



FINANCIAL STATEMENTS

Financial Year 2018



In special memory
of our founder
Carlo Pasini and his wife
Lidia Camilla Savoldi

50

50th Anniversary
15th September 2018



**FINANCIAL
STATEMENTS**
Financial Year 2018

Contents

MANAGEMENT REPORT	12
CONSOLIDATED FINANCIAL STATEMENTS AT 31.12.2018	58
EXPLANATORY NOTES	72
REPORT BY THE BOARD OF STATUTORY AUDITORS	108
REPORT BY THE INDEPENDENT AUDITOR	112



**MANAGEMENT
REPORT**

p. 12

**REPORT
BY THE INDEPENDENT
AUDITOR**

p. 112

**FINANCIAL
STATEMENTS**

p. 58

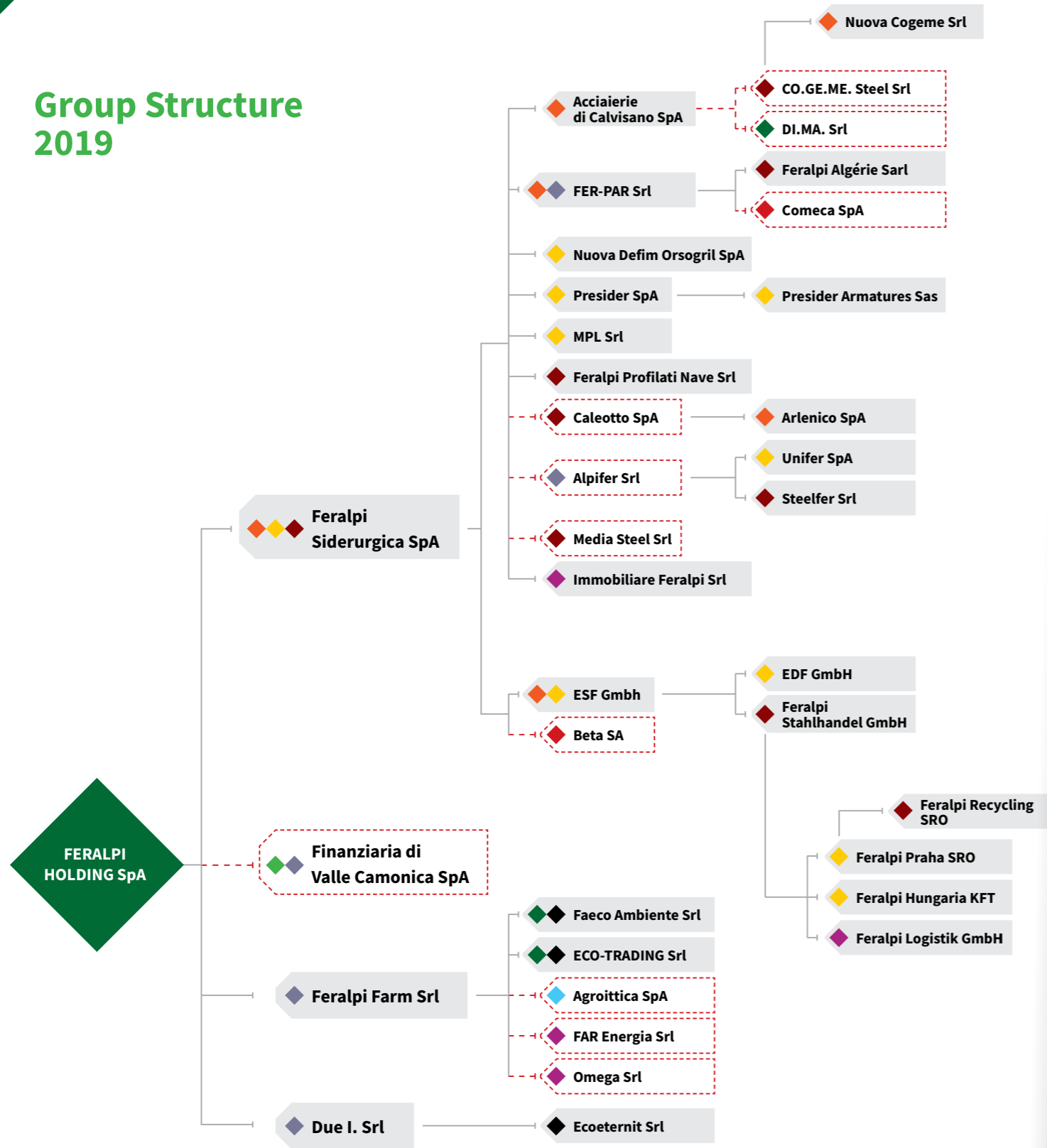
**REPORT
BY THE BOARD
OF STATUTORY
AUDITORS**

p. 108

**EXPLANATORY
NOTES**

p. 72

Group Structure 2019



Legend

— Consolidated company	◆ Steel production	◆ Trading	◆ Equity Investment Management	◆ Waste Disposal	◆ Other
..... Subsidiary	◆ Cold processing - downstream products	◆ Metal structural work	◆ Environment	◆ Fish-Farming	◆ Finance





Profit and Loss Figures

Balance Sheet and Financial Information

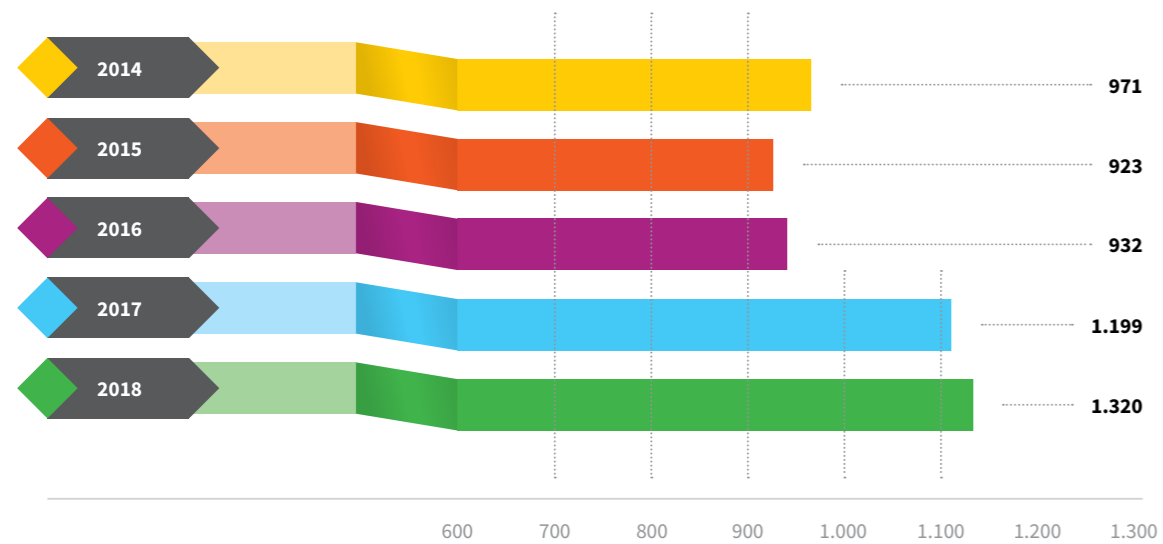
Profit and Loss Figures	2016	2017	2018
Turnover	932.002	1.198.970	1.320.333
Italy	(32%) 295.124	(36%) 431.323	(38%) 500.421
Overseas	(68%) 636.878	(64%) 767.647	(62%) 819.912
Production value	944.321	1.244.835	1.366.314
Profit (loss) before taxes	53.197	50.574	77.610
Net profit for the period	37.484	30.576	53.735
Amortisation, depreciation and write downs	(40.076)	(43.412)	(46.092)
Cash Flow	77.560	73.988	99.827
EBITDA	99.900	96.598	126.237
EBIT	59.824	53.186	80.145

EUR (thousands)

Balance Sheet Figures and Financial Information	2016	2017	2018
Technical investments in the period	40.438	36.861	60.618
Net fixed technical assets	318.305	333.977	350.807
Shareholders' equity	398.531	423.525	475.449

EUR (thousands)

Consolidated turnover (€ million)

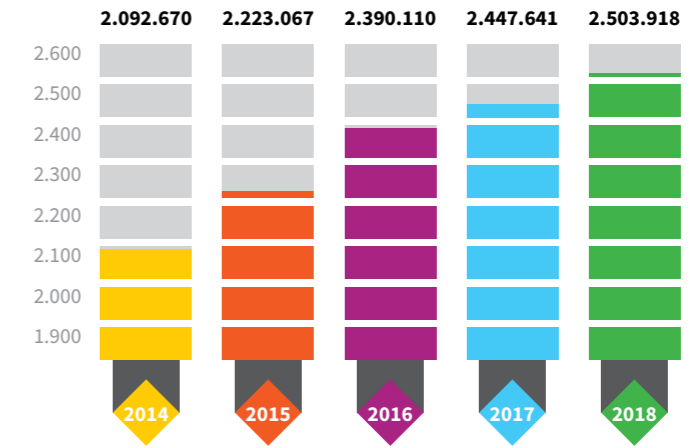


Production

Steel and steelmaking business unit

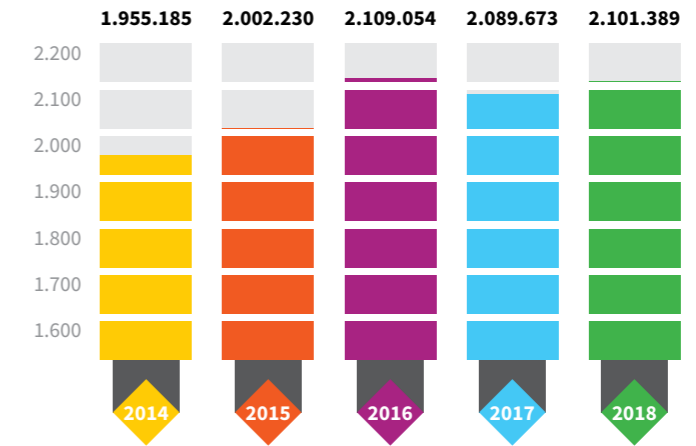
Steel in billets (tonnes)

Feralpi Siderurgica SpA
Acciaierie di Calvisano SpA
ESF GmbH



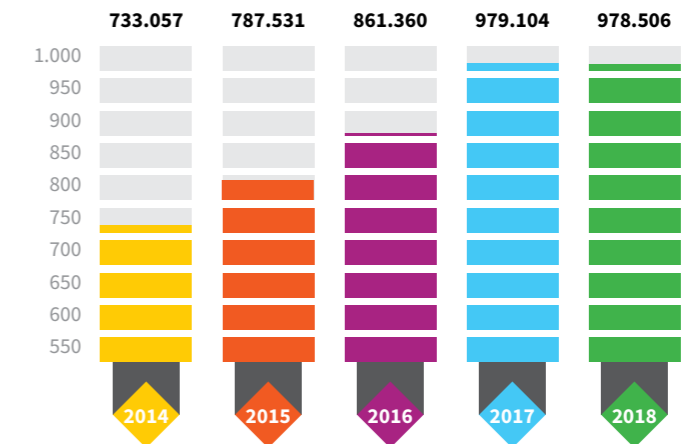
Bars, coils, wire rods and merchant bars (tonnes)

Feralpi Siderurgica SpA
ESF GmbH
Feralpi Profilati Nave Srl



Cold working - derivatives (tonnes)

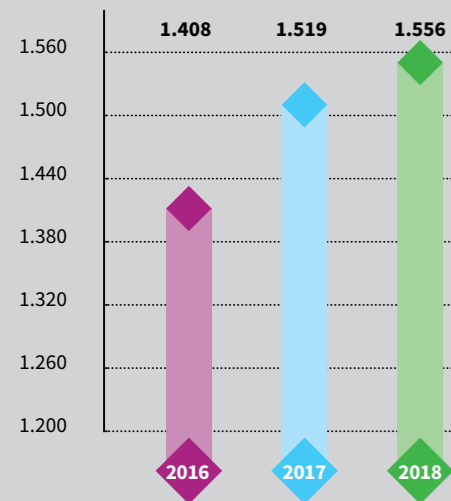
Feralpi Siderurgica SpA
Nuova Defim SpA
ESF GmbH
EDF GmbH
Feralpi Praga Sro
Feralpi Hungaria Kft





Personnel

Personnel at 31.12



53%
Italy

819

47%
Overseas

737

Figures from 2018

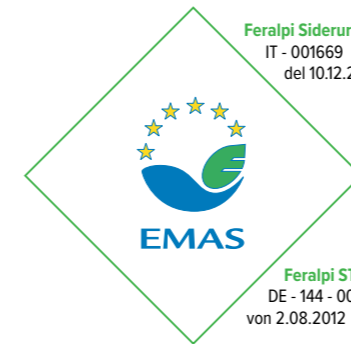
Hours of training

Company	2016	2017	2018
Feralpi Holding	1.320	475	1.695
Feralpi Siderurgica	4.053	4.216	9.199
Acciaierie di Calvisano	1.961	1.470	3.443
Nuova Defim	1.549	1.592	2.040
Feralpi Profilati Nave*	-	44	1.414
Fer-Par	1.050	2.402	12
Presider**	-	608	1.017
MPL**	-	0	149
Presider Armatures	-	0	0
ESF	8.216	11.127	9.119
EDF	3.166	1.817	1.930
Feralpi Stahlhandel	65	40	53
Feralpi-Logistik	250	450	267
Feralpi Praha	454	337	303
Feralpi Hungaria	-	0	0
Feralpi Algérie	-	7	58
TOTAL	22.084	24.585	30.699

* company formerly known as Dieffe Srl
 ** companies controlled since 2017



Certifications



Feralpi Siderurgica
IT - 001669
del 10.12.2014



Feralpi STAHL Riesa
DE - 144 - 00047
von 2.08.2012



ICMQ Eco Gold
n. ICMQ ECO 0024



Environmental
Product Declaration
www.environdec.com
n. S-P-00256



Sustainability for steel
construction products
mark
n. ES089606-1



99%
CONTENUTO MINIMO
DI ACCIAIO RICICLATO



Ente Italiano di
Unificazione
Siderurgica

MANAGEMENT REPORT

Consolidated Financial Statements
at 31.12.2018



Management Report on the Consolidated Financial Statements for the year ended 31 December 2018

Dear Shareholders,

2018 saw the celebration of the 50th anniversary of Feralpi Siderurgica SpA (1968-2018).

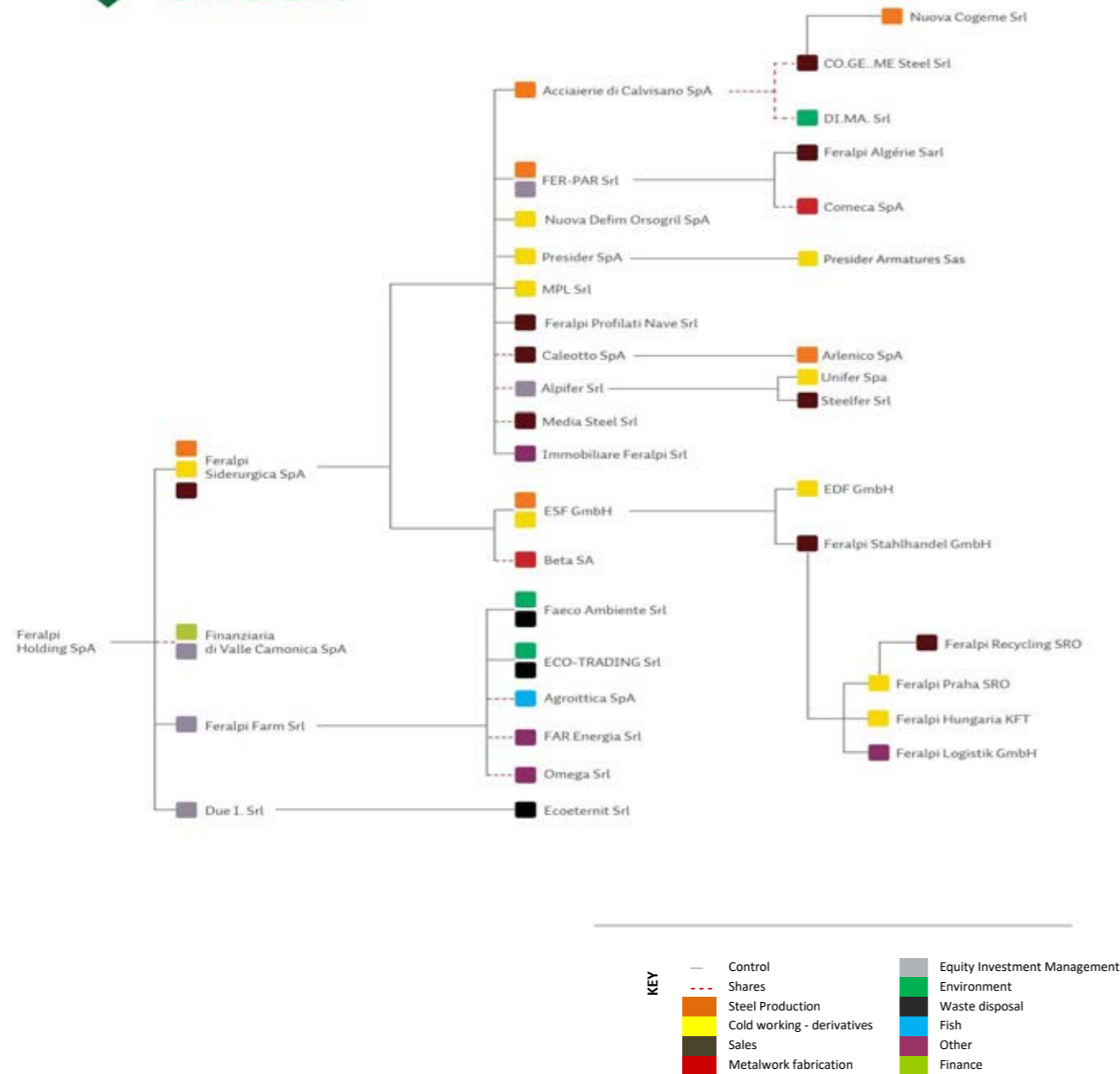
The Management Report on the Consolidated Financial Statements for the year ended 31.12.2018, prepared in compliance with art. 40 of Italian Legislative Decree 127/91, constitutes an element of support for the financial statements themselves and aims to illustrate the overall context of the companies included in the consolidation process, with specific reference to the Group's operating performance as a single economic entity.

*The financial year at 31.12.2018 shows a **positive result attributable to the Group equal to EUR 53 million, against a turnover of EUR 1,320 million.***

The detailed examination of the financial statement figures is best carried out after an analysis of the Group's structure.

The Group, a subsidiary of Feralpi Holding, is divided into **two main areas**: one focused on steelmaking activities (**Steel and Steelmaking**) and the other on **Diversified Investments**, which are administered by activities in the environmental sector and portfolio investments.

The organisation chart of the Group at 31.12.2018 is as follows:



Group Structure

Steel and Steelmaking - The following companies are part of the Italian production area

Feralpi Siderurgica SpA (100% owned by Feralpi Holding SpA) - The operating offices of the company are in Lonato del Garda (Brescia). It produces steel in billets, reinforcing bars in bars and coils, wire rods and derivatives. It is the subholding company of the "Steel and Steelmaking" business unit; it is responsible for all the subsidiaries in the sector, both in Italy and abroad. The site on which it operates covers an area of 405,500 m², of which 95,250 m² is enclosed, and is served by a railway connection.

Acciaierie di Calvisano SpA (100% owned by Feralpi Siderurgica SpA) - The operating offices of the company are in Calvisano (Brescia) and it produces steel billets and blooms of common and quality steel. Its sales are mainly aimed at the Italian market. The site covers an area of 250,214 m², of which 43,976 m² is enclosed.

Feralpi Profilati Nave Srl (100% owned by Feralpi Siderurgica SpA) - Dieffe Srl, after acquiring the business resulting from the "Stefana" arrangement, changed its company name to Feralpi Profilati Nave Srl. Its main activity is the marketing of steel profiles.

Fer-Par Srl (100% controlled by Feralpi Siderurgica SpA) - Established in 2012, the company has shares in manufacturing companies operating in the steel industry (ESF GmbH 2%), metalwork fabrication (Comeca SpA 19.85%), and in commercial companies (Feralpi Algérie Sarl 70%). The company also acquired the plant engineering part deriving from the "Stefana" arrangement, and operates in subcontracting for Feralpi Profilati Nave Srl.

Nuova DE.FI.M. SpA (100% owned by Feralpi Siderurgica SpA) - The operating offices of the company are in Alzate Brianza (Como) and its corporate purpose is the production of custom-made mesh for the industry, protection and fencing nets and mesh for submarine pipelines. It also produces vertical and horizontal gratings, both for the building industry and for various applications under the Orsogril brand.

Presider SpA (100% controlled by Feralpi Siderurgica SpA) - The company is based in Borgaro Torinese (Turin) and is active in the processing of reinforcing bars in bars and coils for construction sites for construction companies. It covers an area of 38,285 m² of which 20,830 m² of enclosed warehouses and buildings. The company also has a site in Maclodio (Brescia) that extends over an area of 6,100 m² and another in Rome that extends over an area of 21,624 m².

MPL Metallurgica Piemontese Lavorazioni Srl (100% owned by Feralpi Siderurgica SpA) - The company is based in Sito (Turin) and is active in the processing of beams for construction sites.

Immobiliare Feralpi Srl (100% owned by Feralpi Siderurgica SpA) - The company, established in 2013 and intended as the Group's real estate company, received an industrial property from Investimenti Sebino located in Pisogne (Brescia) and, again in 2013, acquired a second property in Anzano del Parco (Como) rented out to Nuova Defim. During the course of 2015, an industrial property was acquired in Odolo (Brescia). During the course of 2016, an industrial property was also acquired in Nave (Brescia) from the company Stefana SpA in an arrangement with creditors.

The following table contains the turnover of the main Italian subsidiaries

thousands of euro	2018	2017	% of changes
Feralpi Siderurgica SpA	612,132	525,574	16.5%
Acciaierie di Calvisano SpA	194,196	162,433	19.6%
Feralpi Profilati Nave Srl	43,056	38,281	12.5%
Nuova Defim SpA	29,165	34,771	(16.1%)
Fer Par Srl	8,541	5,621	51.9%
Presider SpA	90,450	90,955	(0.6%)
MPL Srl	20,600	21,338	(3.5%)
Total	998,140	878,974	13.6%

The Group's second production area is located in Germany, specifically in the Region of Saxony, near the city of Riesa. The following companies are part of this steelmaking area:

ESF Elbe-Stahlwerke Feralpi GmbH (98% owned by Feralpi Siderurgica SpA and 2% owned by Fer-Par Srl) - The company was founded in 1992 as part of the privatisation process of the German Democratic Republic's steel industry. It produces steel in billets, reinforcing bars in bars and coils and wire rods. Its turnover is mainly directed at the German market and the neighbouring countries: Belgium, the Netherlands, Czech Republic, Hungary and Poland. The production site covers an area of 607,000 m², of which 153,000 m² is enclosed, and it is served by a railway connection. ESF is also the parent company of the activities in Germany, under the Feralpi Stahl brand, and also coordinates, in addition to the German companies, the shareholdings in the Czech Republic and Hungary.

EDF Elbe-Drahtwerke Feralpi GmbH (90% owned by ESF and 10% owned by Feralpi Stahlhandel) - The company, which was founded in 2002, produces a wide range of drawn products including electrowelded mesh, both standard and "made to measure", mainly for the domestic market, and completes the range of products for the construction industry.

Feralpi Stahlhandel GmbH (66.67% controlled by ESF and 33.33% by Feralpi Siderurgica SpA) - The company is known for the marketing and distribution of products by Feralpi Siderurgica, ESF and EDF on the German, Dutch, Belgian, Austrian and Eastern European markets.

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

The turnover of the German companies is as follows:

thousands of euro	2018	2017	% of changes
ESF GmbH	463,940	454,630	2.0%
EDF GmbH	110,667	101,476	9.1%
Feralpi Stahlhandel GmbH	20,435	10,681	91.3%
Feralpi Logistik GmbH	4,347	4,010	8.4%
Total	599,389	570,797	5.0%

In Eastern Europe, the Group has subsidiaries that are active in the Czech Republic and Hungary. Both have market shares for products for the construction industry in their respective countries.

Feralpi Praha Sro - Czech Republic (100% owned by Feralpi Stahlhandel GmbH) - The offices of the company are in Kralupy, near Prague. It produces drawn products and electrowelded mesh.

Feralpi Hungaria Kft - Hungary (100% owned by Feralpi Stahlhandel GmbH) - The company has a production site in Budapest and produces drawn products and electrowelded mesh.

Feralpi Recycling Sro - Czech Republic (90% owned by Feralpi Praha Sro) - The company does not currently carry out production activities.

The turnover of the main companies is as follows:

thousands of euro		2018	2017	% of changes
Feralpi Praha Sro	Czech Rep.	22,783	22,250	2.4%
Feralpi Hungaria Kft	Hungary	6,006	5,800	3.6%
Total		28,789	28,050	2.6%

The following companies also report to the Steel and Steelmaking business unit:

Feralpi Algérie Sarl - Algeria (70% owned by Fer-Par Srl) - The company, set up at the end of 2013, is intended to strengthen the presence of the products by Feralpi Siderurgica and the Group's companies in the North African area, which is characterised by significant infrastructural investments with high development potential. The company is based in Oran and sells reinforcing bars and electrowelded mesh.

thousands of euro		2018	2017	% of changes
Feralpi Algérie Sarl	Algeria	14,432	10,659	35.4%
Total		14,432	10,659	35.4%

Presider Armatures Sas - France (99% owned by Presider SpA) - The company, like its parent company, operates in the shaping of reinforcing bars and coils for construction sites. The operating offices are located in Saint-Souplets, and occupy a total area of over 37,000 m², with a covered area of 6,500 m². The company has been operational since 2018.

thousands of euro		2018	2017	% of changes
Presider Armature s.a.s.	France	9,930	775	1181.3%
Total		9,930	775	1181.3%

In order to provide further items for evaluation concerning the *Steel and Steelmaking business unit*, the following tables summarise the activities of the various companies

Production (tonnes)

Steel in Billets	Country	2018	2017	% of changes
Feralpi Siderurgica SpA - Lonato	Italy	1,160,968	1,072,878	8.2%
Acciaierie di Calvisano SpA - Calvisano	Italy	433,258	407,201	6.4%
ESF GmbH - Riesa	Germany	909,692	967,562	(6.0%)
Total		2,503,918	2,447,641	2.3%

Finished Product (Reinforcing bars – Reinforcing wire in coils - Wire rods - Merchant bars)	Country	2018	2017	% of changes
Feralpi Siderurgica SpA - Lonato	Italy	1,235,908	1,165,912	6.0%
Feralpi Profilati Nave Srl - Nave	Italy	76,192	60,847	25.2%
ESF GmbH - Riesa	Germany	789,289	862,914	(8.5%)
Total		2,101,389	2,089,673	0.6%

As regards downstream processing activities (derivatives), the following trend was noted:

Cold working - Derivatives	2018	2017	% of changes
Total	978,506	979,146	(0.1%)

Shareholdings in Italian, uncontrolled companies also belong to the *Steel and Steelworking business unit*

Alpifer Srl (50% owned by Feralpi Siderurgica SpA) - The company is a holding company and controls 100% of the companies Unifer SpA and Steelfer Srl. The former is active in the production and sale of mesh electrowelded "to measure" and the latter is a commercial distribution company in the steel sector.

Caleotto SpA (50% owned by Feralpi Siderurgica SpA) - The company, together with its 100% subsidiary Arlenico SpA, is based in Lecco. It is active in the rolling and sale of quality wire rods for numerous applications, in particular in mechanics and the automotive industry. It covers an area of 96,000 m² of which 47,000 m² is enclosed warehouses and buildings. Its shares are held equally with Duferco Italia Holding SpA.

CO.GE.ME Steel Srl (50% owned by Acciaierie di Calvisano SpA) - The company, together with Nuova Cogeme Srl, 100% controlled, has a production unit for the hot rolling of steel products, based in Casalmaggiore (Cremona). It is active in the sale of these products intended mainly for small steel structural work, mechanical engineering and coldworking. It covers an area of about 40,000 m², of which 26,000 m² is enclosed warehouses and buildings.

Media Steel Srl (45% owned by Feralpi Siderurgica SpA) - The company offices are in Massa; its corporate purpose is the procurement and marketing of ferrous metal scrap, in Italy and abroad. The shareholding is held in equal shares of 45% with the company Duferco Italia Holding SpA; the remaining share is attributed to the management team.

DI.MA. Srl (31% owned by Acciaierie di Calvisano SpA) - The company is based in Montichiari (Brescia) and operates two plants, in Montichiari and Calvisano, for the reuse of steel slag and other materials.

Comeca SpA (in which Fer-Par Srl has a 19.85% interest) - The company is based in Lonato del Garda (Brescia) and is active in the processing of metalwork fabrication, in particular of systems or part thereof used in the steel industry. The customer base is represented by the main steel companies in Italy, but also by important foreign companies.

Beta SA (in which Feralpi Siderurgica SpA has a 28.35% interest) - The company is based in Buzau (Romania), and carries out metalwork fabrication, with particular specialisation in the oil industry.

Diversified Investments

This business unit includes the following *Italian companies*:

Feralpi Farm Srl (directly controlled at 100%) - Established in 2014, as a result of the demerger of the company Fer-Par, it holds shares in Faeco Ambiente, Eco-Trading, Agroittica, Far Energia and Omega.

Faeco Ambiente Srl (70% owned by Feralpi Farm Srl) - The aim of the company is to develop activities in the ecological-environmental sector, aimed at the treatment of waste and its reuse.

Eco-Trading Srl (100% owned by Feralpi Farm Srl) - The main purpose of the company is the marketing of waste.

Agroittica Lombarda SpA (in which Feralpi Farm Srl has a 45.32% interest) - The company is active in the fish sector, in particular in the breeding, processing and marketing of fish species. It has two production sites, in Calvisano (Viadana and Ca' Nove), in the province of Brescia. The company acquired a "**Fjord**" business unit, with a production site in Busto Arsizio. It is active in the production and sale of smoked products. Agroittica Lombarda is mainly recognised for the production and marketing of caviar, and is the world's leading producer of caviar from sturgeon bred in captivity. The product range also includes fresh fish (mainly sturgeon), smoked fish and frozen fish.

Far Energia Srl (20% owned by Feralpi Farm Srl) - The company is active in the supply, installation and maintenance of systems for the production of electricity from renewable sources.

Omega Immobiliare Srl (40% owned by Feralpi Farm Srl) - The company operates in the real estate sector, with the enhancement of property areas located in Montichiari, in the province of Brescia.

Due I. Investimenti Srl (directly controlled at 100%) - The purpose of the company is to acquire holdings in Italian and foreign companies, and it holds Ecoeternit Srl.

Ecoeternit Srl (70% owned by Due I. Investimenti Srl) - The company directly manages a landfill for the disposal of Eternit, located in Montichiari (Brescia).

Finanziaria di Valle Camonica SpA (in which Feralpi Holding SpA holds a 3.61% interest) - The financial company is mainly active in the real estate and energy sectors, with shareholdings also in the banking and insurance sectors.

In order to provide the broadest possible information, we have provided *an analysis of the economic situation*, with particular attention to the steel sector, the most important sector for the Group

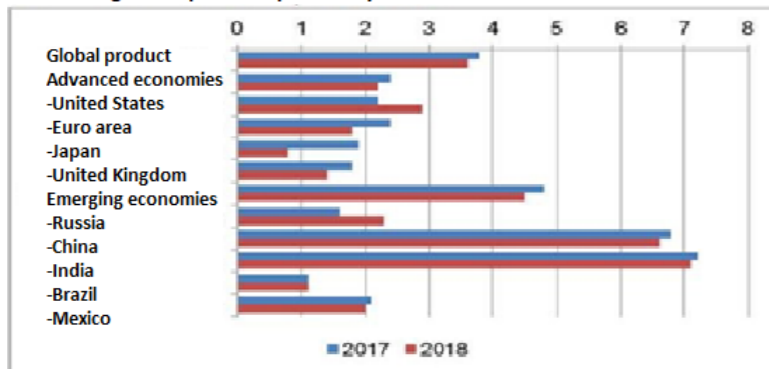
International and National Scenario

The world economy slowed its growth rate in 2018, which decreased from 3.8% in 2017 to 3.6%. The most significant figure is represented by the abrupt slowdown in world trade, which decreased from 5.4% in 2017 to 3.8% in 2018. Among the various factors that affected the international dynamic, including in the steel sector, there are two crucial aspects:

- ✓ the trade tensions triggered by the introduction of US duties on imports of steel products
- ✓ the slowdown in the automotive sector in Germany, due to the introduction of new emissions standards and the decrease in imports from China.

The slowdown in economic activity has affected the advanced economies, which went from a growth of 2.4% in 2017 to +2.2% recorded in 2018. The developing economies also experienced a decline from 4.8% to 4.5% in the previous year. The economy, on the other hand, remained bullish in the United States, growing from 2.2% to 2.9%, mainly thanks to President Trump's "America first" campaign and, in Russia, from 1.6% to 2.3%, following the 2015-2016 recession.

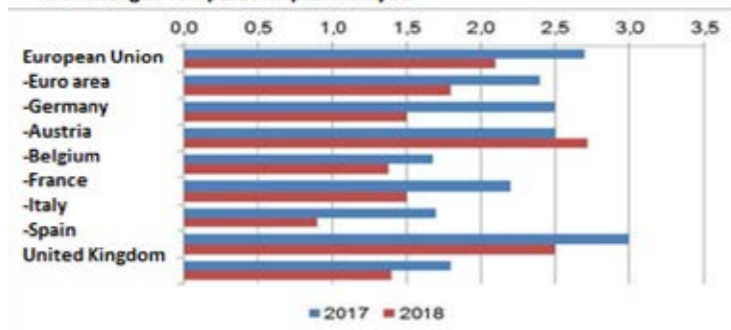
Main GDP - World economies
% of changes compared to previous year



Prepared using IMF data

Also, in the European Union, economic activity slowed down, with a decline that went from 2.7% in 2017 to 2.1% in 2018. In particular, in Germany, the economy recorded the lowest growth rate in the last five years, going from 2.5% in 2017 to 1.5% in 2018.

Main GDP - European economies
% of changes compared to previous year



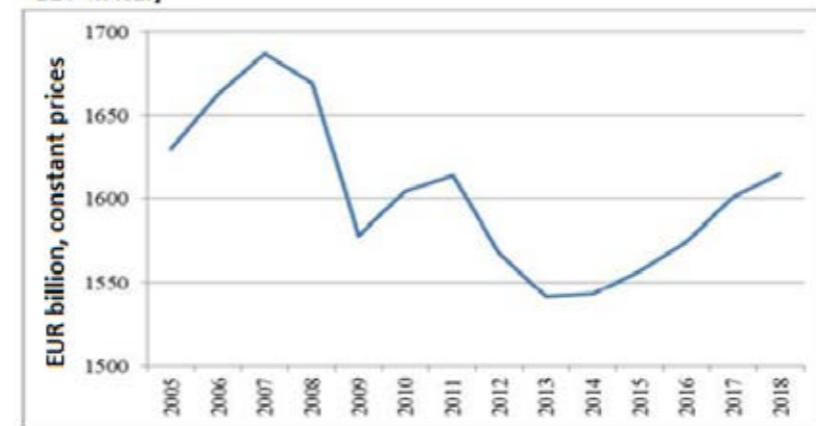
Prepared using ISTAT, Eurostat and IMF data

The Italian economy had the weakest growth rate in the euro area, both in terms of GDP growth, which went from 1.7% in 2017 to 0.9% in the last year, and in terms of nominal GDP level, which is still below the pre-crisis level, a negative record that Italy and Greece have in common. The slowdown of the Italian economy, which extended to all its components, was affected not only by common international factors, but also by political uncertainty.

Household consumption, after an average growth of 1.6% in the previous three years, came to a standstill at 0.6%, despite the improvement in employment and disposable income.

In particular, in the second half of the year, there was an increase in the propensity towards savings.

GDP in Italy

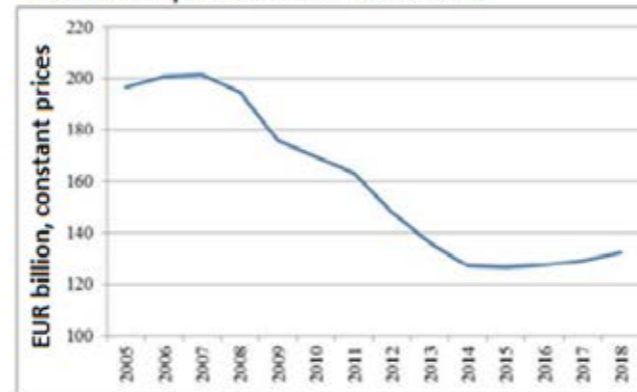


Prepared using ISTAT data

Even gross fixed capital formation suffered a setback. After the expansion of the growth rate, recorded in the previous three-year period, from 2.1% in 2015 to 4.3% in 2017, in 2018 it increased by 3.4%.

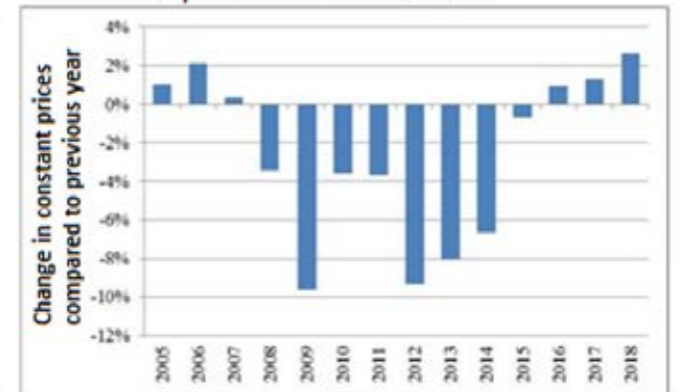
On the other hand, the gross fixed capital formation in the construction sector confirmed its expansion, with a growth rate that went from 1.3% in 2017 to 2.6% in 2018, reinforcing the reversal of the trend recorded since the start of 2016, following the deep crisis of the sector in the 2007-2015 period.

Gross fixed capital formation in construction



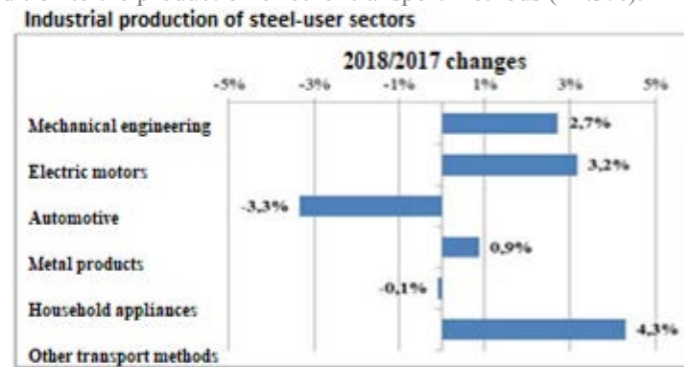
Prepared using ISTAT data

Gross fixed capital formation in construction



The slowdown in economic activity is reflected in a significant way in the slowdown in industrial production, which went from a growth rate of 3.6% in 2017 to 0.6%. The performance of the steel-using sectors was marked by the slowdown of the automotive sector, which fell by 3.3%.

An analysis of the **Italian sector of steel product users** shows that the context turned out to be better in 2018, albeit in decline compared to 2017. Signs of improvement were recorded in the metal products sector (+0.9%), in mechanical engineering (+2.7%) and electric motors sector (+3.2%), in addition to the production of other transport methods (+4.3%).



Prepared using ISTAT data

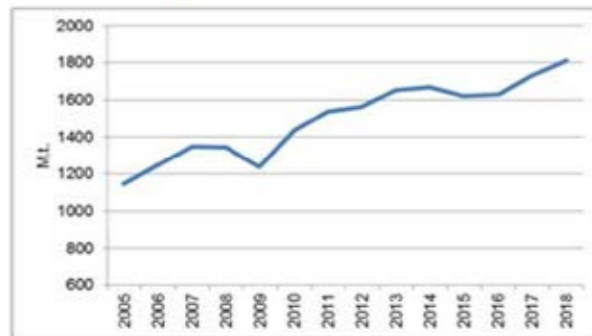
Global Steel

Global steel production, equal to 1.8 billion tonnes, increased by 4.5%, reaching 78.6 million tonnes, with a growth rate slightly less than that achieved in the previous year.

Over the last year, Chinese production has consolidated its overtaking of the rest of the world. In detail, **China**, with its 928.3 million tonnes of production, increased by 6.6%, reaching 57.4 million tonnes.

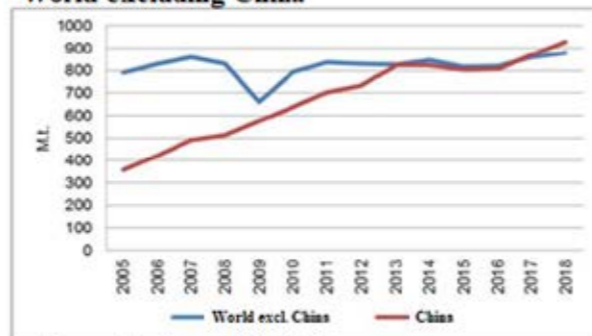
Production in the rest of the world also improved, reaching 880 million tonnes, despite a much more modest growth rate (+2.5%).

Global steel production



Prepared using worldsteel data

Breakdown of global production: China and World excluding China



Prepared using worldsteel data

Steel in Europe

The European Union, with 167 million tonnes of production, was, unfortunately, the only macro-area that in 2018 closed in the negative (-858 thousand tonnes compared to 2017 – equal to -0.5%).

Of the other macro-areas, **Asia**, with 1.3 billion tonnes produced (more than 70% of the global output), has confirmed its strong bullish expansion (+67.3 million tonnes / +5.6%), supported by the growth of both China and other Asian countries (+3%).

Below we have provided *the trend in production broken down by the different macro-areas*

M.t	2014	2015	2016	2017	2018	% of change 2018/2017	2018 quota
European Union (28)	169	166	162	169	168	-0.5%	9.3%
Europe – Other	38	36	38	42	42	-0.6%	2.3%
C.I.S.	106	102	102	101	101	0.2%	5.6%
North America	121	111	111	116	121	4.1%	6.7%
South America	45	44	40	44	44	1.2%	2.4%
Africa	15	14	13	15	17	17.4%	1.0%
Middle East	30	29	31	34	38	10.3%	2.1%
Asia	1,139	1,113	1,124	1,203	1,271	5.6%	70.3%
Oceania	5	6	6	6	6	5.9%	0.4%
Global	1,669	1,620	1,627	1,730	1,808	4.5%	100.0%

Prepared using Federacciai and World Steel data

Production performance in the European Union was limited. While production improved in Italy and Belgium, a widespread weakness has emerged in several countries, including Europe's largest steel producer, Germany.

The following findings relate to *the main European countries*

M.t	2014	2015	2016	2017	2018	% of change 2018/2017	2018 quota
Germany	42.9	42.7	42.1	43.3	42.4	-2.0%	25.3%
Italy	23.7	22.0	23.4	24.1	24.5	1.9%	14.6%
France	16.1	15.0	14.4	15.5	15.4	-0.8%	9.2%
Spain	14.2	14.8	13.6	14.4	14.3	-0.8%	8.6%
Poland	8.6	9.2	9.0	10.3	10.2	-1.7%	6.1%
Belgium	7.3	7.3	7.7	7.8	8.0	1.8%	4.8%
Other countries	56.3	55.3	52.1	53.0	52.8	-0.4%	31.4%
European Union (28)	169.2	166.3	162.2	168.5	167.7	-0.5%	100.0%

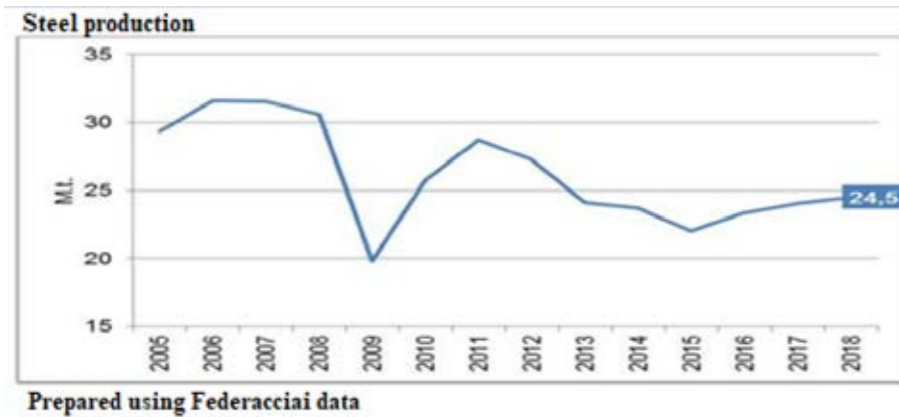
Prepared using Federacciai and World Steel data

Steel in Italy

The activity of Italian manufacturers improved slightly in 2018, supported by the new growth in exports to the European Union, despite the slowdown in the macroeconomic context.

On the demand side, apparent consumption of primary steel products remained on the rise, inflated by speculative effects on imports from non-EU countries following the introduction of safeguard measures. As a result, there has been a new gap between apparent and real demand, the latter under pressure from weak economic activity.

The production of crude steel, equal to 24.5 million tonnes, increased by 1.9% (+464 thousand tonnes) compared to the previous year. Despite the growth of the last three years, the national output has been well below the peak recorded in 2006, and also below the one after, in 2011 (28.7 million tonnes).

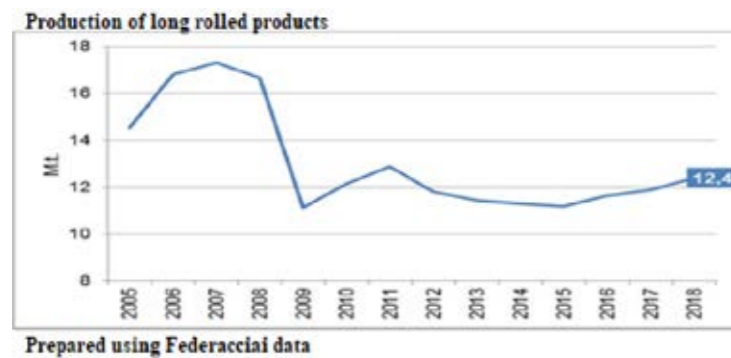


The production of long rolled products reached 12.4 million tonnes, increasing by 4.1% in 2017 and recording the highest growth in volume since 2011 (+487 thousand tonnes). The breakdown of the product by family shows that the most dynamic growth was recorded by wire rods (4.8 million tonnes), at 324 thousand tonnes (+7.2%).

This is followed by merchant bars, with a growth of 3.9 million tonnes, equal to 130 thousand tonnes, (+3.4%). Beams and reinforcing material reached 839 thousand tonnes (+30.7 thousand tonnes, +3.8%). Reinforcing bars, following the marked decline recorded in 2017 (2.8 million tonnes, -10.9%), and after reaching a new historical low since 1999, in the last year remained substantially stable, reaching 2.8 million tonnes (+3 thousand tonnes, +0.1%).

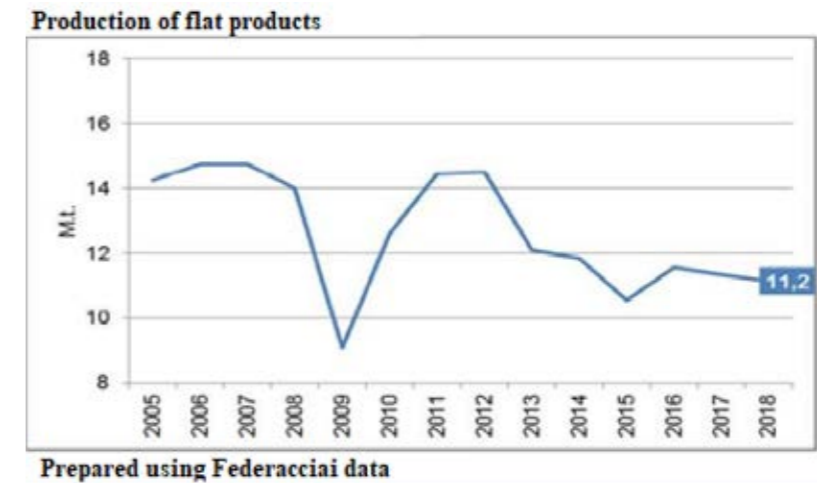
Apparent consumption reached 10.4 million tonnes (+6.9%), continuing the development recorded in 2017.

In 2018, the production of hot-rolled products equal to 11.2 million tonnes decreased by 1.6% (-177 thousand tonnes), compared to the previous year.



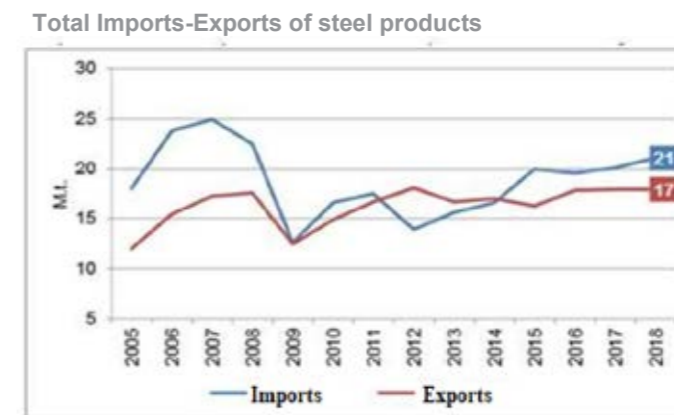
The production of hot-rolled flat products reached 11.2 million tonnes, decreasing by 1.6% (-177 thousand tonnes) compared to the previous year.

Apparent consumption, equal to 15.6 million tonnes, underwent a slight reduction (-128 million tonnes, -0.8%).



Imports of steel products saw a new historical high since 2009, confirming the upward trend since 2012. In fact, they reached 21.1 million tonnes, increasing by 5% (+1 million tonnes). In the last year, total exports remained stable, settling at 17.9 million tonnes (-14 thousand tonnes, -0.1% compared to 2017).

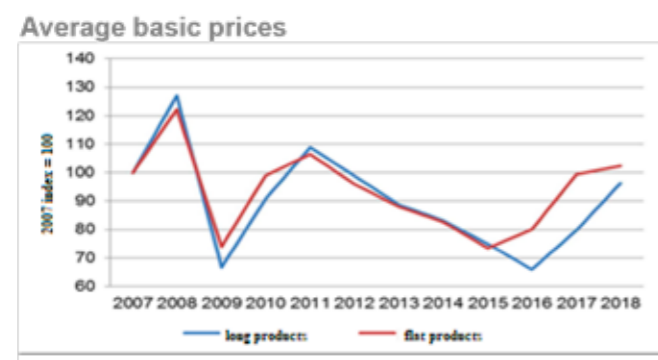
Following the new growth in imports and the stability of exports, the sector balance was in deficit for the fourth consecutive year, going from 2.2 million tonnes in 2017 to 3.2 million tonnes in 2018.



Basic quotations for primary steel products continued to improve compared to the previous year, with stronger growth for long products.

Specifically, the index of basic average prices for long products increased by 21%, and that of flat products by 3%.

The different trend partly reflects the evolution of raw material prices, with the price of ferrous scrap metal, which is the main raw material in electric furnace production, typically called long products, increasing by 11% in 2018. Whereas iron ore, the reference raw material for integrated route production, decreased by 3%.



Prepared using MEPS data

Performance of the Group's main products

Moving on to an analysis of the Group's main products (reinforcing bars and wire rods) in the reference countries (Italy and Germany), the situation is not the same.

Reinforcing bars showed a slight improvement in apparent Italian consumption, after a decade of continuous drops, while production, and deliveries even more so, remained at a standstill.

The Italian market saw an improvement in the residential and non-residential private sectors, whereas there was a further contraction in public investment.

Non-EU exports contracted due to the slowdown in Algerian consumption, which was not completely replaced by new end markets (USA, Canada, etc.).

Intra-Community exports, on the other hand, showed extremely positive results.

Reinforcing bars - Italy	2017	2018	changes
PRODUCTION	2,834	2,837	0.1%
DELIVERIES	2,860	2,780	(2.8%)
EU IMPORTS	8	4	(49.3%)
NON-EU IMPORTS	5	16	212.5%
TOTAL IMPORTS	13	20	49.6%
EU EXPORTS	697	826	18.6%
NON-EU EXPORTS	832	597	(28.3%)
TOTAL EXPORTS	1,529	1,423	(6.9%)
APPARENT CONSUMPTION ITALY	1,344	1,377	2.4%

Source: Federacciai

As for wire rods, 2018 showed a market with good growth, with apparent consumption intended for multiple applications from construction and mechanical engineering to the automotive sector, which showed a growth rate of +4.7%. The import/export balance was substantially stable, while production increased sharply.

Wire Rods - Italy	2017	2018	changes
PRODUCTION	4,468	4,792	7.3%
DELIVERIES	4,478	4,701	5.0%
EU IMPORTS	1,114	1,091	(2.2%)
IMPORT EXPORT	293	364	24.4%
TOTAL IMPORTS	1,407	1,455	3.3%
EU EXPORTS	982	1,040	5.9%
NON-EU EXPORTS	427	425	(0.2%)
TOTAL EXPORTS	1,409	1,465	4.0%
APPARENT CONSUMPTION ITALY	4,478	4,691	4.7%

Source: Federacciai

Moving on to Germany, the consumption of reinforcing bars continues to grow strongly, fuelled not so much by domestic production as by imports, which rose by a total of +36.7%.

Reinforcing bars - Germany	2017	2018	changes
DELIVERIES	2,232	2,187	(2.0%)
EU IMPORTS	540	701	29.8%
NON-EU IMPORTS	124	207	66.7%
TOTAL IMPORTS	664	908	36.7%
EU EXPORTS	549	569	3.6%
NON-EU EXPORTS	132	125	(5.3%)
TOTAL EXPORTS	681	694	1.9%
APPARENT CONSUMPTION	2,215	2,401	8.4%

Source: Wirtschaftsvereinigung Stahl

As for wire rods, the less positive economic climate for some sectors, in particular for the automotive sector, has led to a sharp contraction, not only and not so much in domestic production, but also in imports, both EU and non-EU.

Wire rods - Germany	2017	2018	changes
DELIVERIES	6,138	5,984	(2.5%)
EU IMPORTS	1,359	1,240	(8.7%)
NON-EU IMPORTS	249	223	(10.7%)
TOTAL IMPORTS	1,608	1,463	(9.0%)
EU EXPORTS	1,767	1,664	(5.8%)
NON-EU EXPORTS	618	639	3.4%
TOTAL EXPORTS	2,385	2,303	(3.4%)
APPARENT CONSUMPTION	5,361	5,145	(4.0%)

Source: Wirtschaftsvereinigung Stahl

The following is an analysis of some of the main important elements

Shares held in investments

- ✓ During the year, the Group did not make significant investments in shares.
- ✓ It also divested its minority shareholding in Mittel SpA during a takeover bid launched by a number of shareholders.

Technological investments

Description of the main investments made during the year

Feralpi Siderurgica SpA

Steel plant

- ✓ Complete revamping of continuous casting with replacement of ingot moulds, oscillating benches and cooling systems to allow the production of 150x150 billets and improve the internal health of the material
- ✓ Installation of the new automatic lime and ferroalloy LF loading system
- ✓ Interventions to improve the scrap refining system, and in particular the construction of the new command desk and safety protection

Rolling mills

- ✓ Complete revamping of the wire rod rolling line at Rolling Mill 2 with, in particular, the installation of a calibrator that allows for greater productivity and better product quality
- ✓ Introduction of an advanced system for optimising the methane consumption of the Rolling Mill 1 furnace
- ✓ Installation of a new overhead crane for the handling of the material produced at Rolling Mill 1 and structural reinforcement of the respective warehouse

Derivatives Area

- ✓ Creation of a new warehouse to expand the rewound product warehouse
- ✓ Installation of a new rewinding production machine (which allows production up to 25 mm diameter) and respective equipment
- ✓ Installation of a new machine for the production of electrowelded mesh (Mesh 5)

Buildings, work areas and other

- ✓ Interventions to improve the visual impact of the plant
- ✓ Renovation of work areas and outdoor paving, particularly in the area south of the plant
- ✓ Extension of the district heating network outside the plant for the supply of thermal energy to Engie SpA for subsequent distribution to public and private users in the Municipality of Lonato
- ✓ Internal and external repairs of the quality laboratory and simultaneous insertion of a new traction machine

Photovoltaic system

- ✓ The photovoltaic system installed in 2011 has produced an equivalent of 468 MWh and a saving of CO₂ emissions of around 176 tonnes, compared to the traditional energy mix.

Acciaierie di Calvisano SpA

- ✓ Two overhead cranes have been purchased for the scrap yard
- ✓ A new electric furnace chemical package has been acquired to further improve the management of the melting process and the use of energy
- ✓ A manipulator robot for measuring the temperature in the electric furnace has been replaced
- ✓ The coal storage silos for the furnace has been replaced
- ✓ A new ex-furnace filament pusher has been introduced to expand the range of steels that can be produced
- ✓ An extension of the finished product warehouse has been built to increase capacity

Presider SpA

Borgaro Torinese plant

- ✓ No significant investments were made in 2018 as priority was given to those under way at the Pomezia and Saint-Soupplets plants.

Pomezia plant

- ✓ The layout, designed to allow the production flexibility of the plant, has been completed.
- ✓ A construction crane has been installed for use in the second work area
- ✓ There have also been numerous interventions to the buildings

Presider Armatures SA

- ✓ The first phase of the planned investments has been completed
- ✓ Cutting lines for bars and shaping systems have been installed
- ✓ A construction crane was purchased and installed, with important characteristics for boom and capacity (60 m and 10 tonnes respectively) essential for the use of the external areas used for storage and assembly of the cages for poles and diaphragms

Metallurgica Piemontese Lavorazioni Srl

- ✓ During 2018, an investment was made in an automatic line for machining (cutting and punching) angles. This investment was necessary to complete the range of semi-finished products required by the market.

Fer-Par Srl

- ✓ Changes have been made essentially to allow a diversification of the product range. To this end, in order to improve the internal quality of the products, thanks to greater reduction ratios, a trio pre-forging system has been created to use billets with a 140 and 160 mm section. In order to be able to produce round sections, changes have been made to the part of the system relating to the unloading of the laminates
- ✓ In order to continuously monitor the dimensions of the product and its surface condition, a special measuring device has been installed at the exit of the rolling mill

ESF Elbe-Stahlwerke Feralpi GmbH

Steel plant

- ✓ Purchase of a new system for the insufflation of coal from foamy slag with flow regulation
- ✓ Installation of a direct lime feed system to the EAF
- ✓ Installation of an electronic control system for the automatic addition of foamy slag
- ✓ Purchase of a grinder for sheared scrap metal
- ✓ Improvement of the adjustment of the chemical profile of the furnace

Rolling mill

- ✓ Work on the wire rod mill was completed, aimed at increasing the rolling speed
- ✓ New electrical control systems have been introduced for the rolling mill

Ferrous scrap system

- ✓ A system was purchased to improve the quality of incoming ferrous scrap, as was a new self-propelled machine for material handling

Infrastructures

- ✓ Installation of a new Pesa 4 weighing system for derivatives
- ✓ Continuous actions for the insulation of buildings
- ✓ Interventions relating to the fire-fighting system
- ✓ Coverage of the slag area

EDF Elbe-Drahtwerke Feralpi GmbH

Derivatives

- ✓ Completion of the spacer machine
- ✓ Improvement of machine safety, through anti-intrusion and noise reduction barriers
- ✓ Installation of an automatic system for mesh storage
- ✓ Modernisation of the straightening machines

Environment and Safety

Respect for the environment, health and protection of the workplace have always been the Group's primary objectives.

The main actions taken by the main companies are listed below

Feralpi Siderurgica SpA

Activities related to environmental improvement

- ✓ Over the course of 2018, the system dedicated to the selection of ferrous scrap entering the melting cycle was fully operational, confirming the objective to increase the overall efficiency of the scrap recovery process, optimising its consumption of electricity and methane
- ✓ With regard to limiting the use of traditional fuels, and consequently limiting CO₂ emissions, the various active projects to reduce the use of methane continued: ladle heating stations, rolling mill heating furnaces, district heating. In particular, for the latter, the use through the connection of additional internal site utilities has been consolidated, and at the same time civil works have begun for the construction of the external distribution network, aimed at public and private users of the municipality of Lonato del Garda
- ✓ A new system for feeding ferroalloys to the ladle furnace has been installed. Policies related to the separate collection of waste within the production site have been strengthened. Significant interventions were carried out to reduce the visual impact of the entire plant, through the repair and painting of all the surfaces of buildings and systems, as well as the repair of paving, yards and areas; during these interventions asphalt, subfloors, paving and products made through the use of by-products were used, with a view to circular economy
- ✓ In March a renewal audit was carried out by IGQ (Italian Quality Assurance Institute) on the Environmental Management System, during which the certification of compliance of the safety management system with ISO 14001 standard according to the new version 14001:2015 was issued
- ✓ In April, the TUV audit took place to maintain EMAS registration. The audit by the entity has made it possible to validate the new revision of the Environmental Declaration, containing data updated to 31 December 2017

Activities related to the protection of workers' health and workplaces

- ✓ During the year, activities continued in all areas related to the accident prevention and protection of workers: monitoring of chemical and physical agents, constant updating of the risk assessment, evolution of plants and working environments, optimisation of procedural aspects, training of personnel, constant improvement to the Safety Management System
- ✓ 96 courses in occupational health and safety were carried out with a total of 4,158 hours of training.
- ✓ Staff involvement continued through periodic meetings with management and all department heads dedicated exclusively to safety, and by strengthening interaction with the Safety Tutors in the department, as well as through constant communication about significant events that occurred
- ✓ A new information campaign to raise awareness has been implemented, through the dissemination of dedicated posters at strategic points of the production site and through the creation of a graphic video relating to safe behaviour during movement in the department

- ✓ The IGQ carried out a surveillance visit on the Safety Management System, which confirmed that the safety management system still complies with the OHSAS 18001 standard
- ✓ Continuous improvement activities for the safety level of systems and environments
- ✓ New ferroalloy feeding system for the electric furnace
- ✓ Revamping of the continuous casting system, resulting in improvements in intrinsic safety levels
- ✓ Revamping of the wire rod line of rolling mill 2, with consequent optimisation of the safety lay-out of the entire respective section of the system
- ✓ New ladle drying stations to replace the previous ones
- ✓ New command desk for the scrap sorting system, on which work has also been carried out to improve the safety of the system
- ✓ Extension of the curtain walls of the rolling mill warehouses
- ✓ New automatic warehouses for the storage of spare parts in the workshops to limit the exposure of operators to manual handling operations and new shelving to improve the storage of materials
- ✓ New offices for the quality department, where new machines have also been installed
- ✓ New crane at Rolling Mill 1
- ✓ Renovation of numerous areas of paving within the perimeter, improvement of the conditions of the railway connection and reorganisation of the entire area dedicated to slag management

Acciaierie di Calvisano SpA

Activities related to environmental improvement

- ✓ Over the course of 2018, Acciaierie di Calvisano, as far as the environment is concerned, continued the fruitful collaboration with the main local production firms and with the municipal administration to develop a multimedia platform (Q-Cumber) aimed at the continuous monitoring of the territory, also involving individual citizens in caring for the environment
- ✓ In addition, during the year, a great deal of effort was put into implementing the following provisions laid out by the *Autorizzazione Integrata Ambientale* (Integrated Environmental Authorisation)
- ✓ Following verification by the Quality Assurance Institute "IGQ", certification was renewed for the new Environmental Management System, in compliance with the new UNI ISO 14001:2015 standard

Activities related to the protection of workers' health and workplaces

- ✓ Numerous basic training courses for new recruits and refreshers for staff were held, as well as qualification courses for the use of specific equipment, all related to the content of the State-Regions Agreements
- ✓ Important innovations in plant engineering and safety improvement were made to the EAF department, with the installation of a modern robot for the automatic measurement of temperature and sample from the furnace and the setting up of an automated system for detecting any water leaks from the cooling manifold
- ✓ Based on the number of accidents, which increased in 2018 in number and more significantly in severity, the Company has promptly identified and implemented preventive measures to improve safety
- ✓ Throughout 2018, regular inspections and audits were carried out by the Supervisory Board to verify compliance with the 231 Business Model

Fer-Par Srl

Activities related to environmental improvement

- ✓ A project has been developed to improve the management of the cooling water cycle
- ✓ Improvements were made to oil deposits and temporary waste deposits
- ✓ Removal of asbestos-containing roofs from the entire production site has been completed

Activities related to the protection of workers' health and workplaces

- ✓ Courses on occupational health and safety have been carried out for a total of 715 hours
- ✓ Activities were carried out to improve the level of safety of production plants and working environments (in particular, safety improvement interventions with the restoration of existing protections and guards, the installation of new guards, the installation of new shelving for the storage of materials, the improvement of the various deposits)
- ✓ New management procedures and work instructions have been prepared, already set up with a view to creating a safety management system in compliance with ISO 14001 and OHSAS 18001 standards, in design phase
- ✓ The Fire Prevention Certificate has been renewed

ESF Elbe-Stahlwerke Feralpi GmbH

Activities related to environmental improvement

- ✓ The updated Environmental Declaration has been published
- ✓ The surveillance audit for ISO 50001 certification has been successfully passed
- ✓ The recertification of the Environmental Management System according to the new ISO 14001:2015 standard has been completed
- ✓ EMAS registration under the new EMAS Regulation has been completed
- ✓ A noise measurement campaign was carried out: all the established emission standards were constantly respected at the site
- ✓ A new continuous emission measurement system has been installed in the chimneys
- ✓ Emissions measurements were carried out for the rolling mill furnace chimney, steelworks silos intake, in the new and old chimneys for dust extraction in the steelworks and the new chimney for the flame cutting boxes in the slag and leachate processing area
- ✓ In May, controls were carried out on disposal activities, in particular the inspection of the shredder system, according to the end-of-life vehicles ordinance

Activities related to the protection of workers' health and workplaces

- ✓ Safety improvement works were carried out on overground works, on bridge cranes, roofs and work points at height
- ✓ An employee health prevention programme has been adopted
- ✓ The organisational structure dedicated to health and safety has been strengthened
- ✓ Voluntary workplace measurements were carried out in relation to total dust, fine dust (dust fraction) and organic materials in the crane and forklift workshop in the basket preparation, steelworks maintenance panel collector and continuous maintenance casting areas

EDF Elbe-Drahtwerke Feralpi GmbH

Activities related to environmental and safety improvement

- ✓ EDF's environmental impact reduction measures focused mainly on energy saving, by replacing existing lighting in production warehouses with state-of-the-art systems. In addition, the efficiency of the heating and compressed air distribution systems has been significantly improved, with the aim of significantly reducing energy consumption
- ✓ Operations were carried out to improve the internal logistics of vehicles and materials, drastically reducing possible causes of related accidents
- ✓ The use of internal lifting vehicles powered by diesel has been reduced, opting for vehicles with electric motors
- ✓ Safety courses have been systematically increased at every level of personnel role

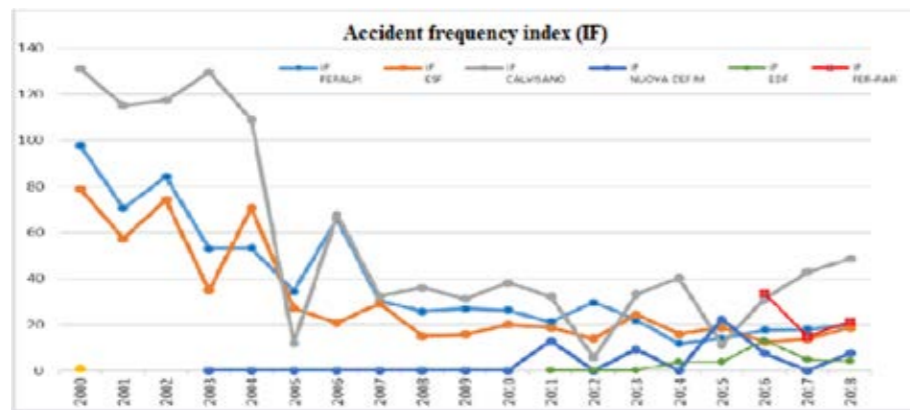
Feralpi Logistik

Activities related to environmental and safety improvement

- ✓ With the aim of reducing fuel consumption and related emissions, the company's 26 vehicles have been equipped with the latest technology (Euro 6 and AdBlue). In fact, they are replaced after a maximum cycle of use of 4 years, to ensure maximum efficiency
- ✓ Staff are regularly trained to improve accident forecasting and the optimal use of vehicles. For example, drivers' performance bonus is linked to optimising fuel consumption and maintaining safe driving

A breakdown of the accident frequency index by company is provided below

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



The accident frequency index is the number of accidents/hours worked x 1,000,000

Research and development

In recent years, research and development activities have become increasingly more important for the Group.

The following information details the developments of the main companies

Feralpi Siderurgica SpA

- ✓ Project for the implementation of sustainability performances of the overall production process. The project, which involves universities and the Ramet consortium, focused on monitoring aspects related to noise emission and the conditions of the slag emitted
- ✓ Project to expand automation applications; the project continued in 2018 with level 2 development actions including new functionalities
- ✓ Three-year Rimfoam cooperative project, partly funded by the Research Fund for Coal and Steel (RFCS) of the European Commission; the project was completed in the year with test campaigns
- ✓ During the year, work continued on the "FabeFin" project, co-financed by the Lombardy Region – *Accordi per la Competitività* (Agreements for Competitiveness), with particular reference to the rewinding of ribbed coils, the completion of internal district-cooling by reusing the heat from EAF fumes and tests to use the innovative process of cleaning scrap to improve its performance. The project will end in 2019
- ✓ Project for an internal district-heating system by recovering heat from the cooling system of the steelworks fumes; The project continued with the testing and verification tests, and the design of the system for external users was started
- ✓ SW project to control the operating parameters of the heating profiles at rolling mill 1, aimed at optimising consumption in production; the project continued in 2018 with the test phases of the system installed to assess its improvement performance
- ✓ Installation programme of measurement systems and design of a data collection system for monitoring consumption and possible feedback on the compressors; The project continued with the performance of tests and monitoring of performance in addition to the design of software changes for the optimised control of compressed air generation
- ✓ Project aimed at reducing the energy consumption of the smelter by optimising the electrical parameters of the furnace; The project was concluded in 2018 with the basic assessments on the possibility of making changes to the system
- ✓ Project aimed at increasing the degree of control of the product being rolled, through the installation of optical and profile measurement devices; The project ended with the inclusion of optical section measurement devices
- ✓ Project aimed at raising the level of security in the corporate area. The project continued in 2018 with the introduction of systems for controlling access to server room cabinets and extension of the anti-intrusion system
- ✓ FISSAC project co-financed by the EC call for proposals, Horizon, aimed at the promotion and application of the concept of circular economy. Work continued on the characterisation of the slag and the first transformation treatments were carried out. The study of the material obtained and of the treatment processes will continue in 2019
- ✓ The project financed by the European tender RFCS "PerMonList" launched in 2016, aimed at the development and industrial implementation of calculation systems and methods for monitoring the performance of steel production processes, continued. The activity in 2018 concerned the refining and addition of new functions to the EAF model, including the activation of the noise monitoring sensor
- ✓ The project for the development of new steels aimed at expanding the steel brands that can be produced continued. The activity carried out during the year included the implementation of the new ferroalloy LF loading system and consequent testing activities
- ✓ The secondary optimisation project in Continuous Casting continued in 2018 with the research partner (RINA-CSM) for the study of the issues and the definition of the best plant solution. Testing campaigns continued with parameter changes and metallurgical characterisations
- ✓ The project to develop methods for tracking production and products continued with the completion of billet labelling and preliminary evaluations of bar counting methods

- ✓ In addition, the following new projects have been launched: "4.0 system integrations" concerning the implementation of systems interconnected and integrated with the plant network. In particular, R&D activities looked at the cooling water leakage detection system in the EAF, automated warehouses, ladle drying systems and the welding fume extraction system
- ✓ With co-financing from the Italian Ministry of Economic Development (MISE), the "Wire Accuracy 4.0: through process interventions to obtain wire rod products with thermomechanical treatment, bars and derivatives in new steels through plant engineering interventions and Industry 4.0 control systems" project was launched, with an expected duration of 36 months
- ✓ Total related costs of more than EUR 3 million were incurred during the year

Acciaierie di Calvisano SpA

- ✓ The SteelPro 4.0 "Development of special steels through innovations in the implementation of the manufacturing process, characterisation of materials and integrated control of the entire production chain" project continued, aimed at implementing plant and software solutions for the improvement of production processes in the steelworks area. The project is co-funded by the Lombardy Region with the support of partners Politecnico di Milano for studies in Steelworks and Continuous Casting, the University of Brescia (UniBS) for evaluations of product results, and Optel and Visiorobotics for the development of a hot billet surface analysis system for the detection of billet defects induced by casting
- ✓ Developments continued and testing and monitoring campaigns were carried out for the scrap treatment system, the EBT automatic cleaning and recovery system in the EAF, added ladle loads, new mould release agent, completion of pilot application for a new chemical package for the EAF and new linear final stirrer in continuous casting
- ✓ The plant parts for new overhead cranes for loading scrap have been further developed
- ✓ The project "Quality Integration: "Increasing product quality and production flexibility of wire rods and profiles through innovative technologies applied to the entire production chain", co-financed by the Italian Ministry of Economic Development (MISE). The research and development project involves the partners Acciaierie di Calvisano SpA, billet manufacturer, Arlenico SpA, for the production of wire rod in special steels and FER-PAR Srl for the rolling of billets in the form of profiles.
The research and development project is aimed at expanding the product range of the Acciaierie di Calvisano-Arlenico-FerPar production chain, as well as reducing the number of cases of defects at the three sites, starting with the Calvisano billets
- ✓ The plant engineering activities relating to the project were started up, and a system was set up for the real-time monitoring of out-of-process events in continuous casting, and for the forecasting of any subsequent out-of-process events ("Predictive Quality"). In addition, the implementation of the data integration platform was started, capable of providing a global and integrated view of the entire production chain in an "Industry 4.0" logic

Fer-Par Srl

- ✓ As already mentioned, the company was also involved in the "Quality Integration" project. The main activities carried out by the latter include expanding the range, improving traceability and packaging. The project will continue with the creation of IT systems for monitoring, supervising and controlling the various process phases, capable of both providing management indications to individual processes and providing a global and integrated view of the entire production chain in an "Industry 4.0" logic

Nuova DE.FI.M. SpA

- ✓ A project aimed at developing custom security technologies that can be coupled with particular types of poles/panels for the creation of intelligent security fences through the application of sensors and specific electronic technology. The project proved to be particularly complex and gave rise to two different product and research lines. The project continued for the Sterope ACS line and, in particular, for the application of a new electronic system with field tests at customer premises

- ✓ A project aimed at studying and researching design and production solutions for Corten viticulture wire, never before applied in the sector, with innovative elongation performance, mechanical strength and durability that allow the use of smaller diameters than the classic types, with a better aesthetic impact. The project was carried out in collaboration with Feralpi Siderurgica and Acciaierie di Calvisano for the fine-tuning of the steel to be used, which was then drawn in samples and tested at customer farms
- ✓ Product testing continued in collaboration with the Politecnico di Milano, which carried out accelerated ageing tests on an industrial research project aimed at developing technologies for the safety of buildings not built in accordance with anti-seismic standards, through the use of modular systems that can be easily adapted on site with a high quality/price ratio. The project ended in 2018
- ✓ A new experimental development project aimed at the feasibility study and the subsequent development of a process for use of grating lifting attachments. The project ended in 2018
- ✓ The projects, due to their particular complexity of design and implementation, required the acquisition of new knowledge aimed at fine-tuning them, as well as the concretisation of such knowledge, through the phases of prototyping and experimentation

ESF Elbe-Stahlwerke Feralpi

- ✓ During the year ESF received funding for the project named "Schaumslagregelung auf der Basis der Auswertung akustischer Wellen am Elektrolichtbogenofen zur Verbesserung der Energieeffizienz der Stahlproduktion", which aims to improve the energy efficiency of the smelter by regulating foamy slag through acoustic wave analysis. The system has been regularly used since 2018, and is used in the automatic control of certain parameters of the EAF process. In the field of occupational health, a study was carried out at the Riesa steelworks in collaboration with the Berufsgenossenschaft Holz Metall (trade association for the wood and metal industries) on the possible inhalation of harmful substances in some potentially more exposed areas. The study found that the presence of hexavalent chromium is ten times lower than the new stricter legal limit. The project was successfully concluded in 2018
- ✓ The four-year project "SupportCast" co-funded by the European Commission through the RFCS - Research Fund for Coal and Steel call for proposals continued, with the aim of improving the surface and internal quality of continuous casting billets through the application of process simulations, innovative plant solutions for reduction of internal defects and application of a mapping system of the surface temperature of the billets for detection of casting anomaly defects
- ✓ During the year, work continued with the Politecnico di Milano on simulations of the continuous casting solidification process and the characterisation of the billets
- ✓ Finally, with the project partner BFI (VDEh Betriebsforschungsinstitut GmbH), the basic design of the application of the defect detection and thermal imaging system was carried out

Environmental Innovation Programme

ESF participates in a programme supported by the Italian Federal Ministry of the Environment, entitled "Innovative combination of process engineering in a high-power steel plant, with annexed rolling mill, with the aim of reducing environmental pollution". By means of an overall management of the interfaces for the management of ferrous scrap, melting activities, continuous casting system and rolling mill, at the level of process integration, the hitherto separate technological processes of the steel mill and rolling mill are linked and are optimised as a whole with the aim of improving the efficiency of the production cycle. The activities were concluded in 2018 also thanks to a system of product tracking and billet labelling, to be coupled with the data management system in development

Billet quality improvement project

In partnership with Freiberg University, a project was launched to improve the quality of micro-alloyed steel billets. The activity included characterisation of defects and evaluation of possible causes and ended in 2018

Electrical and chemical design of the smelter

In partnership with Freiberg University, a project was carried out to optimise the efficiency of the energy used in the EAF. Work continued on optimising the profiles managed by the EAF system for scrap metal smelting, seeking to maximise the use of chemical energy for flue gas post-combustion by surveying flue gas composition with the EFSOP probe and taking into account other aspects of the process for overall optimisation.

The aim is to maximise the use of chemical energy without creating an excessively oxidising atmosphere

Project to improve the electric arc covering with foamy slag

For this activity, the use of a noise sensor was pursued to evaluate the efficiency of covering the electric arc with foamy slag in order to act directly on the injection of coal to manage the foaming of the slag.

ConSolCast Project

The project "Comprehensive Modelling, Monitoring and Control of Solidification for Optimisation of Continuous Casting Process – ConSolCast", a project in consortium with other European partners, has been approved for Feralpi ESF. This project, aimed at developing systems for monitoring and controlling the state of solidification of the billet during casting with the aim of optimising the process parameters, is co-financed by the European Commission fund RFCS (Research Fund for Coal and Steel). The application of an innovative system of continuous casting mould instrumentation has been designed for on-line monitoring of the mould temperatures in order to evaluate the correctness of the ongoing solidification process.

EAF improvement project and ferrous scrap loads

During the course of 2018, work was carried out with the BFI (Betriebsforschungsinstitut) research centre in Düsseldorf on improving fume extraction at the primary EAF process in order to minimise energy losses and, consequently, furnace consumption.

At the same time, the application of a primary crusher of ferrous scrap before loading in EAF was developed in order to improve the characteristics of cleanliness and absence of pollutants in the scrap.

Communication

Communication activities are part of a rapidly changing international scenario. In particular, sustainability drivers are not only heavily influencing government activities, but also consumer choice. In this context, the company also has a duty to follow change, or anticipate it if possible. The communication activities implemented by the company were planned, managed and carried out during the year with the specific aim of strengthening Feralpi's reputation while respecting the company's characteristic values. Innovation and sustainability have been two cornerstones that have found expression in numerous actions. While in 2017 one of the objectives was to inform and, above all, involve the entire panorama of stakeholders, in 2018 engagement with stakeholders took on primary importance throughout the year and, in particular, on 15 September, the day on which Feralpi Siderurgica hosted the open day entitled "Heartbeats, l'innovazione nel cuore" (*Heartbeats, innovation at heart*).

2018 was the year in which Feralpi acted strongly on its brand, starting with the activity of **refreshing the Group logo**. The analysis confirmed the harmony of the image with what represents "heart" for Feralpi. The restyling of the logo has therefore combined tradition and innovation, relaunching the very soul of the company. It was also an opportunity to highlight the growing importance of attention to environmental issues and circular economy. The refresh of the logo has also affected the strong business-steel-art correlation, a correlation that during the course of the 2018 found concrete expression in many activities. Among these were the creation of the **new showroom and the new image of the Lonato del Garda plant**. The harmonious integration of a plant in the surrounding environment implies the responsibility of making the company a shared heritage. It is an industrial vision with concrete effects on the environment and on people. With the same approach, a showroom was created in which, along a journey through a hypothetical city, the Feralpi Group's products are used. The entire project was conceived, designed and built with the intention of making the working environment more pleasant and liveable, as well as performing an "educational" task by showing the importance of a metal without which it would not be possible to build urban complexes and infrastructure, nor even think of the smart cities of the future. In this journey, which also led to a new look for the company restaurant building, space was also found for the creation of a new outdoor area.

In addition, a **collaboration with the Academy of Fine Arts of Brera** was also developed. The students tried their hand for the first time at creating works that fused steel with Feralpi's values. The result was a competition that led to the presentation of numerous projects. Two sculptures were created to share the beauty of steel. They have been installed in an area of the plant where they have great visibility.

The communication activity also had another focus: man, understood as the centre of the company.

This directive guided the creation of a photographic volume on Feralpi, curated by photographer Moreno Maggi. The limited edition was a highly artistic initiative.

These activities culminated on 15 September last year at "Heartbeats, l'innovazione nel cuore" (Heartbeats, innovation at heart), an event held for the 50th anniversary of the Feralpi Group. The word of the day was "gratitude" - Feralpi wanted to show its gratitude, not only to stakeholders. The figures from the day speak volumes: over 9,000 visitors, of which more than 2,000 were given the opportunity to visit the production plant during operation. A written "thank you" also to the collaboration of 21 partners active in the area present in the "Parco della Riconoscenza" (Park of Recognition) set up at Feralpi Siderurgica and divided into the four areas the entire Group strives towards: circular economy, social inclusion, sport and wellness, young people and training.

In addition to the 50th anniversary event, the communication department organised and supported a number of other events throughout the year with Associations and Organisations, including the Confindustria PMI Day. Communication has found, in media relations, an accelerator for corporate reputation. This activity was also managed with the aim of informing the public about Feralpi's activities in a timely and constant manner.

Media relations are part of the broader external relations activity. In fact, they continue to have a transversal role that has directly affected the activities of Feralpi, and also directly and indirectly, the subsidiaries. Each relationship has been built or strengthened according to the principles of proximity to the territory and continuous dialogue with it, in an open and constructive approach.

Corporate Social Responsibility

The ninth edition of the Sustainability Report is the result of a collective effort that involved the Italian companies of the Group within the scope of reporting, and numerous external collaborators.

Feralpi continued its commitment to combining industrial activity with the interests of its various stakeholders, renewing its conviction that the creation of shared value is achieved through truly sustainable activity. For the Group, creating shared value means integrating economic aspects and corporate competitiveness through the creation of social value. It is a continuous process that, already in 2017, found its basis in investments in circular economy projects, such as district heating, the transformation of black slag from waste to by-product, the constant commitment to innovation, and young people and employment.

For over ten years, environmental, social and economic performance has been reported, following the international guidelines of the GRI (Global Reporting Initiative) Standard since 2016, with the certification of a third-party company to ensure the accuracy of the information reported.

Attention to **employees, the internal stakeholder par excellence** is demonstrated by the continuation of collecting each individual's opinion on the various corporate, municipal, territorial and institutional issues, which translate into the drafting of a climate survey, distributed at the beginning of the year.

There are dedicated activities and actions aimed at promoting health in the company (**WHP, Workplace Health Promotion**) and a digital platform has been adopted to take advantage of services and offers dedicated to employees and their family, choosing from multiple proposals (prevention and medical care, support for the elderly, school fees, travel and much more (**WELFer**)).

Particular attention is paid to donations and contributions to the territory. To give further substance to the principles of solidarity and civil responsibility, the Group has renewed its collaboration with the Fondazione della Comunità Bresciana onlus (a Brescia community charity), through the **"Carlo e Camilla Pasini" Fund**, giving continuity to the numerous requests for solidarity aid.

Feralpi has adopted objectives for sustainable development. In particular, of the **17 SDGs indicated by the United Nations, it chose four: innovation and infrastructure, sustainable cities and communities, responsible consumption and production, and the fight against climate change.**

It has also joined the **Confindustria Manifesto on Corporate Social Responsibility 4.0**, sharing the ten points dedicated to companies wishing to contribute to the development of a more sustainable country.

The Group is aware that the **key to being sustainable over time** is anticipating innovations, focusing on the search for increasingly advanced solutions capable of increasing efficiency, flexibility and production quality, supporting the model of circular economy, which focuses on the reuse of materials, the reduction of environmental impact and, above all, the increase of safety in the workplace.

Personnel

Organisation and Workforce

The following is the *breakdown by role and geographical area*

Group workforce at 31.12 by role	2018	2017	Changes
Senior Managers	32	27	5
Employees and Middle Managers	438	425	13
Workers	1,086	1,067	19
Total	1,556	1,519	37

Group workforce at 31.12 by geographical area	2018	2017	Changes
Italy	819	788	31
Overseas	737	731	6
Total	1,556	1,519	37

Training

Within the Group, training is confirmed as a strategy for the development of human capital. This is mainly expressed in initiatives aimed at technical and professional updating, related to organisational changes, and in activities related to health and safety in the workplace.

During the year, training activities at Group level recorded a significant increase, reaching 29,042 hours (24,110 in 2017).

In Feralpi the four **main macro areas are the main guidelines for personnel development and training:**

- ✓ technical-specialist or trade area
- ✓ safety, health at work, environment and energy area
- ✓ compliance and regulatory updates
- ✓ quality

Of particular importance was the **training related to "Digital Awareness"**, carried out at the Group's Italian companies (significant both in terms of the issue dealt with and the high number of **training hours provided**).

This innovative training journey has been inspired by the digital transformation of companies and societies, a process that has been under way for some years, which has generated a profound change and affects not only the production technologies and organisation of companies, but also the very way of interpreting and experiencing the professional and private context.

For this reason, the Feralpi Group has chosen to promote a **project aimed at the growth of digital culture**, which embraces the professional and personal lives of its employees.

As for **Higher Education**, in 2018 employees completed modules in the Master's degree in Management and Innovation of Enterprises 2017/2018, carried out within the framework of the agreement between the University of Brescia and the Associazione Industriale Bresciana. Two colleagues also completed the first year, and started the second year of the Master's in Metallurgy 4.0, born from the collaboration between AQM, Isfor and Riconversider.

The activity relating to the HSE (Health, Safety & Environment) area remains strategic and crucial for the Feralpi Group.

In this regard, the training activities related to the following areas continued:

- ✓ safe use of tools, machines, systems and lifting vehicles/accessories
- ✓ specialist safety issues (e.g. first-aid and fire-fighting teams, supervisors, operators)
- ✓ specialist training for prevention and protection managers/officers and workers' safety representatives

As part of the **Project "Towards Zero Accidents"**, in Calvisano the "Seven Minutes" meetings continued, i.e. the moments at the shift change when the shift manager meets his or her production staff and shows them a card that highlights some risks of the work area and the necessary countermeasures. In addition, also in 2018, in the plants in Calvisano and Lonato, supervisors carried out refresher courses.

At Group level, the **activities carried out in relation to Italian Legislative Decree 231** with classroom or e-learning methods are also significant, as is training on CSR (Corporate Social Responsibility) issues, as well as the widespread activity carried out at the Nave plant with reference to WHP (Workplace Health Promotion).

Another strategic area with regard to **the updating of human capital** is quality. In this regard, it is noted that **intensive training on the UNI EN ISO 9001 standard** was carried out involving staff from the Lonato, Calvisano and Nave plants.

Likewise, **in the German companies of the Group**, levels of training are also high, settling around 11,500 hours per year. In addition to **activities related to the area of safety and health at work, training to improve language skills** (German, Italian, English) continues to be significant.

In particular, Feralpi Stahl, maintaining its commitment to integrating young immigrants into the company, provides **paths aimed at improving the German language, so as to also support them in integration into the local community**.

The **Programme Meisterausbildung ("Master Craftsman")**, also continues, aimed at the acquisition of specific skills used to provide a greater contribution to business innovation.

In 2018 in Riesa the **project began that will lead to the introduction of SAP ERP**; the first phase of the programme involved mapping company processes. The Human Resources department is assisting colleagues in this strategic step, by providing ad hoc training sessions and by recruiting SAP specialists.

Other initiatives and activities

Digital transformation, health promotion, welfare and attention to the territory are the key issues on which the Group continued to operate in 2018.

SAP SuccessFactors

With a view to digital transformation and integration with company systems, the SAP SuccessFactors platform, an integrated system for human resources management, was implemented in 2018 at the Italian companies.

WHP – The network of companies in Lombardy that promote health

The Feralpi Group is also highly committed to the WHP (Workplace Health Promotion) project, a European project for health promotion.

Feralpi Siderurgica, Feralpi Holding, Acciaierie di Calvisano and Nuova Defim have joined the first WHP regional network of companies in Lombardy that encourage their employees to make healthy lifestyle choices. In 2017, Fer-Par also joined the network and there was extensive training for employees. The six thematic areas used for creating Good Workplace Health Promotion Practices are: nutrition, anti-smoking, physical activity, safe and sustainable transport, countering addiction and work-life balance/well-being.

Employee Health Days and "Get Fit Together"

In 2018, the German companies again held the traditional Health Day event, again in two sessions, with multiple ways for employees to look after their bodies and discuss issues related to health and safety.

In addition, from the point of view of welfare, the promotion of a healthy lifestyle, as well as attention to the territory, the first edition of the sports festival "Get fit together" took place, an interactive event where employees and their families could win a German sports medal.

Guadagnare Salute

In 2016, Feralpi Siderurgica and Acciaierie di Calvisano launched the project Guadagnare in Salute (Earn in Health), with the aim of promoting healthy choices that affect cardiovascular risk factors and, at the same time, carrying out free diagnostic tests.

WELFer

At Acciaierie di Calvisano, Presider and MPL, as part of the agreement to renew the company contract signed during the year, the WELFer web platform was introduced, dedicated to the use of flexible benefits by employees.

Therefore, as of 2019, the employees of those companies, similar to their colleagues at Feralpi Siderurgica and Feralpi Holding, can autonomously compose their welfare package. Within an available budget, they can choose reimbursements or vouchers, according to their needs.

Feralpi Bootcamp

In line with the Group's commitment to corporate welfare and attention to the territory, in 2014 the Group created the Feralpi Bootcamp project, which brings together numerous initiatives aimed at the younger generation. Particularly:

1. Guidance for the children of employees with a series of cultural and recreational initiatives aimed at young people
2. Alternating School-Work Qualification

The project started in 2015 at the Lonato del Garda plant and since 2017 has involved the Group's 3 plants (Lonato del Garda, Calvisano and Nave) in welcoming groups of students from 4 schools. As part of this project, the students have the opportunity to follow significant training (more than 110 hours of classroom training) concerning both safety issues and technical aspects related to the steel industry, but also to experience sessions aimed at developing soft skills.

The Alternating School-Work project achieved a special mention during the 2016 national prize "Teaching: teaching for school-work alternation" and in February 2018, the BAQ - Confindustria's Seal for Quality Alternating Courses - awarded to companies for the value of the activities carried out in favour of "on-the-job" training through their commitment to young people and their constant attention to school issues.
3. Higher Education Paths (IFTS/ITS and Feralpi Sider+)

IFTS and ITS courses

In this context, there is the partnership activity related to IFTS courses - Higher Technical Education and Training - which Feralpi has been a part of since 2014.

The Group is also actively collaborating in the two-year pathway ITS - Higher Technical Institute for Mechatronics, for the achievement of a higher education diploma in automation and mechatronic systems.

Performance Management

In 2018, the new Performance Management System for the Management Team was fully implemented.

The system, which in 2018 involved managers from 3 Italian Group companies, has the objective of directing, in a structured and organic manner, the contributions of each Manager towards the achievement of corporate objectives, as defined in the strategic guidelines drawn up by Senior Management.

In 2019 the system will be extended to a total of 25 managers belonging to 6 Italian Group companies.

Best Practice Sharing

Over the course of 2018, four important best practice sharing projects were launched involving personnel from 5 Italian and German companies in the group, as well as production partners.

The project aims to pool the technical and organisational skills and specific experience of the various Group companies, making them available to all plants in order to generate a virtuous circle of improvement.

E-Farmer

In autumn, with the collaboration of the University of Brescia and the RISE laboratory, the selection process was launched, aimed at the inclusion in the company of 12 recent graduates (E-Farmer) from all over Italy, inserted in three teams and engaged in the development of projects capable of influencing business processes in an innovative way.

Adoption of Italian Legislative Decree 231/2001

As part of its institutional activities, following the entry into force of Italian Legislative Decree no. 231 of 8 June 2001, which introduced into Italian law for the first time a system of "administrative responsibility" for companies, the Parent Company Feralpi Holding SpA and the main Italian subsidiaries have each adopted their own Organisation, Management and Control Model that identifies processes at risk and regulates the conduct that the various players must adopt in each daily work process.

This adjustment process was carried out taking into account both the requirements of Italian Legislative Decree 231/01 and the initiatives already implemented by the Feralpi Group in the field of "Corporate Governance", on the basis of the company's commitment to CSR (Corporate Social Responsibility).

The parent company Feralpi Holding SpA and its Italian subsidiaries constantly integrate and update their Models. The revision of the Organisational Models currently in force was approved by the respective Boards of Directors, or equivalent body, by most companies over the course of 2017.

Subsequently, a number of new regulations were introduced which could potentially be applied to the Group's operations, including the one introduced by Italian Legislative Decree no. 38 of 15 March 2017, which came into force on 15 April 2017 and involved changes regarding corruption offences among private individuals. The main changes were as follows:

New formulation of corruption between private individuals (art. 2635 of the Italian Civil Code), an underlying offence of the administrative liability of entities, pursuant to art. 25-ter of Italian Legislative Decree 231/2001 in which the new case is constructed in terms of an offence of mere conduct (or danger), i.e. without involving a damaging event.

Introduction of the separate offence of "incitement to corruption among private individuals" (art. 2635 bis of the Italian Civil Code), with which the active party is punished, even if the offer or promise of money or other benefits to carry out acts of infidelity towards one's own company is not accepted by the passive party of corruption.

In the Official Gazette no. 13 of 16 January 2019, Italian law no. 3/2019 (the "*Spazza-corrotti*", "Corrupt-Sweep") was then published, containing "Measures for countering offences against the public administration, as well as on the prescription of the offence and on the transparency of political parties and movements", which came into force on 31 January 2019. This Law has made further significant changes for 231 decree purposes, as regards corruption offences between private individuals and incitement to corruption between individuals (2635 Italian Civil Code and 2635-bis Italian Civil Code), as it is now envisaged as prosecutable ex-officio and no longer on complaint by the injured party. Law no. 3/2019 has also partly rewritten art. 25 of the 231 decree relating to corporate liability for corruption offences, including the offence of trafficking in illegal influences in the catalogue of punishable offences and, as a more impactful innovation, increasing the interdiction sanctions, differentiating the quantum on the basis of the role held within the entity by the person who committed the offence.

Law no. 179 of 30 November 2017 (which came into force on 29 December 2017), concerning "whistleblowing" also introduced the new paragraph 2-bis of art. 6 of Italian Legislative Decree 231/2001, under which the organisational models adopted must provide for the activation of one or more channels that allow for the presentation, in order to protect the integrity of the entity itself, of detailed reports of unlawful conduct, relevant to the offences provided for therein and based on precise and concordant factual elements, or of violations of the organisational and management model, of which they have become aware by reason of the functions performed. These channels must guarantee the confidentiality of the identity of the whistleblower in the management activities of the report and at least one channel must be able to guarantee confidentiality with digital methods.

As is now customary, the Group companies have taken steps to bring their Models into line with new regulations by carrying out preventive analyses aimed at assessing the adequacy of any control measures already implemented, as well as the need to create or integrate control procedures and protocols to monitor new criminal risks. These processes, which are currently being completed, will lead to further updates to the Organisational Models by the Group companies in the coming months.

Risk Management

Information pursuant to art. 2428 paragraph 2 point 6-bis of the Italian Civil Code

The Feralpi Holding Group, through Feralpi Siderurgica, operates mainly in the **steel and steelmaking business unit**, an area that involves the assumption of different types of risk:

- ✓ operational risks such as those relating to occupational safety and the environment
- ✓ business risks connected mainly to the trend in the prices of raw materials and finished products, and with credit risk
- ✓ financial risks arising from exchange rates and interest rates

As for **primary risks**, these are linked to the type of steelmaking activities. The company has developed highly advanced systems to protect its employees and control the impact on the environment; this is reflected in the continuous improvement of the accident rate, as well as the numerous environmental certificates received.

Secondary risks derive from the significant excursions that the prices of the finished product and raw materials (mainly ferrous scrap and energy) can have even in fairly short periods. In the long term, the trend in the price of ferrous scrap and that of the finished product tends to be parallel.

The Group has a global insurance policy for **commercial risk**.

The risk from currency fluctuations, which is very modest as most transactions are carried out in Euro, is covered, where appropriate, by swaps (fixing of variable indices) or similar instruments when they arise. The Group also implements a policy of selective hedging of **interest rate risk**.

Moving on to the **diversified investments business unit**, the main risk factor is essentially environmental, linked to changes in regulations and their interpretation and application by the control bodies.

Antitrust

As already mentioned, in 2017 Feralpi Siderurgica SpA, together with other steel operators, was fined in relation to alleged anti-competitive activities for an amount of EUR 29.4 million. Subsequently, the company was given the possibility to pay off this amount in monthly instalments.

The company appealed against the decision of the Antitrust Authority to the competent Administrative Court of Lazio; the appeal annulled the previous decision, acknowledging the lawfulness of the conduct.

The decision of the Regional Administrative Court was appealed to the Council of State by the Attorney General's Office. The appeal is scheduled to be discussed in the first few months of 2020.

In order to continuously monitor the correctness of antitrust activities, Feralpi Holding has appointed an Antitrust Compliance Officer, who will be the point of reference for the Group.

At the same time, various specific training activities were carried out for Group managers.

Analysis of economic and financial performance

2018 saw further growth in terms of **group turnover** (+10.2%), and reached EUR 1,320 million on a substantially like-for-like basis.

The **production value** was EUR 1,366 million (+9.8%). **The impact of raw materials** net of changes in inventories, worsened slightly, in relation to a significant increase in the cost of ferrous scrap, which went from 63.3% to 65.4% of the value of production.

This worsening was partially offset by the drop in "services", which went from 19% to 18%, and by the modest decreases in the impact of personnel expenses, which went from 6.7% to 6.5%, and amortisations and depreciations (from 3.5% to 3.4%). The real origin of the improvement, which can be seen in the difference between the value of production and the cost of production (EUR 80.1 million, with an impact on the value of production of 5.9%, compared to 4.3% in 2017), can be attributed to the provisions for risks which "weighed" approximately EUR 29.4 million in 2017.

This provision deriving from a fine received by Feralpi Siderurgica SpA from the Italian Antitrust Authority is covered in more detail in other parts of the report.

The financial charges remain practically unchanged at little more than EUR 3.6 million with an impact on the value of production of 0.26%.

Overall, the **Group profit (loss) before taxes** was EUR 77.6 million, compared with 50.6 in the previous year. The impact of the taxes then reduced the net profit, bringing it to EUR 52.8 million compared to 30 million in the previous year, and therefore with an impact on the production value of 3.9%.

If we move on to an analysis of the **Balance Sheet**, we see that the Group's net assets also grew (+5.3%), reaching EUR 1,067 million. Of this amount, fixed assets account for EUR 425 million (39.8% of the total). The increase is due to the trend in tangible fixed assets (+17 million), while financial fixed assets show a slight decrease. Current assets increased from EUR 603 to 640 million. This delta is essentially justified by the increase in inventories (from EUR 199 to 270 million) in relation to the growth in both volumes and prices of raw materials and finished products.

On the other hand, a slight decrease is expressed by receivables as a whole, in particular those due from minority interests.

On the payables side, the **Shareholders' Equity**, bolstered by the yearly profit, amounted to EUR 475 million.

Provisions for risks and charges show a slight decrease in relation to the payment of a number of instalments relating to the total fine of EUR 29.4 million imposed by the Italian Antitrust Authority on Feralpi Siderurgica SpA. Following the annulment of the fine by the Administrative Court of Lazio, the amounts already paid were returned in 2019. In the face of an appeal filed by the Attorney General with the Council of State, it was preferred to keep the amount set aside pending a final judgement. The amount attributable to bonds has halved.

In 2018, the previous convertible bond loan of EUR 10 million was repaid and a new non-convertible loan of EUR 5 million was issued.

The bank debt went from EUR 197 to 219 million with a reduction in loans beyond 12 months.

The overall net financial position went from EUR 142 to 170.3 million. Of these, medium-term represented around 49%. The other debt items do not show fluctuations compared to 2017.

The trade payables remains around EUR 230 million. Overall, though registering a reduction in medium-term loans, which went from EUR 95.2 to 84 million, the permanent sources reached EUR 599 million (EUR 556 million in 2017), covering 56.1% of the total assets and 140.8% of the fixed assets (136.1% in the previous year).

Equity capital represented 44.3% of the total assets (in 2017 equal to 41.5%), exceeding the amount of total fixed assets, though the latter increased significantly.

The Group therefore not only enjoys a more than positive level of profitability, but also a solid and competitive financial structure.

In order to better understand the Group's operating results, the following is a *reclassification of the Income Statement, Balance Sheet and Profit Indicators*

Balance sheet assets					
Item	2018	%	2017	%	
	Working capital	346,446	32.5%	379,971	37.5%
	Immediate liquidity	48,993	4.6%	64,699	6.4%
Cash and cash equivalents	48,993		64,699		
	Deferred liquidity	297,453	27.9%	315,272	31.1%
Receivables from shareholders	-		-		
Current Assets: Short-term receivables	294,585		311,676		
Short-term non-current receivables	473		604		
Financial assets	802		802		
Accrued income and prepayments	1,594		2,190		
	Inventory	269,602	25.3%	199,404	19.7%
Inventories	269,602		199,404		
	Fixed Assets	451,155	42.3%	433,930	42.8%
Intangible fixed assets	13,626		12,534		
Tangible fixed assets	350,807		333,977		
Financial fixed assets	59,751		60,473		
Current Assets: M/L term receivables	26,972		26,947		
	Total Loans	1,067,203	100.0%	1,013,305	100.0%

Balance sheet liabilities

Item	2018	%	2017	%	
	Minority interest in capital	2,763	0.3%	2,676	0.3%
	Current liabilities	460,507	43.2%	448,455	44.3%
Short-term liabilities	459,855		447,204		
Accruals and deferred liabilities	652		1,251		
	Consolidated liabilities	131,246	12.3%	141,325	13.9%
M/L term liabilities	89,870		95,970		
Provisions for risks and charges	33,757		37,047		
Employee severance indemnity	7,619		8,309		
	Equity capital	472,686	44.3%	420,849	41.5%
Share capital	55,000		50,000		
Reserves	331,189		307,105		
Profit (losses) carried forward	33,746		33,746		
Profit (loss) for the financial year	52,751		29,998		
	Total Sources	1,067,203	100.0%	1,013,305	100.0%

Income Statement

Item	2018	%	2017	%
Production Value	1,366,314		1,244,835	
Raw materials consumption	893,847		787,141	
General Costs	249,954		240,202	
Added value	222,512	16.3%	217,492	17.5%
Personnel costs	89,171		83,118	
Provisions	1,469		31,200	
Gross operating margin	131,872	9.7%	103,174	8.3%
Amortisation, depreciation and write downs	46,092		43,412	
Net operating margin	85,780	6.3%	59,762	4.8%
Miscellaneous operating costs	1,366,314		1,366,314	
Earnings before interest and tax	80,145	5.9%	53,186	4.3%
Financial income	529		491	
Financial charges	4,131		4,092	
Income net of interest and tax	76,542	5.6%	49,584	4.0%
Revaluation of equity investments	2,332		1,958	
Write-downs of equity investments	1,264		967	
Pre-tax income	77,610	5.7%	50,574	4.1%
Tax	23,875		19,998	
Net Profit	53,735	3.9%	30,576	2.5%
Liquidity Indicators	2018		2017	
Liquidity margin (Current assets - Current liabilities)	155,540		130,920	
Current ratio (Current assets / Current liabilities)	1.34		1.29	
Liquidity ratio (Deff. liq. + Imm. liq.) - Current liabilities	(114,061)		(68,484)	
Cash ratio (Deff. liq. + Imm. liq.) / Current liabilities	0.75		0.85	
Soundness indicators	2018		2017	
Fixed asset to equity capital margin	21,531		(13,081)	
Fixed asset to equity capital ratio	1.05		0.97	
Fixed asset to equity capital and medium-long term debt margin	152,777		128,244	
Fixed asset to equity capital and medium-long term debt ratio	1.34		1.30	
Debt to equity ratio	1.3		1.4	

Revenues and costs for the year

The main revenues are shown in the following table

Description	2018	2017	Changes
Revenues from sales and services	1,320,333	1,198,970	121,363
Other revenues and income	8,861	15,647	(6,786)
Total	1,329,194	1,214,617	114,577

The main operating costs are:

Description	2018	2017	Changes
Raw, ancillary and consumable materials	931,200	794,274	136,926
Services	245,311	236,791	8,520
Use of leased assets	4,643	3,411	1,232
Personnel	89,171	83,118	6,054
Amortisation, depreciation and write downs	46,092	43,412	2,680
Change of raw material inventories	(37,353)	(7,133)	(30,219)
Miscellaneous operating costs	5,635	6,576	(941)
Total	1,284,700	1,160,449	124,251

Financial income

This item has an imbalance of EUR 3.6 million.

Description	2018	2017	Changes
From equity investments - other companies	48	48	-
Interest from associated companies	133	130	3
Other financial income	347	312	35
Total financial income	528	490	38
Interest and other financial charges	4,092	4,200	(108)
Total financial charges	4,092	4,200	(108)
Exchange gains and losses	(39)	108	(147)
Total	(3,603)	(3,602)	(1)

The following is a comparison between the *individual company shareholders' equity in 2018 and the pro-rata net profit*

	% ownership	Total shareholder s' equity	Group shareholders' equity 2018	Book value of the investment	Difference	Pro-rata net profit	ROE
Feralpi Siderurgica	100	225,463	225,463	64,932	160,531	47,310	23.4
Acciaierie di Calvisano	100	29,522	29,522	16,155	13,367	2,235	7.9
Feralpi Profilati Nave	100	7,914	7,914	7,805	109	(74)	(0.9)
Nuova Defim	100	4,989	4,989	4,456	533	909	20.0
Immobiliare Feralpi	100	673	673	550	123	(1,002)	(236.3)
Fer-Par	100	2,391	2,391	7,286	(4,894)	(1,800)	(54.7)
Comeca	19.85	9,081	1,803	336	1,467	100	5.7
Caleotto Group	50	11,907	5,954	6,030	(76)	1,041	19.1
Presider	100	12,278	12,278	15,501	(3,223)	(339)	(2.7)
Presider Armature	100	533	533	1,006	(473)	(368)	(69.2)
MPL	100	2,267	2,267	2,569	(301)	(15)	(0.7)
Alpifer	50	17,805	8,902	9,431	(529)	539	5.7
Feralpi Algérie	70	725	508	369	139	140	32.5
Co.ge.me Steel	50	293	147	1,200	(1,053)	7	5.2
ESF	100	150,404	150,404	10,445	139,959	36,976	25.5
EDF	100	27,115	27,115	1,500	25,615	3,868	13.8
Feralpi Stahlhandel	100	10,533	10,533	6,727	3,806	8,247	78.3
Feralpi Logistik	100	1,524	1,524	1,000	524	943	61.9
Feralpi Praha	100	7,158	7,158	3,111	4,047	363	4.7
Feralpi Hungaria	100	2,596	2,596	4,700	(2,105)	219	8.8
Dima	31	1,493	463	723	(260)	143	34.3
Media Steel	45	4,975	2,239	990	1,249	343	16.6
Beta	28.35	14,574	4,132	354	3,778	65	1.6
Total		546,215	509,508	167,175	342,333	99,851	20.8

The Group shareholders' equity in 2017 stood at EUR 451.1 million.

Also in the **Diversified Investments** sector, the Group shareholders' equity was higher than the book value of the investment by about EUR 7 million.

	% ownership	Total shareholder s' equity	Group shareholders' equity 2018	Book value of the investment	Difference	Pro-rata net profit	ROE
Due I. Investimenti	100	3,317	3,317	991	2,326	1,313	41.5
Feralpi Farm	100	21,473	21,473	8,756	12,717	673	3.2
Faeco Ambiente	70	4,319	3,023	980	2,043	24	0.7
Ecoeternit	70	4,275	2,992	746	2,246	2,132	82.3
Eco-Trading	100	28	28	28	0	(17)	(44.0)
Agroittica	45	16,927	7,671	20,093	(12,422)	(514)	(5.9)
Far Energia	20	626	125	5	120	31	28.0
Omega	20	(8)	(2)	(82)	81	(4)	20.4
Total		50,958	38,629	31,518	7,111	3,637	9.3

Business outlook

The world steel production in the first quarter of 2019 showed a positive trend of 4.5%.

The overall context is formed of areas in further development: Asia (+7%), where China is emerging, which reached 52% of worldwide production, marking +9.9% in the 1st quarter, North America (+4%), Africa (+5.3%) and the Middle East (+8.5%). The remaining areas on the other hand showed a negative trend: the EU-28 recorded 2%, other European countries (-12.9%), the Commonwealth of Independent States (-2.7%), South America (-4.1%) and Oceania (-7.8%).

The following table shows the production results by macro area

thousand tonnes	Q1 2019	Q1 2018	% of changes
EU-28	42,297	43,150	(2.0%)
Other European countries	9,125	10,472	(12.9%)
CIS	24,292	24,966	(2.7%)
North America	30,708	29,539	4.0%
South America	10,495	10,947	(4.1%)
Africa	3,831	3,638	5.3%
Middle East	9,072	8,360	8.5%
Asia	312,859	292,429	7.0%
Oceania	1,436	1,558	(7.8%)
World	444,116	425,060	4.5%

Source: World Steel Association

In Europe the overall result (-2%) is due to the reduction in production in Germany (-3.6%), France (-2.7%), Poland (-7.3%), Italy (-2.1%), offset by improvements in Spain, Great Britain and Sweden.

The global figure is, however, an unexpected result as a whole, taking into account the phase of slowdown that the world economy is experiencing. The economic cycle forecasts, for the immediate future, are extremely uncertain given the influence of the global and continental political situation. In Europe and Italy, they have recently been extremely reduced.

The following table shows Eurofer's forecasts for the performance of the main steel-using sectors

	% quota on total consumption	2018	Q.1/19	Q.2/19	Q.3/19	Q.4/19	2019	2020
Construction	35	4.6	2.5	3.0	1.4	1.7	2.1	1.3
Mechanical engineering	14	4.5	1.5	1.6	1.4	1.7	1.6	1.5
Automotive sector	18	1.3	0.6	-0.5	2.5	1.9	1.0	2.4
Household appliances	3	-0.8	-0.3	2.1	2.2	2.2	1.5	2.1
Other transport	2	9.0	4.8	3.1	0.7	1.6	2.6	1.8
Tubing	13	-1.4	0.7	1.3	-0.3	0.0	0.5	1.4
Metal goods	14	3.9	0.6	1.4	1.4	1.3	1.2	1.8
Miscellaneous	2	1.9	0.4	1.4	2.1	2.1	1.5	2.0
Total	100	3.1	1.5	1.7	1.8	1.3	1.5	1.7

Source: Eurofer

The construction sector, with which the Group has the greatest connection, shows an overall higher trend than that of the other sectors. In general, it can be observed that public infrastructure is an element of strong overall growth. This is accompanied by other factors such as strong demand for residential and non-residential construction.

In Italy the market still seems extremely weak. After reaching the lowest part of the cycle, the expected improvements have been limited, and now the situation appears to be at a standstill. The economic weakness is accompanied by an intrinsic weakness in the country's economic parameters.

In addition to that, the political climate does not, to this day, grant any illusions.

The announced infrastructure relaunch has not, at the moment, shown signs of presence. Decisions are made for month-long periods, in the face of a country in need of lasting and serious choices.

In this context, the Group has further reduced its dependence on the domestic market, with an increasingly active presence in neighbouring European markets.

Sales outside Europe, which in the past were typically destined primarily for Algeria, have increased their diversification with significant presences in North America and other countries on the African continent.

The Group's commitment to diversification of production also continues.

A significant investment effort is aimed at equipping previously acquired companies with competitive infrastructures. The strategy of maintaining technological leadership is therefore confirmed.

At the same time, the Group is updating its organisational structure, with a transformation of the overall organisational chart. It is also setting up appropriate operational mechanisms, both organisational and technological.

As regards investments in other sectors we highlight mainly:

- ✓ the achievement of excellent results in the ecological-energy sector
- ✓ the implementation of a demanding renewal programme for Agroittica Lombarda
- ✓ the acquisition of a further 15% of the shares in Faeco Ambiente by Feralpi Farm, reaching 85% at the start of 2019
- ✓ the acquisition by Feralpi Farm of a further 10% of shares in Far Energia
- ✓ Feralpi Farm's 40% interest in Omega Immobiliare was sold at the start of 2019

Number and nominal value of treasury shares held through Feralpi Farm Srl

Treasury shares correspond to 0.99% of the capital, equal to 497,250 shares, for a nominal value of EUR 1,027,529.

The Chairman,
Pasini Giuseppe

Lonato del Garda, 23 May 2019

CONSOLIDATED FINANCIAL STATEMENTS

at 31.12.2018



Alpine Choir "Rigoni Stern"
Vallesabbia-Valtenesi

FERALPI
GROUP

50 HEARTBEATS
L'INNOVAZIONE



FOURTH COUNCIL DIRECTIVE: FERALPI HOLDING SPA CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(values in thousands of Euro)

BALANCE SHEET

ASSETS

31.12.2018 31.12.2017

A	Subscribed capital unpaid with separate indication of the amount carried over:		
B	Fixed assets:		
I	Intangible fixed assets:		
1	installation and expansion costs	43	2
2	development and advertising costs	11	23
3	costs incurred to acquire industrial patents and intellectual property rights	4,375	2,534
5	goodwill	1,509	1,707
6	fixed assets in progress and advance payments	129	339
7	other	7,559	7,930
	Total intangible fixed assets	13,626	12,534
II	Tangible fixed assets:		
1	land and buildings	162,032	165,435
2	plant and machinery	143,663	136,635
3	industrial and commercial equipment	2,566	826
4	other assets	7,732	8,599
5	fixed assets in progress and advance payments	34,814	22,481
	Total tangible fixed assets	350,807	333,977
III	Financial fixed assets, with sep. Indic., for each item of receivables, of the amounts due within the following year		
1	investments in:		
	b) associated companies	42,582	40,909
	d) other companies	9,641	12,039
	Total equity investments	52,223	52,949
2	receivables		
	b) due from associated companies		
	receivables from associated companies due within 12 months	466	604
	receivables from associated companies due after 12 months	7,500	7,500
	Total receivables due from associated companies	7,966	8,104

d-bis) from others			
	receivables from other companies due within 12 months	7	-
	receivables from other companies due after 12 months	28	24
	Total receivables from other companies	35	24
	Total financial receivables	8,001	8,128
3	other securities	802	802
	Total financial fixed assets	61,026	61,879
	Total fixed assets	425,458	408,390
C	Current assets		
I Inventories			
1	raw, ancillary and consumable materials	107,935	74,936
2	work in progress and semi-finished goods	41,778	22,984
4	finished products and goods	119,889	101,483
5	advance payments	-	-
	Total inventories	269,602	199,404
II	Receivables, with separate indication, for each item, of the amounts receivable beyond the following year		
1 trade receivables			
	a) amounts falling due within 12 months	236,005	262,519
	b) amounts falling due after 12 months	3,537	-
	Total trade receivables	239,542	262,519
3	from associated companies		
	a) amounts falling due within 12 months	23,537	21,091
	b) amounts falling due after 12 months	-	-
	Total receivables due from associated companies	23,537	21,091
5-bis	tax credits		
	a) amounts falling due within 12 months	24,838	14,071
	b) amounts falling due after 12 months	-	3
	Total tax credits	24,838	14,074
5-ter	pre-paid taxes:		
	a) amounts falling due within 12 months	740	467
	b) amounts falling due after 12 months	23,422	26,931
	Total pre-paid tax credits	24,161	27,398

5-quater from others			
	a) amounts falling due within 12 months	9,016	13,078
	b) amounts falling due after 12 months	13	13
	Total receivables from others	9,029	13,091
	Total receivables	321,107	338,173
III	Financial assets not held as fixed assets:		
6	other securities	450	450
	Total financial assets	450	450
IV	Cash and cash equivalents		
1	bank and postal deposits	48,980	64,683
2	cheques	5	8
3	cash and cash equivalents on hand	7	7
	Total cash and cash equivalents	48,993	64,699
	Total current assets	640,151	602,726
D	Accrued income and prepaid expenses		
1	accrued income and prepaid expenses	1,594	2,190
	Total accruals and deferrals	1,594	2,190
	Total assets	1,067,203	1,013,305

BALANCE SHEET
LIABILITIES

		31.12.2018	31.12.2017
A	Shareholders' equity:		
I	Capital	55,000	50,000
II	Share premium reserve	516	516
III	Revaluation reserves	138	138
IV	Legal reserve	4,499	3,772
V	Statutory reserves	-	-
	Total capital and reserves	60,153	54,427
VI	Other reserves, stated separately		
1	Extraordinary reserve	24,833	16,038
2	capital grants	-	-
3	special tax regime reserves	-	-
4	non-distributable profit reserve	-	-
5	consolidation reserve	302,462	287,628
6	currency difference	294	361
7	reserves for shareholders' contributions to capital	-	-
8	other reserves	-	-
9	reserve for accelerated depreciation	-	-
10	reserve for preparation of financial statements in EUR	-	-
	Total other reserves	327,590	304,027
VII			
1	Reserve for hedging of future cash flows	(526)	(321)
VIII	Profits (losses) carried forward	33,746	33,746
IX	Profit (loss) for the year	52,751	29,998
	Total shareholders' equity	473,714	421,877
X	Reserve for portfolio treasury shares	(1,028)	(1,028)
X	Share capital, reserves, profits attributable to minority interests:		
1	capital attributable to minority interests	1,780	2,098
2	profit (loss) attributable to minority interests	984	578
	Total shareholders' equity attributable to minority interests	2,763	2,676
	Total shareholders' equity	475,449	423,525

B	Provisions for risks and charges		
1	for pension liabilities and similar obligations	1,391	1,321
2	for taxes, including deferred	675	546
3	financial derivative liabilities	693	430
4	other	30,998	34,750
	Total provisions for risks and charges	33,757	37,047
C	Employee Severance Indemnity	7,619	8,309
D	Payables, with separate indication, for each item, of the amounts due beyond the following year:		
2	convertible bonds		
	a) amounts falling due within 12 months	-	10,000
	b) amounts falling due after 12 months	5,347	347
	Total convertible bonds	5,347	10,347
4	bank debt		
	a) amounts falling due within 12 months	135,293	111,451
	b) amounts falling due after 12 months	84,028	95,219
	Total bank debt	219,321	206,670
6	advance payments		
	a) amounts falling due within 12 months	213	621
	Total advance payments	213	621
7	trade payables		
	a) amounts falling due within 12 months	230,397	230,334
	Total trade payables	230,397	230,334
10	payables to associated companies		
	a) amounts falling due within 12 months	53,276	51,056
	Total payables to associated companies	53,276	51,056
12	tax liabilities		
	a) amounts falling due within 12 months	12,490	18,155
	Total tax liabilities	12,490	18,155
13	payables to pensions and soc. security institutions		
	a) amounts falling due within 12 months	4,329	3,979
	Total payables to soc. security institutions	4,329	3,979

14	other payables		
	a) amounts falling due within 12 months	23,857	21,608
	b) amounts falling due after 12 months	495	404
	Total other payables	24,352	22,012
	Total payables	549,725	543,174
E Accruals and deferred income			
1	Accruals and deferred income	652	1,251
	Total accruals and deferrals	652	1,251
	Total liabilities	1,067,203	1,013,305

INCOME STATEMENT

31.12.2018 31.12.2017

A Production value:			
1	revenue from sales and services	1,320,333	1,198,970
2	change in inventories of work in progress, semi-finished goods, and finished goods	33,156	27,601
4	increases of non-current assets from in-house production	3,964	2,616
5	other revenues and income		
	a) operating grants	3,372	1,940
	b) other	5,489	13,708
	Total other revenue and income	8,861	15,647
	Total production value	1,366,314	1,244,835
B Production costs:			
6	for raw materials, ancillary materials, consumables and goods	931,200	794,274
7	for services	245,311	236,791
8	for leases and rental expenses	4,643	3,411
9	personnel expenses:		
	a) wages and salaries	65,895	61,648
	b) social security costs	18,465	16,817
	c) employee severance indemnity	2,304	2,245
	d) pension liabilities and similar obligations	-	11
	e) other costs	2,507	2,396
	Total personnel expenses	89,171	83,118
10	amortisation, depreciation and write-downs:		
	a) amortisation of intangible fixed assets	2,885	2,928
	b) amortisation of tangible fixed assets	40,135	39,463
	d) write-downs of receivables under current assets and cash and cash equivalents	3,072	1,022
	Total amortisation, depreciation and write-downs	46,092	43,412
11	changes in inventories of raw materials, ancillary materials, consumables and goods	(37,353)	(7,133)
12	provisions for risks	9	29,451
13	other provisions	1,460	1,749
14	miscellaneous operating costs	5,636	6,576
	Total production costs	1,286,169	1,191,649
	Difference between value and cost of production	80,145	53,186
C Financial income and charges:			
15	income from equity investments, with separate indication of those relating to subsidiary and associated companies and those relating to parent companies and companies subject to the control of the latter		
	e) income from other companies	48	48
	Total income from equity investments	48	48

16	other financial income from receivables recognised in the fixed assets, with separate indication of those from a) subsidiary and associated companies and those from parent companies and from companies subject to the control of the latter		
	income from associated companies	107	25
	income from others	26	105
	Total income from receivables recognised in the fixed assets	133	130
	income from others	347	312
	Total income other than previously mentioned	347	312
	Total other financial income	481	442
17	interest and other financial charges, with separate indication of those due from subsidiaries and associated companies and from parent companies		
	d) int. and fin. charges from others	4.092	4.200
	Total interest and other financial charges	4.092	4.200
17-bis	foreign exchange gain (loss)	39	(108)
	Total financial income and charges	(3,603)	(3,602)
D	Value adjustments for financial assets and liabilities:		
18	revaluations:		
	a) of equity investments	2.319	1.935
	d) of financial derivatives	13	22
	Total revaluations	2,332	1,958
19	write-downs		
	a) of equity investments	1,264	953
	d) of financial derivatives	0	14
	Total write-downs	1,264	967
	Total valuation adjustments to financial assets and liabilities	1,068	990
	Profit (loss) before taxes		
	Profit (loss) before taxes	77,610	50,574
T	Income tax for the period:		
20	income tax for the period: current, deferred and pre-paid		
	a) current taxes	24,902	19,968
	b) deferred taxes	(1,055)	(142)
	c) pre-paid taxes	28	172
	Total income tax for the year	23,875	19,998

21	Profit (loss) for the year		
	Consolidated operating result	53,735	30,576
V	Group profit:		
22	profit attributable to minority interests	984	578
	Group profit	52,751	29,998

Cash Flow Statement	Current Year	Previous Year
A. Cash flows from operating activities (indirect method)		
Profit (loss) for the year	53,735	30,576
Income tax	23,875	19,998
Interest expense/(interest income)	(3,603)	(3,602)
(Dividends)	(48)	(48)
(Capital gains)/capital losses from sale of	-	0
1. Profit (loss) for the year before income tax, interest, dividends and	73,960	46,924
<i>Adjustments for non-monetary items that had no contra-entry in the net working capital</i>		
Allocations to provisions	3,773	33,445
Amortisation of fixed assets	43,020	42,390
Revaluations/write-downs for permanent changes in va	(1,056)	(990)
Other adjustments for non-monetary items	3,072	1,022
<i>Total adjustments for non-monetary items</i>	<i>48,809</i>	<i>75,867</i>
2. Cash flow prior to changes in the net working capital	122,769	122,791
<i>Changes in net working capital</i>		
Decrease/(increase) in inventories	(71,698)	(54,767)
Decrease/(increase) in trade receivables	19,593	(94,081)
Increase/(decrease) of trade payables	(345)	62,050
Decrease/(increase) in accrued income and prepaid expenses	596	(334)
Increase/(decrease) in accruals and deferred income	(598)	(25)
Increase/(decrease) in intercompany transactions	(226)	9,735
Other changes in net working capital	(31,734)	(33,093)
<i>Total changes in the net working capital</i>	<i>(84,411)</i>	<i>(110,513)</i>
3. Cash flow following changes in the net working capital	38,358	12,278
<i>Other adjustments</i>		
Interest collected/(paid)	(3,602)	(4,395)
(Income tax paid)	(19,997)	15,713
Use of provisions	8,712	3,604
<i>Total other adjustments</i>	<i>(14,887)</i>	<i>14,921</i>
4. Cash flow after other adjustments	23,471	27,199
Cash flow from operating activities (A)	23,471	27,199

B. Cash flows from investment activities		
<i>Tangible fixed assets</i>		
(Investments)	(56,966)	(55,134)
Realisable value of divestiture		
<i>Intangible fixed assets</i>		
(Investments)	(3,976)	(5,202)
Realisable value of divestiture		
<i>Financial fixed assets</i>		
(Investments)	1,909	4,268
Realisable value of divestiture		
<i>Short-term financial assets</i>		
(Investments)		1,441
<i>Acquisition or disposal of subsidiaries or business units net of cash and cash equivalents</i>		
Cash flow from investing activities (B)	(59,033)	(54,627)
C. Cash flows from financing activities		
<i>Minority interests</i>		
Increase in short-term bank debt	11,593	24,925
New loans	40,064	34,500
Repayment of loans	(26,802)	(18,200)
<i>Equity</i>		
Shareholder loan	(5,000)	
Extraordinary transactions (merger by incorporation)		(582)
Dividends (and interim dividends) paid		(5,000)
Cash flow from financing activities (C)	19,855	35,643
	Increase (decrease) of cash and cash equivalents	(15,706)
Cash and cash equivalents at 1 January	64,699	56,483
Cash and cash equivalents at 31 December	48,993	64,699
	Increase (decrease) of cash and cash equivalents	(15,706)

EXPLANATORY NOTES

Consolidated Financial Statements
at 31.12.2018



*TRANSFORMATION:
new forms for material
and LIFE*

The pieces were designed by students from the Academy of Fine Arts of Brera for an art competition where students designed and created a piece of work dedicated to the 50 years of the Feralpi Group

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(values in thousands of Euro)

The consolidated financial statements of the group for the year ended 31 December 2018, of which these explanatory notes form an integral part pursuant to article 29 of Italian Legislative Decree 127/91, have been drawn up in accordance with the provisions of articles 29 to 39 of the aforementioned Legislative Decree and of Italian Legislative Decree no. 6 of 17 January 2003 and subsequent amendments. The consolidated financial statements have been prepared in accordance with the current provisions of the Italian Civil Code, supplemented, where appropriate, by the accounting principles prepared by the National Board of Accountants and Auditors and, applying the same valuation criteria.

The valuation criteria used, in compliance with the provisions of the law, are those adopted by the parent company and the other associated companies, and the appropriate changes have been made to the financial statements of the individual companies, where these criteria were not homogeneous.

It is also noted that:

- Where there were exceptional cases that required the use of the exemptions under art. 29, paragraph 4 of the aforementioned decree, adequate reasons for this were provided in the explanatory notes, and the related effects on the equity and profit were reported therein;
- The composition of the assets and liabilities is stated when their amount is significant;
- Account was taken of the risks and losses for the financial year even if known after the year-end;
- The 2018 Consolidated Financial Statements were prepared according to the legislative provisions of Italian Legislative Decree 127/91 and present the comparison with the amounts of the previous year. Where necessary, reclassifications have been made to allow comparison pursuant to art. 2423-ter of the Italian Civil Code. Any reclassifications are reported in the section relating to the comments on the items in the financial statements.

Activities carried out

The parent company is a mixed holding company mainly operating in the production of steel billets, reinforcing bars and wire rods.

The financial statements of the Italian companies subject to consolidation are those approved and/or in the process of being approved by the respective shareholders' meetings, while those of the foreign companies have been consolidated by ESF GmbH, in accordance with German regulations.

These financial statements have been prepared using uniform valuation criteria throughout the Group and have been reclassified and adjusted where necessary.

The Consolidated Financial Statements are formed of the Balance Sheet (prepared in accordance with the format required by art. 2424 and 2424-bis of the Italian Civil Code), the Income Statement (prepared in accordance with the format under art. 2425 and 2425-bis of the Italian Civil Code), the Cash Flow Statement (whose content, according to art. 2425-ter of the Italian Civil Code, is presented according to the provisions of the OIC 10 accounting standard) and these Explanatory Notes, prepared according to the provisions of art. 38 of Italian Legislative Decree no. 127/1991.

The following Notes analyse and supplement the financial statement figures with the additional information deemed necessary for a true and fair representation of the figures shown, taking account of the fact that no exemptions were made pursuant to art. 29 of Italian Legislative Decree no. 127/1991.

To this end, the Notes to the Financial Statements also include the statement of reconciliation between the Parent Company's profit for the year and the consolidated profit for the year and between the Parent Company's shareholders' equity and the consolidated shareholders' equity, the statement of changes in the consolidated shareholders' equity accounts and the list of companies included in the scope of consolidation.

Items not expressly reported in the Balance Sheet and Income Statement, as required by art. 2424 and 2425 of the Italian Civil Code and in the Cash Flow Statement presented in accordance with the OIC 10 accounting standard, are considered to be zero balance. The right not to indicate such items is understood to refer only to the case in which they have an amount equal to zero both in the current and in the previous financial year.

For additional information on the Company's situation, and the performance and management results, as a whole and in the various sectors in which it operates, particularly with regard to costs, revenues and investments, as well as for a description of the main risks and uncertainties to which the Company is exposed, reference is made to the Board of Directors' Management Report.

Scope of consolidation

Content and format of the Consolidated Financial Statements

Subsidiaries as defined by article 26 of Italian Legislative Decree 127/1991 are consolidated.

The consolidated financial statements of the Group include the financial statements as at 31 December 2018 of Feralpi Holding SpA (parent company) and the following companies:

Name and registered office	Share Capital	Dir.	Indir.	Interest held by	%
Feralpi Siderurgica Brescia (Brescia)	50,000	X	X	ESF GmbH Feralpi Holding SpA	90.00% 100.00%
Acciaierie di Calvisano SpA Calvisano (Brescia)	3,250		X	Feralpi Siderurgica SpA	100.00%
Feralpi Profilati Nave Srl Lonato (Brescia)	1,900		X	Feralpi Siderurgica SpA	100.00%
Nuova Defim SpA Brescia (Brescia)	300		X	Feralpi Siderurgica SpA	100.00%
Ecotrading Srl Lonato del Garda (Brescia)	50	X		Feralpi Holding SpA	100.00%
Immobiliare Feralpi Srl Lonato del Garda (Brescia)	50		X	Feralpi Siderurgica SpA	100.00%
Fer-Par Srl Lonato del Garda (Brescia)	20		X	Feralpi Siderurgica SpA	100.00%
Presider SpA Borgaro Torinese (Turin)	4,160		X	Feralpi Siderurgica SpA	100.00%
MPL Srl Rivoli (Turin)	2,555		X	Feralpi Siderurgica SpA	100.00%
Presider Armatures Saint Souplets (FR)	1,000		X	Feralpi Siderurgica SpA	100.00%
ESF Elbe-Stahlwerke Feralpi GmbH Riesa (D)	11,000		X X	Feralpi Siderurgica SpA Fer-Par Srl	98.00% 2.00%
Feralpi Stahlhandel GmbH Riesa (D)	2,100		X X	Feralpi Siderurgica SpA ESF GmbH	33.33% 66.67%
EDF Elbe-Drahtwerke Feralpi GmbH Riesa (D)	1,500		X X	ESF GmbH Feralpi Stahl. GmbH	90.00% 10.00%
Feralpi Logistik GmbH Riesa (D)	1,000		X X	ESF GmbH Feralpi Stahl. GmbH	35.00% 65.00%
Feralpi Praha Sro Kralupy (Cs)	3,427		X	Feralpi Stahlhandel GmbH	100.00%
Feralpi Hungaria KFT Budapest (H)	6,684		X	Feralpi Stahlhandel GmbH	100.00%
Feralpi Farm	80	X		Feralpi Holding SpA	100.00%
Ecoeternit	1,000		X	Due I Inv. Industriali S.p.A.	70.00%
Due I Inv. Industriali S.p.A.	60	X		Feralpi Holding SpA	100.00%
Faeco Ambiente	1,000	X		Feralpi Holding SpA	70.00%
Feralpi Algerié Orano (Algeria)	471		X	Fer-Par Srl	70.00%

With reference to the associated companies valued using the equity method, the following table shows the list of companies:

Name and registered office	Share Capital	Dir.	Indir.	Interest held by	%
Beta SA Buzau (R)	766		X	Feralpi Siderurgica SpA	28.35%
Agroittica S.p.A. Calvisano (Brescia)	4,500		X	Fer-Par S.r.l.	45.32%
Far Energia S.r.l. Sirmione (Brescia)	100		X	Fer-Par S.r.l.	20.00%
Omega S.r.l. Calcinato (Brescia)	10		X	Fer-Par S.r.l.	20.00%
Dima Srl Italy	26		X	Acciaierie di Calvisano	31.00%
Media PA Srl Italy	200		X	Feralpi Siderurgica SpA	45.00%
Comeca S.p.A. Italy	2,800		X	Fer Par S.r.l.	19.85%
Caleotto S.p.A. Italy	2,000		X	Feralpi Siderurgica SpA	50.00%
Arlenico S.p.A. Italy	1,000		X	Feralpi Siderurgica SpA	50.00%
Alpifer S.r.l. Italy	1,200		X	Feralpi Siderurgica SpA	50.00%
Cogeme Steel. S.r.l. Italy	200		X	Acciaierie di Calvisano	50.00%

Changes in the scope of consolidation

It should be noted that during the year there were no changes in the scope of consolidation compared to the previous year.

It should also be noted that during the course of 2018, the companies valued by the equity method did not change.

Consolidation method

The full consolidation method has been applied to all subsidiaries included in the scope of consolidation. This method involves the full attraction of assets and liabilities and costs and revenues of companies within the scope of consolidation, regardless of the percentage held by the consolidating company.

The balance sheet and the consolidated income statement contain all elements of the parent company and the other companies included in the consolidation net of the following adjustments.

The book value of equity investments in subsidiaries is eliminated against the corresponding fractions of shareholders' equity; this consists in replacing the value of the corresponding balance sheet item with the assets and liabilities of each of the consolidated companies. The difference between the purchase price of the equity investments and the shareholders' equity at the date on which control of the company was acquired is allocated, where possible, to each identifiable asset acquired, within the limits of the current value of such assets, and, in any case, for values not exceeding their recoverable value, as well as to each identifiable liability assumed, including prepaid and deferred taxes to be recorded against the capital gains/losses allocated to the assets and liabilities of the consolidated companies.

Any surplus remaining from this allocation process:

- If positive, it is recorded under an asset item called "goodwill", provided that it meets the requirements for recognition, in accordance with the provisions of the national accounting standard OIC 24 "Intangible fixed assets" (otherwise, if the excess, partially or in full, does not correspond to a higher value of the subsidiary, it is recorded in the income statement under item B14 "miscellaneous operating expenses");
- If negative, it is recorded in an item of shareholders' equity called "consolidation reserve" unless it relates, in whole or in part, to the forecast of unfavourable economic results (in this case, a special "Consolidation reserve for future risks and charges" is recorded in the consolidated balance sheet liabilities).

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

- Finance leases are accounted for using the financial method, i.e. eliminating the effect on the income statement of lease payments for capital goods obtained through leasing contracts and restoring the effect on the balance sheet that would have occurred if such assets had been acquired from the outset with a special purpose loan (thus recording in the balance sheet the value of leased assets and the corresponding financial debt and in the income statement the related depreciation and interest income components);
- Eliminating the effect of the IRES tax consolidation;
- Eliminating intercompany balances and operations.

These operations modified the respective results for the year and consequently the respective shareholders' equity of the companies included in the scope of consolidation. The adjusted financial statements have been used, after conversion into euro where necessary, for the preparation of the consolidated financial statements.

Consolidated shareholders' equity and profit/loss for the year and quotas corresponding to minority interests

This item captures all capital-related transactions 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 consolidated net profit for the year attributable to minority interests is recognised in specific items of consolidated shareholders' equity called, respectively, "Capital and reserves attributable to minority interests" and "Profit (loss) attributable to minority interests". The portion of the result for the year corresponding to minority interests is shown as a reduction in the overall consolidated economic result.

If the losses attributable to minority interests of a subsidiary result in the related item "Capital and reserves attributable to minority interests" becoming negative, the negative surplus is accounted for by the majority shareholders. In the event that profits are subsequently generated, the relative share due to minority interests is attributed to the majority shareholders until, cumulatively, the total losses previously absorbed by them are recovered. If the minority interests have expressly undertaken to cover the losses, and it is likely that this will occur, the deficit is left to be borne by the "Capital and reserves attributable to minority interests" item.

If, at the time of the acquisition of an equity interest, the minority interest consists of a deficit, this interest is valued at zero, unless they have expressly undertaken to make good the shortfall.

This situation, in the elimination of the equity investment, is reflected in an increase in the difference from cancellation. If, on the other hand, profits are subsequently generated pertaining to minority interests, these profits are recorded as a reduction, up to the amount of the goodwill recorded at the time of allocation of the cancellation difference, until the total recovery of the losses initially recognised as an increase in goodwill net of amortisation.

Conversion of financial statements not expressed in euro

In order to include in the scope of consolidation companies that prepare their financial statements in currencies other than the euro, these are first converted into euro. The same applies to investments valued using the equity method.

For the purposes of preparing the consolidated financial statements, the conversion of financial statements expressed in foreign currencies is carried out by using:

- The spot exchange rate at the balance sheet date for the conversion of assets and liabilities;
- The average exchange rate for the period at the date of each transaction for income statement items and cash flows in the cash flow statement;
- The historical exchange rate at the time of their formation for the shareholders' equity reserves (other than the reserve for conversion differences).

The net effect of the conversion of the financial statements of the investee company into the accounting currency is recognised in a special "Reserve for conversion differences" within the consolidated shareholders' equity, which becomes available in the event of partial/total disposal of the foreign company.

The foreign currencies that have been converted for the purposes of the consolidated financial statements are the Algerian Dinar (exchange rate equal to 135.48 Dinars for 1 Euro) and the Romanian Leu (exchange rate equal to 1 Leu equal to 0.21 Euro).

In cases where an investee company operates in a foreign country with high inflation, before converting the financial statements into the accounting currency of the parent company for consolidation purposes, the cost of tangible fixed assets and related amortisation/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 in which the investee company operates is considered to be higher or lower depending on the specific circumstances, taking into account, for example, the current and cumulative rate of inflation and the capital employed in the management of the subsidiary. A country whose economy is subject to a cumulative rate of inflation of at least 100% over three years is normally considered to have high inflation.

Principles for drafting the financial statements

In accordance with the provisions of art. 2423 of the Italian Civil Code, the general principles of clarity and true and fair representation of the Company's economic and financial standing and of the profit for the year were observed during the preparation of the financial statements.

The recognition, valuation, presentation and disclosure of the items may differ from what is regulated by the law on the financial statements in cases where lack of compliance has irrelevant effects on the true and fair representation of the financial position of the Company and the net result. For this purpose, information is considered relevant on the basis of qualitative and/or quantitative aspects when its omission or misstatement could reasonably affect the decisions taken by users on the basis of the company's financial statements. Further specific criteria adopted to reduce the concept of irrelevance are indicated for each balance sheet item when affected by its application. The relevance of individual items is judged in the context of other similar items.

The principles laid down by art. 2423-bis of the Italian Civil Code as outlined below have been complied with.

The valuation of the balance sheet items was carried out in accordance with the prudence principle and on a going concern basis, as well as taking into account operations or contracts. Each operation or event, and in any case each business occurrence, was identified whatever its origin, and the possible interdependence of different contracts that are part of complex operations was valued.

The earnings shown in the financial statements are exclusively those recorded at the closing date.

The income and charges recorded are those that fall within the scope of the financial year, regardless of the date of collection or payment.

Risks and losses attributable to the financial year have been taken into account even if they became known after the end of the year.

Miscellaneous items included under individual items have been valued and recorded separately.

In accordance with art. 2423-ter paragraph 5 of the Italian Civil Code, the amount of the corresponding item of the previous financial year is shown for each item in the Balance Sheet as well as in the Income Statement. If the items are not comparable, those of the previous year are appropriately adjusted and the non-comparability and the adaptation or impossibility of such is reported and commented in these Notes to the Financial Statements.

Pursuant to Art.2423-ter paragraph 2 of the Italian Civil Code, items preceded by Arabic numerals may be further subdivided without deletion of the total item and the corresponding amount; they can only be grouped when the grouping, because of their amount, is irrelevant to the true and fair representation of the company's assets and financial position as well as the net profits for the year or when it favours the clarity of the financial statements. In this second case, the Notes to the Financial Statements include separately the items being grouped.

The financial statements and all values and statements in these Notes are expressed in Euro unless otherwise specified.

The information in these Notes relating to the items of the Balance Sheet and the related Income Statement items is presented in the order in which the related items are indicated in the Balance Sheet and in the Income Statement pursuant to art. 2427, paragraph 2 of the Italian Civil Code.

Valuation criteria

The valuation criteria of the various items in the financial statements comply with those established by art. 2426 of the Italian Civil Code and the relevant accounting standards. The going concern principle is considered in the application of the valuation criteria adopted for the preparation of the financial statements.

However, recent laws and individual accounting principles set forth transition rules to new valuation criteria that allow companies to make some choices regarding their applicability in the first year of adoption, as well as during subsequent years.

Intangible fixed assets

Intangible fixed assets are recorded at cost and relate to expenses with a multi-year useful life. They are amortised over five financial years or in proportion to the expected period of use, if different, as provided for in art. 2426 of the Italian Civil Code.

Research and development costs with a multi-year useful life are recorded with the consent of the Board of Statutory Auditors and amortised over a period of five years.

Category	%
Start-up and expansion Costs	20%
Development costs	20%
Industrial patent rights	20%
Concessions, licences, and trademarks	10% 20%
Good-will	10%
Other intangible fixed assets	10% 20%

Tangible fixed assets

Tangible fixed assets are entered at cost, increased by directly attributable ancillary expenses, adjusted for the effect of revaluations carried out in accordance with the law. Land and buildings are also adjusted by allocating the difference between the book value of the investments and the shareholders' equity of the investee company at the time of initial consolidation, as it is considered sufficient on the basis of current values documented by external appraisals. The cost

of tangible fixed assets is adjusted by the amortisation/depreciation calculated on the basis of the residual possibility of use of the assets.

The amortisation rates used are as follows, unchanged compared to the previous year:

"Steel and Steelmaking" business unit

Category	%
Buildings	5%
Light constructions	10%
Plant and machinery	5%-10%
Industrial and commercial equipment	12.5/20/25/100%
Other assets	10/12/20/25%

"Environmental Sector" business unit

Category	%
Plant and machinery	5%-10%
Industrial and commercial equipment	12%
Other assets	12%-20%

In the first year of life of the new asset, in order to equalise through amortisation to the actual use over time, the amortisation plans provide for the application of a rate that takes into account the date of entry into operation of the asset.

In particular, it is noted that in the Group, the fixed assets are amortised with rates that take into account their residual possibility of use, as provided for in art. 2426 of the Italian Civil Code, and according to the amortisation plan, which has not changed with respect to the previous financial year.

Financial fixed assets

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

Investments in subsidiaries and other companies are recorded at cost, adjusted for any permanent losses in value.

Receivables are recorded at their nominal value, which corresponds to their estimated realisable value, adjusted if necessary by any permanent losses in value.

Other securities are recorded in the financial statements at their nominal value, which corresponds to their estimated realisable value.

Inventory

Inventories are valued at the lower of the purchase cost (including ancillary expenses) or the production cost and the market value pursuant to article 2426 of the Italian Civil Code, points 9-10.

The weighted average cost method was used for raw materials, ancillary materials, consumables, semi-finished goods, finished goods and work in progress. Ancillary materials are valued at the weighted average cost for the year.

The cost of manufacturing includes the cost of raw materials, equipment, labour and all other costs directly and indirectly related to production.

Receivables and payables

Receivables are valued at amortised cost, taking into account the time factor and the level of their estimated realisable value and, therefore, are recorded in the balance sheet net of the write-down provision considered sufficient to hedge losses due to reasonably predictable uncollectibility.

If the interest rate of the transaction is not significantly different from the market rate, the receivable is initially entered at a value equal to the nominal value net of all expense costs and all premiums, discounts and rebates directly deriving from the transaction that generated the receivable. The above transaction costs, any commission income and expenses and any difference between initial value and nominal value at maturity are spread over the duration of the receivable using the effective interest method.

Where, on the other hand, the interest rate of the transaction deriving from the contractual terms is significantly different from the market rate, the receivable (and the corresponding revenue in the event of commercial transactions) is initially entered at a value equal to the present value of future cash flows plus any transaction costs. The rate used to streamline future flows is the market rate.

In the case of receivables from commercial transactions, the difference between the initial recognition value of the receivable thus determined and the forward value is recognised in the income statement as financial income over the credit duration using the effective interest method.

In the case of financial receivables, the difference between the cash and cash equivalents and the present value of future cash flows, determined using the market interest rate, is recognised among the costs or financial income of the income statement at the time of initial recognition, unless the substance of the transaction or contract does not give rise to attributing a different nature to that component. Subsequently, interest earned on the transaction is calculated at the effective interest rate and credited to the income statement with a balancing entry in the value of the receivable.

The value of the receivables is subsequently reduced for the amounts received, both in terms of the capital as well as interest and also for any write-downs to repay the receivables to their estimated realisable value or for losses.

The Company deems that the effects of amortised cost and discounting are insignificant when the receivables mature within 12 months, taking into account that all the contractual and substantive considerations involved in the recognition of the receivables, and the transaction costs as well as any difference between the initial value and the nominal value at maturity are of an insignificant amount. In this case discounting was omitted, interest was calculated at nominal value and transaction costs were recognised among prepayments and depreciated on a straight-line basis over the term of the receivable to adjust the nominal interest.

Tax credits

This item includes receivables from inland revenue; they are recorded at their estimated realisable value.

Pre-paid tax credits

This item includes reference to the tax deduction of negative income components from the reporting period; these are recorded at their estimated realisable value, taking into account the taxable income expected in future years.

Cash and cash equivalents

They are stated at nominal value.

Accruals and deferrals

Accruals and deferrals have been calculated on an accruals basis.

Provisions for Risks and Charges

This item includes provisions estimated on the basis of payables or losses, of a specific nature and certain or probable existence, the amount or date of accounting period of which is not known at the end of the financial year. The matching and accruals principles were complied with in the valuation of these provisions, and no generic provisions were established without economic justification. Contingent liabilities are recognised in the financial statements and recorded under the funds only if they are deemed probable and if the amount of the related charge is reasonably estimable.

Employee Severance Indemnity

The provision is calculated in compliance with the laws and labour contracts in force; it reflects the amount due to employees accrued at the balance sheet date.

Tax liabilities

The tax payable shows the tax charges for the year on the basis of a realistic forecast, in addition to the various taxes and duties for VAT and the debt of the individual companies arising for the positions of withheld tax.

Costs and Revenues

Costs and revenues for the year are recorded on an accruals basis.

Revenues and income, costs and charges are recorded net of returns, discounts and allowances.

Income taxes

Direct taxes payable for the year are recorded on the basis of the taxable income estimate, in accordance with the law and rates in force, taking into account any applicable exemptions.

An analysis is carried out on the existence of temporary differences between the assets and liabilities of balance sheet values and the corresponding relevant tax values and/or between income components charged to the Income Statement and those taxable or deductible in future financial years for the purposes of recording the tax due, as required by OIC 25.

In the presence of taxable temporary differences, deferred tax liabilities are recognised in the financial statements, except in the exceptions provided for by OIC 25.

In the presence of deductible temporary differences, deferred tax assets are recognised in the financial statements only if there is reasonable certainty of their future recovery.

Pre-paid and deferred taxes are calculated on the cumulative amount of all temporary differences for the year, applying the tax rates in force during the year in which temporary differences will fluctuate, provided by the tax law in force on the date of the financial statements.

Prepaid tax assets and deferred tax liabilities have not been adjusted.

For the purposes of classification in the financial statements, tax receivables and payables are only offset if there is a legal right to offset the amounts recognised under tax legislation and there is the intention to settle the tax payables and receivables on a net basis through a single payment.

Currency conversion criteria

In accordance with art. 2426, paragraph 1, no. 8-bis of the Italian Civil Code, monetary assets and liabilities in currencies other than the functional currency with which the financial statements are presented (the "accounting currency"), following initial recognition, are recorded at the spot exchange rate on the closing date of the financial year. The resulting profits or losses on foreign exchange are entered in the income statement under item C17-bis "foreign exchange gain (loss)", and any net profit, which contributes to the fiscal year result, is allocated to a special non-distributable reserve until it is realised.

Non-monetary assets and liabilities in currencies other than the accounting currency are recorded at the exchange rate in force at the time of their purchase. If the exchange rate in force at year-end is significantly different from that at the date of acquisition, the change in exchange rate is one of the elements taken into account in the valuation process to determine the carrying amount of the financial assets for individual non-monetary assets. Any exchange differences (whether positive or negative) contribute to the calculating the recoverable amount. With reference to equity investments valued using the equity method, where the underlying financial statements are expressed in a foreign currency, they are converted into the accounting currency in accordance with the OIC 17 principle "Consolidated financial statements and equity method", and, subsequently, the equity investment is valued in accordance with the specific accounting rules of the equity method.

Significant, non-foreseeable fluctuations in exchange rates after the end of the financial year with foreign currencies

to which the company is most exposed without hedging are not recognised in the financial statements as they relate to the next year, but they are illustrated in these Notes in the section relating to "significant subsequent events".

Change in accounting principles

Without prejudice to what is indicated in the section "First-time adoption rules", with regard to the transition to the rules contained in the new OIC accounting standards and in the statutory provisions that transposed the "Accounting Directive", and the relative choices made by the Company, the accounting criteria used in connection with changes in voluntary or mandatory accounting principles are set out below, unless specific different rules are laid down.

A change in an accounting standard is recognised in the year in which it is adopted and the related events and transactions are treated in accordance with the new standard, which is applied with retroactive effect. This entails accounting for these effects in the opening balance of the shareholders' equity for the year.

For comparative purposes only, when feasible or not excessively expensive, the opening balance of shareholders' equity for the previous year and the comparative data for the previous year are adjusted as if the new accounting standard had always been applied.

When it is not feasible to calculate the previous cumulative effect of the change in standard or determining the previous effect becomes excessively expensive, the company applies the new accounting standard starting from the first date in which it becomes feasible. When this date coincides with the beginning of the current financial year, the new accounting standard is applied prospectively.

The effects of the adoption of the new principles on the Balance Sheet, Income Statement and Cash Flow Statement, where they exist, have been highlighted and commented on in these Notes to the Financial Statements in correspondence with the explanatory notes relating to the financial statement items specifically concerned.

Correcting 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 the information and data for its correct treatment are available. Material errors are corrected by adjusting the balance sheet item that was previously affected by the error, by allocating the correction of the error to the opening balance of shareholders' equity of the year in which the error is detected.

For comparative purposes only, when feasible, the company corrects a material error occurring in the previous financial year by restating the comparative amounts, whereas if an error was made in previous financial years, it is corrected by redetermining the opening balances of the previous year. When it is impracticable to determine the cumulative effect of a material error for all previous years, the company restates comparative amounts to correct the material error from the earliest practical date.

Minor errors made in previous years are recorded in the income statement of the year in which they occurred.

ASSETS

B) Fixed assets

I. Intangible fixed assets

The following table shows the changes in intangible fixed assets during 2018:

	Costs for start-up and expansion	Research and development costs	Industrial patent rights	Goodwill	Fixed assets in progress and advance payments	Other intangible fixed assets	Total intangible fixed assets
Value at the beginning of the financial year							
Cost	1,458	1,597	7,157	3,763	513	36,450	50,938
Amortisations (Amortisation fund)	(1,456)	(1,574)	(4,623)	(2,056)	(174)	(28,520)	(38,404)
Balance sheet value	2	23	2,534	1,707	339	7,930	12,534
Changes during the financial year							
Increases due to purchases	55	3	3,025	-	-	1,113	4,196
Amortisation and depreciation for the year	(13)	(3)	(1,196)	(189)	-	(1,484)	(2,886)
Other changes	(1)	(12)	12	(9)	(210)	-	(220)
Total changes	41	(12)	1,841	(198)	(210)	(371)	1,090
Value at the end of the financial year							
Cost	1,513	1,600	10,182	3,763	513	37,563	55,134
Amortisations (Amortisation fund)	(1,470)	(1,589)	(5,807)	(2,254)	(384)	(30,004)	(41,508)
Balance sheet value	43	11	4,375	1,509	129	7,559	13,626

Start-up and expansion costs

Start-up and expansion costs relate to expenses and charges incurred in the past for the acquisition of the Defim and Orsogrill business units by Nuova Defim, in particular the registration tax and the cost of the notarial deed and related consultancy.

Research and development costs

Research and development costs relate to costs incurred in order to obtain predetermined scientific or technical knowledge in the field in which the Group operates and to implement the procedures necessary for the economic exploitation of the knowledge acquired.

Industrial patent rights and intellectual property rights

Industrial patent rights and intellectual property rights relate entirely to costs for software and application programmes. In particular, the main investments refer to the implementation of the SAP management programme, recorded 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.

Goodwill

During the course of 2017, Presider Spa and MPL Srl were fully acquired, generating goodwill in the consolidation for EUR 2,047 thousand. This goodwill is amortised over ten years and during 2018 has a residual value of EUR 1,509 thousand.

Fixed assets in progress and advance payments

The item "fixed assets in progress and advance payments" includes projects not yet completed which will be completed during the following financial year.

Other intangible fixed assets

The most significant increase in the item "other intangible fixed assets" relates to expenses incurred by the subsidiary Ecoeternit and relates to the preparation of new landfills and the re-establishment of embankments for EUR 1,113 thousand.

II. Tangible fixed assets

The table below shows the changes in tangible fixed assets during the year:

	Land and buildings	Plant and machinery	Plant and machinery in leasing	Commercial and industrial equipment	Other tangible fixed assets	Tangible assets in progress and advance payments	Total tangible fixed assets
Value at the beginning of the financial year							
Cost	268,239	698,824	8,315	10,466	37,208	22,481	1,045,533
Amortisations (Amortisation fund)	(102,804)	(562,189)	(8,315)	(9,640)	(28,609)	-	(711,557)
Balance sheet value	165,435	136,635	-	826	8,599	22,481	333,976
Changes during the financial year							
Increases due to purchases	7,877	35,460	-	2,676	2,272	12,333	60,618
Amortisation for the year	(7,558)	(28,432)	-	(928)	(3,218)	-	(40,136)
Other changes	(3,722)	-	-	(8)	79	-	(3,651)
Total changes	(3,403)	7,028	-	1,740	(867)	12,333	16,831
Value at the end of the financial year							
Cost	276,116	734,284	8,315	13,142	39,480	34,814	1,106,151
Amortisations (Amortisation fund)	(114,084)	(590,621)	(8,315)	(10,576)	(31,748)	-	(755,344)
Balance sheet value	162,032	143,663	-	2,566	7,732	34,814	350,807

The value of the buildings also includes the amount (net of amortisation) relating to the adjustments made in the consolidation of Acciaierie di Calvisano SpA for EUR 134 thousand for the attribution of the difference between the value of the shareholding and the shareholders' equity at the date of first consolidation. This allocation was supported by an external appraisal and in the year the residual value is zero.

It should be noted that the increases for acquisitions of EUR 60,618 thousand are shown, for each company, in the relative section of the individual management reports. The most significant increase, for approximately EUR 25,500 thousand, refers to the subsidiary Feralpi Siderurgica SpA and mainly concerns interventions in the steelworks, rolling mills and derivatives department, as well as, marking the fiftieth anniversary of the company, further improvements to buildings.

III. Financial fixed assets

A breakdown of the item "Financial fixed assets" is provided below, showing the changes with respect to the previous year:

Description	2018	2017	Changes
Equity investments	52,223	52,949	(726)
Receivables from affiliated companies	7,966	8,104	(138)
Receivables from other companies	35	24	11
Other Securities	802	802	-
Total	61,026	61,879	(854)

Naturally, the item "equity investments in associated companies" also reflects the result pertaining to the group of the individual companies, which is described in the relevant section of the income statement.

Equity investments in associated companies

The associated companies accounted for using the equity method are as follows.

Name and registered office	Share Capital	Shareholders' equity	Profit/(loss)	Profit/(loss) due	Shares held in %	Balance sheet value
Beta S.A. Buzau (R)	766	14,574	229	65	28.35%	3,007
Media Steel Srl	200	4,975	762	343	45.00%	2,383
Dima	1,000	1,493	463	143	31.00%	598
Caleotto S.p.A.	2,000	11,907	2,081	1,041	50.00%	5,993
Alpifer Srl (Unifer-Steelfer)	1,200	17,805	1,078	539	50.00%	9,745
Cogeme Steel Srl	200	293	15	7	50.00%	353
Comeca S.p.A.	2,800	9,081	503	100	19.85%	1,807
Agroittica S.p.A.	6,500	16,927	(1,135)	(514)	45.32%	18,480
San Vigilio partecipazioni	50	354	152	50	33.00%	117
Far Energia S.r.l.	100	626	154	31	20.00%	125
Omega S.r.l.	10	(8)	(22)	(4)	40.00%	(26)
Total associated companies			1,801			42,582

Other companies

Below is a breakdown of the equity investments in "Other companies", indicating the changes that took place during the year:

Description	2017	Increase	Decrease	2018
Mittel S.p.A.	2,857		(2,857)	-
Finanziaria di Valle Camonica S.p.A.	2,610	534	-	3,144
Fondazione nazionale CRS	5	-	-	5
CSMT	22	-	-	22
Feralpi Salò	144	100	(175)	69
Metalinterconnector	6,195	-	-	6,195
Other minority interests	206	-	-	206
Total - Other companies	12,039	634	(3,032)	9,641

The most significant decrease in the item "Other companies" mainly relates to the sale of the equity investment in Mittel SpA, a company listed on the Borsa di Milano, for EUR 2,857 thousand, making a capital gain of EUR 307 thousand. The most significant increase relates to the acquisition of shares in Società Finanziaria di Valle Camonica SpA by the Parent Company for EUR 534 thousand.

Financial receivables

Description	2017	Increase	Decrease	2018
Controlled companies not cons. (within 12 months)	-	-	-	-
Controlled companies not cons. (after 12 months)	-	-	-	-
Associated companies (within 12 months)	604	-	(138)	466
Associated companies (over 12 months)	7,500	-	-	7,500
Other (within 12 months)	-	7	-	7
Other (over 12 months)	24	4	-	28
Total	8,128	11	(138)	8,001

Financial receivables from associated companies

The decrease in financial receivables in associated companies within twelve months, amounting to EUR 138 thousand, is due to the reduction in the loan to Omega Immobiliare and San Vigilio. The details are provided below:

Description	2018	2017	Changes
Fer-Farm S.r.l. Fin. Omega S.r.l.	390	478	(88)
Fer-Farm S.r.l. Fin. San Vigilio S.r.l.	76	126	(50)
Agroittica S.p.A. Fin. Agroittica S.p.A.	-	-	-
Caleotto S.p.A. Fin. Caleotto S.p.A.	7,500	7,500	-
Total	7,966	8,104	(138)

Financial receivables from other companies

These receivables are mainly represented by guarantee deposits of the parent company and Italian companies.

C) Current assets

I. Inventories

Inventories are valued at the lower of the cost and market, and are valued using the weighted average cost calculation method.

It should be noted that this method appears to be most appropriate for normalising price fluctuations both in raw materials and, consequently, in finished products, thus enabling the reader to better interpret the balance sheet data.

Inventories as at 31 December 2018 were recorded by physical stocktaking under the control of the various department managers.

A breakdown of the changes that occurred in each category is provided below:

Description	2018	2017	Changes
Raw, ancillary and consumable materials	107,935	74,936	32,999
Work in progress and semi-finished goods	41,778	22,984	18,794
Finished products and goods	119,889	101,483	18,405
Total	269,602	199,404	70,198

II. Receivables

The balance of the item "Receivables" is broken down as follows:

Description	2018	2017	Changes
Trade receivables recorded in current assets	239,542	262,519	(22,977)
Receivables from associated companies recorded under current assets	23,537	21,091	2,446
Tax credits recorded under current assets	24,838	14,074	10,764
Pre-paid tax assets recorded under current assets	24,161	27,398	(3,237)
Receivables from other companies recorded under current assets	9,029	13,091	(4,062)
Total	321,108	338,173	(17,066)

The balance of receivables for the year ended 31 December 2018 is broken down by due date as follows:

Description	Within 12 months	After 12 months	After 5 years	Total
Trade receivables recorded in current assets	236,005	3,537	-	239,542
Receivables from associated companies recorded under current assets	23,537	-	-	23,537
Tax credits recorded under current assets	24,838	-	-	24,838
Pre-paid tax assets recorded under current assets	740	23,422	-	24,161
Receivables from other companies recorded under current assets	9,015	13	-	9,028
Total	294,135	26,972	-	321,107

Trade receivables are shown net of bad debt provisions amounting to EUR 3,158 thousand. The adjustment of the nominal value of receivables to their estimated realisable value was obtained through a bad debt provision, which incurred during the year, the following changes. In particular, the most significant decrease refers to the Parent Company, where a problem loan was closed through a settlement agreement. As far as the provision is concerned, the most significant amount is due to the subsidiary Presider SpA.

Description	2017	Use	Provision	2018
Bad debt provision	6,677	(4,706)	1,187	3,158
Total	6,677	(4,706)	1,187	3,158

Trade receivables are exclusively of a commercial nature and are broken down by geographical area as shown in the following table:

	Italy Sales	Italy Other	Other EU Countries	Non-EU	Total
Trade receivables recorded under current assets	170,787	-	52,131	16,624	239,542
Receivables from associated companies recorded under current assets	23,480	19	36	-	23,536
Tax credits recorded under current assets	2,410	22,129	75	225	24,838
Pre-paid tax assets recorded under current assets	22,988	1,173	-	-	24,161
Receivables from other companies recorded under current assets	122	8,599	30	278	9,029
Total	219,786	31,920	52,272	17,127	321,107

Tax credits

Tax credits amounting to EUR 24,838 thousand are broken down as follows:

Description	2018	2017	Changes
VAT credit	16,313	9,818	6,495
Tax credits for R&D	2,937	1,689	1,248
IRAP and IRES receivables	5,497	2,537	2,960
Other minor expenses	91	30	61
Total	24,838	14,074	10,764

The increase in VAT credit of EUR 6,495 thousand; this value is mainly due to the significant credit formed in the company Feralpi Profilati Nave.

Pre-paid taxes

Changes in pre-paid taxes are shown below:

Description	2018
Deferred tax assets - start of financial year	27,398
Reserve for material – removal of iron from slag and waste	165
Adjustment of def. tax calculation prev. year 2017 from single shareholder	(28)
Deferred taxes on tax losses 2016 - subsidiaries	163
Deferred taxes 2018	(3,537)
Total	24,161

Receivables from others

Receivables from others, equal to EUR 9,028 thousand, decreased by EUR 4,062 thousand compared to the previous financial year, and are broken down as follows:

Description	2018	2017	Changes
Reimbursement of energy expenses	4,498	9,705	(5,207)
Social safety nets	5	164	(159)
Social security institutions	155	226	(71)
Other receivables	752	310	442
Advances to suppliers	3,515	2,056	1,459
Other minor expenses	104	630	(526)
Total	9,029	13,091	(4,062)

The most significant item, as shown in the summary table, refers to the collection of some previous amounts relating to "Financial incentives for energy-intensive businesses".

Financial assets not held as fixed assets

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

Description	2018	2017	Changes
Financial assets that do not constitute fixed assets:	450	450	-

IV) Cash and cash equivalents

Description	2018	2017	Changes
Bank and postal deposits	48,980	64,683	(15,703)
Cheques	5	8	(3)
Cash and other cash equivalents on hand	7	7	-
Total	48,993	64,699	(15,706)

The balance represents cash and cash equivalents and the existence of cash and assets at the end of the year, and are largely held by the German companies of the group. In order to understand the origin of the formation of liquidity it is necessary to refer to the cash flow statement presented in the management report.

D) Accrued income and prepaid expenses

This item measures income and expenses anticipated or postponed with respect to the actual date of payment and/or of the document; these are irrespective of the date of payment or collection of the relevant income and expense, common to two or more financial years and which may be spread over time. Additionally, for those items, the criteria used in the assessment and conversion of foreign currency values are shown in the first part of these Explanatory Notes. As at 31 December 2018, there are no accruals and deferrals with a duration exceeding five years. The change in the item is as follows:

Description	2018	2017	Changes
Other prepaid expenses	1,594	2,190	(596)
Total	1,594	2,190	(596)

Description	2018	2017	Changes
Miscellaneous	610	725	(115)
Interest and charges	90	604	(514)
Insurance and liability	894	861	33
Total pre-paid expenses	1,594	2,190	(596)

LIABILITIES

A) Shareholders' equity

It should be noted that the share capital of the Parent Company, as at 31 December 2018, amounts to EUR 55,000 thousand. Adjustments resulting from the consolidation process resulted in the following differences between the financial statements of the Parent Company Feralpi Holding SpA for the year ended 31 December 2018 and the consolidated financial statements at that date:

RECONCILIATION STATEMENT BETWEEN THE PARENT COMPANY'S SHAREHOLDERS' EQUITY AND NET PROFIT FOR THE YEAR AND THE CONSOLIDATED SHAREHOLDERS' EQUITY AND NET PROFIT FOR THE YEAR AS AT 31 DECEMBER 2018

	Net profit	Shareholders' equity
Feralpi Holding S.p.A.	43	118,775
Adjustment to group accounting standards		
Adjustment of amortisation of fixed assets	(98)	-
Adjustment of goodwill	(189)	1,509
Inventory valuation adjustment	-	-
Elimination of the effects of intercompany transactions		
Intercompany margins included in the inventories value	(1,403)	(1,386)
Capital gain/loss from intercompany sale of assets	-	(12)
Elimination of the book value of the equity investments		
Revaluations/Write-downs of equity investments	1,500	-
Elimination of profit/shareholders' equity - subsidiaries	90,340	315,121
Elimination of dividends	(38,030)	38,030
Profit/shareholders' equity - companies consolidated using the equity method	1,572	3,413
Consolidated profit/capital	53,735	475,449
Reserve for portfolio treasury shares	-	(1,028)
Minority interest profit/capital	984	2,783
Group profit/capital	52,751	473,714

The above values are net of the tax effect.

The table below shows the movements in the shareholders' equity accounts:

	share capital	share premium reserve	legal reserve	extraordinary reserve	profits/losses carried forward	foreign exchange reserve	share premium reserve	negative share premium reserve	revaluation reserve	consolidation reserve	reserve for hedging of future cash flows	operating result	total	minority interest profit	minority interest capital	total
31 December 2017	50,000	518	3,772	16,038	33,748	362	-	(1,028)	138	287,627	(321)	29,996	420,847	2,096	578	423,525
allocation of 2017 profits			727	13,795						15,478		(29,998)		(2,098)	(578)	(2,876)
dividends																0
other changes	5,000			(5,000)		(67)				(408)	(205)		(681)			(681)
Acquisitions during the year										(235)			(235)			(235)
2018 operating result												52,751	52,751	1,780	984	55,515
31 December 2018	55,000	518	4,499	24,833	33,748	294	-	(1,028)	138	302,462	(526)	52,751	472,682	1,780	984	475,449

The foreign exchange reserve derives from the exchange difference between the shareholders' equity as at 31 December 2018 and that as at 31 December 2017, recorded following the valuation of the ESF Consolidation for the Hungarian and Czech shareholdings. Other reserves of EUR 1,028 thousand consist of the negative reserve for portfolio treasury shares. As can be seen from the table above, the share capital of the Parent Company has increased by EUR 5,000 thousand through allocation to shareholders, in compliance with the option right and in proportion to the number of shares held by each shareholder, in accordance with the provisions of art. 2441 of the Italian Civil Code, a capital increase through the use and withdrawal of the extraordinary reserve.

B) Provisions for risks and charges

This item is detailed as follows:

Description	2017	Increases	Decreases	2018
Additional client expenses	1,321	70	-	1,391
For deferred taxes	546	129	-	675
Financial derivative liabilities	430	263	-	693
For slag disposal	337	-	11	326
Other miscellaneous risks	34,413	1,460	5,201	30,672
Total	37,047	1,922	5,212	33,757

The most significant change in the provision for risks and charges relates in this case to the item "for miscellaneous risks", which decreased by EUR 5,201 thousand, as some instalments were paid in relation to the antitrust fine imposed on Feralpi Siderurgica. Having received a favourable judgement, the instalments paid were repaid to the Company during 2019. In addition, the further increase is due to the provision made by the subsidiary Ecoeternit for the covering and post-management of landfills for thirty years.

It should also be noted that in accordance with the accounting principle OIC 32, the market value at 31 December 2018 was recorded under the item Financial derivative liabilities.

The item "Other provisions" also includes the provision for the disposal of slag by Feralpi Siderurgica SpA. The change is as follows:

	Provision for pension liabilities and similar obligations	Provision for taxes, including deferred	Other provisions	Total provisions for risks and charges
Start-of-year values	1,321	546	35,180	37,047
Changes during the financial year				
Provision for the year	70	129	1,723	1,922
Use in the year	-	0	(5,212)	(5,212)
Value at the end of the financial year	1,391	675	31,691	33,757

C) Employee severance indemnity

Changes are as follows:

	Employee severance indemnity
Value at the start of the year	8,309
Changes during the financial year	
Provision for the year	2,214
Use in the year	(2,904)
Value at the end of the financial year	7,619

The provision represents the actual debt of the Company at 31 December 2018 to employees at that date, net of advances paid.

D) Payables

Payables are valued at their nominal value and their due date is divided as follows:

Description	2018	2017	Changes
Convertible bonds	5,347	10,347	(5,000)
Payables to shareholders for loans	-	-	-
Bank debt	219,321	206,670	12,651
Payables to other lenders	-	-	-
Advance payments	213	621	(408)
Trade payables	230,397	230,334	63
Payables to subsidiaries	-	-	-
Payables to associated companies	53,276	51,056	2,220
Payables to parent companies	-	-	-
Tax payables	12,490	18,155	(5,665)
Payables to pensions and social security institutions	4,329	3,979	350
Other payables	24,352	22,012	2,342
Total	549,725	543,174	6,551

Description	Within 12 months	After 12 months	After 5 years	Total
Convertible bonds	-	5,347	-	5,347
Bank debt	135,293	82,778	1,250	219,321
Advance payments	213	-	-	213
Trade payables	230,397	-	-	230,397
Payables to associated companies	53,276	-	-	53,276
Tax liabilities	12,490	-	-	12,490
Payables to pensions and social security institutions	4,329	-	-	4,329
Other payables	23,857	495	-	24,352
Total	459,856	88,620	1,250	549,725

Convertible bonds

During the course of 2018, the EUR 10,000 bond loan expired and was repaid to shareholders by the Company. They subscribed to a new loan of the value of EUR 5,000 consisting of a non-convertible bond loan, maturing on 1 July 2023, represented by 5,000,000 bonds each with a nominal value of EUR 1.

Bank debt

The balance of payables to banks and credit institutions, for investments and financial restructuring, in place as at 31 December 2018, is of a total of EUR 219,321. They are backed by collateral securities for EUR 111 million (EUR 85 million Feralpi Siderurgica, EUR 20 million Calvisano, EUR 6 million Presider). It should be noted that the covenants linked to the existing loans have been respected; as regards loans beyond 5 years, there has been a significant reduction compared to the previous year, with a residual amount of EUR 1,250 thousand.

The following table shows the details of amounts due to banks:

Description	2018	2017	Changes
For bank current accounts	107,673	81,901	25,772
For loans within 12 months	27,620	28,220	(600)
For loans over 12 months and within 5 years	82,778	92,462	(9,684)
For loans over 5 years	1,250	4,087	(2,837)
Total	219,321	206,670	12,651

During the course of 2018, new loans were taken out for approximately EUR 25 million by Feralpi Siderurgica SpA.

Trade payables

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

Description	Italy Sales	Other EU countries Sales	Non-EU	Total
Trade payables	157,010	69,949	3,438	230,397
Total	157,010	69,949	3,438	230,397

Tax liabilities

Tax payables due within 12 months relate to the following:

Description	2018	2017	Changes
IRPEF (personal income tax)	2,410	2,482	(72)
VAT debt	1,633	4,547	(2,914)
Payables for miscellaneous taxes	8,447	11,126	(2,679)
Total	12,490	18,155	(5,665)

Payables due to others

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

Description	2018	2017	Changes
Personnel expenses allocated	10,593	9,692	901
Premiums to customers	8,783	7,390	1,393
Other minor expenses	4,975	4,931	44
Total	24,351	22,013	2,338

The most significant debt relates to the December salaries of employees and collaborators. The values of payables to others remained substantially unchanged compared to the previous year.

E) Accruals and deferred liabilities

The accruals and deferred liabilities represent the adjusting entry items for the year calculated on an accruals basis. As at 31 December 2018, there are no accruals and deferrals with a duration exceeding five years.

The change in the item is as follows:

Description	Value at the beginning of the financial year	Changes during the year	Value at the end of the financial year
Accruals and deferred liabilities	1,251	(599)	652
Total	1,251	(599)	652

Deferred income of EUR 652 thousand refers mainly to investment grants of EUR 184 thousand that will be used in future years for ESF GmbH and EDF GmbH.

Deferred income is broken down over time as follows:

Description	Within 12 months	After 12 months	After 5 years	Total
Accruals and deferred liabilities	468	184	-	652
Total	468	184	-	652

It should be noted that the Parent Company issued guarantees, in favour of the banks, for credit lines and/or loans for the Group Companies, for an overall amount of EUR 138 million.

Income statement

The following is a comparison between the consolidated income statements of 2018 and 2017.

A) Production value

The production value consists of:

Description	2018	2017	Changes
Revenues from sales and services	1,320,333	1,198,970	121,363
Changes in product inventories	33,156	27,601	5,555
Increases of non-current assets from in-house production	3,964	2,616	1,348
Other revenues and income	8,861	15,648	(6,787)
Total	1,366,314	1,244,835	121,479

The increase in turnover compared to the previous year is mainly due to the market conditions in the sector, which have seen a constant recovery. For more information, see the Management Report.

Other revenues and income are made up of the following items:

Category	2018	2017	Changes
Rent	812	793	19
Recovery Insurance and misc.	1,003	148	855
GSE Incentives	-	0	0
Incentives	3,346	1,551	1,795
Other income	3,700	13,155	(9,455)
Total	8,861	15,647	(6,786)

The most significant reduction refers to the item "other income" where in the previous year the parent company accounted for the repayment and collection of the fine imposed in 2008 by the European Antitrust Authority for more than EUR 10 million.

The following table shows sales revenues broken down by geographical area:

Geographical Area	2018	2017	Changes
Italy	500,421	431,323	69,098
EU countries	643,707	579,382	64,325
Non-EU countries	176,205	188,265	(12,060)
Total	1,320,333	1,198,970	121,363

B) Production costs:

The composition of and changes in production costs are shown in the table below:

Description	2018	2017	Changes
Raw, ancillary and consumable materials	931,200	794,274	136,926
Services	245,311	236,791	8,520
Use of leased assets	4,643	3,411	1,232
Personnel	89,171	83,118	6,053
Amortisation, depreciation and write downs	46,092	43,412	2,680
Change in inventories of raw materials	(37,353)	(7,133)	(30,220)
Provisions for risks	9	29,451	(29,442)
Other provisions	1,460	1,749	(289)
Miscellaneous operating costs	5,636	6,576	(940)
Total	1,286,169	1,191,649	94,520

Costs of raw, ancillary materials, consumables and goods

Compared to the previous year, there was an increase in the cost of raw materials, ancillary materials and consumables of EUR 94,520 thousand. For further information on the economic performance for the year, reference should be made to the management report.

It should be noted that the cost of scrap accounted for around 80% of the total cost of raw materials.

Costs for services

Below is the detail of the costs of services, which show a significant increase in total costs. The increase is mainly due to the increase in unit costs, energy consumption and the increase in quantities produced.

Description	2018	2017	Changes
Maintenance and Third-Party Services	20,797	23,440	(2,643)
Services for Production	48,165	48,460	(295)
Energy and Miscellaneous Utilities	104,929	92,458	12,471
Transport and Internal Transfers	42,289	43,295	(1,006)
Consulting, Insurance, Advertising	21,053	14,962	6,091
Other	8,078	14,177	(6,099)
Total	245,311	236,792	8,519

Leases and rental expenses

The following table shows details of the leases and rental expenses:

Description	2018	2017	Changes
Rentals - Leases	3,618	2,544	1,074
Fees for user licences	1,025	867	158
Total	4,643	3,411	1,232

Personnel expenses

This item includes total employee expenses, including merit salary increases, promotions, cost-of-living, unused holiday, and statutory provisions and collective agreements.

Description	2018	2017	Changes
Wages	65,895	61,649	4,246
Social security contributions	18,465	16,817	1,648
Seniority Allowance	2,304	2,245	59
Other	2,507	2,407	100
Total	89,171	83,118	6,053

Amortisation and depreciation of fixed assets

Regarding amortisation, it is specified that this is calculated on the basis of the useful life of the asset and its use in production.

The provision to the bad debt provision refers to its adjustment, and has been allocated on the basis of the estimated recoverability of the receivables recorded in the balance sheet.

Description	2018	2017	Changes
Tangible fixed assets amortisation	40,135	39,463	672
Intangible fixed assets amortisation	2,885	2,928	(43)
Bad debt provision	3,072	1,022	2,050
Total	46,092	43,412	2,679

Other write-downs of fixed assets

None were carried out.

Provision for risks

During the year no significant provisions were made. For more details, see the section on the risk provision.

Other provisions

It should be noted that these are provisions made during the year by the companies that manage the landfills in relation to post-closure costs.

Miscellaneous operating costs

It should be noted that the item Miscellaneous operating expenses includes association expenses, IMU property tax, losses on receivables, miscellaneous taxes and costs that are not deductible for tax purposes; the details are given below, showing a reduction of EUR 941 thousand compared to the previous year.

Description	2018	2017	Changes
Donations to charities	99	54	45
Associations	352	372	(20)
Miscellaneous taxes	1,579	1,200	379
Losses on receivables	28	502	(474)
Other	3,576	4,448	(872)
Total	5,636	6,576	(942)

C) Financial income and charges

Description	2018	2017	Changes
From equity investments - other companies	48	48	-
Interest from associated companies	133	130	3
Other financial income	347	312	35
Total financial income	528	490	38
Interest and other financial charges	4,092	4,200	(108)
Total financial charges	4,092	4,200	(108)
Exchange gains and losses	(39)	108	(147)
Total	(3,603)	(3,602)	(1)

Financial income and expenses were substantially the same as in the previous year, thanks in great part to the stability of interest expense rates on the financial markets.

Financial income

This mainly relates to bank interest income and interest charged to customers.

Description	2018	2017	Changes
Dividends	48	48	-
Bank and miscellaneous interest	133	130	3
Interest from customers	347	312	35
Total	528	490	39

Financial charges

The details of interest and other financial charges are shown below:

Description	2018	2017	Changes
Bank interest	(1,673)	(1,691)	18
Loan interest	(1,474)	(1,304)	(170)
Discounts and financial charges	(680)	(694)	14
Interest - hedging	(265)	(511)	246
Total	(4,092)	(4,200)	108

D) Value adjustments of financial assetsRevaluations/write-downs

The following table shows the revaluations and write-downs of the 2018 financial year, related mainly to the valuation of the equity investments in associated companies consolidated with the equity method, in addition to Other minority interests:

Description	2018	2017	Changes
Beta	65	16	49
Media Steel	343	287	56
Far energia	31	6	25
San Vivaldo partecipazioni	50	-	50
Alpifer	539	353	186
Cogeme Steel	7	(309)	316
Caleotto	1,040	752	288
Dima	143	(63)	206
Agroittica	(738)	(189)	(549)
Comeca	100	6	94
Omega	(9)	(90)	81
Mittel	-	477	(477)
Feralpi Salò	(476)	(263)	(213)
Other minority interests	(41)	8	(49)
Total revaluations/write-downs	(1,055)	991	64
of which revaluations	2,319	1,958	361
of which write-downs	(1,264)	(967)	(297)

Income tax

Description	2018	2017	Changes
Current taxes	24,902	19,968	4,934
Deferred taxes	(1,055)	(142)	(913)
Pre-paid taxes	28	172	(144)
Total	23,875	19,998	3,877

All companies with a negative result recorded deferred taxes on the tax loss generated during the year.

Employees

The average number of Group employees by category was as follows:

Average workforce of the Group	2018	2017	Changes
Senior Managers	30	27	3
Employees and Middle Managers	430	422	8
Workers	1,080	1,052	28
Total	1,540	1,501	39

The average number of employees broken down by company is as follows:

Company	2017 average	2016 average	Changes
Feralpi Holding Spa (Italy)	47	46	1
Ecoeternit Srl (Italy)	4	4	-
Ecotrading (Italy)	3	3	-
Presider SpA (Italy)	63	62	1
MPL Srl (Italy)	12	12	-
Feralpi Siderurgica SpA (Italy)	391	385	6
Presider Armature (France)	2	-	2
Acciaierie di Calvisano SpA (Italy)	119	110	9
Fer Par Srl (Italy)	85	92	(7)
Feralpi Profilati Nave Srl (Italy) -	3	3	-
Nuova Defim Spa (Italy)	80	76	4
ESF GmbH (Germany)	464	449	15
Feralpi Stahlhandel GmbH (Germany)	11	11	-
EDF GmbH (Germany)	152	144	8
Feralpi Logistik GmbH (Germany)	32	31	1
Feralpi Algerié (Algeria)	12	12	-
Feralpi Praha Sro (Czech. Republic)	46	50	(4)
Feralpi Hungaria Kft (Hungary)	13	11	2
Total	1,540	1,501	39

Other information

By law, the total remuneration of directors and members of the Board of Statutory Auditors is shown.

Role	Remuneration
Directors	2,677
Board of Statutory Auditors	164
Total	2,841

The statutory audit of the accounts of the group companies and the supervision of the group's consolidated financial statements are subject to fees amounting to EUR 215 thousand.

Subsequent significant events

Nothing to report

These Financial Statements, consisting of the Balance Sheet, the Income Statement and the Notes to the Financial Statements represent the true and fair financial position, as well as operating results for the year and are in line with the accounting records.

The Chairman,
Pasini Giuseppe

Lonato del Garda, 23 May 2019

REPORT BY THE BOARD OF STATUTORY AUDITORS

Consolidated Financial Statements
at 31.12.2018



**Report of the Board of Statutory Auditors on the Consolidated Financial Statements
as at 31 December 2018 of Feralpi Holding S.p.A.**

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

The consolidated financial statements of the Feralpi Group as at 31 December 2018 have been drawn up in accordance with the Law and are accompanied by the Management Report.

In particular, with reference to the Notes to the financial statements, it should be noted that the criteria for preparing the financial statements and the specific accounting standards applied are clearly and exhaustively indicated. The consolidated financial statements are generally compliant as regards the formation and structure, the accounting principles and the Italian Civil Code, which is also correctly applied.

You are also informed that:

- the consolidated financial statements are consistent with the facts and information of which we are aware, following the performance of our duties;
- the Management Report to the financial statements of the Feralpi Group is drawn up in a complete manner and in accordance with art. 2428 of the Italian Civil Code.

In conclusion, taking into account all of the above, and also considering the results of the audit carried out by the statutory audit body, no significant events emerged that would require mention in this Report.

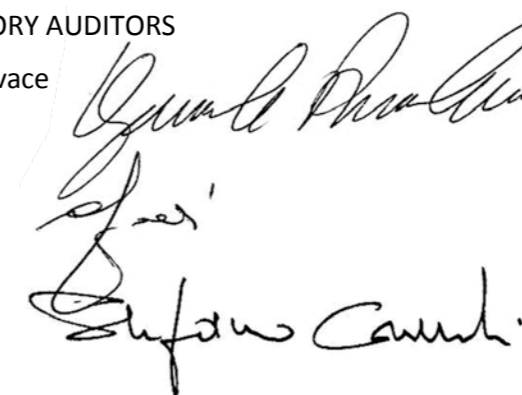
Lonato, 5 June 2019

THE BOARD OF STATUTORY AUDITORS

Mr Giancarlo Russo Corvace

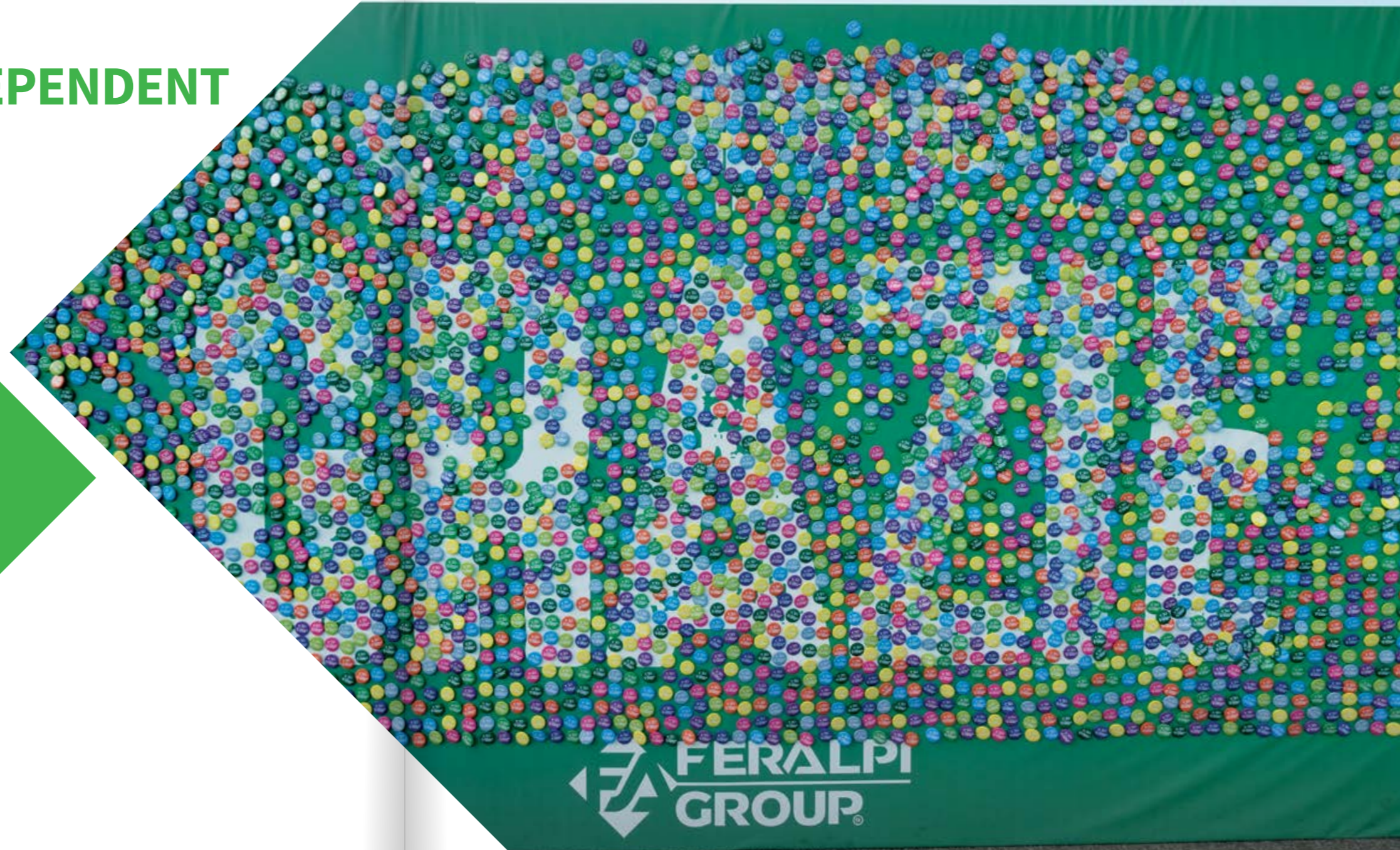
Mr Alberto Soardi

Mr Stefano Guerreschi



REPORT BY THE INDEPENDENT AUDITOR

Consolidated Financial Statements
at 31.12.2018





Feralpi Holding S.p.A.

Consolidated financial statements at 31 December 2018

Report by the independent auditor

pursuant to art. 14 of Italian Legislative Decree no. 39 of 27 January 2010



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Report by the independent auditor
pursuant to art. 14 of Italian Legislative Decree no. 39 of 27 January 2010

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

Report on the audit of the consolidated financial statements

Assessment

We have conducted the audit of the consolidated financial statements of the Feralpi Holding Group (the Group), consisting of the consolidated balance sheet as at 31 December 2018, the consolidated income statement and the consolidated cash flow statement for the financial year ending on that date, and the notes to the financial statements.

In our opinion, the financial statements give a true and fair view of the financial situation of the Feralpi Holding Group as at 31 December 2018 and the economic result and cash flows for the year ended on that date in accordance with the Italian regulations governing the preparation criteria.

Elements considered

We conducted the audit in accordance with international audit standards (ISA Italia). Our responsibilities pursuant to these standards are further described in the section *Responsibilities of the independent auditor for the audit of consolidated financial statements* in this report.

We are independent of Feralpi Holding S.p.A. in accordance with the applicable law and standards on ethics and independence in Italian law on the audit of financial statements.

We believe to have acquired sufficient and appropriate probative elements on which to base our assessment.

Responsibilities of the directors and the board of statutory auditors with regard to the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that provide a true and fair representation in accordance with the Italian provisions that govern their preparation criteria and, in the terms required by the law, for the part of their internal control deemed necessary for the preparation of financial statements that do not contain significant errors due to fraud or unintentional conduct or events.

The directors are responsible for the assessment of the Group's ability to continue trading and, in the drafting of the consolidated financial statements, for the appropriateness of using the assumption of going concern, as well as for adequate information on the matter. The directors use the assumption of going concern in the preparation of the consolidated financial statements, unless they have assessed that there are conditions for the liquidation of the Parent Company or for the interruption of the activity, or they have no realistic alternatives to these decisions.

The Board of Statutory Auditors is responsible for monitoring, in the terms required by the law, the process of preparing the Group's financial information.

EY S.p.A.
Registered Offices: Via Po, 32 – 00198 Rome, Italy
Share Capital EUR 2,525,000,000 fully paid up
Registered in the Register of Companies at the Rome Chamber of Commerce
Tax code and registration number 00434000584 – REA number 250904
VAT no. 00891231003
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of CONSOB under no. 2 resolution no. 10831 of 16/7/1997



Responsibilities of the audit firm with respect to the audit of the consolidated financial statements

Our objectives are the acquisition of reasonable certainty that the consolidated financial statements in their entirety do not contain significant errors due to fraud or unintentional conduct or events and the issuance of an audit report that includes our assessment. Reasonable certainty means a high level of assurance which, however, does not provide the guarantee that an audit carried out in accordance with international auditing standards (ISA Italia) will always identify a significant error, if any. Errors may derive from fraud or unintentional conduct or events and are considered significant if it can be reasonably expected that these, alone or as a whole, are capable of influencing the users' economic decisions taken on the basis of the consolidated financial statements.

Within the scope of the audit carried out in accordance with the international auditing standards (ISA Italia), we have exercised our professional judgement and we have maintained professional scepticism throughout the entire audit period. In addition:

- we have identified and assessed the risk of significant errors in the consolidated financial statements due to fraud or unintentional conduct or events; we have defined and conducted audit procedures in response to such risks; we have acquired sufficient and appropriate probative elements on which to base our assessment. The risk of not identifying a significant error due to fraud is higher than the risk of not identifying a significant error deriving from unintentional conduct or events, since fraud may imply the existence of collusion, falsification, intentional omission, misleading representation or manipulation of the internal control;
- we acquired an understanding of the internal control relevant for the purposes of the audit in order to define appropriate audit procedures in these circumstances and not to express an opinion on the effectiveness of the Group's internal control;
- we assessed the appropriateness of the accounting standards used in addition to the fairness of the accounting estimates made by the directors and the related information;
- we have come to a conclusion regarding the appropriateness of the use by the directors of the assumption of going concern and, based on the probative elements acquired, on any existence of significant uncertainty regarding events or circumstances that may raise significant doubts about the Group's ability to continue trading. In light of a significant uncertainty, we must call attention in the audit report to the related financial statement information, i.e. if this information is inadequate for reflecting said circumstance when formulating our opinion. Our conclusions are based on the probative elements acquired up to the date of this report. However, subsequent events or circumstances can result in the Group ceasing to trade;
- we assessed the presentation, structure and content of the consolidated financial statements in their entirety, including the information and whether the consolidated financial statements represent the transactions and underlying events so as to provide a fair representation;
- we acquired sufficient and appropriate probative elements on the financial information of the companies and of the various economic activities carried out within the Group in order to express an opinion on the consolidated financial statements. We are responsible for the management, supervision and control of conducting the audit of the Group. We are the only party responsible for the audit assessment of the consolidated financial statements.

We have notified the governance officers, identified at an appropriate level as required by ISA Italia standards, among other things, of the extent and time frames planned for the audit and the significant results that emerged, including any significant shortcomings in the internal control identified during the audit.



Report on other legal provisions and regulations

Assessment pursuant to art. 14, paragraph 2, letter e) of Italian Legislative Decree no. 39 of 27 January 2010

The directors of Feralpi Holding S.p.A. are responsible for the preparation of the management report of the Feralpi Holding Group as at 31 December 2018, including its consistency with the related consolidated financial statements and its compliance with the standards of the law.

We have carried out the procedures indicated in the auditing standard (ISA Italia) n. 720B in order to express an opinion on the consistency of the management report with the consolidated financial statements of the Feralpi Holding Group as at 31 December 2018 and on its conformity with the provisions of the law, as well as to issue a statement on any significant errors.

In our opinion the management report is consistent with the consolidated financial statements of the Feralpi Holding Group as at 31 December 2018 and is prepared in accordance with the provisions of the law.

With reference to the statement under art. 14, paragraph 2, letter e) of Italian Legislative Decree no. 39 of 27 January 2010, issued on the basis of the knowledge and understanding of the company and of the related context acquired in the course of the audit, we have nothing to report.

Brescia, 30 May 2019

EY S.p.A.

Stefano Colpani
(Shareholder)



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Finished printing in August 2019 on 100% biodegradable recycled
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