,800 shares of COMECA Tecnologie Spa, corresponding to 19.85% of the share capital.; this transfer was finalised at the price of Euro 3.91 per share, for a total of Euro 2,173,178;
5. intercompany transfer, against payment of cash consideration, from Feralpi Holding Spa to Feralpi Farm Srl of the equity investment in Finanziaria Valle Camonica Spa consisting of 876,058 shares (corresponding to 4.1545% of the share capital); at the price of Euro 4.50 per share, for a total of Euro 3,942,261.00;
6. intercompany transfer, against payment of cash consideration, from Feralpi Siderurgica Spa to Feralpi Farm Srl of the equity investment held in FeralpiSalò Srl, for a total nominal value of Euro 102,318.70 (corresponding to 18.22% of the share capital) at the price of Euro 58,240.00, in line with the equity of the investee;
7. transfer from Feralpi Holding S.p.A. to Feralpi Farm Srl against payment of cash consideration, of the investment rights in the Cycero fund, at the price corresponding to the amount already paid and therefore Euro 267,268;
8. to the merger by incorporation between Feralpi Farm Srl (incorporating company, wholly owned by Feralpi Holding S.p.A.) and Due I. Investimenti Srl (incorporated company, wholly owned by Feralpi Holding S.p.A.), which in turn holds 70% of Ecoeternit Srl, which operates in the environmental ecology sector. The transaction allows the corporate structure to be streamlined and enables more efficient management of dividends of the subsidiary Ecoeternit Srl;
9. intercompany transfer for consideration, from Acciaierie di Calvisano Spa to Immobiliare Feralpi Srl of the equity investment held in Feralpi Profilati Nave Srl of shares with a nominal value of Euro 1,900,000.00 (corresponding to 100.00% of the share capital) for a total price of Euro 8,579,729.00, in line with the equity of the investee as of September 30, 2022. The company FPN has ceased its steel business and currently carries out only real estate activities.

Following this project to rationalise the Group structure, the new organisation is as follows:

Feralpi Siderurgica S.p.A. heads:
- all companies operating in the steel sector deemed strictly strategic and functional for growth in the sector;
- the company Immobiliare Feralpi S.r.l.
- the function of the Group's centralised service provider of strategic, administrative, tax and accounting, and IT consulting services to the other operating companies in the steel sector.

Feralpi Farm S.r.l. heads:
- the other Group companies that are not active in the steel sector;
- companies that, while related to the steel sector, are not considered strictly strategic for the
- growth and development plans.

Feralpi Holding Spa holds:
- shares corresponding to 100% of the share capital of Feralpi Siderurgica Spa;
- shares corresponding to 100% of the share capital of Feralpi Farm Srl;
- interest-bearing loans granted to Group companies by Feralpi Holding Spa.

Disposals of shares and the transfer of the business unit resulted in limited taxed capital gains where applicable.
All of the above reorganisation transactions were formalised and completed by 31/12/2022.

Steel and Steelmaking Unit

The following companies make up the **Italian production hub**, which carries out **typical production in the construction industry**:

Feralpi Siderurgica Spa - Italy (wholly owned direct subsidiary)

With operational headquarters in Lonato del Garda (Bs), the company produces steel billets, rebar in bars and coils, wire rod and derivatives, and is the main company in the "Steel and Steelmaking" unit. Feralpi Siderurgica Spa is the Group's subholding company for the steel sector, and heads all Italian and foreign subsidiaries. Its operational site covers 525,000 m^2, of which 98,296 m^2 is covered, and is served by rail connection.

Presider SpA– Italy (wholly-owned subsidiary of Feralpi Siderurgica SpA)

The company is based in Borgaro Torinese (To) and processes rebar in bars and coils for construction sites serving construction companies. It operates over an area of 38,285 m^2, of which 20,830 m^2 is covered by warehouses and buildings. The company also has a site in Maclodio (Bs) which covers an area of 6,100m^2, along with one in Rome, which covers an area of 21,624 m^2. Following the reorganisation of the Nave (Bs) site, Presider completed a project to reindustrialise it; a number of activities that the company conducted at other locations were transferred to Nave while production activities were simultaneously expanded.

Acciaierie di Calvisano SpA - Italy (wholly-owned subsidiary of Feralpi Siderurgica SpA)

The company has its operational site in Calvisano (Bs) and produces common and quality steel billets and blooms. Sales mainly target the Italian market. The site covers an area of 250,214 m^2, of which 43,976 m^2 is covered.

*This company, a leader in **activities relating to the specialities**, includes:*

Feralpi Profilati Nave Srl - Italy (wholly-owned subsidiary of Immobiliare Feralpi Srl)

Its chief activity was the sale of steel profiles. Following the Group's decision to leave the mercantile laminates business, the company carried out a reorganisation plan that involved discontinuing the mercantile laminates marketing business and the consequent sale of goodwill outside the Group. The company currently manages a property located in Pomezia.

Fer-Par Srl - Italy (wholly-owned subsidiary of Acciaierie di Calvisano SpA)

The reorganisation of the Nave site also involved Fer-Par Srl: the plan called for laminates production to cease and the consequent sale of the production facilities outside the Group. The company is currently a holding company for manufacturing and trading companies in the steel and carpentry sectors, including ESF GmbH (2%), Comeca SpA and Feralpi Algérie Sarl.

Nuova DE.FI.M. Orsogril SpA - Italy (wholly-owned subsidiary of Acciaierie di Calvisano SpA)

The company's headquarters are in Alzate Brianza (Co) and its corporate purpose is the production of custom-made nets for industry, protection and fencing and submarine pipeline nets. It also produces vertical and horizontal gratings, both for construction and for various applications under the brand name Orsogril.

Saexpa S.A. Industria De Expositores - Spain (wholly-owned subsidiary of Nuova Defim SpA)

The company was acquired this fiscal year and has its operational headquarters in Barcelona, Spain. Its corporate purpose is the production of steel shelving for warehouses. It operates over an area of 7,500 m^2, of which 6,200 m^2 is covered by warehouses and buildings.

Caleotto SpA - Italy (wholly-owned subsidiary of Acciaierie di Calvisano SpA)

The company is based in Lecco, together with its wholly-owned subsidiary Arlenico SpA. It operates in the rolling and trading of quality wire rod for numerous applications, particularly the mechanical and automotive industries.

Arlenico SpA - Italy (wholly-owned subsidiary of Caleotto SpA)

The company's registered office is in Lecco. It operates in the production of quality wire rod for numerous applications, particularly the mechanical and automotive industries. It operates over an area of 96,000 m2, of which 47,000 m2 is covered by warehouses and buildings.

CO.GE.ME Steel Srl - Italy (wholly-owned subsidiary of Acciaierie di Calvisano SpA)

The company is based in Casalmaggiore (Cr), together with its wholly-owned subsidiary Nuova Cogeme Srl. It operates in the rolling and trading of steel products, chiefly for the construction and mechanical industries. It operates over an area of around 40,000 m^2, of which 26,000 m^2 is covered by warehouses and buildings. The manufacturing company ceased operations in 2020.

*The **Group's second production hub** is located in the Saxony Region of **Germany**, near the city of Riesa. This steel hub includes:*

ESF Elbe-Stahlwerke Feralpi GmbH - Germany (98% owned by Feralpi Siderurgica SpA and 2% owned by Fer-Par Srl)
The company was founded in 1992 as part of the process to privatise the German Democratic Republic's steel industry. It produces steel billets, rebar in bars and coils, wire rod, and a wide range of drawn products, including electro-welded mesh, both standard and custom-made. Sales are mainly made in Germany and its neighbouring countries: Belgium, the Netherlands, the Czech Republic, Hungary and Poland. Its production site covers an area of 607,000 m2, of which 153,000 m2 is covered, and is served by rail connection. ESF is also the parent company for operations in Germany, under the Feralpi Stahl brand, and coordinates the German companies and also the holdings in the Czech Republic and Hungary.

Feralpi Stahlhandel GmbH - Germany (66.67% owned by ESF and 33.33% owned by Feralpi Siderurgica SpA)
The company markets and distributes Feralpi Siderurgica and ESF products in the German, Dutch, Belgian, Austrian and Eastern European markets.

Feralpi Logistik GmbH - Germany (65% owned by Feralpi Stahlhandel GmbH and 35% owned by ESF GmbH)
The company owns vehicles for the distribution of ESF and third-party products.

*In **Eastern Europe**, the Group controls companies that operate in the Czech Republic and Hungary. Both have shares in the market of products for the construction industry in their respective countries.*

Feralpi Praha Sro - Czech Republic (wholly-owned subsidiary of Feralpi Stahlhandel GmbH)
The company's is based in Kralupy, near Prague. It produces drawn wire and electro-welded mesh.

Feralpi Hungaria Kft - Hungary (wholly-owned subsidiary of Feralpi Stahlhandel GmbH)
The company has a production site in Budapest and produces drawn wire and electro-welded mesh.

Feralpi Recycling Sro - Czech Republic (90% owned subsidiary of Feralpi Praha Sro)
The company has temporarily ceased production activities.

*The **Steel and Steelmaking Unit** also refers to the companies:*

Feralpi Power On Srl - Italy (wholly-owned subsidiary of Feralpi Siderurgica SpA)
The company's mission is to roll out the Feralpi Group's strategy of producing energy from renewable sources for self-consumption.

Feralpi Villasor Srl - Italy (wholly-owned subsidiary of Feralpi Power On Srl)
The company was formed in order to build and operate a 100 MW photovoltaic plant in Sardinia.

Feralpi Algérie Sarl - Algeria (70% owned by Fer-Par Srl)
The objective of the company is to strengthen the presence of Feralpi Siderurgica's products and Group companies in the North African region. It is based in Oran and sells rebar and electro-welded mesh.

Presider Armatures Sas - France (99% owned by Presider SpA)
Like its parent company, it is active in shaping rebar and rolls for construction sites. The company has been operational since 2018 and has its operational headquarters in Saint Soupplets. It occupies a total area of more than 37,000 m^2 and a covered area of 6,500 m^2.

Immobiliare Feralpi Srl - Italy (wholly-owned subsidiary of Feralpi Siderurgica SpA)
The company was established in 2013 and is the Group's real estate business. The company currently owns industrial properties in:

- Anzano del Parco (CO) leased to Nuova Defim Spa
- Odolo (BS)
- Nave (BS) leased to Presider Spa

Production (tonnes)

*The **output of the steel unit** is shown below:*

Steel Billets	Country	2022	2021	Change %
Feralpi Siderurgica SpA - Lonato	Italy	1,151,223	1,215,570	(5.3%)
Acciaierie di Calvisano SpA - Calvisano	Italy	438,944	495,534	(11.4%)
ESF GmbH - Riesa	Germany	865,705	913,308	(5.2%)
Total		*2,455,872*	*2,624,412*	*(6.4%)*

Tonnes

Finished Product (Rebar - Reinforcing steel in coils - Wire Rod - Merchant Bars)	Country	2022	2021	Change %
Feralpi Siderurgica SpA - Lonato	Italy	1,298,516	1,401,914	(7.4%)
Caleotto SpA	Italy	246,931	234,302	5.4%
ESF GmbH - Riesa	Germany	778,934	834,812	(6.7%)
Total		*2,324,381*	*2,471,028*	*(5.9%)*

Tonnes

Cold-drawn steel - Derivatives	2022	2021	Change %
Total	*1,403,497*	*1,373,786*	*2.2%*

Tonnes

*The **Steel and Steelmaking Unit** also holds **non-controlling interests** in:*

Alpifer Srl - Italy (50% owned by Feralpi Siderurgica SpA)
This is a holding company which wholly owns Unifer SpA and Steelfer Srl.
The former produces and sells "made-to-measure" and standard electro-welded mesh, folded mesh, latticework and drawn wire, and the latter is a commercial distribution company that operates in the steel industry.

Media Steel Srl - Italy (45% owned by Feralpi Siderurgica SpA)
The company's headquarters are in Massa, MS, and its corporate purpose is the procurement and marketing of ferrous scrap in Italy and abroad. It is held in equal share (45%) with Duferco Italia Holding S.p.A., while the other shares are allocated to management.

DI.MA. Srl - Italy (31% owned by Acciaierie di Calvisano SpA)
The company is based in Montichiari (Bs) and manages two facilities that produce recycled and artificial aggregates by recovering aggregates from demolition and steel mill slag.

Diversified Holdings Unit

Feralpi Farm Srl - Italy (wholly-owned subsidiary of Feralpi Holding SpA)
Formed in 2014 following the spin-off of Fer-Par, it holds interests in the following:

Subsidiaries

Faeco Ambiente Srl - Italy (85% owned by Feralpi Farm Srl)
The company's mission is to carry out activities in the ecology-environment sector dedicated to waste treatment and reuse.

Eco-Trading Srl - Italy (wholly-owned subsidiary of Feralpi Farm Srl)
The company's main purpose is the marketing of waste.

Ecoeternit Srl - Italy (70% owned by Feralpi Farm Srl)
The company directly operates a landfill in Montichiari (Bs) for the disposal of non-hazardous waste and waste containing asbestos.

Associates
Alpicapital Srl - Italy (11% owned by Feralpi Farm Srl)
The Group has acquired shares in the company, which invests in sustainable energy.

Far Energy Srl - Italy (35% owned by Feralpi Farm Srl)
The company is active in the supply, installation and maintenance of facilities for energy recovery from waste.

San Vigilio partecipazioni Srl - Italy (33% owned by Feralpi Farm Srl)
The company manages holdings in renewable energy and production facilities.

Comeca SpA - Italy (22.85% owned by Feralpi Farm Srl)
The company's headquarters are in Lonato del Garda (Bs) and it is active in metal carpentry, particularly for plants or parts of plants used in the steel industry. Customers include major steel companies in Italy and major foreign companies.

Beta SA - Romania (24.00% owned by Feralpi Farm Srl)
The company is based in Buzau and carries out carpentry work, with a particular specialisation for the oil industry.

Agroittica Lombarda SpA - Italy (45.46% owned by Feralpi Farm Srl)
The company works in the seafood industry, and specifically in the breeding, processing and marketing of fish species raised at its facilities. It has two production sites in Calvisano (Viadana and Ca' Nove) in the Province of Brescia. The company has also acquired Fjord, which is active in the production and sale of smoked products. With a production site in Busto Arsizio, Fjord enjoys international prestige, mainly for the production and marketing of caviar, and is the world's leading producer of caviar produced from captive sturgeon. Its other significant product lines are fresh fish (mainly sturgeon), and smoked and frozen products.

Finanziaria di Valle Camonica SpA - Italy (4.1545% owned by Feralpi Farm Srl)
This is a financial company chiefly active in the real estate and energy sectors, which also has holdings in banking and insurance.

1

Significant transactions and events in 2022

In addition to the aforementioned corporate reorganisation, the following events took place:

- on January 12, 2022, Feralpi Siderurgica S.p.A. agreed a loan of Euro 100 million, allocated to cover the Group's investment plan. The investment plan aims, among other objectives, to realise the ecological and energy transition also through research, development and technological innovation projects related to the roll out of circular and de-carbonised industrial models. The loan has the following three objectives:
    - sourcing the necessary funding to finance strategic initiatives
    - extend the maturities of existing debt
    - maintain the ESG/Circular focus that has been central to the Group's development path.

During January 2022, tranches A and B were drawn down and a portion of the pre-existing financial payables were settled. The loan consists of:
- tranche A amortising Term loan of Euro 60 million
- tranche B bullet Term loan of Euro 20 million
- tranche C Revolving Credit Facility of Euro 20 million

The loan was signed with a syndicate of institutions consisting of: Banco BPM S.p.A., Banca Nazionale del Lavoro S.p.A., BPER Banca S.p.A., Cassa Depositi e Prestiti S.p.A., Crédit Agricole Italia S.p.A., Intesa SanPaolo S.p.A. and UniCredit S.p.A. The loan is part of the broader financing plan of the entire Feralpi Group, which commenced at the end of 2021 with the granting to ESF Elbe-Stahlwerke Feralpi GmbH, Feralpi Stahlhandel GmbH and Feralpi Logistik GmbH, companies operating in the German market and subsidiaries of Feralpi Siderurgica, of several loans totaling Euro 90 million from UniCredit Bank Austria AG and BNP Paribas Fortis Bank SA/NV Niederlassung Deutschland on credit lines made available by KfW, Kreditanstalt Wiederaufbau (the equivalent of Italy's Cassa Depositi e Prestiti). During the year 2022 only a portion of these lines was drawn down, amounting to Euro 14.8 million.

- On February 1, 2022, **Feralpi Power On S.r.l.**, a wholly-owned subsidiary of Feralpi Siderurgica S.p.A., was registered at the Brescia Companies Register. Feralpi Power On's mission is to roll out the Feralpi Group's strategy of producing energy from renewable sources for self-consumption.
- On 05-08-2022 Feralpi Power On incorporated Feralpi Villasor S.r.l..
- On February 7, 2022, the Board of Directors of Feralpi Siderurgica S.p.A. approved a set of investments of special importance called "**Strategic Investments**". For each investment, the following were outlined: the business rationale (market, product, technology); the organisation supporting the projects; and the associated cash flows (funding sources, value generation, and debt sustainability). Each project was accompanied by a sensitivity, risk and opportunity analysis. Strategic projects were also approved in light of an indication of expected financial results, considering the performance of the existing business, as well as the strategic projects themselves.
- On March 2, 2022, the Board of Directors of Feralpi Siderurgica S.p.A. approved the Feralpi Group's Investment Policy (Investment Policy). The policy aims to: provide a more structured and effective dialogue between the Board of Directors and management; define and standardise guidelines for proper investment management; engender an economic-financial culture within the organisation; train all departments involved in the management of investment projects; gradually align investment selection criteria with market standards and national and European guidelines.
- On April 19, 2022, **Nuova Defim S.p.A.**, a subsidiary of Feralpi Siderurgica S.p.A., **acquired the Spanish company Saexpa**, among the leaders in wire and strip processing for the logistics world. Internationalization, verticalisation, production and commercial strengthening; these are the main objectives that led Nuova Defim to take over Spain's Saexpa. With two production plants, in Barcelona and Ripoll, Saexpa specialises in solutions aimed at the world of logistics and, more specifically, vertical warehouse racking and storage solutions, a sector that is undergoing strong development due to growing investment in modern distribution and e-commerce. Established in 1985, Saexpa - which now employs 77 people - has been steadily growing its share of the European market, closing 2022 with an annual basis turnover of more than Euro 23.5 million, with progressively rising margins. Strongly focused on export, it serves customers in about 30 countries. For Nuova Defim, the acquisition represents not only a lever for international development and verticalisation in this specific, highly profitable sector, but also an opportunity to enhance and optimise its industrial know-how in synergy with Saexpa's expertise and the strong customisation of products and services for which it is known. With this transaction, the Feralpi Group strengthens its diversified products business unit in line with its business plan, which includes optimising product mix and segments, maximising market share, and strengthening customer service levels.

Finally, Saexpa and Nuova Defim have industrial connections as both are highly flexible, work with a high level of customisation, and can rely on complementary, technologically modern, high-capacity plant assets.

2

Investments

Feralpi's strategy leverages decarbonisation and digitalisation to enhance its competitive edge and improve its environmental footprint. Improving production efficiency, increasing circularity in industrial activities, and reducing energy intensity at various levels have positive effects on both production efficiency and the environment. Investment activities are designed and executed within the Group's Business Units, in line with Feralpi's strategic pillars and ESG approach:

- Strengthening of the core business
- International expansion
- Sustainability and innovation

The pillars on which the Group builds its results are:

- **Vertical integration**: by strengthening downstream processing and expanding presence at multiple levels in the supply chain to establish closer proximity to the end customer;
- **Diversification:** by entering new end markets for new products
- **International expansion**;
- **Sustainability:** by generating value for stakeholders, minimising environmental footprint, and actively engaging in social causes;
- **(Production) innovation:** through research and development, continuously improving product quality.

The **Business Plan** includes major new projects whose purpose is to generate value for all stakeholders through:

- the **growth of production and business activities** by means of a more comprehensive product portfolio
- a **more efficient cost base**
- **greater flexibility in production, sales, and stronger vertical integration**
- lower **CO_2 emissions**, progressively reducing them with new technologies
- the sourcing of a portion of **self-generated energy from renewable sources**

In terms of **ESG**, the Feralpi Group aspires to:

- **drive transformation in the steel industry** by harnessing decarbonisation and digitalisation to enhance its competitive edge and improve its environmental impact;
- **ensure business continuity** by increasing the company's ability to manage crises and foster organisational agility through well-structured and efficient management systems;
- **drive innovation for the future of manufacturing** by continuously investing in state-of-the-art production processes and adopting modern, environmentally friendly technologies to foster inclusive and sustainable industrial development;
- **promote the ecological transition** by embracing the challenges of decarbonisation, actively engaging in the process of ecological and energy transition to lower-impact models;
- guarantee safety and value the uniqueness of individuals. The Feralpi Group firmly believes in adopting policies and approaches that promote decent work. The Feralpi Group upholds this commitment in full alignment with the principles of the International Labour Organization (ILO), which promotes employment opportunities, safeguards labour rights, advocates for the expansion of social protection, and fosters the development of social dialogue.

During the year, a number of major investment projects undertaken in the recent past continued and were partly completed. Specifically:

Construction Business Unit - Italy

Feralpi Siderurgica S.p.A.

Steelworks

- Installation of an automatic Catfis Robot to measure steel temperatures and collect specimens from the furnace to stabilise process conditions;
- Installation of a new remote casting pulpit in the furnace area, along with a slag interception system, to enhance operational efficiency and enhance product quality;
- Ladle gate refractory manipulator: new operator support system installed for the ergonomic assembly of ladle refractories;
- Preparatory work for the future installation of tundish transfer cars in the steel industry (relocation of the tundish burner and LF pulpit, in addition to the expansion of foundations for the continuous casting slab).

Rolling mills

- Studies and engineering for future upgrades to the bar rolling mill to achieve new product capabilities and enhance process efficiency;
- Start-up of Rolling Mill Welding Machine 2 completed;
- Commissioning of a new cooling water system to enhance the efficiency of the rolling mill water system with improved temperature process control;
- Revamping of the Tempcore rolling mill 1 circuit cooling towers to improve the efficiency of the cooling process.

Derivatives Area

- New recoiling machine 6 to improve production flexibility and productivity;
- Installation of new 15-tonne capacity overhead crane. Inventory recoiled in derivatives area for the performance of loading operations in the new rail yard.

Logistics and infrastructure

- Installation of four spans on the new roof at the steelworks, with future provision for additional suction in the casting crane span area;
- Expansion of recoiled inventory warehouse - derivatives area (Span No. 8);
- Installation and commissioning phase of the STATCOM system completed, which optimises the plant's electrical parameters (reactive power compensation system, based on a voltage converter in the substation);
- Installation of a new 135 MVA electrical substation transformer;
- Installation of new evaporative cooling towers for steelworks furnace with improved efficiency;
- New rail link in the derivatives area to increase rail transportation of finished products;
- New dual-use weighbridge for rail cars and trucks (150-tonne capacity) in derivatives area warehouse;
- Replacement of existing photovoltaic panels (600 kw) on derivatives warehouse and installation of new panels on lam. 1 machine shop warehouse and derivatives area.

Presider S.p.A.

Machining Area

The bulk of investments was allocated to:

- Reconversion of the Nave (BS) site;
- Purchase of new machinery, such as shaping robots, shapers, and clamping machines for use at different production sites.

Logistics and infrastructure

- Improved safety, logistics, work environment, and production processes (finished product storage, handling equipment, building renovations, and demarcation of areas);
- Studies to identify new interventions aimed at enhancing the efficiency of storage and logistics activities at the Nave and Pomezia sites;
- Process of adopting a new computer system for managing and monitoring maintenance operations.

Special Steels Business Unit

Acciaierie di Calvisano S.p.A.

Steelworks

- Improved refining of input scrap through the adoption of new technology to enhance the performance of the smelting process;
- Upgrading of LF stations to enable metallurgical processing through the installation of new covers and ferroalloy addition systems on the existing stations;
- New continuous casting equipment for the production of new 150*150 mm formats to expand the production range;
- Studies and engineering to improve the production performance of the continuous casting plant.

Caleotto S.p.A. – Arlenico S.p.A.

Rolling mill

- Installation and start-up of a new indirect water system to decrease the amount of water withdrawals;
- Overhaul of intermediate roller stands, including the replacement of motors and gearboxes with equipment that meets the latest standards to enhance plant productivity and safety;
- Purchase and installation of a power-factor correction system to improve plant electrical performance;
- Purchase and installation of a new roll evacuation system to optimise product quality and evacuation speed.

Logistics and infrastructure

- Revamping of electrical substation.

Construction Business Unit - Germany

ESF Elbe-Stahlwerke Feralpi GmbH

Steelworks

- Installation of a new steelworks hood with a new extraction system and renovated facilities;
- Improvement of the slag processing plant at the steelworks thanks to the addition of new suction points to the plant;
- Expanded steelworks production range with a new 150*150 mm format;
- Studies and engineering conducted to develop a new approach to processing incoming scrap metal.

Rolling mills

- Installation of a new billet welder, along with improvements to the motors and mechanical components of the train of rolls, to enhance plant productivity;
- Installation of a new bar binding machine to improve the packaging of finished products exiting the rolling mill;
- Studies and engineering conducted on the new Rolling Mill B, which will specialise in producing hot spooled coils (spooler).

Derivatives Area

- Installation of Spooler 7 to increase the plant's overall productivity.

Logistics and infrastructure

- Investments in cyber security;
- Studies and engineering conducted to improve internal logistics;
- Studies and engineering conducted to develop a new electrical substation.

Diversified Products Business Unit

Technological upgrades made to welding machine equipment, along with the installation of a new power-factor correction plant, to embrace Industry 4.0 strategies in manufacturing.

3

Research & Development

Feralpi Siderurgica SpA

The following R&D projects continued during the year:

- creation of an innovative slagging door for EAF. The project encompassed conducting final functionality tests on the scraper door modifications, which sought to enhance heat transfer and optimise critical components.
- Installation of a new automated EAF casting pulpit to enable remote operation and enhance the quality performance of transferring molten steel from the furnace to the ladle. Innovative thermal imaging technology employed to improve the technological performance of steel.
- Technological innovation and digitalisation project for the entire plant with the goal of introducing Industry 4.0 and IoT criteria to improve production processes and plant availability.
- Launched in 2018 with co-funding from the Ministry for Economic Development (MISE), the "Wire Accuracy 4.0" project successfully conducted various tasks related to process simulation, plant operation, production cycle design, and optimisation studies for improved functionality of the plant and processes. Specifically, in 2022, the installation and commissioning of the new billet welder were completed. Throughout the year, multiple tests were conducted to check the tuning and calibration of software systems and process simulators, in addition to validating operational practices and improvement measures.
- Coralis project, co-funded through the Horizon 2020 scheme. In collaboration with its project partners, Feralpi developed a range of by-product blends that will be compacted into briquettes for the recovery of metal fractions. These briquettes will be tested in an external pilot plant in 2023 to assess their potential for valorisation in industrial processes.
- OnlyPlastic project, funded by the European RFCS call for proposals. The project's objective is to completely replace all carbon-bearing fossil materials in EAF with residues of polymeric origin. Feralpi continued to improve its injection systems using dedicated lances and related process performance analysis.
- The installation, testing, and commissioning phases of the STATCOM were completed as part of the power grid voltage stabilisation project.
- Project to assess new production layout. Several technical solutions were engineered during the year to increase plant efficiency. Activities focused on continuous casting and an innovative rolling process to decrease CO_2 emissions and develop new products.
- The "SteelZeroWaste" project, in collaboration with the Ministry for Economic Development (MISE), focused on researching solutions to enhance the environmental sustainability of the steelmaking process. The project sought to adopt innovative technologies that eliminate waste and substantially reduce emissions through the development of a dedicated platform to track the environmental KPIs of the Group and plant.

Acciaierie di Calvisano S.p.A.

Several R&D projects were developed during the year:

- The "iSlag" project, supported by co-funding from the European Community through the RFCS Call for Proposals, progressed in 2022. Its objective is to optimise steel processing by adopting innovative control systems and specialised sensors to monitor and condition slag, facilitating its subsequent reuse. The adoption of online slag monitoring systems, process simulators, and ongoing continuous casting temperature monitoring systems continued.
- Polymer injection for special steels. This project involves developing polymer injection for the Calvisano EAF as an alternative slag foaming agent and reducing agent to replace coal dust and promote supply chains that embrace circular economy principles and contribute to CO_2 reduction efforts. Polymer injection tests continued with the Calvisano EAF during the year.
- Intelligent casting control. The goal of the Innovative Developments in Continuous Casting project is to advance existing technology by integrating process monitoring, defect monitoring systems, simulation systems, and process control into a comprehensive and integrated system. The project continued in 2022 with testing of the new ULD system for automatic powder injection and the continued development of a solidification simulator.
- Special steels supply chain integration development. The Caleotto Group's special steel development and Deep Quality support project focuses on fostering the integration of the special steel supply chain between Calvisano and Arlenico. Particular attention was paid to developing the quality data integration system between the steelworks and rolling area by correlating semi-products, finished products, and related practices.

- In 2022, the Group continued to monitor the quality levels of steel produced in continuous casting.
- Load monitoring. In 2022, the project progressed, further developing methods to monitor basket loadings and correlate them with EAF performances. These additional methods were seamlessly integrated into the existing “EAFPro” process control system.
- Steelmaking Innovations The Steelmaking Innovations project saw the adoption of the following major plant improvements for processing liquid steel: further adaptations to the new single EAF/LF pulpit, revision of the wire addition insertion positions with two new addition stations, and installation of cover hoods with secondary metallurgy processing capabilities. The purpose of this activity is primarily to improve LF metallurgy by better managing timings and additions, thus improving process repeatability and finished product quality. Testing of the revamped LF process also commenced during the year.
- EAF process developments with Oximo. This project consists of developing mobile chemical injection systems in the EAF, in addition to the management and overall improvement of the EAF casting process. The project continued in 2022 with burner testing at a second location and the testing of two burners installed simultaneously.

Arlenico SpA – Caleotto SpA

The DeepQuality project, co-funded by the European Union through the RFCS Call for Proposals, continued at the Arlenico/Caleotto site. The project focuses on integrating advanced sensing and a process parameter monitoring system. Its objective is to identify deviations from the standard process and determine the quality level of processing. By correlating the operating practices with the achieved quality results, product quality is enhanced and the overall production process is optimised. This approach was adopted to employ quality optimisation methods.

ESF Elbe-Stahlwerke Feralpi GmbH

- Integrated project: “Development of innovative TEG systems optimized for energy harvesting from EAF off-gas cooling water and radiative waste heat sources designed to be cost-effectively InTEGrated within steel plants” funded by the EU RFCS Research Call for Proposals. The pilot and laboratory testing phase for the application developed by the TEG elements research partners, whose placement is being studied, progressed throughout 2022. The project will continue in 2023 with the creation of instrumentation, which will be installed in the consequent testing phase.
- ConSolCast: “Comprehensive Modelling, Monitoring and Control of Solidification for Optimization of Continuous Casting Process “ConSolCast” co-funded through the EU RFCS fund. This project seeks to develop systems to monitor and control the billet solidification state during casting, with the goal of optimising process parameters. The project reached its conclusion in 2022 with the completion of the testing phase for the Continuous Casting Solidification Simulation System that was developed.
- Environmental Innovation Programme: ESF is participating in a programme supported by the Federal Ministry of the Environment, titled “Innovative process engineering combination at a high-power steelworks, with attached rolling mill, with the aim of reducing environmental pollution”. The project is ongoing and seeks to improve the overall efficiency of the production cycle. It focuses on implementing innovative management interfaces that encompass various stages of the process, including ferrous scrap handling, smelting activities, continuous casting plant, and rolling mill operations. The project seeks to achieve seamless integration between the steelworks and rolling mill processes.
- Several studies are underway to reduce the carbon footprint of production processes by adopting new materials that can replace fossil fuels in both the steelmaking and rolling processes.
- Electric arc furnace monitoring project. The goal of the project is to improve the furnace smelting process by introducing various tools to support the process. These include a system for analysing fumes exiting the furnace and an acoustic sensor to evaluate arc efficiency.
- Billet Quality Improvement Project: in participation with the University of Freiberg, a project is underway to improve the billet quality of micro-alloyed steels to reduce possible defects for markets with higher quality requirements.
- Smelting furnace electrical and chemical set-up project: in cooperation with the University of Freiberg, Feralpi conducted a project to optimise the efficiency of the energy committed to the EAF.
- During the year, personnel costs spent on research and development investment projects totalled Euro 5.5 million.

4

Environment and Safety

The Group's primary objective has always been to prioritise environmental sustainability, health, and workplace safety.

Environmental Management

The Feralpi plants with the highest energy consumption and environmental impacts – due to their process type and large production volumes – include Feralpi Siderurgica, Acciaierie di Calvisano, and ESF Elbe-Stahlwerke Feralpi GmbH. Dedicated management systems are adopted at these plants to oversee the proper governance of environmental topics.
Feralpi Siderurgica and ESF are ISO 14001, ISO 50001 certified and EMAS registered, Acciaierie di Calvisano is ISO 14001 certified and achieved ISO 50001 certification in 2022.
The rolling mill at the Arlenico plant is recognised as energy-intensive, primarily due to its significant consumption of methane gas for heating and processing billets. To prioritise environmental sustainability, the mill has initiated the process of obtaining 14001 certification. Like Presider, it intends to achieve certification of its Environmental Management System to the UNI EN ISO 14001 standard by 2023.
Feralpi Siderurgica and Acciaierie di Calvisano are also classified as Major-Accident Hazard sites, in accordance with the European Directive 2012/18/EU. This classification is due to the production and storage of steelmaking fume abatement dust on the premises. Management of this risk is integrated into the Environment, Safety and Energy systems.
At ESF, the Integrated Management System Department takes responsibility for centrally coordinating and managing various aspects, including quality, occupational health and safety, fire protection and explosion risk, environmental protection, and waste management. The Ecoeternit plant is governed by the Integrated Environmental Permit and the Operational Management Plan in the current applicable versions. The company has adopted an Integrated Management System complying with the UNI EN ISO 14001 and UNI ISO 45001 standards.

Waste management

The management of waste and production residues mainly involves recovery and/or qualification as by-products, with only a residual reliance on landfills. Processes and facilities are organised to minimise reliance on landfills. Specific operating and management procedures are followed at the Group's Italian plants. At the Riesa plant, waste generated by various companies is transported to centralised collection points on site, where sorting, recovery, and residual landfilling are handled. Managers inspect operational sites weekly and manage communications with authorities, recyclers, and disposers (e.g., request certificates such as EMAS; ISO 14001, etc.).
The Research and Development department collaborates with directors and environmental representatives, constantly looking for new waste management solutions.

Water resource management

Feralpi's smelting and hot processing production processes require large amounts of water for plant cooling. Ongoing efforts are underway to minimise consumption. These include constant monitoring, regular maintenance of facilities, use of closed circuits, and strategic investments aimed at minimising water withdrawal and maximising resource efficiency.
At Feralpi Siderurgica and Acciaierie di Calvisano, water is primarily sourced from groundwater through well extraction. On the other hand, ESF Elbe-Stahlwerke Feralpi GmbH relies on the municipal water supply for its water needs, supplemented by wells for limited quantities required for firefighting purposes. Rainwater collected from sealed surfaces is used to cool the slag.
The Arlenico plant draws water from the lake and constantly monitors wastewater, recording and storing data. A de-oiling system ensures the absence of hydrocarbon pollutants in stormwater. In 2022, a project to build an indirect cooling water recirculation plant was completed, which will reduce water withdrawals.
To reduce withdrawals, and in accordance with the current Integrated Environmental Authorisation, Ecoeternit uses percolation water for waste humidification operations and for access tracks to waste storage and disposal sites (growing lots).

To protect soil and groundwater, Feralpi purifies water collected from its plants and releases it into surface water (Lonato, Calvisano) or the urban sewer system (Riesa). Emergency procedures and monitoring are in place, in addition to the continuous maintenance of flooring and waterproofing components. All plants have hazardous substance and waste storage facilities equipped with first aid kits. All materials that could potentially contribute to soil contamination (grease, solvents, oils, rags, and filters) are collected and processed for recycling or disposal. Feralpi is dedicated to continuously exploring environmentally friendly lubricants, with the goal of progressively replacing petroleum-based lubricants with biodegradable plant-based alternatives. These alternatives maintain equivalent quality performance without compromising the integrity of equipment. The management of substances and materials at Feralpi complies with safety and environmental procedures, which include regular drills conducted at ISO 14001-certified sites. These measures are part of an Environmental Emergency Plan that seeks to prevent extraordinary events and mitigate any potential negative consequences.

Management of worker health and safety

Worker health and safety is a priority. All Group companies are committed to making ongoing improvements to plants, environments, and work procedures. This commitment takes the form of a prevention strategy that seeks to identify and implement investments and policies focused on worker safety and enhancing worker awareness.
The objective is to create a culture of safety and minimise risks by adopting continuous monitoring and proactive interventions that allow for ongoing improvements.
2022 saw the launch of the We Are Safety project, dedicated to promoting a cultural shift towards safety, alongside our ongoing health and safety training initiatives and continuous technological advancements in the field.
At FERALPI STAHL, ad hoc training courses were promoted to executives and employees through the digitisation of training documents. The We Are Safety project seeks to provide a comprehensive training and experiential programme that begins with the management team and extends to all Feralpi employees, from executives to workers. Through this initiative, we intend to foster a culture of health and safety by sharing, nurturing, and promoting emotion-led experiences. The project takes a different approach from traditional training courses focused solely on procedural and technical aspects of safety. Instead, it seeks to develop and strengthen the essential skills necessary for individuals to take responsibility for continuously improving safety standards with the required awareness. These skills include communication, conflict resolution, team management, and leadership.
The specific project objectives are:

- Working on safe behaviour using non-traditional training methodologies;
- Developing the soft skills of managers and supervisors when handling personnel and complex situations;
- Empowering everyone to interpret their role in full respect of the Feralpi Group’s policy and values;
- Ensuring everyone plays an active role in the cultural health and safety shift. The project was launched at the Lonato plant in 2022 and will be rolled out to all Group companies.

Interventions at plants to protect worker health and safety

In addition to its awareness-raising and training activities, Feralpi consistently adopts improvement measures at all of its plants to emphasise prevention and safety protection.
The risk assessment of all production plants was updated in accordance with regulatory requirements, taking into account the periodic evaluations of physical and chemical risks. This included considering any changes made to production environments and plants in 2022. Proactive auditing activities, analysis of incidents and near misses, and the collection of reports from staff are conducted at all plants.

With regard to prevention, and in view of the types of risks present at all production plants, the Group continued activities to improve safety levels for working at heights. These efforts involve identifying and adopting suitable safeguards through the proactive monitoring of maintenance requirements. The consistent and continuous inspection, maintenance, and preventive replacement of lifting accessories is also in place across all plants. Several actions were taken at all plants during the year, including the proactive replacement of outdated equipment with new installations that incorporate technological advancements.
Equal attention was paid to the preservation and enhancement of safety aspects in internal logistics. This was achieved by replacing machine and vehicle fleets. In addition, ongoing maintenance and improvements were performed by installing horizontal and vertical signage and optimising routes and areas to adapt them to the evolving needs resulting from ongoing investments.
Analyses of safety requirements and functional interventions are ongoing at Feralpi Siderurgica, Acciaierie di Calvisano, Arlenico, and Presider to ensure compliance with CE marking standards for complex lines. These efforts oversee the management of modifications to CE-marked plants. In this regard, continuous expansions are being carried out in areas and to equipment monitored by controlled segregation systems, accompanied by the adoption of appropriate interlocked key systems.

Attention is also paid to the manual handling of loads, both with regard to risk assessments and the characteristics of new plants. The Group invests in equipment to reduce handling-related risks, and upgrades its warehouses to enhance the management of storage and handling of components.

In 2022, the Nave plant (Presider's production unit) continued to be renovated through the upgrading of new production areas. As part of this project, the opportunity was also taken to completely re-roof the plant. Efforts are also underway to install a photovoltaic system on the new roofs, similar to the plans made for Feralpi Siderurgica and Acciaierie di Calvisano. Several experimental activities were also initiated, primarily at Feralpi Siderurgica and Acciaierie di Calvisano, to identify ways of tracking personnel and thus optimising potential risk situations associated with solitary work and the management of evacuations during emergencies. These activities will continue throughout 2023, alongside ongoing maintenance and revamping efforts to improve fire risk mitigation measures at all production plants.

At FERALPI STAHL's buildings in Riesa, signage was progressively retrofitted. The objective was to simplify and enhance existing safety signs at the entrances to different areas. The signs are reflective and can be easily recognised in low light and from a distance. The plant was divided into protection zones corresponding to the hazard potential of individual areas. Minimum personal protective equipment provisions are in place for each protection zone.

The new signs were allocated a specific background colour corresponding to their respective protection zone.

This project also encouraged the revision of minimum personal protective equipment standards.

In 2022, FERALPI STAHL continued to pursue its "safety offensive" strategy, accompanied by management consulting from Kirchstein Associate. At the discretion of the Board of Directors, the decision was made to focus on behavioural changes in the area of occupational safety. Executives from all production and maintenance departments met in small groups to participate in training courses.

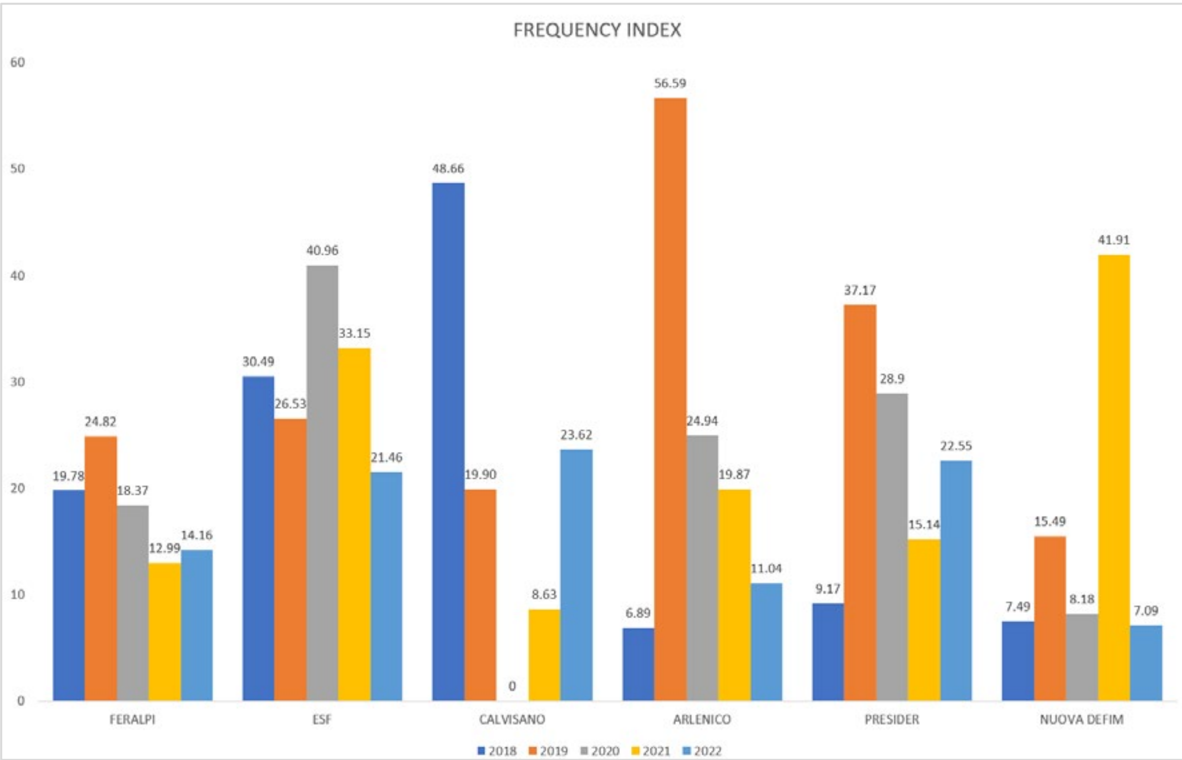
These training sessions covered topics such as integrating workplace safety into daily life, honesty and transparency (incidents are learning opportunities - the goal is to move away from a "blame culture"), and conducting incident investigations. An additional on-site meeting was also held in November to evaluate safety management.

Other activities included the introduction of new certified work clothes, and a virtual health and safety tutor called "Bella Steel", who is tasked with reminding employees how to operate safely ("Watch Out" campaign).

In 2023, an Action Plan will be developed to improve the Group's safety culture. The plan will involve a commitment to restricting plant access for contractors.

The occupational safety campaign ("Join Us") will also be further developed with the introduction of an e-learning campaign to digitise training courses for external companies, visitors, and employees (originally planned for 2022 but later postponed to 2023).

Below, we present a detailed analysis **of the incident frequency index recorded in the past five years** for the main production plants:



The incident frequency index is defined as: number of incidents/hours worked x 1,000,000

5

Corporate Communication

The Communications, External Relations, and CSR Department's mission is to promote the Feralpi Group's identity, in line with the Business Plan's purpose and pillars. The goal is to provide each stakeholder with a well-structured, multi-channel ecosystem to promote the Company's value proposition, thus strengthening its reputation.

Corporate Communications defined and applied guidelines for creating a unique and recognisable corporate identity. This included a tone of voice that is calibrated using a specific tool, in line with a content strategy that is in line with the company's mission and vision.

Operationally, the focus was on enhancing the Group's online and offline communication channels. This included strengthening its websites and social media presence, expanding international media relations, developing internal communication strategies for local and global content, and organising events in Italy and Germany. These efforts sought to engage Group employees and external stakeholders, primarily customers, institutions, and educational institutions.

Methods and tools were selected, adopted, analysed, and measured to assess their effectiveness and impact on the Group through well-defined and tracked KPIs.

Communication played a crucial role in delivering valuable and coherent content through engaging narratives that informed and connected with both internal and external communities.

In 2022, efforts were made to enhance Feralpi's brand identity by revising the logos of Feralpi Stahl and Acciaierie di Calvisano to align them fully with the overall Group's image. Furthermore, steps were taken to standardise the logos of other companies within the Group.

Communication activities focused on the management and adoption of digital tools for owned, earned, and shared media, with social media channels playing a key role. These included the expansion of the Feralpi Group's Digital Factory Experience. These virtual tours of the main production plants bypass physical and technological barriers using an inclusive and smart approach. As a result, visitors are provided with information linked to certain pillars of the Group's content strategy: innovation, technology, sustainability, and quality.

On the digital front, Feralpi Stahl's new website was created to meet new technological and communication standards in compliance with the Group's digital style guides.

Several events took place in 2022, the three most noteworthy including: the 50th anniversary of Acciaierie di Calvisano (the first event in the industry to be certified as sustainable), the 30th anniversary of Feralpi Stahl, and the Feralpi Group's first-time participation in the international Wire fair in Düsseldorf.

Media activities continued throughout the year, and focused on the Group's key messages.

Several events were organised with the international, national, local, and specialised press, in addition to interviews with the Group's top management at press conferences and events. In 2022, Feralpi's media analytics service recorded more than 1,700 articles reaching more than 121 million readers.

Equal efforts were dedicated to the internal community, primarily through the publication of news, updates, service information, events, and interesting tidbits on the corporate Intranet MyFeralpi. The goal was to foster continuous engagement through mailing activities and push notifications. The publication of the Verdeferalpi house organ continued offline.

This set of activities accelerated the Group's brand awareness, increasing its visibility among relevant stakeholders and their perception of Feralpi as a market leader and organisation capable of creating value by combining business with responsible development.

6

Sustainability Disclosure (ESG)

Feralpi Siderurgica employs a holistic approach to its sustainability strategy, integrating sustainability into all aspects of its business, from strategic planning and operational management to investment allocation and ESG risk analysis. Motivated by the desire to create long-term shared value for its stakeholders, the growing demand for transparency on sustainable and socially responsible practice, and the impact of ESG metrics on financial performance, Feralpi recognised the need to embark on a sustainability governance renewal journey. This journey commenced in 2021 and continued throughout 2022. During this period, the responsibilities of the Sustainability Committee were updated to reflect its ongoing commitment. The strategy is based on seven pillars that describe the Group's areas of action and ambitions. It is aligned with the Sustainable Development Goals (SDGs) of the 2030 Agenda.

The Sustainability Committee acts as the driving force behind the continuous evolution of the Group's sustainable practices, alongside which Feralpi Siderurgica adopts its sustainability guidelines. The Committee plays a key role in supporting the BoD and Group companies, providing recommendations and advice on environmental, social, and governance sustainability topics.

This integrated and proactive approach takes into consideration the dynamics of interaction with all stakeholders, corporate social responsibility, strategic planning based on relevant topic analysis, and effective corporate governance.

It allows Feralpi to navigate the current context, mitigating risks and seizing opportunities for sustainable and continuous growth while creating long-term value.

The Sustainability Committee is currently composed of internal members and external experts to ensure a high level of expertise.

In 2022, the Sustainability Committee established a set of strategic ESG KPIs that are essential for monitoring and evaluating the effectiveness of the Group's sustainability strategy, ensuring transparency, accountability, and alignment with international standards such as GRI and SASB. These KPIs allow the Feralpi Group to constantly measure the environmental and social impact of its business.

In addition, Feralpi has made use of digital cloud software since 2020 to manage its KPIs and ESG information. The objective is to improve the traceability of its commitments and results, reduce the risk of disputes, and strengthen the reporting process.

With the goal of responding to stakeholder demands and changing regulatory and financial landscapes, the Group is exploring advanced solutions to integrate financial and ESG data and enhance insight capabilities. This strategic approach seeks to leverage ESG aspects and transform them into competitive advantages for the company.

The Sustainability and External Relations Department shared and reported on the Group's objectives, tools, and results, including the data in the Feralpi Group's third Non-Financial Statement for 2021, alongside the Company's financial results. Please refer to the statement for full details on ESG performance.

Feralpi Siderurgica continued its commitment to the local community and fostered an ongoing dialogue through initiatives such as the "Sustainable Dialogues" network. This network serves as a platform for effective communication between Feralpi and its stakeholders on various sustainability topics. Feralpi has always supported local organisations, trade associations, institutions and public administrations, educational, university and research institutions, sports associations, and nonprofit organisations by pursuing a policy of liberal donations and sponsorships.

7

Human Resources and Organisation

Organisation and Workforce

The overall headcount grew again in 2022, with an average increase of 108 over 2021, with the consolidated figure rising from 1,710 to 1,817. This increase is mainly owed to the acquisition of new companies in Spain, operating in the diversified products sector. In addition, several new hires were made to support the technological investments of companies in the steel sector. Specifically, the continuous growth of our workforce is driven by the constant enhancement of skills in technical and production areas. In line with this goal, we continued to hire qualified personnel and onboard new talents with expertise in the steel and metal-mechanical sectors. In addition, several temporary contracts were converted to permanent contracts during the year, as usual.
The **geographic breakdown** shows that the number of employees working in Italy is similar to the number at foreign companies:

Average workforce by geographic area	Average 2022	Average 2021	Change
Italy	904	918	(14)
Overseas	913	792	121
Total	1,817	1,710	107

The number of Group employees at the end of the year is shown below:

Description	2022	2021	Change
Executives	43	38	5
Managers & white-collar	521	511	10
Blue-collar	1,292	1,200	92
Total	1,856	1,749	107

Talent Management

The **Succession Planning** project – established to address potential leadership transitions and foster employee motivation and retention – involved 12 employees. These employees were selected to participate in activities outlined in their development plans and work towards achieving the growth objectives defined with their managers. With the continued support of their managers, employees tackled new professional challenges to strengthen their current position and prepare them for future roles.
Participants in Succession Planning, initially promoted in Italy, also had the opportunity to complete an important dedicated training course: the Feralpi Corporate EMBA, developed with the Polytechnic University of Milan's Graduate School of Management. The Executive Master's in Business Administration began in 2022 and has a duration of two years.
The **Technical Graduate Programme** – created to introduce young talent to careers in high-tech industries such as steel – came into full swing in 2022. The nine participating engineers were onboarded and developed the skills required by the steel industry. In line with the company's technical and technological development guidelines, the project provided participants with the opportunity to work with the Group's Technical Management Team, supporting designated representatives in various activities related to strategic projects for the company's development.
At the same time, participants were able to take part in specialised technical training sessions during the year. These sessions were developed on an ad hoc basis, alongside specific in-depth training in soft skills.
The Group's Technical Graduate Programme focused specifically on Feralpi Siderurgica as the pilot plant and incubator for new participants. After the first few months of on-boarding, one of the participants was granted the opportunity to continue working at ESF in Germany and is now a key member of the Riesa plant team.
In line with the belief that skills are one of the organisation's main assets, in 2022, Feralpi promoted a project to map and develop technical skills in its production and maintenance divisions. Created in collaboration with the managers of these two divisions, the new **Feralpi PRO** system uses a specially developed management application. The system is integrated with the pre-existing module for measuring organisational skills and is in use at the Lonato and Calvisano plants. The intention is to progressively extend it to the Group's other plants.
In 2022, multiple **orientation and training programmes** were initiated to attract motivated individuals and equip them with the necessary skills to thrive in the steel industry. We note that there are currently seven distinct recruitment and selection formats in Italy, each tailored to specific targets and professional roles. In addition, **selection initiatives** were strategically organised to identify top talents in local areas where our companies operate, and further afield. We note the successful hiring of over 15 new employees from Ukraine at our Riesa plant.

Energy Crisis

Like most companies in Europe, Feralpi faced an unpredictable and significant increase in energy supply costs in 2022, which had an inevitable impact on the organisation of its production areas. Nevertheless, Feralpi successfully mitigated production fluctuations and maintained continuous operations without frequent line shutdowns. This achievement can be attributed, in part, to the Company's strong relationship with the union and the cooperative efforts of their representatives in understanding the challenges and working together to find mutually beneficial solutions for the Company and its workforce.

Training

In 2022, in-person training became the primary delivery format over remote sessions, as was the case before the COVID-19 pandemic. Training activities at Feralpi encompassed the four key areas of ongoing education (Safety, Environment, Quality, and Energy), in addition to major projects to enhance the skills and knowledge of employees at all levels of the organisation.
Notably, we highlight the Academy Siderurgica Italiana (Italian Steel Academy) – a collaborative initiative launched by Feralpi in 2019 in partnership with the Asonext, Duferco, Pittini, Ori Martin (since 2020), and Acciaierie Venete (since 2022) Groups. The Academy hosted the second edition of Management4Steel, an initiative that seeks to cultivate managerial expertise, the second edition of Mechanical4Steel, which focuses on enhancing the technical skills of mechanical maintenance workers, and the first edition of Electrical4Steel. On the other hand, new editions of Leadership4Steel were organised to develop the soft skills of managers. Within the same context, the Future4Steel maintenance pathway was launched in 2022. Recognising the importance of young talent for their future, the companies within the Academy jointly launched a highly professional training programme for aspiring maintenance workers in the steel industry. The project was overseen by the ITS Lombardy Mechatronics Foundation.

Other Initiatives and Activities

Among others, we highlight Feralpi's ongoing commitment to promoting the well-being and health of its employees, with the development of ad hoc initiatives for different segments of the company population.
We also note that during the year, Group D&I activities continued with the goal of raising awareness of diversity and inclusion topics through activities organised by a team with expertise on the subject. The working group, comprised of more than 20 employees from Feralpi and other subsidiaries, represents all of the Group's Italian and international plants.
This group, coordinated by the External Relations and Sustainability Department and the Human Resources Department, meets periodically to conduct its activities.

8

Risk Management

Continuous monitoring and effective risk management are key to protecting the Group's value generation levers, especially in the current global operating context, which is both volatile and uncertain. Specifically, with reference to the Corporate Governance Code, Feralpi has adopted an Internal Control and Risk Management System (ICRMS) which is based on the provisions of the related best practices, such as those set out in Article 6 "Internal Control and Risk Management System" of the Corporate Governance Code - 2020 edition and, more generally, by the principles outlined in the framework "Enterprise Risk Management (hereinafter also "ERM") - Integrating with Strategy and Performance" of June 2017, published by the Committee of Sponsoring Organizations of the Treadway Commission (CoSO). This system comprises the organisational units, rules and procedures to enable the identification, measurement, management and monitoring of the main corporate risks within the Group, supporting correct business conduct in line with the objectives established by the Board of Directors and the undertaking of knowledgeable decisions consistent with the risk propensity, in addition to creating proper awareness of risks, legal compliance and company values.
The Feralpi Group's business activities involve assuming various types of risk, to which it must expose itself to achieve the challenging goals it has set. The Group has defined the areas of its Enterprise Risk Management (ERM) model in light of the objectives contained in the business plan and considering the organisation of the company.
The Group's risk management strategy is designed to identify major uncertainties and minimise their negative effect on results. Monitoring major risks and establishing appropriate remedial policies are the responsibility of the parent company's senior management. These management policies are defined and approved, in consultation with the administrative body, by senior management, which defines principles for risk management and the use of appropriate tools.
The **Risk Model** adopted by Feralpi is divided into a number of different categories to allow a holistic, high-level view of Group risk exposure.
A first level divides **business risks into the following subcategories**:

- strategic, concerning the corporate mission, relating therefore to medium-long term objectives;
- operational, concerning the efficiency and efficacy of the corporate processes and the protection of assets;
- compliance, legal and contractual;
- image-related, concerning the company and the Group's brand reputation;
- financial and reporting, relating to the reliability of internal and external reports, financial and non-financial information, in addition to the availability of short and long-term funding.

Risks are then also categorised as:

- external, concerning factors not directly controllable by the company;
- process, concerning internal processes;
- information and decision-making, related to the flow of information externally and internally and concerning also the decisions based on such.

The list of Group's major risks and related scenarios involves defining the register of risks related to the **Environmental, Social and Corporate Governance (ESG) spheres**, which are of central importance in addressing sustainable development goals.
The **main risk factors** for Feralpi are briefly described below. The order in which they are reported does not reflect a ranking, either in terms of the probability of their occurrence or in terms of their possible impact. The description of relevant risk factors contains a brief outline of any uncertainties that may significantly affect the Group's business in the near future. In addition to the information set out below, it is important to consider that the Group has long had a Supervisory Board, which through the 231 organisational model contributes to overseeing risks relating to the various corporate functions.

Antitrust Risk

This risk refers in the abstract to possible conduct in violation of antitrust or competition-related regulations. Such violations may cause the Company to face legal costs and cause reputational damage to stakeholders. The Company could also receive sanctions, whose impacts may be similar to those mentioned above. As a countermeasure, the Group has developed a compliance programme to prevent antitrust offences, including through the appointment of a senior figure who plays the role of "antitrust officer". S/he is responsible for verifying compliance with regulations by monitoring the individual behaviour of those individuals who are most likely to expose Group companies to this type of risk.

Risk related to pollution from radioactive sources

Pollution caused by the decay of radioactive isotopes (radioisotopes), which transform into different isotopes by emitting alpha, beta, or gamma radiation may affect incoming scrap, products being processed, or finished products and thus result in emissions which are harmful to people, the community, and the environment, and/or lead to production stoppages, sanctions from the authorities, and significant reputational damage. The Group has therefore adopted specific procedures as part of its management system, to define and introduce radioactivity control safeguards, throughout the entire production chain from the material entry stage.

Risks related to production sites, environmental regulations, workplace safety and Business Continuity

The Group's industrial production is subject to the issue of administrative authorisations. The non-renewal or refusal of such authorisations may require legal/administrative proceedings of various types, resulting in the interruption of production. The Group's main facilities have begun the process to obtain ISO 50001 certification for energy efficiency, while in the environmental field, EMAS and ISO 14001 certifications have already been achieved. All Group production sites are required to adopt the prevention and protection measures established by domestic regulations. Any workplace accidents, even of a non-serious nature, caused by non-compliance with the above-stated regulations, may carry criminal or legal penalties, with possible consequent restrictive, monetary and/or image related impacts, also for limited periods. The issue of further regulatory provisions applicable to the companies or to its products, or amendments to regulations currently in force in the countries in which the Group operates, may require the adoption of stricter standards, also requiring production facility refurbishment costs. An interruption to production may occur as a result of natural or accidental events. In order to mitigate this risk, the Group implements a policy of spreading production among a number of facilities, even if for a number of product categories the Group may only move production between the various facilities.

Credit risks

The Group is exposed to the credit risk associated with commercial transactions. Where clients fail to meet payment deadlines, the Group's financial position may deteriorate. The trade receivable risk is mitigated by Group procedures and guidelines drawn up for the selection and evaluation of the client portfolio, for the definition of credit limits, for the monitoring of expected receipts and for any recovery actions. These include, where possible and appropriate, insurance policies with leading providers, in addition to in some cases, further guarantees requested from clients. Group Credit Management manages and monitors Group credit risk.

Risks associated with product quality and liability

Group products must comply with the range of regulatory, safety and qualitative standards applicable in the countries in which they are sold. Where products do not conform to the varying applicable regulations, replacement may be required, resulting in additional costs for the company and Group and potential damage to its image. The Group implements close product controls: each company has a protocol in place involving a number of control actions and procedures to safeguard product quality. In particular specific areas handle quality control directly at the production units and also at suppliers. At specific meetings, production and sales organisational units share any issues relating to product quality and discuss solutions to be introduced to contain or resolve them.
In addition to this, the Group avails of product liability insurance coverage. Despite this, it cannot be excluded that manufacturing defects may occur or, in certain circumstances, the above-stated insurance coverage may be inadequate. The Group must also maintain the quality levels set out, in particular regarding product safety standards.

Raw material price fluctuation risks

These risks arise from fluctuations, including to a significant degree, in the price of the finished product and raw materials (mainly ferrous scrap, ferroalloys and energies) over fairly short periods. In the recent past, the Group has had the opportunity to increase the selling price of finished products following the increase in the cost of ferrous scrap, ferroalloys and energy, in order to safeguard its contribution margin. However, significant cost increases could make products unaffordable to customers, and therefore a reduction in Group sales volumes. Hedging transactions are assessed considering the liquidity of the official markets on which the main trades are made and the visibility of sell orders.

Risks related to exchange rate and interest rate movements

H2 2022 featured a significant **interest rate** rises applied globally by various central banks. A portion of the Group's financial debt is regulated by variable interest rates and is therefore exposed to the risk of fluctuation in rates. This **risk** is mitigated through hedging contracts signed with leading financial operators. This is mentioned in the Notes to the Financial Statements. **Currency risk**, which is very modest as most transactions are conducted in Euro, is hedged with foreign exchange forward contracts.

Liquidity Risk

The prudent management of liquidity risk from ordinary Group operations requires the maintenance of an adequate level of liquidity, in addition to funds available through committed credit lines. The Group's Administration, Finance and Control Department monitors forecast utilisations of the Group's liquidity reserves, starting from analysis of expected cash flows.

Risks associated with existing debt and any covenant breaches

Medium- to long-term loans taken out by Feralpi Group companies must comply with certain financial and commitment covenants. The Group has reporting mechanisms in place to monitor historical and future compliance with the covenants stipulated and to define, where necessary, appropriate action plans to reduce any impacts related to non-compliance with covenants.

Derivatives Risk

The Group uses fair value hedging derivatives to hedge the risk that financial assets and liabilities recorded in the balance sheet are exposed to foreign exchange risk and to hedge the risk associated with interest rate fluctuations. Exposure to foreign exchange risk is structurally modest given that almost all commercial transactions are conducted in Euro. Medium- to long-term loans are taken out at variable rates and provide for simultaneous hedging of risk through the use of appropriate hedging instruments.
All derivative instruments are underwritten with financial institutions of prime credit standing.

Risks associated with information systems and IT security

The Group considers that business continuity in management and operational information systems is of great significance. The risk that its information systems may be subject to internal or external attacks designed to hinder their normal operation or at extracting or corrupting Group data was therefore specifically analysed, as was the risk that malfunctions, errors and/or unauthorised access to Group software connected with the systems of suppliers and/or customers could harm the operations of the Group's suppliers and/or customers. The occurrence of such risks, which is considered to be of average probability, could have significant adverse effects on the Group's financial performance and standing. To manage these risks, Feralpi is finalising the introduction of a cyber risks management framework. The objective of the framework is to ensure business continuity, and the availability, integrity and confidentiality of data, also enabling compliance with the European GDPR regulation and applicable national regulations in individual EU member countries. The centrality of information systems as a lever of value for the Group is also evident in the substantial investments made to update and digitalise systems and processes; particularly notable in this area is the launch of programmes to optimise processes and automate some activities, including through Robotic Process Automation solutions and solutions based on Business Intelligence and data analytics.

Risks related to intangible assets

The Company considers the occurrence of such risks as improbable and of modest impact on the Group's financial performance and standing. In accordance with IAS 36, the Parent Company has conducted impairment tests aimed at verifying the value of goodwill and determining any impairment losses in goodwill or other intangible assets. These impairment tests did not point to any loss in value.

Risks related to customer concentration and business relationships

The Group's market features a relatively limited number of global or regional operators and a high number of customers. The Group's customer relationships are generally based on specific purchase orders that are not governed by contracts. Therefore, the primary customers of the Group can generally cancel, not renew, or reduce orders with little notice and without any significant penalty when the customers' purchasing terms and conditions have been applied.

The Company considers that the occurrence of such risks is of average probability and could have significant adverse effects on the Group's financial performance and standing. The Group's success also depends on its ability to maintain lasting commercial relationships with its customers. At December 31, 2022, most of the Group's business relationships with its customers have been in place for more than 15 years and are mutually satisfactory. However, the Group must also consider that, in the future, it may no longer be able to maintain commercial relationships with its current primary customers, or that these relationships could become litigious, or that it may develop commercial relationships with new customers. Such an eventuality could reduce revenues and, therefore, negatively affect the Group's financial performance and standing. Constant commercial oversight, continuous dialogue with existing and newly acquired customers, and the ability to provide high quality products and adequate service levels are key elements in mitigating exposure to this type of risk.

Risks associated with a deterioration in the global macroeconomic landscape

Feralpi Group companies are exposed to risks relating to economic trends in the specific markets in which they conduct their business. Group product sales are mainly influenced by investments in infrastructure, but also in civil housing and investments from the industrial sectors targeted by Group products. An economic recession could reduce purchase volumes and/or reduce Group product sales prices. Macroeconomic conditions in the markets in which the Group operates may also be affected by events beyond the Group's control (e.g. pandemics, extreme weather events). The occurrence of such risks could have a very significant adverse effects on the Group's financial position, results of operations and cash flows. As such, it should be noted that the Group manages such emergencies with particular care, establishing specific dedicated task forces and promptly enacting any measures necessary to prevent, control and contain the negative effects of the emergencies, while simultaneously striving to ensure production continuity to the greatest extent possible.

Risks related to the Russia-Ukraine conflict

Regarding the potential economic and financial impacts of the ongoing conflict between Russia and Ukraine, we note that the Feralpi Group does not operate in Ukraine or in the Russian Federation, nor does it conduct business in the Russian or Ukrainian markets. There are, however, possible indirect impacts on operating costs considering impacts on electricity and gas prices.

Risks related to climate change

The Group is aware that, in the context of its activities, climate change creates risks that could potentially affect operating results and financial performance. These risks are both physical (e.g. extreme weather events that could damage company assets and disrupt business continuity or the supply chain) and related to the ongoing energy transition. The latter category includes such risks as changing climate regulations and a shift in customer preferences towards low-carbon products. To respond to these risks, the Group has adopted a structured approach to identifying, monitoring, and managing them through an in-depth study of ESG risks, seeking to integrate this into the ERM model. The Group is introducing a robust decarbonisation strategy through a series of activities designed to reduce direct (Scope 1) emissions; it has approved an investment of about Euro 120.0 million for the production of energy from renewable sources for self-consumption (Scope 2); and it is setting science-based targets for 2030 and 2050, in line with the Paris Agreement's goals to limit the global temperature increase to 1.5°C. Following this strategy, action will be planned to further reduce other indirect (Scope 3) emissions.

Finally, a study is being planned to assess the exposure of the company's assets to physical climate risks in the short and medium term. This is designed to anticipate possible adaptation work where the risk level makes such work necessary, thereby increasing the Group's resilience to climate change. The consequences of the decarbonisation strategy on cash flows are always highlighted in the planning and accounting estimation process. No significant impacts from the Group's climate mitigation commitments on the impairment test carried out are currently expected or explicitly foreseeable. However, the carrying amount of assets or liabilities recorded in the Group's financial statements may in future be susceptible to different impacts resulting from the introduction of the climate change management strategy. These aspects are frequently monitored through coordination among the various corporate departments. Lastly, we note that 90.0% of the committed credit lines signed by the Group from 2020 to 2022 inclusive contain a change in the total financing cost in line with the achievement of targets related to reducing CO_2 emissions and improving the circularity of the Group's operations, in addition to other parameters relating to the Group's ESG objectives.

9

Adoption of Legislative Decree No. 231/2001

Since 2010, the parent company Feralpi Holding and its main Italian investee companies have each adopted their own Organisation, Management and Control Models. These identify the processes at risk and govern the ways in which the various actors must behave in the course of their daily work. Each company constantly supplements and updates its Model. This adjustment process was developed considering both the dictates of Legislative Decree No. 231/01 and the specific initiatives already introduced by the Group in the area of corporate governance, based on the Company's belief in CSR (Corporate Social Responsibility).
In 2023 Feralpi Holding will consider adapting its Model to the regulatory changes that have taken place since the last update was carried out. This will involve a prior analysis to assess the adequacy of any control safeguards already introduced and the need to create or supplement control procedures and protocols to guard against new risks/offences.
As is also now customary, each Group company Board of Directors will work to adapt its Model to the regulatory changes that have taken place since the last update was carried out. This will involve a prior analysis to assess the adequacy of any control safeguards already introduced and the need to create or supplement control procedures and protocols to guard against new risks/offences. Specifically, with Legislative Decree No. 24 of March 10, 2023 (hereinafter the "Decree"), Italy has finally transposed Directive (EU) 2019/1937 of the European Parliament and the Council on the protection of persons who report violations of Union Law and violations of national regulatory provisions.
The EU regulations are designed to harmonise individual national laws on whistleblowing, by introducing adequate protection for individuals at both public and private companies who intend to report wrongdoing of various kinds that they have become aware of in the course of their work. The provisions of Decree No. 24/2023 take effect for the Group's main companies from July 15, 2023, the activation date of new requirements regarding processes and tools for collecting internal company reports. An audit is therefore being conducted regarding the compliance of the companies' current whistleblowing procedure with the new legislative dictate.
For more information on this topic, see the Consolidated Non-Financial Statement.

10

Domestic tax consolidation and Group VAT

It should also be noted that Feralpi Holding S.p.A. adhered - for a number of years - as a "consolidating" company", to the national tax consolidation under Articles 117-129 of the CFA.
The option ended with fiscal year 2022. As of fiscal year 2023, a new option to take part in the national tax consolidation will be activated with the parent company Feralpi Siderurgica S.p.a. During the aforementioned fiscal years, other Group Companies have adhered to this procedure, as shown in the framework "OP - Communications for schemes Feralpi Siderurgica S.p.a., Acciaierie di Calvisano S.p.A., Nuova Defim S.p.a., Fer-Par S.r.l., Feralpi Profilati Nave S.r.l., Presider S.p.a, MPL S.r.l., Ecoeternit S.r.l., Immobiliare Feralpi S.r.l, Ecotrading S.r:l, Feralpi Farm S.r.l, Faeco Ambiente S.r.l., Caleotto S.p.a e Arlenico S.p.a.
Each company participating in the tax consolidation transfers its assessable income or tax loss to Feralpi Holding S.p.A., which recognises a credit (equal to the IRES to be paid) to the companies that contribute assessable income, or a debit to the companies that transfer a tax loss.

Feralpi Holding S.p.A., as the consolidating company, is responsible for, in addition to any higher taxes declared and the relative penalties and interest relating to its own individual overall income, for the amounts that may be due, with reference to the consolidated tax return, also following the "formal control" as per Article 36-*ter* of Presidential Decree 600/73, in addition to, jointly and severally, for the amounts due relating to the penalties issued to the companies taking part in the consolidation who have committed violations in calculating their individual position. Similarly, the consolidated companies are jointly and severally liable to Feralpi Holding S.p.A., as the consolidating company, for any higher taxes assessed in relation to the consolidated company's tax return, referring to adjustments to the income presented in its own tax return, including those resulting from "formal controls" as per Article 36-*ter* of Presidential Decree No. 600/1973. All of the above, as governed by the Tax Consolidation Agreement originally entered into and subsequent updates.

11

Code of Ethics and Self-Governance Code

The Code of Ethics and the Self-Governance Code are prepared according to the Principles for the Governance of Unlisted Family-controlled Companies (CODIF).
Feralpi's Code of Ethics is adopted by all Group companies. The principles and provisions set out therein are binding on the Directors, all persons bound by employment relationships with Feralpi, and all those working on behalf of Feralpi.
The Code of Ethics is delivered in hard copy to new employees and suppliers are requested to sign it as a mandatory clause in the procurement agreement.
The Code of Ethics also outlines the Group's fundamental ethical values, which underlie the relationships with all stakeholders, customers, personnel, investors, suppliers, the community and public sector and, finally, the environment.
Feralpi has also voluntarily (comply or explain) signed up to the Self-Governance Code for unlisted companies, promoted by the Italian Association of Family Businesses (AIDAF) and Bocconi University. Signing up to the Code implies a modern governance system, which benefits all company stakeholders, particularly managers and employees, customers and suppliers, lenders and banks, but also shareholders who are not involved in management.
Among the main benefits are business growth with reduced risk, drawing a clearer distinction between personal ownership of the family and the assets of the controlled business, acting as a certification of the quality of governance to accredit the company to banks, customers, suppliers, and international markets more generally, attracting and approaching managers from outside the family needed to increase the international competitiveness of family businesses, acting as a compass in managing the processes of generational transition.
So as to avoid duplicating information, for information on corporate governance, capital structure and composition, please refer to the Non-Financial Statement (NFS).

12

Policies or governmental, economic, fiscal, monetary or political factors which have had, or which could have directly or indirectly, significant repercussions on Group activities

In the reporting period, the financial results reported above benefited significantly from government subsidies relating to increased electricity and gas prices, as was the case for other companies in the industry. Even in the absence of these contributions, however, the Group's profits in 2022 would still have risen sharply from the already significant profits made in 2021.

13

Analysis of operating performance

Non-GAAP measures

Additional income statement and balance sheet indicators to those established by the OIC are provided to assist analysis of the operating performance. These indicators must not be considered as alternatives to those considered by the OIC.

In particular the **Non-GAAP Measures** utilised in the present document are as follows:

EBITDA: the Group uses this measure as financial targets for the internal presentations and external presentations, as they are useful in measuring the overall Group operating performance and that of the individual divisions. This indicator supplements the operating result. The EBITDA is an intermediate indicator that derives from EBIT after adding back depreciation, amortisation, provisions and any write-downs.

Net Working Capital: this measure is the sum of inventories, trade receivables, current tax assets and other receivables, minus trade payables, current tax liabilities and other payables.

Net Capital Employed: this measure is the sum of Net Working Capital, intangible and tangible assets, equity investments, other non-current receivables and deferred tax assets, minus deferred tax liabilities, employee benefits and provisions for risks and charges.

Net Financial Position: this measure represents gross financial liabilities less cash and cash equivalents and other financial receivables.

Workforce: the number of employees on the employee register on the last day of the period.

To enable clearer understanding the operating results, we provide a **reclassified Income Statement**:

Income Statement	2022	%	2021	%
Net revenues	2,398,071	99.1%	1,928,446	94.6%
Change in inventories of FP	20.674	0.9%	109,917	5.4%
Value of production	2,418,745	100.0%	2,038,363	100.0%
Consumption of raw materials	(1,232,210)	(50.9%)	(1,262,829)	(62.0%)
Services	(667,037)	(27.6%)	(404,130)	(19.8%)
Rentals, hires, leases	(7,317)	(0.3%)	(6,182)	(0.3%)
Personnel expenses	(117,789)	(4.9%)	(109,712)	(5.4%)
Other revenues	117,050	4.8%	25,933	1.3%
Other provisions	(142)	(0.0%)	(408)	(0.0%)
Other costs	(7,763)	(0.3%)	(7,173)	(0.4%)
EBITDA	503,537	20.8%	273,862	13.4%
Provisions for risks & write-downs	(3,433)	(0.1%)	(4,326)	(0.2%)
Amortisation and depreciation	(58,722)	(2.4%)	(56,149)	(2.8%)
EBIT	441,382	18.2%	213,387	10.5%
Interest income/expenses	(2,193)	(0.1%)	(3,309)	(0.2%)
Rev./write-down fin. assets	(2,433)	(0.1%)	(129)	(0.0%)
Pre-tax result	436,756	18.1%	209,948	10.3%
Income taxes	(102,546)	(4.2%)	(57,818)	(2.8%)
Net result	334,210	13.8%	152,130	7.5%
Minority interests result	2,716	0.1%	1,863	0.1%
Group result	331,494	13.7%	150,268	7.4%

Euro thousands

Consolidated Revenues reported growth in 2022 of 24.2% over the previous year. The growth was driven by the strong increase in sales prices across all markets in which the Group operates, although was accompanied by the soaring cost of inputs - first and foremost of electricity and gas. This trend was particularly evident in the initial part of the year, which saw marketed volumes substantially hold up, while the second half of the year saw a reduction in sales prices, together with a contraction in sales volumes.
The growth in 2022 EBITDA on the 2021 figure was driven by the revenue performance, which led to a reduction in the proportion of the cost of raw materials and consumables on revenues, accompanied by a higher proportion of Service costs, substantially due to the increase in energy costs.
Amortisation, depreciation and write-downs for the year 2022 report a slight increase from that reported in 2021.
Net financial expenses report a reduction in 2022 on 2021, mainly due to currency gains from hedging activities on purchases of raw materials.
The balance between revaluations and write-downs of financial assets shows a negative value overall due to the write-down of the investment in Metalinterconnector as a result of a change in accounting approach.
The Group profit for 2022 more than doubled on 2021.

Balance Sheet	2022	%	2021	%
Intangible assets	17,227	0.7%	15,061	0.7%
Property, plant and equipment	465,604	19.2%	402,622	19.8%
Provision for risks	(27,824)	(1.2%)	(28,969)	(1.4%)
Post-employment benefits	(6,199)	(0.3%)	(7,075)	(0.3%)
Other long-term receiv./payables	3,101	(0.1%)	27,894	1.4%
Net Fixed Assets	451,909	18.7%	409,534	20.1%
Inventories	400,183	16.5%	395,523	19.4%
Trade Receivables	451,761	18.7%	456,936	22.4%
Supplier advances		0.0%		
Trade payables	(402,551)	(16.6%)	(460,289)	(22.6%)
Commercial Working Capital	449,394	18.6%	392,170	19.2%
Other assets/liabilities	(24,335)	(1.0%)	(56,378)	(2.8%)
Net Working Capital	425,059	17.6%	335,793	16.5%
Operating Net Capital	876,968	36.3%	745,327	36.6%
Receivables from related parties		0.0%		0.0%
Payables to related parties		0.0%		0.0%
Financial assets	121,703	5.0%	53,654	2.6%
Other investments	121,703	5.0%	53,654	2.6%
NET CAPITAL EMPLOYED	998,672	41.3%	798,981	39.2%
Cash	181,111	7.5%	103,591	5.1%
Short-term financial payables	(62,357)	(2.6%)	(118,860)	(5.8%)
Medium/long-term financial payables	(115,272)	(4.8%)	(109,919)	(5.4%)
NFP	3,482	0.1%	(125,189)	(6.1%)
Shareholders' Equity	(1,002,154)	(41.4%)	(673,792)	(33.1%)
Total sources	(998,672)	(41.3%)	(798,981)	(39.2%)

Euro thousands

Net Fixed Assets at December 31, 2022 rose on December 31, 2021, due to ongoing investments and the consolidation of the activities of the newly-acquired companies in Spain.

Commercial Working Capital at December 31, 2022 rose on December 31, 2021, while slightly decreasing as a percentage of revenues. This movement was driven mainly by the increase in sales revenues, whose collection days, while remaining basically constant compared to 2021, are longer than the payment times for major commodities used by the Group in its production process.
The cash flow generated by the business, despite significant investment activity and an increase in Net Working Capital, resulted in a slightly positive Net Financial Position (net cash) at December 31, 2022. This represents an improvement on December 31, 2021.

Revenues and costs in the year

*The main **revenues** are specified in the following table:*

Description	2022	2021	Change
Revenues from sales and services	2,398,071	1,928,446	469,625
Other revenue and income	111,586	21,204	90,383
Total	2,509,657	1,949,650	560,009

Euro thousands

*The main **operating costs** are:*

Description	2022	2021	Change
Raw materials, ancillaries and consumables	1,220,555	1,317,095	(96,540)
Services	667,037	404,130	262,907
Rent, lease and similar costs	7,317	6,182	1,135
Personnel	117,790	109,713	8,076
Amortisation, depreciation & write-downs	60,320	58,315	2,005
Change in inventories of raw materials	11,655	(54,266)	65,921
Other operating expenses	7,764	7,173	590
Total	2,092,438	1,848,342	244,095

Euro thousands

Financial management

Description	2022	2021	Change
Investments (other)	244	111	133
Interest from associates	66	5	61
Other financial income	699	517	183
Total financial expense	**1,009**	**632**	**377**
Interest and other financial expense	4,624	4,016	608
Total financial expenses	**4,624**	**4,016**	**608**
Exchange gains/(losses)	1,420	75	1,346
Total	(2,194)	(3,308)	1,114

Euro thousands

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Subsequent events

With effect from January 1, 2023, the transfer, by way of contribution (pursuant to Article 2343-*ter* Civil Code) from Feralpi Holding S.p.A. (the transferor) to its wholly-owned subsidiary Feralpi Siderurgica S.p.A. (the transferee), of the business unit providing strategic, administrative, tax and accounting services, and I.T. consulting services previously carried out by the transferee to various Group operating companies took effect. The transfer of the business unit included the employees and functional business assets (software and hardware); the transfer of the business unit was at appraisal value prepared pursuant to Article 2343-ter Civil Code and the net value transferred was accounted for by the transferee as an increase in the carrying amount of equity.

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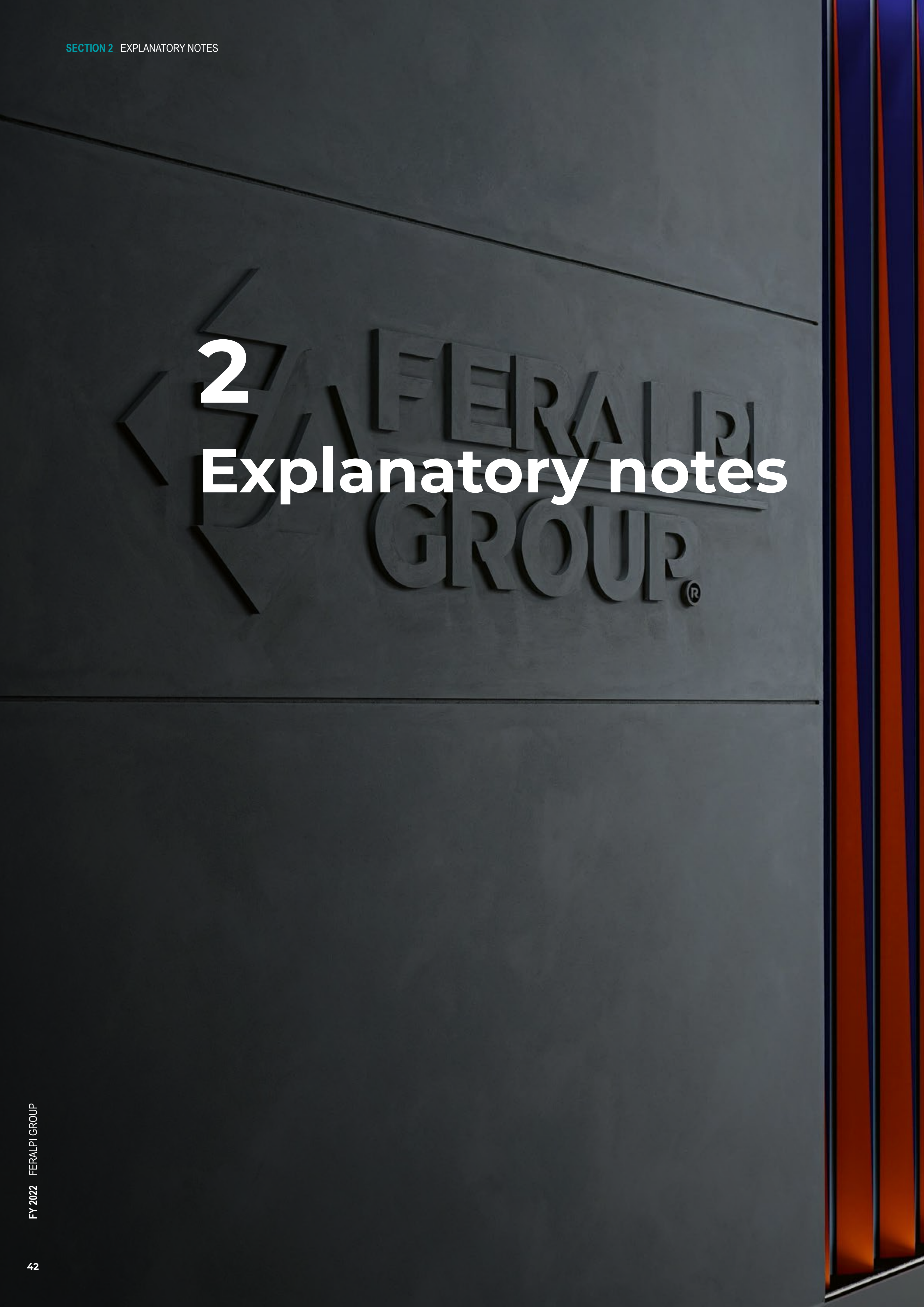
Outlook

As regards the **Steel and Steelmaking Unit**, the markets remain affected by uncertainty caused by high inflation, rapidly rising interest rates, and the consequences of Russia's invasion of Ukraine. These elements are negatively affecting the residential construction market, while infrastructure remains a strength in many markets as governments focus on projects in that sector.
The most recent forecasts available for the company's main markets are for declining volumes and prices in the early part of 2023 compared to the same period of the previous year, while volumes will recover later in the year compared to the same period of 2022. The forecast for 2023 therefore sees lower revenues and profits than in 2022, which saw record results in the Group's history. These predictions assume no major changes in the crisis related to the war in Ukraine and the evolution of the COVID-19 health emergency.
They also do not assume extreme fluctuations in input prices or significant supply chains discontinuities.
Results forecasts will also depend on Group companies' ability to introduce pricing policies to offset the cost impact of inflationary pressures. Finally, the forecasts were made considering an unchanging consolidation scope.
Long-term growth drivers, mainly related to infrastructure, remain solid. The Group can also rely on a strong presence in its target markets, an extensive and deep product portfolio, good production efficiency, a widespread culture of ESG within the organisation, and a solid capital structure, all of which will allow it to tap into the growth opportunities offered by the markets.
Expectations for the **Diversified Holdings Unit** in 2023 are for continuity in terms of results, which were also positive overall in 2022.
The results for Agroittica Lombarda relate to the recovery of business activities, partly in light of developments related to COVID-19.
As for Ecoeternit and Faeco Ambiente, steady operating performances are forecast, with the current contingent situation not expected to lead to any particular changes.

The Chairperson
Pasini Giuseppe

Lonato del Garda, May 15, 2023



2
Explanatory notes


FERALPI
GROUP

FINANCIAL STATEMENTS AS PER DIRECTIVE IV EU:
FERALPI HOLDING S.P.A. CONSOLIDATED
(in Euro thousands)

BALANCE SHEET
ASSETS

			31.12.2022	31.12.2021
A		**Subscribed capital unpaid, with separate indication of the amounts called:**		
		Total shareholder receivables	-	-
B		**Fixed assets:**		
I		Intangible assets:		
	1	Start-up and expansion costs	11	-
	2	Development costs	-	2
	3	Industrial patent rights and intellectual property rights	5.561	8.871
	5	Goodwill	8.500	943
	6	Assets in progress and advances	67	105
	7	Others	3.088	5.140
		Total intangible assets	**17.227**	**15.061**
II		Property, plant & equipment:		
	1	Land and buildings	194.677	185.894
	2	Plant and machinery	178.700	151.592
	2-bis	Leased plant and machinery	7.241	7.678
	3	Industrial and commercial equipment	2.138	2.475
	4	Other assets	10.179	9.988
	5	Assets in progress and advances	72.670	44.995
		Total property, plant and equipment	**465.604**	**402.622**
III		Financial assets, with sep. indic. for each item of receivables, of amounts due within the next year		
	1	investments in		
	b)	associates	34.462	29.327
	d)	other companies	5.160	9.531
		Total investments	**39.621**	**38.859**
	2	receivables		
	b)	associates		
		associates within 12 months	2.600	10
		Total receivables from associates	**2.600**	**10**
	d-bis)	others		
		other receivables within 12 months	3.703	3.510
		other receivables beyond 12 months	4.317	1.987
		Total other receivables	8.020	5.498
		Total financial receivables	**10.620**	**5.508**
	3	other securities	1.005	523
	4	derivative financial instruments - assets	16.787	8.079
	5	treasury shares, nominal value total (memo. accounts)	-	-
		Total financial assets	**68.033**	**52.968**
		Total fixed assets	**550.864**	**470.652**
C		**Current assets**		
I		Inventories		
	1	raw materials, supplies and consumables	148.152	163.890
	2	products in work in progress and semi-processed	34.221	34.345
	4	finished products and goods	217.469	196.854
	5	advances	342	434
		Total inventories	**400.184**	**395.524**

II			Receivables, with separate indication, for each account, of amounts due beyond one year		
	1		trade receivables		
		a)	within 12 months	418.901	427.307
			Total trade receivables	**418.901**	**427.307**
	3		associates		
		a)	within 12 months	32.860	29.629
			Total receivables from associates	**32.860**	**29.629**
	5-bis		Tax receivables		
		a)	within 12 months	68.300	20.294
		b)	beyond 12 months	272	1
			Total tax receivables	**68.572**	**20.294**
	5-ter		deferred tax assets:		
			Total deferred tax assets	**15.448**	**29.366**
	5-quater		others		
		a)	within 12 months	8.285	7.764
		b)	beyond 12 months	3.496	5.523
			Total other receivables	**11.781**	**13.288**
			Total receivables	**547.562**	**519.884**
III			Current financial assets		
	6		other securities	53.671	686
			Total financial assets	**53.671**	**686**
IV			Cash and cash equivalents		
	1		bank and postal deposits	181.103	103.581
	3		cash at hand and in bank	8	9
			Total cash and cash equivalents	**181.111**	**103.591**
			Total current assets	**1.182.528**	**1.019.684**
D			**Prepayments and accrued income**		
	1		prepayments and accrued income	5.024	2.753
			Total prepayments and accrued income	**5.024**	**2.753**
			Total assets	**1.738.416**	**1.493.089**

BALANCE SHEET
LIABILITIES

			31.12.2022	31.12.2021
A		**Shareholders' Equity:**		
I		Share capital	55.000	55.000
II		Share premium reserve	516	516
III		Revaluation reserve	1.964	1.964
IV		Legal reserve	4.499	4.499
V		Statutory reserves	-	-
		Total shareholders' equity & reserves	**61.979**	**61.979**
VI		Other reserves, indicated separately		
	1	Extraordinary reserve	23.806	24.833
	5	consolidation reserve	533.507	385.290
	6	currency trans. difference	826	567
		Total other reserves	**558.139**	**410.690**
VII				
	1	Cash flow hedge reserve	11.215	5.476
VIII		Retained earnings (accumulated losses)	35.577	43.501
IX		Net profit/(loss) for the year	331.494	150.268
		Total Group shareholders' equity	**998.405**	**671.914**
X		Negative reserve for treasury shares held	-	(1.028)

XI		Minority interest capital, reserves & results:		
	1	Minority interest capital and reserves	1.032	1.043
	2	Minority interest profit (loss)	2.716	1.863
		Total minority interest shareholders' equity	**3.749**	**2.905**
		Total consolidated shareholders' equity	**1.002.154**	**673.792**
B		**Provisions for risks and charges**		
	1	provisions for pension and similar	1.329	1.325
	2	taxation, including deferred taxes	6.036	3.655
	3	derivative financial instruments	-	219
	4	others	20.459	23.771
		Total provisions for risks and charges	**27.824**	**28.969**
C		**Post-employment benefit provisions**	**6.199**	**7.075**
D		**Payables, with separate indication, for each account, of amounts due beyond one year**		
	4	bank payables		
		a) within 12 months	61.668	118.186
		b) beyond 12 months	111.121	105.083
		Total bank payables	**172.790**	**223.269**
	5	payables to other lenders		
		a) within 12 months	688	674
		b) beyond 12 months	4.151	4.836
		Total payables to other lenders	**4.840**	**5.510**
	6	advances		
		a) within 12 months	4.891	5.115
		Total advances	**4.891**	**5.115**
	7	payables to suppliers		
		a) within 12 months	316.160	370.341
		b) beyond 12 months	-	12
		Total trade payables	**316.160**	**370.352**
	10	payables to associates		
		a) within 12 months	81.501	84.833
		Total payables to associates	**81.501**	**84.833**
	12	tax payables		
		a) within 12 months	80.809	49.570
		b) beyond 12 months	-	89
		Total tax payables	**80.809**	**49.659**
	13	payables to social security institutions		
		a) within 12 months	5.493	5.544
		Total payables to social security institutions	**5.493**	**5.544**
	14	other payables		
		a) within 12 months	28.458	37.467
		b) beyond 12 months	1.297	393
		Total other payables	**29.754**	**37.860**
		Total payables	**696.238**	**782.144**
E		**Accrued liabilities and deferred income**		
	2	Accrued liabilities and deferred income	6.001	1.109
		Total accrued liabilities and deferred income	**6.001**	**1.109**
		Total liabilities	**1.738.416**	**1.493.089**

INCOME STATEMENT			31.12.2022	31.12.2021
A		**Value of production:**		
	1	revenues from sales and services	2.398.071	1.928.446
	2	change in inventories of work-in-progress, semi-finished and finished products	20.674	109.917
	4	increase in internal work capitalised	5.464	4.730
	a)	operating grants	103.149	9.192
	b)	others	8.437	12.011
		Total other income and revenues	**111.585**	**21.203**
		Total value of production	**2.535.795**	**2.064.296**
B		**Costs of production:**		
	6	raw materials, ancillary, consumables and goods	1.220.555	1.317.095
	7	for services	667.037	404.130
	8	rent, leases and similar costs	7.317	6.182
	9	for staff:		
	a)	salaries and wages	85.398	80.349
	b)	social security charges	24.183	22.344
	c)	post-employment benefits	3.103	2.711
	d)	pension and similar rights	-	-
	e)	Other costs	5.105	4.309
		Total personnel costs	**117.789**	**109.712**
	10	amortisation, depreciation and write-downs:		
	a)	amortisation	6.011	5.341
	b)	depreciation	52.711	50.809
	c)	write-down of fixed assets	-	557
	d)	write-downs of current receivables and cash and cash equivalents	1.598	1.608
		Total amortisation, depreciation and write-downs	**60.320**	**58.315**
	11	changes in inventories of raw materials, supplies, consumables and goods	11.655	(54.266)
	12	provisions for risks	142	408
	13	other provisions	1.835	2.160
	14	other operating costs	7.763	7.173
		Total costs of production	**2.094.412**	**1.850.909**
		Difference between value and costs of production	**441.382**	**213.387**
C		**Financial income and charges:**		
	15	income from investments, with indication of income from subsidiaries and associates and income from parent companies and companies under the control of these latter		
	e)	income other companies	369	111
		Total income from equity investments	**369**	**111**
	16	other financial income		
	a)	receivables recorded as fixed assets (with separate indication of those from subsidiaries, associates, parent companies and companies subject to the control of the latter		
		income from associates	44	-
		other income	22	5
		Total income from receivables recorded as fixed assets	**66**	**5**
	d)	other income, with sep. indication of income from subsidiaries and associates and parent companies		
		other income	700	516
		Total other income than above	**700**	**517**
		Total other financial income	**767**	**522**
	17	interest and other financial charges with separate indication of that regarding subsidiaries and associates and parent companies		
	d)	int. and fin. charges from others	4.624	4.016
		Total interest and other financial charges	4.624	4.016
	17-bis	exchange gains and losses	(1.420)	(75)

		Total financial income and charges	**(2.068)**	**(3.309)**
D		**Adjustment to the value of financial assets and liabilities:**		
	18	revaluations:		
	a)	of investments	4.893	3.131
		Total revaluations	4.893	3.131
	19	write-downs		
	a)	of investments	5.354	3.260
	b)	of financial assets other than equity investments	2.097	-
		Total write-downs	**7.451**	**3.260**
		Total adjustment to financial assets and liabilities	**(2.558)**	**(129)**
		Result before taxes		
		Result before taxes	**436.756**	**209.948**
T		**Income taxes for the year:**		
	20	Current, deferred and prepaid income taxes for the year		
	a)	current taxes	108.311	57.667
	b)	deferred tax income	1.059	-
	c)	deferred tax charges	(6.825)	151
		Total income taxes for the year	**102.546**	**57.818**
		Net result		
	21	**Consolidated result for the year**	**334.210**	**152.130**
		minority interests result	2.716	1.863
V		**Group net result**	**331.494**	**150.268**

CASH FLOW STATEMENT

	Current year	Previous year
~° Cash flow from operating activities (indirect method)		
Profit/(loss) for the year	334.210	152.130
Income taxes	106.059	57.818
Interest expense/(income)	4.624	3.309
(Dividends)	(369)	(111)
(Gains)/losses on sale of assets	(1.075)	0
1. Profit/(loss) for the year before taxes, interest, dividends and gains/losses from disposals	443.450	213.147
Adjustments for non-monetary items that did not have a counterpart in net working capital		
Provisions	23.914	2.682
Amortisation & depreciation	58.722	56.149
Revaluations/Write-downs	7.451	686
Other non-cash adjustments	(6.340)	1.608
Total non-cash adjustments	*83.747*	*61.126*
2. Cash flow before working capital changes	527.197	274.272
Changes in net working capital		
Decrease/(Increase) in inventories	(22.076)	(162.919)
Decrease/(increase) in trade receivables	6.807	(200.252)
Increase/(decrease) in trade payables	(54.193)	117.224
Decrease/(increase) in prepayments and accrued income	(2.271)	(1.117)
Increase/(decrease) in accrued liabilities and deferred income	4.892	247
Other changes in working capital	(96.358)	74.743
Total changes in net working capital	*(163.199)*	*(172.073)*

3. Cash flow after changes in net working capital	363.998	102.199
Other adjustments		
Interest received/(paid)	(4.624)	(3.309)
(Income taxes paid)	(32.112)	(11.213)
Dividends received	369	111
Utilisation of provisions	(5.125)	(3.005)
Total other adjustments	(41.492)	(17.416)
4. Cash flow after other adjustments	322.506	84.783
Cash flow from operating activities (A)	322.506	84.783
B. Cash flow from investing activities		
Property, plant & equipment		
(Investments)	(116.908)	(55.996)
Sales price of disposals	4.973	715
Intangible assets		
(Investments)	(1.734)	(5.890)
Sales price of disposals		
Financial assets		
(Investments)	(8.154)	(2.773)
Sales price of disposals		
Financial assets not held as fixed assets		
(Investments)	(52.984)	
Acquisition or sale of subsidiaries or business units net of cash and cash equivalents	(9.126)	
Cash flow from investing activities (B)	(183.933)	(63.944)
C. Cash flow from financing activities		
Third party funds		
Increase in short-term bank payables	8.734	38.733
New loans	94.761	58.980
Repayment of loans	(154.645)	(82.089)
Own funds		
Shareholder loans		
Corporate transactions (merger by incorporation)		
Dividends (and advances on dividends) paid	(9.901)	
Cash flow from financing activities (C)	(61.051)	15.624
Increase (decrease) in cash and cash equivalents (a ± b ± c)	77.522	36.464
Cash and cash equivalents at January 1	103.591	67.126
Cash and cash equivalents at December 31	181.111	103.591

Notes to the Consolidated Financial Statements at December 31, 2022

(Euro thousands)

The consolidated financial statements of the Group at December 31, 2022, of which these notes form an integral part as per Article 29 of Legislative Decree No. 127/91, have been drawn up in accordance with Articles 29 to 39 of this Legislative Decree and Legislative Decree No. 6 of January 17, 2003 and subsequent amendments.
The consolidated financial statements have been prepared in accordance with the current provisions of the Civil Code supplemented, where appropriate, by the accounting standards prepared by the Consigli Nazionali dei Dottori Commercialisti e dei Ragionieri (National Councils of Certified Public Accountants and Bookkeepers) and applying the same accounting policies.
The accounting policies used, which comply with the legal requirements, are those adopted by the parent company and other related companies, and appropriate changes have been made to the financial statements of the individual companies where these criteria are not consistent.

The following is also noted:

- For certain cases requiring exceptions under Article 29, paragraph 4, of the aforementioned decree, adequate justification was provided in the notes to the financial statements, and the related effects on the balance sheet and results were reported therein;
- The composition of asset and liability items is made explicit when their amounts are significant;
- Consideration was taken of the risks and losses accruing in the year even if known subsequent to year-end;
- The 2022 consolidated financial statements are prepared in accordance with the regulatory provisions of Legislative Decree No. 127/91 and present a comparison with the previous year's amounts. Where necessary, reclassifications have been made to allow comparisons in accordance with Article 2423 ter of the Civil Code.
  Any reclassifications are shown in the comments section of the financial statement items.

1

Operating Activities

The parent company is a mixed holding company of investments, mainly operating in steel billet, rebar and wire rod production. During the year, the **Feralpi Group Corporate Reorganisation Project** was approved. This has the following objectives:

- create a leaner Group corporate structure;
- ensure the strategy of the core steel business and the results of different activities are more accessible and transparent;
- strengthening Governance.

The reorganisation of the Group's corporate structure, which was implemented in several phases, is therefore aimed at the objectives of rationalising both the Group's organisational structure and the Group's corporate governance.
Regarding the first phase, the corporate reorganisation led to the establishment of two separate groups: one focused on the core business of steel (Feralpi Siderurgica Group), and one which will encompass all holdings in the other businesses (Feralpi Farm Group).

1. intercompany transfer, against payment of cash consideration, from Feralpi Siderurgica Spa to Feralpi Farm Srl of the equity investment held in BETA SA (Romania - Buzau), of 328,910 shares with a total nominal value of Euro 160,000, corresponding to 24.00% of the share capital; this transfer was finalised at a price, in line with the equity of the investee and therefore totalling Euro 3,412,823;
2. in view of the circumstance that the properties held by Immobiliare Feralpi Srl are leased to the operating companies of the steel sector and are therefore strategic, an intercompany transfer was made, against payment of consideration, from Feralpi Holding S.p.A. to Feralpi Siderurgica S.p.A. of the equity investment held in Immobiliare Feralpi S.r.l, of shares with a nominal value of Euro 50,000 (corresponding to 100% of the share capital); the transfer was carried out at a price of Euro 893,330, in line with the equity of the investee as of June 30, 2022; at the same time, the interest-bearing loan receivable of Euro 19,600,000 of Feralpi Holding S.p.A. with the subsidiary was also transferred (at a price corresponding to the nominal value), taking into account also the transfer to Immobiliare Feralpi Srl of the equity investment in Feralpi Profilati Nave Srl;
3. by transfer with effect from January 1, 2023 (pursuant to Article 2343-ter of the Civil Code) from Feralpi Holding Spa (the transferor) to its wholly owned subsidiary Feralpi Siderurgica Spa (the transferee) of the business unit providing strategic, administrative, tax and accounting services, and IT consulting services previously carried out by the transferor to various Group operating companies. Included in the transfer of the business unit are the current employees and functional business assets (software and hardware). The transfer of the business unit took place at appraisal value prepared pursuant to Article 2343-*ter* Civil Code and the net transferred amount of Euro 100,000 was accounted for in the transferee as an increase in carrying amount of shareholders' equity;
4. intercompany transfer, against payment of cash consideration, from FER-PAR Srl to Feralpi Farm Srl of the equity investment consisting of 555,800 shares of COMECA Tecnologie Spa, corresponding to 19.85% of the share capital. This transfer was finalised at the price of Euro 3.91 per share, for a total of Euro 2,173,178;
5. intercompany transfer for consideration, from Acciaierie di Calvisano Spa to Immobiliare Feralpi Srl of the equity investment held in Feralpi Profilati Nave Srl of shares with a nominal value of Euro 1,900,000 (corresponding to 100.00% of the share capital) for a total price of Euro 8,579,729, in line with the equity of the investee as of September 30, 2022; the company FPN has ceased its steel business and currently carries out only real estate activities.
6. intercompany transfer, against payment of cash consideration, from Feralpi Holding Spa to Feralpi Farm Srl of the equity investment in Finanziaria Valle Camonica Spa consisting of 876,058 shares (corresponding to 3% of the share capital); at the price of Euro 4.50 per share, for a total of Euro 3,942,261;
7. intercompany transfer, against payment of cash consideration, from Feralpi Siderurgica Spa to Feralpi Farm Srl of the equity investment held in FeralpiSalò Srl, for a total nominal value of Euro 102,318.70 (corresponding to 18.22% of the share capital) at the price of Euro 58,240.00, in line with the equity of the investee;
8. transfer from Feralpi Holding S.p.A. to Feralpi Farm Srl against payment of cash consideration, of the investment rights in the Cycero fund, at the price corresponding to the amount already paid and therefore Euro 267,268.

It should be noted that the above are all transactions within the consolidation scope therefore with zero effect.
The financial statements of the Italian companies within the consolidation are those approved and/or being approved by the respective shareholders' meetings, while those of the companies operating in Germany, the Czech Republic and Hungary have been consolidated under ESF GmbH. These financial statements have been prepared using uniform accounting policies within the Group and have been reclassified and adjusted where necessary.

The consolidated financial statements comprise the Balance Sheet (drawn up in compliance with Articles 2424 and 242-*bis* of the Civil Code), the Income Statement (drawn up as per Articles 2425 and 2425-*bis* of the Civil Code), the Cash Flow Statement (whose content, in compliance with Article 2425-*ter* of the Civil Code, was presented according to OIC 10) and these Explanatory Notes, prepared as per Article 38 of Legislative Decree No. 127/1991.
These Explanatory Notes to the financial statements analyse and supplement the financial statement figures with the additional information deemed necessary for a true and fair representation, taking into account that no exceptions have been made pursuant to Article 29 of Legislative Decree No. 127/1991. The Explanatory Notes include also a reconciliation between the net result of the parent company and the consolidated net result and between the shareholders' equity of the parent company and the consolidated shareholders' equity, the statement of changes in consolidated shareholders' equity and the list of companies included in the consolidation scope.
Items not expressly reported in the Balance Sheet and Income Statement, provided for in Articles 2424 and 2425 of the Civil Code and in the Cash Flow Statement presented in accordance with accounting standard OIC 10, have a zero balance. The option not to indicate these items only concerns the cases where they have a zero amount in both the current and previous fiscal year.
For additional information on the Group and operating performance and results, as a whole and in the various sectors in which it operates, with particular regard to costs, revenues and investments, as well as for a description of the main risks and uncertainties to which the Group is exposed, please refer to the Directors' Report.

Consolidation scope

Content and form of the consolidated financial statements.
The subsidiaries as per Article 26 of Legislative Decree No. 127/1991 were consolidated.
The Group's consolidated financial statements include the financial statements at December 31, 2022 of Feralpi Holding S.p.A. (parent company) and the companies indicated:

Name and registered office	Share capital	Dir.	Indir.	Held by	%
Feralpi Siderurgica Brescia (BS)	50,000	X		Feralpi Holding SpA	100.00%
Acciaierie di Calvisano SpA Calvisano (BS)	3,250		X	Feralpi Siderurgica SpA	100.00%
Feralpi Profilati Nave Srl Lonato (BS)	1,900		X	Immobiliare Feralpi Srl	100.00%
Nuova Defim SpA Brescia (BS)	300		X	Acciaierie di Calvisano	100.00%
Ecotrading Srl Lonato del Garda (Bs)	50		X	Feralpi Farm	100.00%
Immobiliare Feralpi Srl Lonato del Garda (Bs)	50		x	Feralpi Siderurgica SpA	100.00%
Caleotto S.p.A. Lonato del Garda (Bs)	2,000		X	Acciaierie di Calvisano	100.00%
Arlenico S.p.A.. Lonato del Garda (Bs)	1,000		X	Caleotto S.p.A.	100.00%
Cogeme Steel. S.r.l. Casalmaggiore (CR)	300		X	Acciaierie di Calvisano	100.00%
Fer-Par Srl Lonato del Garda (Bs)	20		X	Acciaierie di Calvisano	100.00%
Presider SpA Borgaro Torinese (TO)	4,160		X	Feralpi Siderurgica SpA	100.00%
Presider Armatures Saint Souplets (FR)	1,000		X	Presider SpA	100.00%
ESF Elbe-Stahlwerke Feralpi GmbH Riesa (G)	11,000		X X	Feralpi Siderurgica SpA Fer-Par Srl	98.00% 2.00%
Feralpi Stahlhandel GmbH Riesa (G)	2,100		X X	Feralpi Siderurgica SpA ESF GmbH	33.33% 66.67%
Feralpi Logistik GmbH Riesa (G)	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	1,000	X		Feralpi Holding SpA	100.00%
Ecoeternit	1,000		X	Feralpi Farm	70.00%
Faeco Ambiente	1,000		x	Feralpi Farm	85.00%
Feralpi Algerié Orano (Algeria)	375		X	Fer-Par Srl	70.00%
Feralpi Villasor Lonato del Garda (Bs)	50		X	Feralpi Power On	100.00%
Feralpi Power On Lonato del Garda (Bs)	500		X	Feralpi Siderurgica SpA	100.00%
Industra Expositores y parrillas S.A. LLICA DE VALL - SPAIN	163		X	Nuova Defim SpA	100.00%
Wire applications SL LLICA DE VALL - SPAIN	3		X	Nuova Defim SpA	100.00%
P.R. Soldadura SL RIPOLL- GIRONA - SPAIN	3		X	Nuova Defim SpA	100.00%

With reference to associates measured using the equity method, the following table shows the list of companies:

Name and registered office	Share capital	Dir.	Indir.	Held by	%
Beta SA Buzau (R)	714		X	Feralpi Farm	24.00%
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 Srl Montichiari (Bs)	1,000		X	Acciaierie di Calvisano	31.00%
Media Steel S.r.l. Mass (MS)	200		X	Feralpi Siderurgica SpA	45.00%
Comeca S.p.A. Italy	2,800		X	Feralpi Farm S.r.l.	19.85%
Alpifer S.r.l.* Piacenza (PC)	9,560		X	Feralpi Siderurgica SpA	50.00%
S. Vigilio Partecipazioni	50			Feralpi Farm S.r.l.	33.00%

*subconsolidated (Unifer-Steelfer)

Changes in consolidation scope

During the year, the consolidation scope changed as follows:

- purchase of three Spanish companies by Nuova Defim S.r.l. (Industria Expositores y parrillas S.A., Wire applications SL, P.R. Soldadura SL);
- sale of Società Metallurgica Piemontese lavorazioni S.r.l.;
- establishment of the company Feralpi Power On S.r.l.;
- establishment of the company Villasor S.r.l.;

Consolidation method

Line-by-line consolidation was applied to all subsidiaries within the consolidation scope. This method requires the full inclusion of assets and liabilities and cost and revenues of the companies within the consolidation scope, regardless of the holding of the consolidating company. The consolidated balance sheet and income statement present all the items of the parent company and of the other companies included in the consolidation, net of the adjustments illustrated below.
The book value of investments in subsidiaries is eliminated against the corresponding portions of shareholders' equity; this involves replacing the value of the corresponding item with the assets and liabilities of each of the consolidated companies. The difference between the acquisition price of the equity investments and the book net equity at the date on which control of the company was acquired is allocated, where possible, to each identifiable asset acquired, up to the present value of each asset, and in any event, not in excess of their recoverable amount, and to each identifiable liability assumed, including the deferred tax assets and liabilities to be recognised on the basis of the greater or lesser values allocated to the assets and liability accounts of the consolidated companies. Any surplus remaining from this allocation process:

- If positive, is recorded in an asset account called "goodwill", provided that it meets the requirements for recognition, in accordance with Italian GAAP accounting standard OIC 24 "Intangible Assets" (otherwise, if the surplus, in part or in full, does not correspond to a higher value of the investee, it is charged to the income statement under item B14 "miscellaneous operating expenses").
- If negative, is recognised under the “consolidation reserve" net equity account, unless it relates, in whole or in part, to the forecast of unfavourable operating results (in which case a specific "Consolidation reserve for future risks and charges" is recognised to consolidated balance sheet liabilities).

In addition, the financial statements of the parent company and subsidiaries have been adjusted, where appropriate, as follows:

- Accounting for finance leases using the finance method, i.e. eliminating the effect on the income statement of lease payments for capital goods obtained through leases and restoring the effect on the balance sheet that would occur if these assets had been acquired from the outset by means of a purpose loan (thus recognising in the balance sheet the value of the fixed assets acquired by means of leases and the corresponding financial payables, and in the income statement the related income components of depreciation and interest);
- Eliminating the effect of IRES tax consolidation;
- Eliminating of intra-group balances and transactions;
- Inter-company margins;
- Any capital gains on disposal of Assets.

These transactions changed the respective operating results and consequently the respective equity values of the companies included in the consolidation scope. The financial statements thus adjusted were, after translation into Euro where necessary, used to form the consolidated financial statements.

Minority interest consolidated net equity and result

This item includes all transactions of an equity nature carried out between the Group and parties exercising their rights and duties as shareholders. The share capital shown in the consolidated financial statements coincides with that of the parent company.
The share of net equity and of the consolidated result corresponding to the minority interests are recognised to specific consolidated net equity accounts, respectively “Minority interest capital and reserves” and “Minority interests net profit (loss)”. The portion of the result for the year corresponding to minority interests is shown as a reduction of the consolidated comprehensive income.
Where the minority interest losses of a subsidiary result in the “Minority interest capital and reserves” account becoming negative, the deficit is allocated to the majority shareholders. In the event that profits are subsequently generated, the relevant share due to minority shareholders is allocated to the majority shareholders until, cumulatively, the total losses previously absorbed by them are recovered. If minority shareholders have expressly committed to cover losses, and this is likely to occur, the deficit is thus recorded in the item ”Minority interest capital and reserves”.
Where, on the acquisition of a shareholding, the minority interest consists of a deficit, this interest is valued at zero, unless the latter have expressly undertaken to settle the amount. This situation, in the elimination of the investment, is reflected in an increase in the cancellation difference. If, on the other hand, profits pertaining to minority interests are subsequently generated, these profits are accounted for as a reduction, up to the amount, of the goodwill recorded when allocating the cancellation difference until the losses initially recorded as an increase in goodwill net of the amortization made are fully recovered.

Translation of financial statements not expressed in Euro

For the inclusion in the consolidation scope of companies preparing their financial statements in currencies other than the euro, preliminarily they have been converted into euro. The same is done for investments measured by the equity method.
The conversion of a financial statements in a foreign currency, for the purposes of preparing the consolidated financial statements, is undertaken utilising:

a) The spot exchange rate at the reporting date for the conversion of assets and liabilities;
b) The average exchange rate for the year at the date of each transaction for income statement and cash flows items;
c) The historical exchange rate at the time of their formation for equity reserves (other than the reserve from translation differences).

The net effect of translating the financial statements of the investee company into the accounting currency is recorded in a specific "Translation difference reserve" within the consolidated shareholders' equity, which becomes available in the event of partial/total disposal of the foreign company.
It should be noted that the foreign currencies that have been converted for the purposes of the consolidated financial statements are the Algerian Dinar and the Romanian Leu.
There are also exchange rates for Feralpi Hungaria (Hungarian forint) and Feralpi Praha (Czech koruna).

The average and year-end exchange rates used are shown below:

Currency	31.12.22 - Average exchange rate	31.12.22 - Year-end exchange rate	31.12.21 - Average exchange rate	31.12.21 - Year-end exchange rate	31.12.20 - Average exchange rate	31.12.20 - Year-end exchange rate	01.01.20 - Average exchange rate	01.01.20 - Year-end exchange rate
Algerian Dinar	145.8720	146.5049	157.1032	157.4077	159.7678	162.1071	132.7961	133.3721
Romanian Leu	4.9224	4.9495	4.9492	4.9490	4.8703	4.8683	4.7788	4.7828
Hungarian forint	407.6814	400.8700	367.4991	369.1900	359.0159	363.8900	334.3795	329.9800
Czech Crown	24.2695	24.1160	25.2456	24.8580	26.3114	26.2420	25.2156	25.4110

In cases where an investee company operates in a foreign country featuring high inflation, before translating the financial statements into the accounting currency of the parent company for consolidation purposes, the cost of property, plant and equipment and related depreciation and any other adjustments to the book value of other assets, liabilities, income and expenses are revalued in order to eliminate the distortive effects of inflation.
Inflation in the country where the investee operates is considered to be higher or lower depending on the specific circumstances, taking into account, for example, the current and cumulative inflation rate and the capital employed in the management of the subsidiary. Normally, a country whose economy is subject to a cumulative inflation rate of at least 100% over three years is considered to be burdened by high inflation.

Format of financial statements and accounting principles

Pursuant to Article 2423 of the Civil Code, in the preparation of the financial statements the company complied with the obligations of clarity and true and fair representation of the balance sheet, financial position of the company and of the result for the year.
The recognition, valuation, presentation and disclosure of the account items may differ from those governed by the provisions of Law on financial statements where their non-compliance would have immaterial effects on the true and fair representation of the balance sheet, financial position of the company and of the result for the year. For such purpose disclosure is considered significant, based on qualitative and/or quantitative aspects, when its omission or incorrect reporting could reasonably impact the decisions taken by the users on the basis of the financial statements of the entity. Further specific criteria adopted to establish the concept of immateriality are indicated in the individual account items in the financial statements when concerned by their application. The recognition of individual account items is also based on similar account line items.
The statutory principles contained in Article 2423-bis of the Civil Code outlined below were also applied.
The accounts have been measured on a prudent and going concern basis, while also taking account of the substance of the transaction or the contract. For each transaction or event, and however for all company operations, the substance was identified regardless of origin and any interdependence of a number of contracts within the same complex operation was assessed.
The profits/losses indicated in the financial statements are exclusively those realised during the year. Income and charges are recognised on an accruals basis, independently of the date of receipt or payment. Any risks and losses pertaining to the year, even if only known following year-end, are included in the financial statements.
Dissimilar components of individual accounts are valued and recognised separately.
In accordance with Article 2423 ter, paragraph 5, of the Civil Code, the amount corresponding to the previous year is reported for each Balance Sheet and Income Statement account. When the accounts are not comparable, the amounts of the previous year are appropriately amended and the non-comparability is adjusted or the impossibility of such is reported and commented upon in these Explanatory Notes.
In accordance with Article 2423-ter, paragraph 2 of the Civil Code, accounts preceded by Arabic numbering may be further divided, without elimination of the overall account and the corresponding amount; these may be grouped together only where such grouping, due to their amount, would not affect the presentation of a true and fair view of the Company balance sheet and financial position or the result for the year or where facilitating financial statement clarity. In this latter case, the Explanatory Notes separately present the grouped accounts.
The financial statements and all amounts in the comments and schedules in these Explanatory Notes are expressed in thousands of Euro unless specifically stated.
The information in these Notes to the Financial Statements regarding items in the Balance Sheet and related items in the Income Statement is presented in the order in which the related items are shown in the Balance Sheet and Income Statement in accordance with Article 2427, paragraph 2, of the Civil Code.

Accounting policies

The accounting policies are in accordance with Article 2426 of the Civil Code and the relative accounting standards. The financial statements also include continuity with the previous year in the application of the accounting policies adopted in preparing the financial statements.

Intangible assets

Intangible assets are recorded at cost and relate to long-term expenditures.
They are amortised over five fiscal years or in proportion to the expected period of use, if different, as provided for in Article 2426 of the Civil Code.

Category	%
Set up and expansion costs	20%
Development costs	20%
Industrial patents	20%
Concessions, licences and trademarks	10% 20%
Goodwill	10%
Other tangible assets	10% 20%

Property, plant & equipment

Property, plant and equipment are recorded at cost, plus directly attributable incidental expenses, adjusted for revaluations made in accordance with the Law. Land and real estate are, in addition, adjusted by allocating on first consolidation the difference between the recorded value of the investments and the equity of the investee, as it is deemed to be capacious based on current values documented by external appraisals.
The cost of property, plant and equipment is adjusted by depreciation calculated on the basis of the remaining usable life of the assets. The depreciation rates used are as follows, unchanged from last year:

"Steel and Steelmaking" business unit

Category	%
Buildings	2.5% - 5%
Small construction - Canopies	10%
Plant & machinery	from 5% to 20%
Industrial & commercial equipment	12.50% - 20% - 25% - 100%
Other assets	12% - 20% - 25%

"Environmental Sector" business unit

Category	%
Plant & machinery	10% - 15%
Industrial & commercial equipment	12%
Other assets	12% - 20%

In the first year of the new asset's life, in order to adjust depreciation on average to actual time usage, depreciation schedules provide for the application of a rate that takes into account the date the asset is put into service.
In particular, it should be noted that, in the Group, fixed assets are depreciated at rates that take into account the residual possibility of their use, in accordance with the provisions of Article 2426 of the Civil Code, and in accordance with the depreciation schedule, which has not changed from the previous year.

Tangible and intangible asset impairments

Impairments of tangible and intangible fixed assets are recognised as per OIC 9.
At each reporting date, the company assesses whether indicators suggest that a fixed asset may have been impaired. Where such indicators exist, the company estimates the recoverable value of the asset. In particular, where the recoverable value of an asset (or the higher between its value in use and its fair value) is lower than the carrying amount, the asset is recognised at this lower amount. The difference is recognised to the income statement as an impairment to account B10c.
The Company, in order to assess whether an asset has incurred an impairment, considers the following indicators:

- whether during the year the market value of the asset has declined significantly, more than would be expected as a result of the passage of time or normal use;
- significant changes with an adverse effect on the entity during the period, or in the near future, with regards to the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated;
- whether the obsolescence or physical deterioration of an asset is evident;
- if significant changes with an adverse effect on the company have occurred during the year (such as non-use of the asset, plans for disposal or restructuring, redefinition of the useful life of the fixed asset), or are expected to occur in the near future, in the extent or manner in which an asset is used or expected to be used.

Financial assets

Investments in associates, as defined in Article 2359 of the Civil Code, are measured using the equity method.
Investments in other companies, are carried at cost adjusted for any permanent loss in value. Receivables are recorded at amortised cost, which corresponds to the estimated realisable cost adjusted for impairment losses, if any.
Other Securities are recorded in the balance sheet at their nominal value, which corresponds to their estimated realizable value.

Derivative financial instruments

Derivative financial instruments are recognised from the contract signing date, from when the company is subject to the relative rights and obligations.
In accordance with Article 2426, paragraph 1, No. 11-bis, of the Civil Code and OIC 32, derivative financial instruments, even if incorporated into other financial instruments, are measured at fair value both at the initial recognition date and at all subsequent financial statement reporting dates. The initial recognition and the change in the fair value compared to the previous year are recorded in the financial statements according to whether the derivative financial instruments qualify (and are effectively designated) as cash flow hedges.

Transactions qualifiable (and designated) as hedges

The company enters into transactions in derivative financial instruments to hedge against the risk of interest rate fluctuations.
A derivative financial instrument operation is designated as a hedge where:

a) The hedging relationship consists only of admissible hedging instruments and admissible hedged elements in accordance with OIC 32;
b) there is a close and documented correlation between the features of the instrument and the hedged operation and those of the hedged instrument, in accordance with Article 2426, paragraph 1, No. 11-bis of the Civil Code; the documentation concerns the formalisation of the hedging relationship, of the company risk management objectives and the hedging strategy;
c) the hedging relationship satisfies all the following hedge efficacy requirements:
    I. there is a financial relationship between the hedged element and the hedging instrument;
    II. the effect of the credit risk of the counterparty of the derivative financial instrument and the hedged element, where the credit risk is not the subject of the hedge, does not take precedence over changes in the value resulting from the financial relationship;
    III. the hedging ratio is calculated as that between the quantity of derivative financial instruments utilised and the quantity of the hedged elements (as an amount which does not *ex ante* result in the inefficacy of the hedge).

Verification of the financial relationship is made qualitatively, establishing that the elements giving rise to the hedging instrument or the hedged element correspond or are strictly aligned, and also quantitatively.
Where hedging operations concern derivative financial instruments with entirely similar features to those of the hedged element (defined as “simple hedging relations”) and the derivative financial instrument is subscribed at market conditions, the hedging relationship is considered effective by simply verifying that the main elements (such as the nominal amount, the settlement date of cash flows, the maturity and the underlying variable) of the hedged instrument and of the hedged element correspond or are strictly aligned and that the credit risk of the counterparty is not such to significantly affect the fair value both of the hedging instrument and of the hedged element.

Assessment of the applicability of the admissibility criteria is made on an ongoing basis and at each reporting date the company assesses whether the hedging relationship continues to satisfy the efficacy requirement.
This type of hedge is undertaken when the hedging objective is to limit exposure to the variability of cash flows relating to an asset or liability recognised to the financial statements, to irrevocable commitments, or to highly probable operations. The Company recognises to the balance sheet at fair value the cash flow hedge instrument, related to an asset or liability recognised to the financial statements, an irrevocable commitment or a highly probable operation, with counter-entry account A VII "Cash flow hedge reserve" for the hedge component considered efficient, with the ineffective component, calculated for hedging relations not qualifying as simple hedges, recognised to section D) of the income statement.
For cash flow hedges related to an asset or a liability recognised to the financial statements or a highly probable operation or irrevocable commitment, the reserve is recognised to the income statement in the years in which the cash flows hedged have an effect on the result for the year and in the same account impacted by the cash flows.
For a cash flow hedge relating to a highly probable operation or an irrevocable commitment which involves subsequently the recognition of a non-financial asset or liability, the Company on the recording of the asset or of the liability subject to the hedge eliminates the amount from the cash flow hedge reserve and includes it directly in the carrying amount of the asset (within the limit of the recoverable amount) or of the liability. Where however a negative reserve does not expect to recover all the loss or part of the reserve in a year or in a number of future years, the company immediately records the reserve to the income statement for the year (or the part of the reserve) which is not expected to be recovered.

Inventories

Inventories are measured at the lower of purchase cost (including incidental expenses) or production cost and market value in accordance with Article 2426 Civil Code points 9 - 10. For raw materials, accessories, semi-finished consumables, finished goods, and work in progress, the weighted average cost method was used. Ancillary materials are measured at the weighted average cost for the year. Manufacturing cost includes the cost of raw materials, materials, labour and all other direct and indirect production expenses.
Cost includes, in addition to the invoice price, ancillary costs such as customs, transportation and other taxes directly attributable to that material, net of returns, trade discounts, rebates and premiums.
The value of inventories thus obtained is written down to reflect the obsolescence of the goods, in addition to the effective possibility of sale on the basis of their movement.
Inventories are written back in the period in which the reasons for the previous write-down no longer apply within the limits of the original cost incurred.

Receivables and payables

Receivables are measured in the financial statements at amortized, cost taking into account the time value of money, and within the limit of their realizable value and, therefore, are recorded in the Balance Sheet net of the relative write-down provision considered adequate to cover expected losses for non-recoverability.
Where the interest rate for the operation is not significantly different from the market rate, the receivable is initially recognised at the nominal value net of all premiums, discounts and rebates and including any costs directly associated with the transaction generating the receivable. These transaction costs, any commission income and expense, and any difference between the initial value and the nominal value at maturity are allocated over the life of the receivable using the effective interest method.
However, when the interest rate on the transaction based on contract terms and conditions is significantly different from the market rate, the receivable (and corresponding revenue in the case of a trade receivables) is initially recognised as the present value of the future cash flows, plus any transaction costs. The rate used to discount future cash flows is the market rate.
In the case of receivables arising from commercial transactions, the difference between the initial recognition value of the receivable so determined and the forward amount is recognised to the income statement as financial income over the duration of the receivable utilising the effective interest rate criterion.
In the case of financial receivables, the difference between the cash amount issued and the present value of the future cash flows, utilising the market interest rate, is recorded under income or financial charges in the income statement on initial recognition, except where the substance of the operation or of the contract indicate a different approach for this item. Interest income accruing on the transaction is then calculated at the effective interest rate and recognised as a both a cost and the corresponding receivable.
The value of receivables is subsequently reduced by the amounts received, both principal and interest, as well as any write-downs to record the receivables at their estimated realisable value or for losses.
The effects deriving from the application of the amortised cost and of the discounting are not expected to be significant for the Group when the receivables are due within 12 months, taking account also of all contractual and substantial considerations on the recognition of the receivable, and the settlement costs and any difference between the initial value and the nominal value on maturity are insignificant. In this case, discounting was omitted, interest was calculated at nominal value and settlement costs were recognised to prepayments and amortised on a straight-line basis over the duration of the receivable and adjusted by nominal interest income.

Tax Receivables

This item includes receivables from the tax authorities; they are recorded at their estimated realizable value.

Deferred tax assets

This item refers to the tax deductibility of negative income components with respect to the year in which they accrue; they are recorded at their presumed realisable value, considering taxable income expected in future years in relation to the reasonable certainty of their recovery.

Cash and cash equivalents

They are recorded at their nominal value.

Prepayments and accrued income

Prepayments and accrued income and accrued expenses and deferred income are recorded under the accruals basis.

Provisions for risks and charges

This item includes provisions estimated on the basis of payables or losses, the nature of which is determined and the existence of which is certain or probable, the amount or date of occurrence of which is undetermined at the close of the fiscal year.
These provisions have been measured in accordance with the prudence and accruals concepts and no provision has been made for matters without any economic justification.
The contingent liabilities reflected in these provisions are probable and may be estimated with reasonable accuracy.

Post-employment benefit provisions

The post-employment benefits provision covers the entire liability matured to employees in compliance with legislation in force and collective employment agreements. This liability is revalued pursuant to Article 2120 of the Civil Code.
The post-employment benefits recorded in the financial statements derive from the total individual indemnities matured by employees including revaluations, net of advances paid, and taking into account the reform introduced by Law No. 2007 of December 27, 2006 (2017 Finance Law) in relation to the allocation of the benefits (to the INPS treasury fund or other chosen bodies).
As a result of this reform, the Post-Employment Benefits matured until December 31, 2006 remain within the company and contribute to the benefits recognised in the financial statements.
From January 1, 2017, the post-employment benefits matured in the year are recognised to the income statement and reflected, for the amount yet to be paid to the INPS Treasury Fund or to other provisions, to current payables at account D14.

Tax payables

The tax liability reports the tax charges for the year based on a realistic forecast, in addition to the various taxes and charges for VAT and the payable of individual companies arising from substitute tax positions.

Costs and Revenues

Costs and revenues for the year are accounted for on an accrual basis and are recognized when the asset is delivered. Revenues and income, costs and charges are recorded net of returns, discounts and allowances.

Income taxes

Direct income taxes accruing in the year are recognised according to an estimate of the assessable income, in compliance with statutory rules and the applicable rates, taking account of any exemptions. For the recognition of income taxes accrued, an analysis is also made of the temporary differences between the book value of assets and of liabilities and the corresponding amounts recognised for tax purposes and/or among the income items recognised to the Income Statement and those assessable or deductible in future years, according to OIC 25. In the event of temporary differences in taxation, deferred tax liabilities are recognised except in the cases specified by OIC 25. In the event of temporary differences in deductibles, deferred tax assets are recognised only if there is reasonable certainty that they will be recovered in the future. Deferred tax assets and liabilities are calculated on the cumulative total of all temporary differences for the year and applying the tax rates which will be in force in the year in which the temporary differences reverse, based on current fiscal regulations at the reporting date. Deferred tax assets and deferred tax liabilities are not discounted. Tax receivables and payables are offset only if there is a legal right of offset of the amounts recorded based on tax law and there is the intention to settle the tax payables and receivables on a net basis through a single payment.

Transactions in foreign currencies

In accordance with Article 2426, paragraph 1, No. 8-bis of the Civil Code, cash assets and liabilities in currencies other than the functional currency (“reporting currency”), subsequent to initial recognition, are recorded at the exchange rate at the reporting date. The consequent exchange gains or losses are recognised to account C17-bis) “Exchange gains and losses” in the income statement and any net gain, contributing to the net result, is provisioned to a specific non-distributable reserve until realisation. Non-cash assets and liabilities in currencies other than the reporting currency are recognised at the exchange rate applicable on acquisition. Where the exchange rate applicable at year-end significantly differs from that at the acquisition date, the altered exchange rate is one of the elements taken into consideration in assessing the carrying amount of the individual non-cash assets. In this case therefore, any exchange differences (positive or negative) are considered in calculating the recoverable value.
With regard to equity-accounted investments, where the underlying financial statements are expressed in foreign currencies, they are translated into the reporting currency in accordance with the provisions of OIC 17 "Consolidated Financial Statements and the Equity Method”, and, subsequently, the investment is valued in accordance with the specific accounting rules of the equity method.
Significant unexpected fluctuations in the exchanges rates against the foreign currencies to which the company is exposed most subsequent to year-end which are not hedged are not recognised to the financial statements as accruing to the subsequent year. However, they are illustrated in the “subsequent events” section of these Explanatory Notes.

Change of accounting policies

The accounting policies applied in relation to the changes to voluntary (or also obligatory) accounting standards where specific differing rules are not established are reported below.
The change to an accounting policy is recognised in the year in which it is adopted and the relative events and operations are handled in compliance with the new standard which is applied retroactively. This results in the accounting recognition of these effects in the opening shareholders’ equity balance.
For comparative purposes only, if possible and not excessively onerous, the opening shareholders’ equity of the previous year and the comparative figures for the previous year are adjusted as if the new accounting standard had always been applied.
In the cases where it is not possible to calculate the cumulative prior effect of the change to the standard or the calculation of the prior effect is excessively onerous, the Company applies the new accounting standard from the first date from which such is possible. Where this date coincides with the beginning of the present financial year, the new accounting standard is applied prospectively.
The effects from the adoption of the new standards on the balance sheet, income statement and cash flow statement, where existing, are indicated and commented upon in these Explanatory Notes within the relative notes.

Correction of errors

An error is detected when an incorrect qualitative and/or quantitative representation of a financial statement figure and/or information provided in the Notes to the Financial Statements is identified and at the same time information and data are available for its correct treatment. Major errors are corrected by adjusting the balance sheet item that was affected by the error at the time, charging the correction of the error to the opening balance of shareholders' equity for the year in which the error is identified.
Solely for comparative purposes, where possible, the Company corrects a material error made in the previous year by restating the comparative amounts, whilst if an error has been made in prior years it is corrected by restating the opening balances of the previous year. When it is not feasible to determine the cumulative effect of a material error for all prior periods, the company restates comparative values to correct the material error from the earliest date when this is feasible.
Immaterial errors made in previous years are accounted for in the income statement of the year in which the error is identified.

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Assets

B. Fixed Assets
I. *Intangible assets*

The following table shows the changes in intangible assets during the year 2022:

	Set up and expansion costs	Development costs	Industrial patents	Goodwill	Assets in progress & advances	Other intangible assets	Total intangible assets
Opening balance							
Cost	2,704	1,622	20,771	3,763	489	42,060	71,409
Amortisation (Accumulated Amortisation)	(2,704)	(1,620)	(11,900)	(2,820)	(384)	(36,920)	(56,348)
Carrying amount	0	2	8,871	943	105	5,140	15,061
Changes in the year							
Increases for acquisitions	11	-	71	8,374	67	2,340	10,863
Amortisation for year	-	(2)	(3,381)	(817)	-	(1,812)	(6,012)
Decrease for disposals							0
Reclass. Group category					(104)	(2,579)	(2,683)
Total changes	11	(2)	(3,310)	7,557	(37)	(2,051)	2,168
Closing balance							
Cost	2,715	1,622	20,842	12,137	452	41,821	79,589
Amortisation (Accumulated Amortisation)	(2,704)	(1,622)	(15,281)	(3,637)	(384)	(38,732)	(62,360)
Carrying amount	11	-	5,561	8,500	68	3,089	17,227

Development costs
Development costs concern charges incurred for the purpose of obtaining predetermined scientific or technical knowledge in the field in which the Group operates and implementing the procedures necessary for the economic exploitation of the knowledge acquired.

Patents and intellectual property rights
Industrial patent and intellectual property rights relate entirely to costs for software and application programs. In particular, the main investments refer to the implementation of the SAP management program, accounted for in the Parent Company, as well as the development and purchase of licenses for the automation of the production warehouse of one of the Group companies. The increases for the year relate to costs incurred for the implementation of SAP in the Group's German companies and the expansion of the consolidation scope.

Goodwill
During 2017, Presider S.p.A., which had generated goodwill in the consolidated financial statements of Euro 2,047 thousand, was fully acquired. This goodwill is amortised over ten years.
The increase in fiscal year 2022 was generated as a result of the acquisition of three Spanish companies by Nuova Defim S.p.A.. The price paid was higher than the equity, and the difference is justified by the strategic business prospects that these entities represent for the Group.

Work in progress & advances
The item "assets in progress and advances" includes projects not yet completed that be completed in the following year.

Other intangible assets
This refers mainly to the change in the consolidation scope due to the inclusion of the Spanish companies.

As for the reclassification of the group to which it belongs, the same amount is reported in the table in property, plant and equipment.

II. Property, plant & equipment

The following table shows the changes in property, plant and equipment during the year:

	Land and buildings	Plant and machinery	Leased plant and machinery	Industrial & commercial equipment	Other tangible assets	Assets in progress and advances	Total property, plant and equipment
Opening balance							
Cost	324,789	859,162	16,431	17,296	51,759	60,369	1,329,807
Amortisation (Accumulated Amortisation)	(138,896)	(707,570)	(8,753)	(14,821)	(41,771)	(15,374)	(927,185)
Carrying amount	185,894	151,592	7,678	2,475	9,988	44,995	402,621
Changes in the year							
Increases for acquisitions	12,537	42,585	-	407	4,084	57,296	116,909
Depreciation for the year	(9,179)	(38,378)	(437)	(783)	(3,934)	-	(52,711)
Decreases	(638)	(3,252)	-	-	(8)	-	(3,898)
Reclassifications	6,063	26,153	-	39	49	(29,621)	2,683
Total changes	8,783	27,108	(437)	(337)	191	27,675	62,983
Closing balance							
Cost	342,751	924,648	16,431	17,742	55,884	88,044	1,445,500
Amortisation (Accumulated Amortisation)	(148,075)	(745,948)	(9,190)	(15,604)	(45,705)	(15,374)	(979,896)
Carrying amount	194,677	178,700	7,241	2,138	10,179	72,670	465,604

The increases of Euro 116,909 thousand are described in the Directors' Report.

The value of buildings also includes the amount (net of depreciation) of revaluations made according to Decree Law 104/2020. Details are shown below:

Company	Regulation	Categories reevaluated	Asset value	Effect on Net Equity
Feralpi Siderurgica S.p.A.	2008 (D.L. 185/2008)	Land	34,000	34,000
Acc. Di Calvisano S.p.A.	2008 (D.L. 185/2008)	Land	10,768	10,768
Feralpi Profilati Nave S.r.l..	2008 (D.L. 185/2008)	Land and buildings	2,648	2,586
Caleotto S.p.A.	2020 (D.L. 104/2020)	Land and buildings	8,884	8,618
Total			56,300	55,972

III. Financial fixed assets

"Financial fixed assets" and changes from the previous year are provided below:

Description	2022	2021	Change
Investments in associates	34,462	29,327	5,134
Investments (other)	5,160	9,531	(4,372)
Receivables from associates	2,600	10	2,590
Other receivables	8,020	5,498	2,522
Other Securities	17,792	8,601	9,190
Total	68,033	52,968	15,066

Investments in associates, consolidated using the equity method reflect the Group profit of the individual companies, which is described in the relevant section of the income statement.

Investments in associates

Associates measured by the equity method are as follows:

Name and location	Share capital	Shareholders' Equity	Share of Profit/(loss)	Investments held in %	Carrying amount
Beta S.A. Buzau (R)	714	14,858	5	24.00%	3,566
Media Steel Srl	200	6,920	203	45.00%	3,114
Dima	1,000	6,471	645	31.00%	2,016
Alpifer Srl (Unifer-Steelfer)	9,560	29,960	3,628	50.00%	14,980
Comeca S.p.A.	2,800	11,595	207	22.85%	2,650
Agroittica S.p.A.	12,500	16,588	(442)	45.46%	7,541
San Vigilio partecipazioni	50	1,581	152	33.00%	332
Far Energia S.r.l.	100	851	51	30.00%	264
Totale associates			4,292		34,462

For details of revaluations and write-downs for the year, please refer to the appropriate section in the income statement “Adjustments to financial assets”.

Other companies

The following is a breakdown of equity investments in "Other companies" with the changes during the year:

Description	2021	Increase	Decrease	2022
Finanziaria di Valle Camonica S.p.A.	3817	125	-	3,942
Fondazione nazionale CRS	5	-	-	5
CSMT	22	-	-	22
Metalinterconnector	4861	-	(4,861)	-
Alpicapital	440	-	-	440
Cysero EuVeCa	186	116	-	302
Other minor	200	248	-	448
Total other companies	9,531	489	(4,861)	5,160

The most significant changes in2022 concern the write-down of the shareholding in Metalinterconnector adjusted to the value of the equity share, recorded in the financial statements of the subsidiaries Feralpi Siderurgica S.p.A. (Euro 2,991 thousand) and Acciaierie di Calvisano S.p.A. (Euro 1,870 thousand).

Financial receivables from associates and others

Details of financial receivables from associates are shown below:

Description	2021	Increase	Decrease	2022
Associates (within 12 months)	10	2,600	(10)	2,600
Other	5,498	4,603	(2,081)	8,020
Total	5,508	7,203	(2,091)	10,620

The most significant amounts recorded under Other receivables are shown below:

- Loans in Metalinterconnector of Euro 1,975 thousand in Feralpi Siderurgica and Euro 1,171 in Acciaierie di Calvisano, recorded at estimated realisable value;
- Receivable for Euro 2,800 thousand in the subsidiary Feralpi Villasor S.r.l. paid as an advance for the purchase of shares in a corporate vehicle that is continuing the activities to obtain the authorisation process for the plant and management of the photovoltaic park.
- Security deposit guarantee for goods supplied of Euro 850 thousand in the subsidiary ESF.

Derivative financial instrument assets

Derivative financial instrument assets, specifically IRS hedging, are included under financial fixed assets amounting to Euro 16,787 thousand. The significant increase during the year was due to the increase in the Mark To Market resulting from the rise in interest rates on hedges made on financial payables described among the significant events in the Directors' Report.

C. Current assets

I. Inventories

Inventories measured at the lower of cost or market, are valued using the weighted average cost method. This method appears more appropriate to normalise the price swings of both the raw material and, consequently of the finished product, allowing the reader a better interpretation of the data. Inventories at December 31, 2022 were recorded by physical stock-taking under the control of the various department heads.

Details are provided below regarding the changes by individual category:

Description	2022	2021	Change
Raw materials, ancillaries and consumables	148,152	163,890	(15,738)
Work in progress and semi-finished goods	34,222	34,345	(123)
Finished goods and goods	217,469	196,854	20,614
Advances	342	434	(92)
Total	400,184	395,524	4,661

The increase in inventories compared to the previous year was due to the rise in input costs. In addition, through a detailed analysis of article movements, write-downs were made within two categories of inventories, the first referring to finished goods, and the second referring to spare parts inventory.

For further information, reference should be made to the Directors' Report.

II. Trade receivables

The balance of Trade receivables is detailed as follows:

Description	2022	2021	Change
Current trade receivables	418,901	427,307	(8,405)
Current receivables from associates	32,860	29,629	3,230
Current tax receivables	68,572	20,294	48,278
Current deferred tax assets	15,448	29,366	(13,918)
Current other receivables	11,781	13,288	(1,507)
Total	547,562	519,884	27,678

The balance of trade receivables for the year ended December 31,2022 is broken down by maturity as follows:

Description	Within 12 months	Beyond 12 months	Total
Current trade receivables	418,901	-	418,901
Current receivables from associates	32,860	-	32,860
Current tax receivables	68,300	272	68,572
Current deferred tax assets	14,818	630	15,448
Current other receivables	8,285	3,496	11,781
Total	543,164	4,398	547,562

Trade receivables are recognised net of the doubtful debt provision of Euro 6,132 thousand. Trade receivables are adjusted to reflect their estimated realisable value through a doubtful debt provision, and whose movements were as follows. In particular, the increase is due to the higher provision made by individual entities to deal with possible insolvencies that could be caused by future economic and financial uncertainty.

Description	2021	Use	Provision	2022
Doubtful debt provision	5,019	(805)	1,918	6,132

Trade receivables are exclusively trade receivables and are broken down by geographical area as shown in the following table:

	Trade Italy	Non-EU	Total
Current trade receivables	295,479	25,960	418,901
Current receivables from associates	32,724	-	32,860
Current tax receivables	-	1,908	56,272
Current deferred tax assets	-	7,172	15,448
Current other receivables	382	167	24,081
Total	328,585	35,207	547,562

Tax receivables

Tax receivables amounting to Euro 68,572 thousand are broken down as follows:

Description	2022	2021	Change
VAT receivable	6,687	9,894	(3207)
R&D tax credit	8,370	3,352	5,018
Energy tax credit	47,849	6,209	41,640
IRAP/IRES receivables	5,488	711	4,777
Other minor	178	128	50
Total	68,572	20,294	48,278

Tax receivables increased compared with the previous year by Euro 48,278 thousand, mainly due to the effect of energy credits transferred to the holding company by the Group's production companies for Euro 47,849.

Deferred tax assets

Changes in deferred tax assets are provided below, see the income statement under income taxes for further details:

Description	2022	2021	Change
Tax losses	-	22,798	(22,798)
Material to be deferrized	238	185	53
Inventory obsolescence	3,495	-	3,495
Adjustment amort. civil and tax	1,000	461	539
Other risk provisions	1,035	439	596
Amortisation and depreciation	5,080	3,507	1,573
Miscellaneous	4,600	1,976	2,624
Total	15,448	29,366	(13,918)

Deferred tax assets on tax losses were utilised due to higher profits realised by the Group's Italian companies.
Inventory write-downs of Euro 3,495 were made by Acciaierie di Calvisano and Feralpi Siderurgica following an analysis of slow-moving or zero-moving inventories.

Other receivables

Other receivables amounted to Euro 11,781 thousand and reduced by Euro 1,507 thousand compared to the previous year; the most significant item refers for Euro 2,162 thousand to the receivable from the customer AFV for the sale of market shares related to merchant profiles. The final settlement for these receivables will be in FY2023.

Current financial assets

A comparison with the previous year is shown below:

Description	2022	2021	Change
Current financial assets	53,671	686	52,985

The most significant amounts refer to an escrow deposit in the subsidiary ESF for Euro 50,000,000, Euro 2,985,000 in the subsidiary Ecoeternit for government securities held in portfolio, and Euro 450,000 for Deposit Certificates subscribed by the parent company with Banca Santa Giulia in fiscal year 2015.

IV. Cash and cash equivalents

Description	2022	2021	Change
Bank and postal accounts	181,103	103,581	77,521
Cash and other liquidity held as cash	8	9	(1)
Total	181,111	103,591	77,520

The balance represents the cash and cash equivalents and the existence of cash and cash equivalents at the end of the financial year; for further analysis please refer to the cash flow statement set out in the Directors' Report.

D. Prepayments and accrued income

They relate to income and charges accounted for on an accruals basis, irrespective of the date of payment or receipt. The accounting policies adopted in the measurement and translation of foreign currency amounts are described in the first part of the present notes. There are no accruals and deferrals at 31/12/2022 with a duration of more than five years.
The changes in the item compared with the previous year and the breakdown of the item are reported below:

Description	2022	2021	Change
Total prepayments	5,024	2,753	2,271
Total	5,024	2,753	2,271

Description	2022	2021	Variazione
Misc.	761	1,731	(970)
CO2 quotas	3,594	-	3,594
Interest and fees	23	46	(23)
Insurance and sureties	646	976	(330)
Total prepayments	5,024	2,753	2,271

The CO_2 quotas were recorded in prepayments for the first time due to the purchase of a significant amount made during the year.

3

Liabilities

A. Shareholders' Equity

The parent company's share capital at December 31,2022 amounted to Euro 55,000 thousand.

The reconciliation of the Parent Company Feralpi Holding S.p.A Financial Statements at December 31, 2022 with the Consolidated Financial Statements in terms of the shareholders' equity and net result for the year is reported in the following table:

RECONCILIATION BETWEEN PARENT COMPANY SHAREHOLDERS' EQUITY AND RESULT FOR THE YEAR AND CONSOLIDATED SHAREHOLDERS' EQUITY AND RESULT FOR THE YEAR ENDED DECEMBER 31, 2022

	Net result	Shareholders' Equity
Feralpi Holding S.p.A.	**24,061**	**145,323**
Elimination of the effects of intra-group transactions		
Inter-company margins included in the value of inventories	(4,748)	(5,750)
Capital gain/loss on sale of intragroup assets		
Elimination of the carrying amount of equity investments		**(168,181)**
Goodwill	(884)	8,500
Elimination of profit/share. equity of subsidiaries	358,060	986,135
Elimination dividends	(47,537)	47,537
Equity method consolidation	4,631	(11,456)
Write-downs of investments in subsidiaries	628	43
Consolidated profit/capital	**334,210**	**1,002,151**
Minority interest profit/capital	2,716	3,749
Group profit/capital	**331,494**	**998,402**

The above values are net of tax effect.

The following is a statement of changes in the equity accounts:

	share capital	share prem. reserve	legal reserve	extra reserve	retained earn./accum losses	trans. reserve	share prem. reserve	neg. share prem. reserve	reval. reserve	consol. reserve	cash flow hedge res.	net result	total	Min. Int. Share cap.	Min. Int. Profit	total
December 31, 2021	55,000	516	4,499	24,833	43,501	567	-	(1,028)	1,964	385,290	5,476	150,268	670,886	1,043	1,863	673,792
allocation of 2021 result				(1,027)	1,976			1,028		148,292		(150,268)	1	1,863	(1,863)	1
dividends					(9,901)								(9,901)			(9,901)
cash flow edge reserve											5,739		5,739			5,739
other movements						259				(74)			185	(1,874)		(1,689)
2022 result												331,494	331,494		2,716	334,210
December 31, 2022	55,000	516	4,499	23,806	35,576	825	-	-	1,964	533,508	11,215	331,494	998,402	1,032	2,716	1,002,153

The result and shareholders' equity at December 31, 2021 differ from those in the consolidated financial statements filed on the same date because the Group has adjusted the useful lives of certain assets, and consequently the depreciation, in addition to the valuation of some derivative contracts, of the subsidiaries in Germany. This correction resulted in a lower result and shareholders’ equity at December 31, 2021, net of the theoretical tax effect, respectively of Euro 3,751 thousand and Euro 2,685 thousand.

B. Provisions for risks and charges

The breakdown of these provisions is as follows:

Description	2021	Increases	Decreases	2022
Agents’ supplementary indemnity	1,325	88	84	1,329
Deferred tax liabilities	3,655	2,580	199	6,036
Derivative instruments – liabilities	219	-	219	-
Slag disposal	269	586	-	855
Other miscellaneous risks	23,502	4,900	8,798	19,604
Total	28,969	8,154	9,300	27,824

The most significant accounts are as follows:

- deferred taxes with an increase of Euro 2,580 thousand compared to the previous year. Provisions for miscellaneous risks also increased for risks related to possible litigation with former employees.
- miscellaneous risk provisions that as of 31.12.2022 are composed as follows:

Description	2021	Increases	Decreases	2022
Antitrust Sanction provision	5,125	-	5,125	-
Post landfill closure provision	13,125	1,835	185	14,775
Others	5,252	3,065	3,488	4,829
Total	23,502	4,900	8,798	19,604

As for the Antitrust sanction provision, this referred to the provision in the parent company of Euro 5,125 thousand due to the settlement proposal by the European Antitrust Authority for the penalty imposed in the year 1994 repeatedly paid and returned following the decisions issued by the various competent bodies in the relevant levels of judgment, which was accepted and paid in December 2022.

The increase in the "post closure" landfill provision of Euro 1,835 thousand concerns the subsidiary Ecoeternit.

C. Post-employment benefit provision

The changes in the year were as follows:

		Post-employment benefits
Opening balance		7,075
Changes in the year		
	Provision in the year	3,103
	Use in the year	(3,979)
Balance at year-end		6,199

This provision reflects the Group's liability to all employees at December 31, 2022, net of advance payments made.

D. Payables

The payables are stated at nominal value and are broken down as follows:

Description	2022	2021	Change
Bank payables	172,790	223,269	(50,481)
Payables to other lenders	4,840	5,510	(671)
Advances	4,891	5,115	(224)
Trade payables	316,160	370,352	(54,192)
Payables to associates	81,501	84,833	(3,333)
Tax payables	80,809	49,659	31,151
Payables to social security institutions	5,493	5,544	(51)
Other payables	29,754	37,860	(8,107)
Total	696,238	782,144	(85,906)

Description	Within 12 months	Beyond 12 months	Total
Bank payables	61,668	111,121	172,790
Payables to other lenders	688	4,151	4,840
Advances	4,891	-	4,891
Trade payables	316,160	-	316,160
Payables to associates	81,501	-	81,501
Tax payables	80,809	-	80,809
Payables to social security institutions	5,493	-	5,493
Other payables	28,459	1,297	29,754
Total	579,670	116,569	696,238

Bank payables

The balance of amounts due to banks and credit institutions at December 31, 2022 was Euro 172,790. It should be noted that covenants related to outstanding loans have been met.
The breakdown of bank payables is shown below:

Description	2022	2021	Change
For bank accounts	26,250	70,341	(44,091)
For loans within 12 months	47,823	47,844	(21)
For loans over 12 months and within 5 years	98,717	105,084	(6,367)
Total	172,790	223,269	(50,479)

Feralpi Holding S.p.A. issued guarantees, in favour of Banking Institutions, for credit facilities for Group Companies, totalling Euro 299,615 thousand. These are guarantees related to the companies' credit facilities.

Payables to other lenders

Financial payables to other lenders of Euro 4,840 thousand are attributable to the Caleotto company and refer to a financial lease contract (technically lease-back) with a duration of 10 years that had at the date of stipulation (2019), a total value of Euro 8,750 thousand.

Payments for advances

Payables for advances of Euro 4,891 thousand concerned for Euro 4,914 thousand Feralpi Siderurgica Spa, of which Euro 4,000 thousand related to the advance payment received for the future sale of an area to the high-speed rail network.

Trade payables

Trade payables are exclusively of a commercial nature; a breakdown by region is provided below:

Description	Italia Commercial	Total
Trade payables	202,217	316,160
Total	202,217	316,160

Tax payables

Tax payables within 12 months relate to the following:

Description	2022	2021	Change
Irpef	2,507	2,665	(158)
VAT payable	2,584	123	2,461
Group IRES payables	57,517	43,777	13,740
Trade tax (ESF)	13,991	-	13,991
Misc. tax payables	819	-	819
Irap	3,391	3,094	297
Total	80,809	49,659	31,150

The most significant item concerns income tax payables amounting to Euro 57,517 thousand, an increase from the previous year. The increase in tax payables is closely related to the results achieved by Group companies during the year.

Social security institutions

Payables to social security institutions amounting to Euro 5,493 thousand refers to amounts accrued for accrued vacation and leave entitlements. Compared with the previous year, the account reduced by Euro 51 thousand.

Other payables

Amounts due to "Others" by nature are broken down as follows:

Description	2022	2021	Change
Personnel charges allocated	17,181	17,889	(708)
Bonuses to customers	5,901	10,180	(4,279)
Earn out 2022 SAEXPA GROUP	2,120	-	2,120
Other minor	4,552	9,791	(5,239)
Totale	29,754	37,860	(8,106)

The most significant payable relates to the December salaries of employees and contractors, which is as usual disbursed within the initial days of the following month. During the year 2022, a liability was also recognised in connection with the price to be paid to Saexpa's selling shareholders upon the occurrence of certain contractual conditions.

Accrued expenses and deferred income

The account relates to costs and revenues recorded in accordance with the accruals principle. There are no accruals and deferrals at 31/12/2022 with a duration of more than five years. Below is a comparison with the previous year that shows essentially an unchanged situation:

Description	2022	2021	Change
Accrued expenses and deferred income	6,001	1,109	4,892
Total	6,001	1,109	4,892

The significant increase in accrued expenses and deferred income refers to the accounting in some Group companies of the 4.0 tax credit not accruing in this year and deferred over the useful life of the relevant asset.

Deferred income is broken down over time as follows:

Description	Within 12 months	Beyond 12 months	Total
Accrued expenses and deferred income	3,234	2,767	6,001
Total	3,234	2,767	6,001

4

Income Statement

The following is a comparison of the 2022 and 2021 consolidated income statements.

A. Value of production

The value of production breaks down as follows:

Description	2022	2021	Change
Revenues from sales and services	2,398,071	1,928,446	469,625
Changes in inventories	20,674	109,917	(89,243)
Increase in internal work capitalised	5,464	4,730	734
Other revenue and income	111,585	21,203	90,383
Total	2,535,795	2,064,296	471,499

The increase in sales Revenues compared with the previous year is attributable to the development of business activities; for more information, please refer to the Directors' Report.
Other revenues and income are comprised of:

Category	2022	2021	Change
Rental	273	175	98
Release of risk provisions	802	-	802
Incentives	-	2,675	(2,675)
Energy Tax Credit	97,712	-	97,712
Other tax receivables	5,437	-	5,437
Other income and reimbursements	7,361	18,353	(10,992)
Total	111,585	21,203	90,382

The most significant change relates to the "Energy Tax Credit" accrued in Italy, mainly, and Germany.
The following table shows sales revenues by region:

Geographic area	2022	2021	Change
Italy	881,511	795,643	85,868
EU	1,316,530	995,192	321,338
Non-EU	200,030	137,611	62,419
Total	2,398,071	1,928,446	469,625

B. Costs of Production

The composition and change in production costs is shown in the table below:

Description	2022	2021	Change
Raw materials, ancillaries and consumables	1,220,555	1,317,095	(96,540)
Services	667,037	404,130	262,907
Rent, lease and similar costs	7,317	6,182	1,135
Personnel	117,789	109,712	8,077
Amortisation, depreciation & write-downs	60,320	58,315	2,006
Change in inventories of raw materials	11,655	(54,266)	65,920
Provisions for risks	142	408	(266)
Other provisions	1,835	2,160	(326)
Other operating expenses	7,763	7,174	588
Totale	2,094,412	1,850,909	243,502

Costs for raw materials, ancillaries, consumables and goods

Compared with the previous year, there was a decrease in the cost of raw materials, ancillaries and consumables of Euro 96,540 thousand. For more information regarding the financial performance for the year, please refer to the Directors' Report.
It should be noted that the cost of scrap accounted for approx. 80% of the total raw material cost.

Service costs

Below is a breakdown of service costs, with a significant increase in almost all items. The increase mainly arises from the increase in energy costs, resulting in an increase of Euro 232 thousand compared to the previous year, which is further described in the Directors' Report in these Financial Statements.

Description	2022	2021	Change
Third Party Maintenance and Services	74,138	67,924	6,214
Services for Production	42,367	37,757	4,610
Energy and Miscellaneous Utilities	449,104	216,443	232,661
Transportation and Internal Transfers	57,501	50,397	7,104
Consulting, Insurance, Advertising	21,982	19,065	2,917
Commissions	12,730	7,930	4,800
Other	9,215	4,614	4,601
Total	667,037	404,130	262,908

Rent, lease and similar costs

The following is a breakdown of lease and rental costs:

Description	2022	2021	Change
Hire - Rentals	5,337	4,443	894
User license fees	1,980	1,739	241
Total	7,317	6,182	1,135

Personnel expenses

The account includes all expenses for personnel including increases, promotions, vacation days not taken and provisions in accordance with law and collective contractual agreements.

Description	2022	2021	Change
Wages	85,398	80,349	5,049
Social security costs	24,183	22,344	1,839
Seniority indemnity	3,103	2,711	392
Others	5,105	4,309	796
Total	117,789	109,712	8,076

Personnel expenses increased due to growth in headcount and merit increases.

Depreciation of fixed assets and write-downs

Amortisation and depreciation has been calculated based on the duration of the useful life of the asset and on its use in production. The accrual to the doubtful debt provision refers to its adjustment, and has been allocated according to the estimated recoverability of receivables recorded in the financial statements.

Description	2022	2021	Change
Depreciation on tangible assets	52,711	50,809	1,902
Amortisation on intangible assets	6,011	5,341	670
Write-down of receivables	1,598	1,608	(10)
Total	60,320	57,758	2,562

Other fixed asset write-downs

In the year 2021, a write-down of the plants at the Fer-Par plant owned by Presider had been carried out in compliance with the provisions of accounting standard OIC 9, as these plants, resulting from the acquisition of the Fer-Par business unit carried out last year, are no longer suitable for the production of future economic results considering therefore the impairment is permanent.

Risk provisions

During the year, the Group recognised provisions of Euro 1418 thousand, of which Euro 100 thousand related to the prudent increase in the reclamation of land at the production site sold to third parties for public works by Feralpi Siderurgica S.p.A.

Other provisions

These are the provisions made during the year by the companies operating the landfills regarding post-closure costs.

Other operating expenses

Other operating expenses includes subscription fees, property taxes, losses on receivables, various taxes and duties, and non-deductible costs for tax purposes; a breakdown is provided below with an increase over the previous year of Euro 590 thousand.

Description	2022	2021	Change
Donations	214	99	115
Membership fees	914	386	528
Taxes and duties	2,579	2,113	466
Losses on receivables	671	7	664
Others	3,385	4,568	(1,183)
Total	7,763	7,173	590

C. Financial income and expenses

Description	2022	2021	Change
Investments (other)	369	111	258
Interest from associates	44	-	44
Other financial income	722	522	200
Total financial income	1,136	633	502
Interest and other financial expense parent companies	-	-	-
Interest and other financial expense	4,624	4,016	608
Total financial expenses	4,624	4,016	608
Exchange gains and losses	1,420	75	1,346
Total	(2,068)	(3,309)	1,240

The increase over the previous year was due substantially to foreign exchange gains.

Financial income

They mainly relate to bank interest income and interest charged to customers.

Description	2022	2021	Change
Dividends	369	111	258
Bank & other interest	767	522	245
Total	1,136	633	503

Financial expenses

Interest and other financial charges are detailed below:

Description	2022	2021	Change
Bank interest	(2,711)	(3,231)	520
Interest on mortgages	(1,913)	(786)	(1,127)
Exchange gains/(losses)	1,420	75	1,345
Total	(3,204)	(3,942)	738

D. Adjustments on financial assets

Revaluations/Write-downs

Revaluations and write-downs related to investments in associated companies consolidated under the equity method as well as other minor companies are shown below:

Description	2022	2021	Change
Beta	5	18	(13)
Media Steel	202	208	(6)
Far energia	47	39	8
San Vigilio partecipazioni	152	-	152
Alpifer	3,628	2,374	1,254
Dima	645	414	231
Comeca	210	76	134
Total revaluations associates	4,889	3,129	1,760
Other minor	4	2	2
Total revaluations other companies	4	2	2
Total revaluations	4,893	3,131	1,762
Agroittica	(330)	(246)	(84)
Cogeme Steel	-	(242)	242
Total write-downs associates	(330)	(488)	158
Metalinterconnector	(7,121)	(2,415)	(4,706)
Feralpi Salò	-	(354)	354
Other minor		(3)	3
Total write-downs Other companies	(7,121)	(2,772)	(4,349)
Total write-downs	(7,452)	(3,261)	(4,191)
Revaluations (Write-downs)	(2,559)	(129)	(2,430)

Income taxes for the year

Description	2022	2021	Change
Current taxes	108,311	57,667	50,644
Deferred tax expense	1,059	-	1,059
Deferred tax income	(6,825)	151	(6,976)
Total	102,546	57,818	44,728

Income taxes were calculated according to the regulations under the tax consolidation.

Personnel

The year-end number of Group employees broken down by category was as follows:

Description	2022	2021	Change
Executives	43	38	5
Managers & white-collar	521	511	10
Blue-collar	1,292	1,200	92
Total	1,856	1,749	107

Average employee numbers broken down by company are shown below:

Company	Average 2022	Average 2021	Change
Feralpi Holding S.p.A. (Italy)	60	57	3
Ecoeternit S.r.l. (Italy)	5	6	(1)
Presider SpA (Italy)	78	106	(28)
MPL S.r.l. (Italy)**	-	13	(13)
Caleotto S.p.A. (Italy)	9	9	-
Arlenico (Italy)	93	87	6
Feralpi Siderurgica SpA (Italy)	452	433	19
Presider Armatures (France)	4	4	-
Acciaierie di Calvisano SpA (Italy)	125	128	(3)
Feralpi Profiles Nave S.r.l. (Italy)	-	1	(1)
Nuova Defim S.p.A. (Italy)	82	79	3
ESF GmbH (Germany)	707	671	36
Industra Expositores y parrillas S.A.(Spain) *	72	-	72
Wire applications SL (Spain) *	2	-	2
P.R. Soldadura SL(Spain) *	10	-	10
Feralpi Stahlhandel GmbH (Germany)	9	9	-
Feralpi Logistik GmbH (Germany)	34	34	-
Feralpi Algerié (Algeria)	13	12	1
Feralpi Praha Sro (Czech Rep.)	45	45	-
Feralpi Hungaria Kft (Hungary)	17	17	-
Total	1,817	1,710	107

*Company fully acquired / incorporated in 2022

** Company sold in 2022

Other information

In accordance with current legislation, total remuneration payable to Directors and Statutory Auditors is indicated below:

Category	Remuneration
Directors	3,166
Board of Statutory Auditors	217
Total	3,383

Fees in the amount of Euro 250 thousand are incurred for the statutory audit of Group companies and supervision of the Group's consolidation.

Subsequent events

With effect from January 1, 2023, the transfer, by way of contribution (pursuant to Article 2343-ter Civil Code) from Feralpi Holding S.p.A. (the transferor) to its wholly-owned subsidiary Feralpi Siderurgica S.p.A. (the transferee), of the business unit providing strategic, administrative, tax and accounting services, and I.T. consulting services previously carried out by the transferee to various Group operating companies took effect. The transfer of the business unit included the employees and functional business assets (software and hardware); the transfer of the business unit was at appraisal value prepared pursuant to Article 2343-ter Civil Code and the net value transferred was accounted for by the transferee as an increase in the carrying amount of equity. The company, after the reorganisation, became a holding company.

For the **Steel and Steelmaking Business Unit**, the most recent forecasts available for 2023 for the company's main markets are for a contraction in the first half of the year, and a recovery in the second half in comparison with the previous year. The markets remain affected by uncertainty caused by high inflation, rapidly rising interest rates, and the consequences of Russia's invasion of Ukraine. These elements are negatively affecting the residential construction market, while infrastructure remains a strength in many markets as governments focus on projects in that sector. Based on the available information, the Feralpi Group expects business performance to be in line with its general target markets, while also leveraging on its internal projects focused on reducing carbon footprint, improving production efficiency, completing the product range and growing volumes. During the initial months of 2023, the Group reported overall business, operating and financial results in line with its expectations.

For the **Diversified Holdings Business Unit**, expectations are for continuity in terms of results, which were also very strong overall in 2022. The results for Agroittica Lombarda relate to the recovery of business activities, partly in light of developments related to COVID-19 and the Russia-Ukraine conflict. As for Ecoeternit and Faeco Ambiente, steady operating performances are forecast, with the current contingent situation not expected to lead to any particular changes.

These financial statements, consisting of the statement of financial position, income statement and explanatory notes thereto, present a true and fair view of the Company's financial position and results of operations for the year and correspond to the underlying accounting records.

The Chairperson
Pasini Giuseppe

Lonato del Garda, May 15, 2023

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Board of Statutory Auditors' Report


THE FERALPI EXPERI
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GROUP

Board of Statutory Auditors' Report to the Shareholders' Meeting of Feralpi Holding S.p.A., as per Article 2429 of the Civil Code

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

<u>Introduction</u>

This report has been approved collectively, in time for its filing at the registered office of Feralpi Holding S.p.A. ("Company"), and summarises the activities concerning the disclosure required by Article 2429, paragraph 2, of the Civil Code, referring to the year ended December 31, 2022, and was based on the Standards of Conduct of the Board of Statutory Auditors recommended by the National Accounting Profession.

<u>Supervisory activities</u>

Supervisory activities during the year were carried out taking into consideration the type of business conducted by the Company, its size, management complexity, and organisational and administrative structure. Specifically:

- we supervised compliance with law and the incorporation deed, as well as observance of the principles of proper administration, including aspects related to the process of corporate reorganisation, carried out on the Group to which the company belongs.
- we have obtained from the corporate boards, during the various meetings and gatherings, information on the general operating performance and its Outlook in view, in particular, of the effects resulting from the Russian-Ukrainian conflict and the current macroeconomic environment;
- we regularly participated in Shareholders' Meetings and Board of Directors' meetings, held in compliance with the statutory and legislative provisions, which govern their operation, and whereby we can reasonably assure that the actions resolved are in accordance with law and the By-Laws, and are not manifestly imprudent, reckless, in potential conflict of interest or such as to compromise the integrity of the company's assets;
- we monitored the organisational structure and the administrative and accounting system of the Company;
- we proceeded with the exchange of information with the contact persons of the independent audit firm;
- we proceeded with the exchange of information with the Supervisory Board as per Legislative Decree No. 231/2001.

In the course of supervisory activities, as described above, no facts or findings emerged to be mentioned in this Report.

With reference to the additional duties of the Board of Statutory Auditors, we report that: (i) no complaints from third parties have been received; (ii) during 2022, the additional duties - including at Group level - that have been entrusted to the independent audit firm are disclosed in the **financial statements;**
(iii) no action had to be taken for omissions of the board of directors pursuant to Article 2406 of the Civil Code; (iv) no complaints were made pursuant to Article 2409(7) of the Civil Code.

Regarding the financial statements for the year ended 31.12.2022, prepared by the Board of Directors, we have:

- noted that the Directors have not adopted any waiver, referred to in Article 2423, paragraph 4, of the Civil Code;

- ascertained the correspondence of the financial statements to the facts and information of which we are aware, as a result of both the performance of our supervisory, inspection and control duties and participation at the meetings of the corporate boards;
- verified compliance with law relating to the preparation of the Directors' Report.

In the course of our control activity, as described above, there are no observations that need to be highlighted in this Report.

In completion, it should be noted that the supervisory activities carried out covered, in terms of time, the entire financial year and during which the meetings referred to in Article 2404 of the Civil Code were duly held, whose minutes were duly signed.

The Board remains in any case fully available to provide any further details on all matters considered by the Shareholders' Meeting.

Conclusions

As a result and taking into account the above, as well as the findings of the work carried out by the body entrusted with the statutory audit, it is proposed that the Shareholders' Meeting approve the separate financial statements, ending 31/12/2022, as prepared by the Board of Directors. In addition, there is nothing to be observed regarding the board's proposal on the allocation of the net result.

Lonato, May 31, 2023

The Board of Statutory Auditors

Mr. Giancarlo Russo Corvace

Mr. Alberto Soardi

Mr. Stefano Guerreschi

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Independent Auditors' Report


AFSIL CELIK
UILD A MOREDIVERSE
ID INCLUSIVE COMPANY

Building a better working world

Feralpi Holding S.p.A

2022 Consolidated Financial Statements

Auditors' Report
as per Article 14 of Legislative Decree No. 39 of January 27, 2010

EY S.p.A.
Via Rodolfo Vantini,
38 25126 Brescia

Tel: +39 030 2896111 | +39 030 226326
ey.com

Auditors' Report
as per Article 14 of Legislative Decree No. 39 of January 27, 2010

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

Auditors' Report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Feralpi Holding Group (the Group), comprising the balance sheet at December 31, 2022, the income statement and cash flow statement for the year and the Explanatory Notes.

In our opinion, the consolidated financial statements provide a true and fair view of the balance sheet and financial position of the Group at December 31, 2022, and of the results and cash flows for the year in compliance with Italian rules governing the basis of preparation.

Basis for the opinion

We have carried out the audit in compliance with international audit standards (ISA Italy). Our responsibilities in accordance with these standards are described in greater detail in the "Responsibility of the independent audit firm for the audit of the consolidated financial statements" section of this report. We are independent from Feralpi Holding S.p.A., in compliance with the ethical and independence rules and principles applicable under Italian law for the auditing of financial statements.
We acquired sufficient and appropriate evidence for the expression of our opinion.

Responsibilities of the Directors and the Board of Statutory Auditors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements which provide a true and fair view in accordance with Italian regulations and law and for the internal control considered necessary by it for the preparation of a set of financial statements which do not contain significant errors due to fraud or unintentional conduct or events.

The Directors are responsible for assessing the capacity of the Group to pursue operating activities and, in preparing the consolidated financial statements, the appropriateness of applying the going concern principle, in addition to the provision of adequate disclosure. The Directors apply the going concern principle in preparing the consolidated financial statements unless they have assessed that the conditions for the winding up of the parent company Feralpi Holding S.p.A or for the interruption of operations exist or that they have no realistic alternatives to these options.

The Board of Statutory Auditors has the responsibility to supervise, in accordance with law, the Group's financial disclosure preparation process.

EY S.p.A.
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Branch Office: Via Lombardia, 31 - 00187 Rome
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Responsibility of the Independent Audit Firm for the audit of the consolidated financial statements

Our objectives are to acquire reasonable certainty that the consolidated financial statements overall do not contain significant errors, due to fraud or unintentional conduct or events, and to issue an Auditors' Report which includes our opinion. Reasonable certainty indicates a high level of certainty which, however, does not guarantee that an audit carried out in accordance with international audit standards (ISA Italy) always identifies a significant error, where existing. Errors may derive from fraud or unintentional conduct or events and are considered significant where it may reasonably be expected that they are, individually or collectively, capable of influencing the economic decisions of users taken on the basis of the consolidated financial statements.

As part of the audit carried out in compliance with international audit standards (ISA Italy), we exercised our professional opinion and maintained a professional degree of scepticism for the duration of the audit. Furthermore:

- we identified and assessed the risk of significant errors in the consolidated financial statements, due to fraud or to unintentional conducts or events; we drew up and implemented audit procedures reflective of these risks; we acquired sufficient and appropriate evidence on which to base our opinion. The risk of not identifying a significant error due to fraud is higher than the risk of not identifying a significant error due to unintentional conduct or events, as fraud may imply the existence of collusion, falsifications, intentional omissions, misleading representations or distortions concerning internal control;
- we acquired an understanding of the internal controls in order to define appropriate audit procedures to the circumstances and not to express an opinion on the efficacy of the internal control of the Group;
- we assessed the appropriateness of the accounting policies utilised, in addition to the reasonableness of the accounting estimates made by the Directors and the relative disclosure;
- we reached a conclusion on the appropriateness of the use by the Directors of the going concern principle and, on the basis of the evidence acquired, on any significant uncertainty concerning events or circumstances which may give rise to significant doubts on the capacity of the Group to continue to operate on an ongoing basis. In the presence of a significant uncertainty, we are required to highlight in the Auditors' Report the relative disclosure in the financial statements or, where this disclosure is inadequate, reflect this circumstance in drawing up our opinion. Our conclusions are based on evidence acquired until the date of this report. However, subsequent events or circumstances may require the Group to cease operating as a continuing entity;
- we assessed the presentation, the structure and the content of the consolidated financial statements as a whole, including the disclosure, and whether the consolidated financial statements reflect the underlying operations and events so as to provide a fair representation;
- we acquired sufficient and appropriate evidence on the financial disclosure of the companies and the different economic activities carried out by the Group to express an opinion on the consolidated financial statements. We are responsible for the supervision and execution of the Group audit. We are the only party responsible for the audit opinion on the consolidated financial statements.

We communicated to the governance activity managers, identified at an appropriate level as required by the international accounting (ISA Italy) standards, among other aspects, the extent and timing scheduled for the audit and the significant results emerging, including any significant deficiencies in the internal control identified during the audit.

Report on other statutory and regulatory provisions

Opinion as per Article 14, paragraph 2, letter e) of Legislative Decree No. 39 of January 27, 2010

The Directors of Feralpi Holding S.p.A. are responsible for the preparation of the Directors' Report of the Feralpi Holding Group at December 31, 2022, including its consistency with the consolidated financial statements and its compliance with law.

We have executed the procedures indicated in audit standard (SA Italy) 720B to express an opinion on the consistency of the Directors' Report with the consolidated financial statements of the Feralpi Holding Group at December 31, 2022 and its compliance with law, in addition to issuing the statement on any significant errors.

In our opinion, the Directors' Report is consistent with the Feralpi Holding Group consolidated financial statements at December 31, 2022 and complies with statutory requirements.

With regards to the statement as per Article 14, paragraph 2, letter e) of Legislative Decree No. 39 of January 27, 2010, issued on the basis of its knowledge and understanding of the company and the relative overview acquired during the audit activities, we do not have any matters to report.

Brescia, May 31, 2023

EY S.p.A.

Andrea Barchi
(Auditor)

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