





A special tribute

goes to the memory of the founder Carlo Pasini
and his wife Lidia Camilla Savoldi

Year 2021

Consolidated Financial
Statements

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Organisation chart

Feralpi Group, 2022





Legend

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

Key economic figures

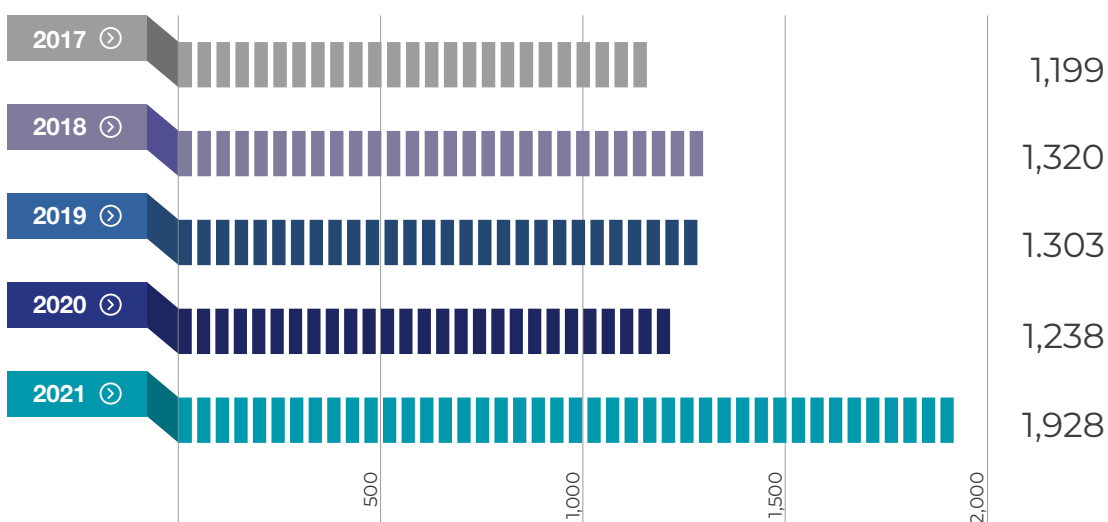
Key equity and financial figures

KEY ECONOMIC FIGURES		2019	2020	2021
	Sales	1,302,752	1,238,398	1,928,446
	Italy	(37%) 483,784	(38%) 469,229	(41%) 795,643
	Exports	(63%) 818,968	(62%) 769,169	(59%) 1,132,803
	Production value	1,331,674	1,222,458	2,058,086
	Pre-tax result	54,508	12,642	215,297
	Net result for the year	40,831	5,450	155,884
	Depreciation, amortisation and write-off	(53,935)	(55,196)	(52,966)
	Cash Flow	94,766	60,646	208,850
	Ebitda	125,101	73,751	271,701
(€,000)	Ebit	71,166	18,555	218,735

KEY EQUITY AND FINANCIAL FIGURES		2019	2019	2021
	Investments made	54,521	55,597	55,996
	Net fixed assets	357,424	405,052	414,194
	Net equity	509,496	520,849	676,480

(€,000)

Consolidated sales (€/m)

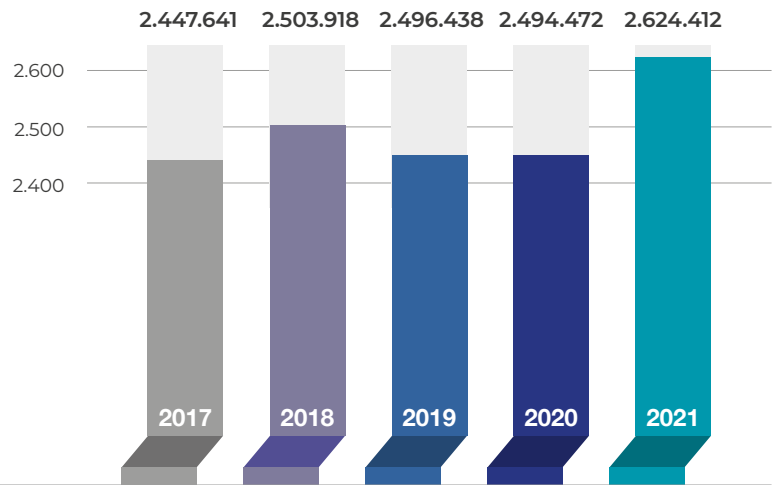


Production

Steel business

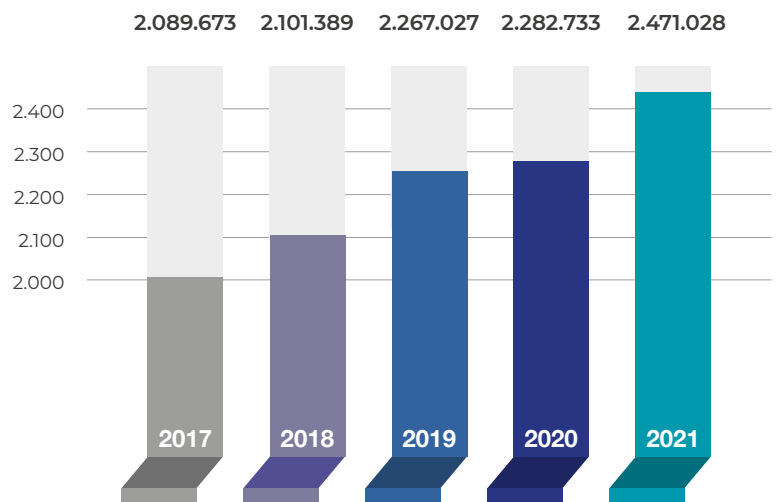
Steel billets (tonnes)

Feralpi Siderurgica SpA
Acciaierie di Calvisano SpA
ESF GmbH



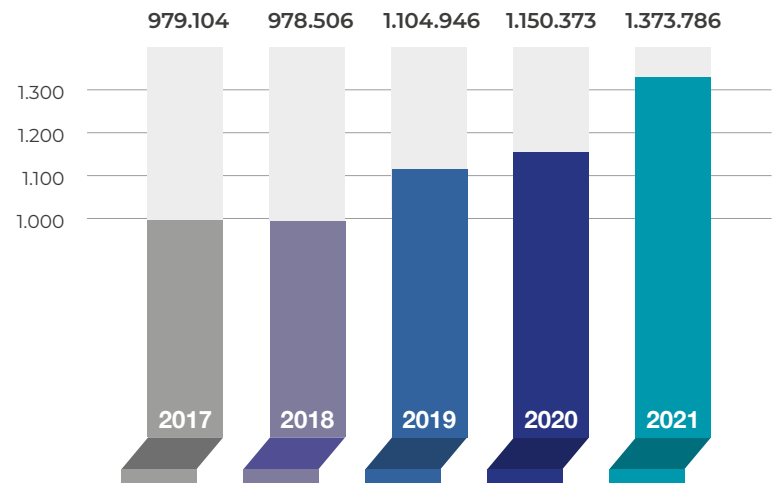
Rebar, reinforcing steel in coils, wire rod and merchant bars (tonnes)

Feralpi Siderurgica SpA
ESF GmbH
Caleotto SpA



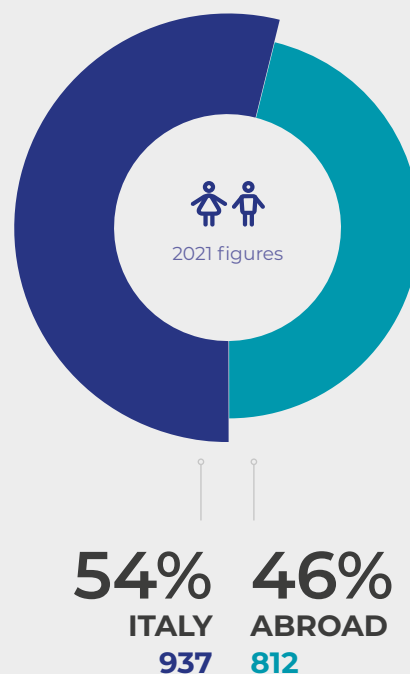
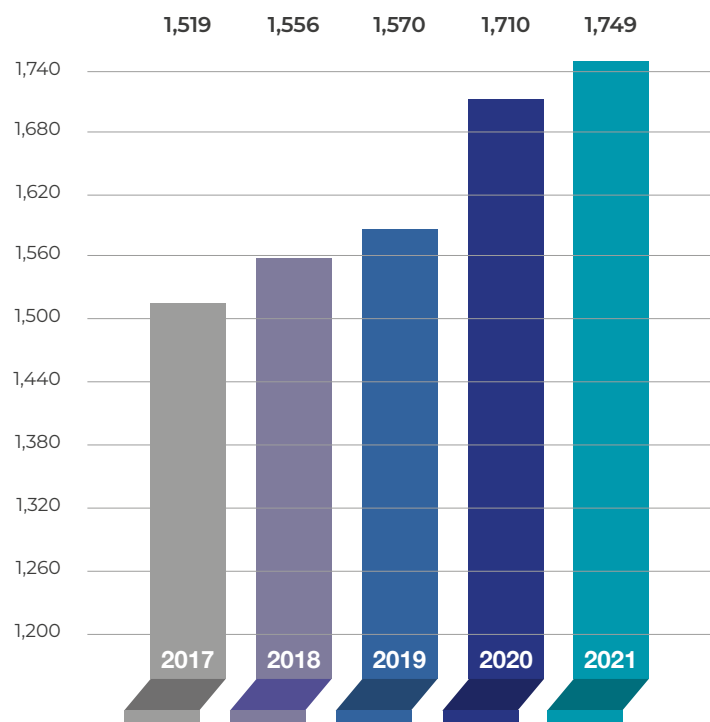
Cold-drawn steel - downstream products (tonnes)

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



Personnel

as at 31.12



Training hours

COMPANY	2019	2020	2021
Feralpi Holding	1,533	686	1,048
Feralpi Siderurgica	8,057	4,295	8,348
Acciaierie di Calvisano	2,532	1,024	2,497
Nuova Defim	1,097	472	383
Feralpi Profilati Nave	99	0	0
Fer-Par	1,885	486	0
Presider	535	154	1,289
MPL	147	78	34
Ecoeternit	104	340	168
Arlenico	0	423	966
Caleotto	0	73	40
ESF	6,665	9,386	9,248
Feralpi Stahlhandel	10	65	40
Feralpi-Logistik	8	75	460
Feralpi Praha	451	298	266
Feralpi Hungaria	80	24	0
Presider Armatures	0	0	0
Feralpi Algérie	14	10	32
TOTAL	23,217	17,889	24,819

Certifications



Feralpi Siderurgica
IT - 001669
del 10.12.2014

Feralpi STAHL Riesa
DE - 144 - 00047
von 2.08.2012



ISO 9001
ISO 14001
ISO 45001



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Ente Italiano di Unificazione Siderurgica

FT FINANCIAL
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statista

2022

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Business Report

Consolidated Financial Statement
as at 31st December 2021



Business Report on the Consolidated Financial Statements for the year ending 31 December 2021

To the Shareholders,

The year ending 31.12.2021 posted a Group profit of €154 million, out of a turnover of €2,058 million.

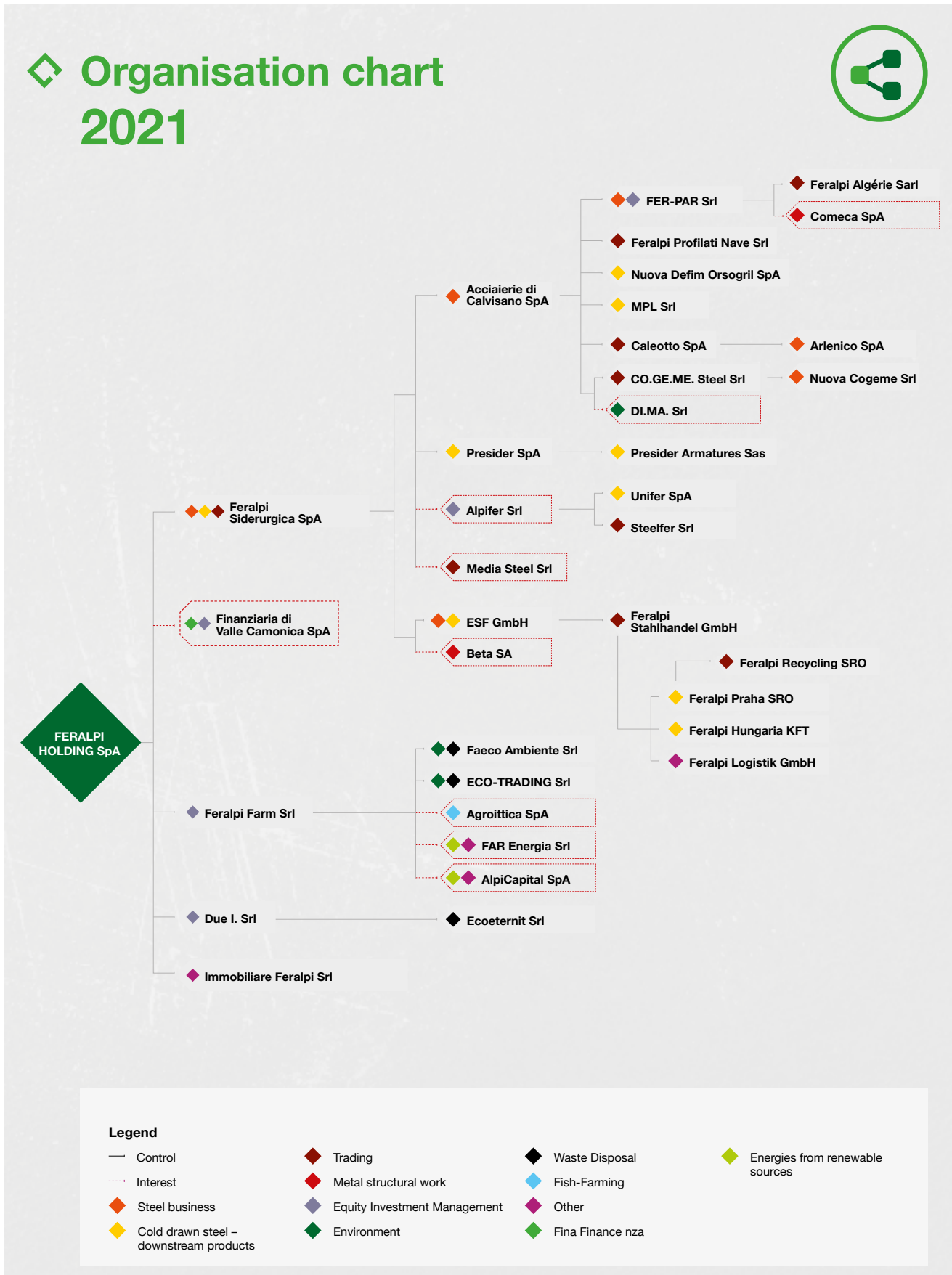
It is worth noting that the Group has voluntarily prepared a separate Non-Financial Statement for the second year.

A detailed examination of the financial statements figures is appropriate after an analysis of the Group's structure.

The Group, which is controlled by Feralpi Holding, is basically organised into two main business areas: one relating to steelmaking operations (Steel and Steelmaking) and one covering operations in the environmental, real estate and equity investment sectors (Diversified Holdings).

The Board of Directors wishes to express their sincere thanks to all Feralpi Group personnel for their commitment and dedication to the job.

Asa t 31.12.2021, the Feralpi Group organisational chart was as follows.



Group Structure

Steel and Steelmaking business

The following companies belong to the Italian production cluster:

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

The company, which is located in Lonato del Garda, to the east of Brescia, makes steel billets, rebar, reinforcing steel in coils, wire rod and downstream products, and is the main company in the Group's Steel Business. Feralpi Siderurgica S.p.A. It is also the Group's sub-holding for the steel sector and controls all the Italian and foreign subsidiaries. The production site covers 487,000 m², including 98,296 m² indoors, and is served by a railway siding.

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

The company, which is located in Calvisano, to the south of Brescia, makes steel billets and common and quality steel blooms. Sales are mainly directed to Group companies; sales to others are made in the Italian market. The production site covers 250,214 m², including 43,976 m² indoors.

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

The company, which is located in Borgaro Torinese, near Turin, makes reinforcing steel in bars and coils for building yards at the service of construction enterprises. The production site covers 38,285 m² of which 20,830 m² sheds and buildings. It also has a production plant in Maclodio, near Brescia, which covers 6,100 m² and one in Pomezia, near Rome, which covers 21,624 m². Following the restructuring of the Nave-based steel mill, Presider started shaping activities, thereby increasing its output.

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

Following the reconversion of the Nave industrial site, the company has ceased trading in steel sections and is engaged in the real estate business by holding an industrial site in Pomezia leased out to Presider S.p.A.

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

The company operates as a sub-holding in that it owns stakes in manufacturing and trading companies operating in the steel and structural steel work sector, such as ESF GmbH (2%), Comeca S.p.A. and Feralpi Algérie Sarl.

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

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

Caleotto S.p.A. – Italy (100%-owned by Acciaierie di Calvisano S.p.A.)

Caleotto S.p.A. and its 100% subsidiary Arlenico S.p.A. are located in Lecco. The company is active in the production and sale of quality wire rod to suit specific applications in numerous fields of industry, especially in the mechanical and automotive sectors. It covers a surface area of 96,000 m², of which 47,000 m² indoors (sheds and buildings). On 31.03.2020 Acciaierie di Calvisano acquired the remaining 50%, and became the sole

shareholder.

CO.GE.ME Steel S.r.l. - Italy (100%-owned by Acciaierie di Calvisano S.p.A.)

The company, whose 100% control was taken over by Acciaierie di Calvisano in June 2020, had 100% control of the Casalmaggiore-based Nuova Cogeme S.r.l., which was finally liquidated in 2021. It covers a surface area of approximately 40,000 sq.m., of which 26,000 sq.m. is covered by sheds and buildings. As part of the major industrial redevelopment of the Nave site, production and marketing activities have ceased.

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

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

The Group's second production cluster, in terms of size, is based in Riesa, in the Region of Saxony, Germany. It comprises the following companies:

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

The company was set up in 1992 as part of the German Democratic Republic's process of privatizing steel production. It makes steel billets, rebar, reinforcing steel in coils and wire rod, and also a vast range of drawn products, including welded mesh, available either in standard format or made to measure. Products are mostly sold in Germany and neighbouring countries, such as Belgium, Holland, the Czech Republic, Hungary and Poland. The production site covers 607,000 m², including 153,000 m² indoors and is served by a railway siding. ESF is also the parent company for German activities, under the brand Feralpi Stahl, and coordinates the activities of the subsidiaries in the Czech Republic and Hungary as well as those in Germany.

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

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

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

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

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

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

The company is located in Kralupy, near Prague, for the production of drawn products and welded mesh.

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

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

Feralpi Recycling Sro, the Czech Republic (90%-owned by Feralpi Praha Sro)

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

The **Steel and Steelmaking business** also comprise the following companies:

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

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

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

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

The aggregate sales revenues of the 100%-owned subsidiaries are shown below:

€000		2021	2020	% change
Feralpi Siderurgica S.p.A.	Italy	966,810	566,985	70.5%
Acciaierie di Calvisano S.p.A.	Italy	288,393	158,569	81.9%
Feralpi Profilati Nave S.r.l.	Italy	9,282	35,967	(74.2%)
Nuova Defim S.p.A.	Italy	43,436	28,956	50.0%
Fer-Par S.r.l.	Italy	33	7,133	(99.5%)
Presider S.p.A.	Italy	130,207	79,402	64.0%
MPL S.r.l.	Italy	27,462	17,312	58.6%
Cogeme Steel S.r.l.	Italy	652	2,976	(78.1%)
Caleotto (Consolidated)	Italy	170,744	67,494	153.0%
Presider Armature	France	21,586	10,501	105.6%
ESF (Consolidated)	Germany	675,093	470,970	43.3%
Feralpi Algérie Sarl	Non-EU countries	11,268	12,013	(6.2%)
Total		2,344,966	1,458,278	60.8%

*In order to provide further insight into the **Steel and Steelmaking business**, the schedules below summarise the activities of the various companies.*

Output (t)

Steel billets	Country	2021	2020	% change
Feralpi Siderurgica S.p.A. - Lonato	Italy	1,215,570	1,130,124	7.6%
Acciaierie di Calvisano S.p.A. - Calvisano	Italy	495,534	434,928	13.9%
ESF GmbH - Riesa	Germany	913,308	921,024	(0.8%)
Total		2,624,412	2,486,076	5.6%

Finished products (Rebar – Reinforcing steel in coils – Wire rod - Merchant bars)	Country	2021	2020	% change
Feralpi Siderurgica S.p.A. - Lonato	Italy	1,401,914	1,225,260	14.4%
Feralpi Profilati Nave S.r.l.	Italy	-	63,426	(100.0%)
Caleotto S.p.A.	Italy	234,302	140,688	66.5%
ESF GmbH - Riesa	Germany	834,812	855,669	(2.4%)
Total		2,471,028	2,285,043	8.1%

Cold-drawn steel - downstream products	2021	2020	% change
Total	1,373,786	1,284,848	6.9%

The following non-controlling interests come under the **Steel and Steelmaking business**:

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

Alpifer is a holding company with 100% stake in Unifer S.p.A. and Steelfer S.r.l.

The former manufactures and sells “cut-to-size” and standard welded mesh”, bent mesh, lattice girders and drawn wire; the latter is a trading company that distributes steel products.

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

This company is based in Massa (MS). It is brokerage company specialising in the procurement and sale of ferrous scrap in Italy and abroad. It is equally owned (45%) by Duferco Italy Holding S.p.A., the reminder stake is owned by the management.

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

The company, which is based in Montichiari, to the south of Brescia, runs a facility for the reuse of slag from the steel mill and other materials. The company has also established a plant in Calvisano (BS) for the reuse of slag and other materials.

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

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

Beta SA - Romania (24.00%-owned by Feralpi Siderurgica S.p.A.)

Based in Buzau, the company makes metal structures for application mainly in the oil industry. During the financial year, the group sold a 4.35% shareholding to third parties.

Diversified equity investments

The following Italian companies come under this line of business:

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

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

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

It is the Group's real estate company. It is responsible for the monitoring and management of the properties owned by the Group.

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

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

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

The company manages equity investments. La società gestisce partecipazioni.

Finanziaria di Valle Camonica S.p.A. - Italy (4.13%-owned by Feralpi Holding S.p.A.)

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

Faeco Ambiente S.r.l. – Italy (85%-owned by Feralpi Farm S.r.l.)

The corporate mission is to further develop activities in the eco-environmental sector, aimed at waste treatment and recycling.

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

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

Agroittica Lombarda S.p.A. – Italy (45.46%-owned by Feralpi Farm S.r.l.)

The company specializes in fish farming, and especially in the breeding, processing and selling various fish species. It has two fish-farms in Calvisano (at Viadana and Ca' Nove) in the province of Brescia. It has recently acquired the company Fjord, with the production plant located in Busto Arsizio, which produces and sells smoked products. The company has earned itself a name at an international level, mainly due to its production of caviar, and is the world's leading producer of caviar obtained from sturgeon in captivity. Other important products are fresh fish (mostly sturgeon) and smoked and frozen products.

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

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

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

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

Fondo Cysero - Italy (owned by Feralpi Holding S.p.A.)

The Group acquired shares in the fund that invests in advanced industrial technologies.

Alpicapital S.r.l. – Italy (11%-owned by Feralpi Farm S.r.l.)

The group purchased the shares of the company that invests in sustainable energy.

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

Market scenario and steel output

While 2020 had been characterised by the pandemic, which had nevertheless seen world steel production stand firm (-0.9%), mainly thanks to China, the year 2021 saw the expected recovery materialise (+3.6%), though with China ending 2021 with a negative sign after several years. Out of the world's top 10 steel producers, as many as seven ended the year with double-digit growth, namely: USA (+18.3% with 86.0 Mt), India (+17.8% with 118.1 Mt), Japan (+14.9% with 96.3 Mt), Brazil (+14.7% with 36.0 Mt), Turkey (+12.7% with 40.4 Mt) and Germany (+12.3% with 40.1 Mt). Russia (+6.1% with 76.0 Mt) and South Korea (+5.2% with 70.6 Mt) also performed well, albeit in lower figures. The rest of the world increased its output by 13.3% with 287.1 Mt.

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Countries	2021	2020	% change
China	1,032.8	1,064.7	-3.0%
India	118.1	100.3	17.7%
Japan	96.3	83.8	14.9%
USA	86.0	72.7	18.3%
Russia	76.0	71.6	6.1%
South Korea	70.6	67.1	5.2%
Turkey	40.4	35.8	12.8%
Germany	40.1	35.7	12.3%
Brazil	36.0	31.4	14.6%
Iran	28.5	29.0	-1.7%
Rest of the world	287.1	253.3	13.3%
Total	1,911.9	1,845.4	3.6%
Source: World Steel Association			

Figures expressed in million tonnes

Areas	2021	2020	% change
Asia and Oceania	1,382.0	1,373.8	0.6%
European Union	152.5	132.1	15.4%
CSI	105.6	100.0	5.6%
North America	117.8	101.0	16.6%
Middle East	41.2	40.7	1.2%
Non-EU European countries	51.2	45.9	11.5%
South America	45.6	38.7	17.8%
Africa	16.0	12.6	27.0%
World	1,911.9	1,844.8	3.6%

Source: World Steel Association. Figures expressed in million tonnes

According to Federacciai's data, in 2021 steel output in Italy grew by 19.8% (+4.036m) compared to the previous year, totalling 24.4 Mt, i.e. only 83,000 Mt less than in 2018, one of the best in the last decade. The contribution of flat products, which recorded a 16.9% increase with 11.080 Mt, and that of long products, with 22.1% increase with a total volume of 13.634 Mt (the best result since 2008), were both positive.

The tables below provide details of the import and export trends by product type.

Imports	EU			Non-EU countries			Total		
	2020	2021	% change	2020	2021	% change	2020	2021	% change
Raw Materials	5,033,179.4	5,590,172.0	11.1%	2,707,374.0	4,175,084.0	54.2%	7,740,553.4	9,765,256.0	26.2%
Semi-finished products	328,528.3	635,058.0	93.3%	3,047,094.0	3,566,878.0	17.1%	3,375,622.3	4,201,936.0	24.5%
Flat products	4,995,170.0	6,227,930.0	24.7%	4,544,780.0	6,373,609.0	40.2%	9,539,950.0	12,601,539.0	32.1%
Long products	1,696,665.0	2,241,315.0	32.1%	596,073.0	686,795.0	15.2%	2,292,738.0	2,928,110.0	27.7%
Pipes	528,726.0	551,884.0	4.4%	210,306.0	277,403.0	31.9%	739,032.0	829,287.0	12.2%
Total	12,582,268.7	15,246,359.0	21.2%	11,105,627.0	15,079,769.0	35.8%	23,687,895.7	30,326,128.0	28.0%

Exports	EU			Non-EU countries			Total		
	2020	2021	% change	2020	2021	% change	2020	2021	% change
Raw Materials	409,449.0	495,350.4	21.0%	473,175.0	416,425.0	-12.0%	882,624.0	911,775.4	3.3%
Semi-finished products	325,538.0	369,145.4	13.4%	911,401.0	1,032,647.0	13.3%	1,236,939.0	1,401,792.4	13.3%
Flat products	4,054,190.0	5,110,794.0	26.1%	1,356,004.0	1,065,542.0	-21.4%	5,410,194.0	6,176,336.0	14.2%
Long products	4,460,934.0	5,534,137.0	24.1%	1,542,739.0	1,300,049.4	-15.7%	6,003,673.0	6,834,186.4	13.8%
Pipes	2,313,420.0	2,425,558.0	4.8%	673,843.0	541,241.4	-19.7%	2,987,263.0	2,966,799.4	-0.7%
Total	11,563,531.0	13,934,984.8	20.5%	4,957,162.0	4,355,904.8	-12.1%	16,520,693.0	18,290,889.6	10.7%

Source: siderweb-processed based on Istat data. Figures expressed in tonnes.

Investments/divestments in equities

Noteworthy changes relate to:

- subscription to the capital increase of Metal Interconnector by Feralpi Siderurgica for €678,855 and by Acciaierie di Calvisano for €402,711, and related impairment of the stake held in Feralpi Siderurgica and in Acciaierie di Calvisano for €1,516,000 and €899.000, respectively.
- sale of the 4.3464% stake of the Romania-based affiliate Beta Buzau.
- purchase of the Cysero investment fund.
- Subscription to the capital increase of the affiliate Alpicapital S.r.l. up to 11%

Technological investments

Feralpi Siderurgica S.p.A.

Steel mill

Completion of installation and start-up of the new polymer blowing system at the EAF in place of coal;

Purchase of new ferrous scrap handling equipment (buckets, trucks, self-propelled vehicles);

Completion and commissioning of wire pushers, a temperature robot and porous rod at the LF;

- Completion of new tundish wagon and drawer centre;
- Installation of new overhead crane at scrap yard;
- Installation of new X-ray detector bridge on conveyor belt.

Rolling mill

- Completion, installation and commissioning of equipment related to the reel finishing area upgrading project at Rolling Mill 2;
- Completion of installation of equipment relating to the billet welding machine project at Rolling Mill 2 and commissioning;
- Partial reconstruction of refractory brick hearth lining at Rolling Mill 2
- Purchase of new overhead crane at rolling mill 2;
- Installation of new methane gas ramp at reheating furnace at Rolling mill 2.

Downstream

Construction of new shed for recoiled product.

Buildings, storage yards and more

- Replacement of a portion of the roofing in the steel mill area and installation of the associated maintenance gangway;
- Completion of the new sandblasting and painting booth and fitting out of the related outdoor area;
- Seismic improvement works in the machine workshop halls at Rolling mill 1;

- Energy efficiency through the installation of new compressors and improvement of the compressed air supply system;
- Completion of work to double weighbridge 2 in order to streamline inbound and outbound logistics flows;
- Completion of construction of new administrative offices in external building;
- Construction of a connecting shaft between rolling mill 2 and the new water treatment plant;
- Installation of the Statcom system;
- Installation of the new 135 MVA transformer;
- Renovation of asphalt or concrete flooring inside the plant using certified 'Greenstone' slag for approximately 6,400 sq.m.

Acciaierie di Calvisano S.p.A.

In terms of plant engineering, changes were made throughout 2021 to improve the manufacturing process and, with it, the product and its traceability, as well as to rationalise the use of production factors. In addition, the following works have been carried out or are in progress:

- replacement of electric furnace burners with latest generation material;
- installation of a second 6-track wire pusher for adding ferroalloys in the ladle;
- installation and commissioning of further upgrades to the continuous casting machine;
- installation of a second automated robot cell for billet labelling;
- purchase of new tundishes for protected casting production;
- installation of a new closed-circuit video system to serve the new control room for the electric furnace and ladle furnace.

Presider S.p.A.

- In the year 2021, investments were made mainly for the industrial upgrading of the new production plant in Nave (BS).
- The majority of the new machinery, purchased under Industry 4.0 incentives, was installed and networked by the end of the 2021 financial year.
- Investments to improve safety, logistics, the working environment, and production processes (finished product storage, handling equipment, building renovation, area demarcation, etc.) have been made.

For the year 2022, additional investment initiatives are in the pipeline, primarily aimed at improving the efficiency of the Pomezia industrial plant and completing the upgrading process of the Nave plant. The construction of new photovoltaic arrays to serve the various production sites is also being examined and valued.

Caleotto Group

Below are details of the main investments completed in 2021 or being planned and developed.

Rolling mill

- major revamping and development of the Intermediate mill stands, for process and product quality improvement and optimal integration with MEER-Drive®PLUS technology;
- development of billet reheating furnace management level 2, again with a view to product quality improvement through better setting options for more precise heating and control programmes for the specific bullet grades; works were also carried out on the vault refractory lining;
- revamping of substations and medium-voltage electrical substations;
- improvement of the quality test laboratory, which has undergone substantial and continuous renovation since 2016, with the upgrading and expansion of the range of equipment available to engineers and department employees.

IT infrastructure

- upgrade of the core infrastructure, with a focus on efficiency and security of the entire system;
- development of process management and product traceability software, with advanced logistics and shipping management systems.

Buildings

- improvements to the industrial buildings, auxiliary service offices and office block.

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During the year 2021, numerous investments were made throughout the production and organisational departments.

- At a production level, a new FLS material traceability system was also implemented in the steel mill;

Steel mill

- In the steel mill, the 105 MVA melting furnace transformer was replaced by a new, more powerful 125 MVA one. A new bucket-loading crane was also installed;
- New burners with movable flame were installed to increase the energy efficiency of the chemical package;
- A water leakage monitoring system was installed in the slab duct to improve furnace safety.

Rolling mill

- the coil-forming and binding area was extended and commissioned;
- the roller conveyor belt had to be extended and a new plant shed built;
- In addition, the electrical boards of the TG block for the adjustment of the shears and cooling bed were upgraded.
- A new lathe was installed in the workshop.

Downstream products

- A new machine for spacer production was installed;
- The roof of the downstream products shed was thoroughly renovated.

Logistics and infrastructure

- A new exit weighbridge was built.
- Forklifts for moving coils and self-propelled vehicles for scrap handling were purchased.

Environment and Safety

Respect for the environment, health and safety in the workplace has always been the Group's primary objective. The main actions taken in this regard are summarized below.

Feralpi Siderurgica S.p.A.

Activities relating to environmental improvement

The Group's commitment to improving environmental performance and optimising energy consumption continued throughout 2021. In addition to maintaining ISO 14001 environmental certification and EMAS registration, the following actions are noteworthy, which highlight the company's commitment to environmental protection:

- Certification of the Energy Management System according to the ISO 50001 standard was obtained, and an organic plan of improvement actions aimed at the continuous optimisation of electricity and natural gas consumption was set up;
- The supply of heat through the district heating network outside the plant, to which the users in the municipality of Lonato del Garda are connected, has increased;
- The Green Iron by-product produced from rolling mill slag and intended for counterweight and cement production facilities was also qualified;
- The amount of slag from secondary metallurgy sent to recovery processes in cement production was increased;
- Test campaigns on the use of polymers in the electric furnace were carried out, and the operational practice of partially replacing coal with polymers from end-of-life plastics recycling operations became fully operational;
- The process of using spent refractory bricks to partially replace lime was optimised;
- The use of products manufactured using company residues, or sub-bases and asphalts made from black slag, continued throughout the year;
- The fleet of electrically powered forklifts has increased;
- A new communication campaign was implemented and disseminated throughout the plant to raise awareness of reducing energy consumption.

Activities relating to the health and safety of workers and workplaces

In 2021, the prevention of the spread of Covid-19 contagion was consolidated and constantly updated in accordance with regulatory changes that emerged from time to time. More specifically, automatic monitoring systems were implemented for all accesses associated with taking temperature readings and Green Pass checks.

Constant activities continued to update the assessment of risks relating to modified or newly introduced work environments and equipment. Surveys were updated on vibration risks, conducted in cooperation with the chair of Occupational Medicine at the University of Brescia, and on those arising from electromagnetic fields and artificial optical radiation.

Regular updating of the risk assessment of modified or newly introduced work environments and equipment continued. Surveys were conducted on vibration risks, in collaboration with the chair of Occupational Medicine at the University of Brescia, and on risks arising from electromagnetic fields and artificial optical radiation.

Below is a sample list of the various significant interventions in the prevention and protection area:

- 117 occupational health and safety courses were carried out, totalling 3,303 training hours, delivered in-house in accordance with pandemic control protocols;
- New equipment, walkways, anchor points and lifelines were installed to improve operations of particular maintenance activities at height;
- Work was carried out in connection with an overall project to address risks related to vehicle traffic, such as a new traffic management system at the main access, renewal of the vehicle fleet, and work on roads and signs;
- Activities for ongoing improvement of the safety level of production plants continued in 2021, with particular reference to the optimisation of segregation logics for new installations in the LF area;
- CE marking activities continued for complex plants, in particular the scrap sorting plant and sections of Rolling Mill 2;
- A new radiometric detector was installed on the scrap sorting plant;
- In June 2021, external auditors from the company IGQ S.r.l. successfully carried out the periodic audit to maintain certification of the safety management system to the UNI ISO 45001 standard.

Acciaierie di Calvisano S.p.A.

Activities relating to environmental improvement

Acciaierie di Calvisano pursued its usual focus during the year 2021, continuing its fruitful cooperation with the main local businesses and the municipal administration.

The Quality Assurance Institute 'IGQ' renewal audit of the requirements for the implementation and maintenance of the Environmental Management System was conducted, confirming full compliance with the reference standard UN ISO 14001/2015.

Documentary checks and infield controls by the Supervisory Body continued in 2021 in order to ensure compliance with the 231 governance model relating to environmental issues.

Thanks to the continuous improvement actions carried out on the production process, the volume of waste generated per tonne of steel produced was further reduced compared to the previous year.

Activities relating to the health of workers and workplaces

In line with the most recent years, a limited number of accidents occurred in 2021: in fact, there was only one accident that exceeded three days of inability to work (for a total of 6 days of absence), to which must be added one accident with two days of inability to work and one case of commuting. Like in previous years, the reasons for this positive result must be sought in the increased awareness to adopt conduct inspired by the principle of safety in the workplace and particularly to avoid exposing workers to sources of risk. This was also supported by the development of new in-house work procedures and instructions.

Under the same fundamental policy of reducing workers' exposure to risks, projects were also initiated on installations with the aim of reaching a state compatible with the Machinery Directive's compliance certification procedures, leveraging actions to segregate hazardous areas and managing the logic of entrances with safety keys and PLC safety.

An environmental and biological survey was carried out during the year to assess workers' exposure to carcinogenic and chemical agents. The analysis covered both reinforced concrete steel and special steel production activities: no significant worker exposure to the agents was found compared to the reference limits of the regulatory framework.

Corporate governance control pursuant to act 231/2001 was regularly conducted in 2021 by the Supervisory Body.

Presider S.p.A.

Activities relating to continual improvement in environmental and occupational health and safety

In 2021, the company implemented the redevelopment project of the Nave-based facility, a new production unit. This project included the complete renovation of the building bay occupied by end product warehouses, with the installation of new production equipment. The works included a complete resurfacing of the internal flooring, the restoration of masonry works, the resurfacing of horizontal and vertical signs, the construction of new technological systems, and the installation of new lifting equipment.

Education and training of all former Fer-Par personnel on the use of the new shaping equipment was also promoted both at the shaping equipment suppliers' training centres and at the plants of Borgaro and Macclodio and at the Nave facility through on-the-job training.

In 2021, the Environmental Emergency Plan was strengthened to prevent any event or occurrence of an

extraordinary nature that could in any way cause negative effects: the plan was validated and supported through training sessions.

Finally, the figure of the Mobility Manager has been identified for the Borgaro Torinese plant alone, and a home-work travel plan has been set up, in line with Inter-ministerial Decree No. 179 of 12 May 2021, aimed at enabling the structural and permanent reduction of the environmental impact of private vehicle traffic in urban and metropolitan areas, by promoting new measures to reorganise the demand for mobility.

Caleotto Group

Activities relating to environmental and occupational health and safety improvement

In order to improve the protection of workers' safety and harm while their duties, the Group has entrusted a company specializing in the preparation of an in-depth analysis of the risks associated with rolling operations, in order to design and develop appropriate accident prevention procedures and systems, to be implemented according to the multi-year plan of specific investments that has already begun and will continue to be updated regularly over the years.

As required by the integrated environmental monitoring plan, the following were carried out during the year:

- Wastewater analysis on a monthly basis;
- Monitoring of emissions from the reheating furnace (carried out in December);
- Analysis of the main waste produced (flakes and sludge from water treatment).

In addition, the project to separate the water circuits is being implemented, which will have major positive repercussions from many points of view, with an improvement in the efficiency of the entire plant management and cooling system.

In order to raise workers' awareness of safety and to involve them more proactively, the 'Ideas Box' was implemented in 2017. This is a locked mailbox located in 3 different areas of the plant in which workers can introduce reports and suggestions, anonymously or otherwise, by filling in a special form available in the immediate vicinity of each box. The safety reports are recorded in a summary file, which is the subject of specific discussion during the safety meetings that take place monthly with the involvement of the heads of departments.

With a view to increasing production activity, with the implementation of night shifts starting in July, a contract is in place with the University of Brescia for acoustic modelling of the plant and the adjacent portion of land, carried out by the Applied Acoustics Laboratory of the Mechanical Engineering Department. The project was accompanied by sophisticated measurements of the noise generated by the plant, aimed at analysing the existing situation in order to study efficient acoustic mitigation interventions necessary to comply with the limits and, more importantly, to respect the health of the workers and local residents. The acoustic remediation measures were started in the second half of 2017, with significant buffering works in the rolling shed, and further measures and a programme of new acoustic monitoring were carried out for all subsequent years, including 2021.

Training

The ongoing training programme for the plant's operational staff continued during the 2021 financial year, with the provision of around 150 hours of training on safety.

Initial training, called "Induction", was introduced as early as 2017 and is provided to new employees when they join the company.

In addition, training was carried out with the aim of:

- optimise business processes
- improve efficiency and system performance
- disseminating and having all resources share the quality culture that is fundamental to the company mission, in line with the provisions of the Quality Assurance System.

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Activities relating to environmental and occupational health and safety improvement

The year 2021 was strongly impacted by the global pandemic. For reasons of protecting workers' health, events for the public such as plant tours, open day or health day did not take place. In the reporting period, only 19 guests were welcomed into the company. The Feralpi Stahl Group companies fulfilled the health protection and safeguarding requirements imposed by the anti-covid regulations by, among other things, using the available technological and organisational means for video conferences. Feralpi relies on the proven Google Meet system throughout the Group.

For all employees whose presence was required on site (including production, maintenance, safety and Environmental Manager), a strict hygiene and distancing protocol was developed and implemented, including through the implementation of regular checks and, since the beginning of 2021, regular tests have been carried out on employees.

- CO₂ level: no certificates had to be purchased in 2021, neither in SW or WW.
- Environment: environmental management according to DIN EN ISO 14001: 2015 and EMAS was successfully recertified last year.
- Continuation of regular voluntary groundwater monitoring, annual water sampling of all 8 wells by a certified external laboratory.
- Placing employee car parks in service: optimisation of internal and external traffic flows, elimination of accident black spots and sources of danger.
- Ongoing presentation of Feralpi Stahl Riesa on digital Facebook and Instagram platforms: constant public information on environmental performance as well as economic and social indicators.
- Replacement of air preheater, hearth-raising furnace, rolling mill (energy saving).

- Measurements of dust and heavy metal emissions continued throughout 2021. Full compliance with the limits was confirmed.
- Lighting systems in the by-product warehouses were replaced with more advanced and environmentally friendly solutions.
- The slag shed in the steel mill was insulated.
- Anti-emission roofing was also improved at the slag shed.
- Automatic cleaning and filling system for the blanking block at the melting furnace in the steel mill to ensure that no operator is exposed to danger.

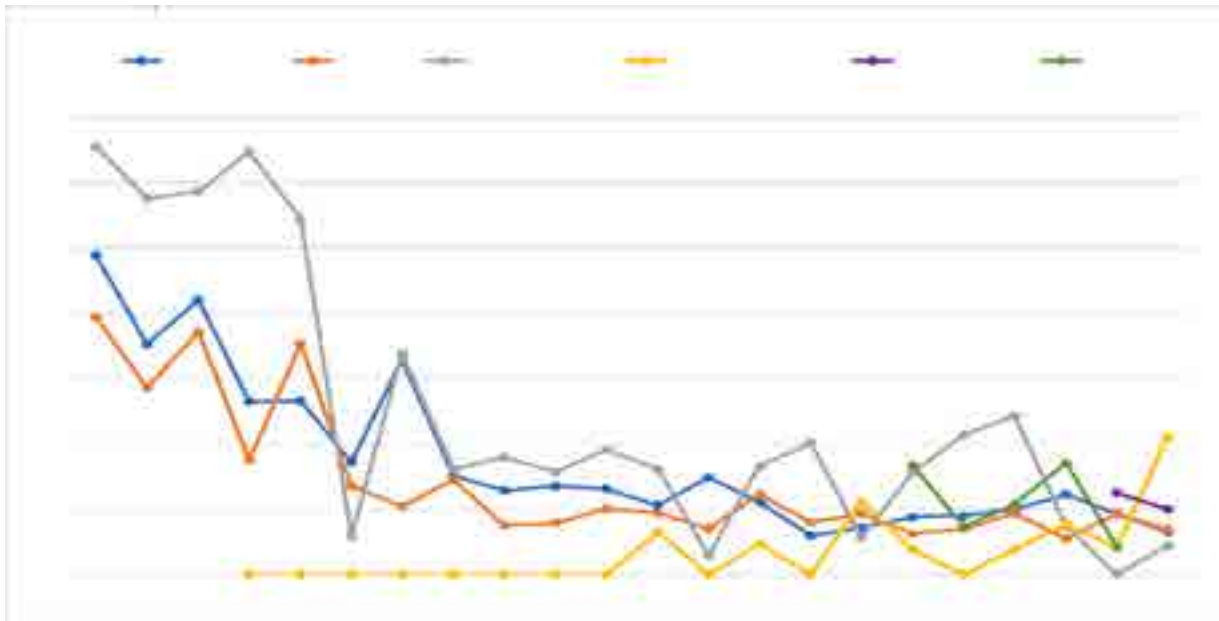
Feralpi Logistik GmbH

Activities relating to environmental improvement

Fleet renewal at Feralpi Logistik GmbH – Purchase of 12 new-generation tractor units in accordance with the latest 2020-2021 technical.

An insight into the accident frequency index by company is provided below:

A.F.R. Year	A.F.R. FERALPI	A.F.R. ESF	A.F.R. CALVISANO	A.F.R. NUOVA DEFIM	A.F.R. ARLENICO	A.F.R. FER-PAR
2000	97.72	78.83	131.00			
2001	70.51	57.21	115.25			
2002	84.17	74.19	117.37			
2003	53.01	34.93	129.51	0.00		
2004	53.22	70.68	108.93	0.00		
2005	34.49	27.07	11.71	0.00		
2006	65.72	20.79	67.58	0.00		
2007	30.19	28.93	32.31	0.00		
2008	25.63	14.99	35.91	0.00		
2009	26.92	15.72	31.27	0.00		
2010	26.14	20.06	38.17	0.00		
2011	21.20	18.66	32.18	12.85		
2012	29.55	13.85	5.63	0.00		
2013	21.99	24.40	33.09	9.19		
2014	11.86	15.90	40.21	0.00		
2015	14.13	18.60	11.27	22.31		
2016	17.50	12.47	31.17	7.52		33.48
2017	17.91	13.80	42.76	0.00		14.67
2018	19.78	18.70	48.66	7.49		21.36
2019	24.44	10.80	14.68	15.49		34.10
2020	18.37	18.60	0.00	8.18	24.94	8.44
2021	12.99	13.80	8.63	41.91	19.87	



The accident frequency index is determined as the number of accidents/hours worked x 1,000.00

Research and Development

In recent years, research and development activities have become increasingly important for the Group, and the expenses incurred are charged either directly to the income statement, or through the amortisation of capitalised costs. Below is an overview of what has been developed in the main companies.

Feralpi Siderurgica S.p.A.

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

District heating network project with heat recovered from the steelworks fume cooling system. Data measurement and consumption control activities continued. 2021 saw the completion of investigations into total recovery operations from emission lines. Additional installations and functional tests were implemented, plus the optimisation of the monitoring and control system by studying the possibility of an ORC system and heat recovery from furnace fumes produced by rolling mill 2 to supply the network.

Project to increase the efficiency of the compressed air generation and distribution network in the compressor station. The project continued in 2021 with updated simulations of the distribution network and completion of the design. After installing new compressors, measuring equipment and monitoring and control systems, energy performance and performance optimisation analyses were carried out. Assessments relating to further project developments in 2022 commenced.

Project to implement an innovative EAF scorification door. During the financial year work continued on reviewing the design of the scraper with the adaptation of innovative functions. Testing was carried out on the system to improve process conditions in order to optimise metal reactions and facilitate scorification activities for control terminal operators.

Project on technological innovation and the digitalisation of the entire facility to implement Industry 4.0 criteria and the Internet of Things, enabling the innovative system control possible with 4.0 developments. In 2021 additional phases to analyse auxiliary systems progressed in the steel mill, rolling mill and maintenance areas. Ongoing assessments on integrating the various systems into the site network will continue in 2022.

The Wire Accuracy 4.0 project launched in 2018 and co-funded by the Italian Ministry of Economic Development (MISE), involving through-process actions for making wire rod with thermomechanical treatment, bars and derivatives in new steels using Industry 4.0 engineering and control operations, continued in the 2021 financial year with the simulation of processes and plant operation, the design of production cycles, and studies to optimise plants and processes.

In terms of plant engineering, work to install the new welding machine progressed during the financial year and the spool evacuation line was tested using specific test plans.

The implementation of the IT support system for the commercial area continued, plus activities in other innovative areas, such as monitoring and control to improve capability in managing processes and production tracking.

During the year testing was performed to check process simulators and software system calibration and optimisation, and to verify operational practices and improvement actions.

The Coralis project is co-funded by the EU Horizon 2020 initiative, and focuses on demonstrating the effectiveness of industrial symbiosis between three technological parks in Spain, Sweden and the Province of Brescia (including the cooperation of 29 European partners) to implement circular economy actions designed to reduce the environmental impact of manufacturing processes. During the 4-year project, the companies in the Brescia area will be planning and testing the reuse of waste. Feralpi will be participating in the project with the aim of testing the recovery of metal parts from waste oxides at the facility, or capitalising on waste materials for use in industrial processes.

During the 2021 financial year, feasibility studies commenced for the proposed solutions, materials were assessed, and environmental KPIs defined for analysing scenarios.

The OnlyPlastic project, funded by the European Research Fund for Coal and Steel (RFCS), aims to replace all carbon-bearing materials from fossil fuels in the EAF with plastic residue. Thanks to numerous studies on the subject, during the 2021 financial year Feralpi progressed the analysis to implement an industrial-scale polymer injection system within the electric arc furnace as a reducing agent, and slag foaming to replace carbon.

In the project to recognise scrap with the optical system, the work to capture images for the creation of a database and the application of the calculation logic required continued in 2021.

In the project to stabilise electricity network voltage, the feasibility studies for the installation of an automatic power factor correction based on IGBT technology were developed. Thanks to a switching speed that guarantees a power factor close to one, this makes it possible to cancel reactivity and mitigate harmonics and flicker, thereby ensuring increased voltage stability. In 2021 the detailed design and installation of Statcom was carried out, with service commencing at the start of 2022.

The project to assess the new production layout. During the year work continued on assessing modifications in the rolling mill area, analysing the Rocchettato project line, to obtain steel for reinforced concrete assembled in spools directly from hot winding downstream of the rolling mill phase and heat treatment on the line. The basic design for the production revamp involved a detailed assessment of potential suppliers with innovative engineered solutions for the steel mill and rolling mill areas.

Project to develop H2 use and applications to improve sustainability in Feralpi continued in 2021 with the definition of a standard design for implementing H2 use at Feralpi Siderurgica, especially for heating billets in the rolling mill 2 furnace, or for steel mill applications with H2 partially replacing methane.

The following new projects kicked off in the 2021 financial year:

The SteelZeroWaste project to improve environmental sustainability in the steel industry by implementing innovative technologies to eliminate waste from the electric steel production cycle, and significantly reduce unwanted emissions which, with co-funding from the Ministry of Economic Development (MISE), aims to develop circular economy strategies to reduce environmental impact by using white dross in products for the construction industry, recover metal parts from black dross and all site waste oxides, use alternative materials to carbon, concentrate and reuse CO₂ from fumes, implement rapid sludge integration, and other developments. To complete this, the development of a platform is planned to systematically monitor environmental KPIs for the site and the Group.

The Ribo6 project aimed at increasing productivity and flexibility when producing stretched products, uniformly distributing the production of different diameters and formats over several lines. Activities carried out during the financial year include analysing the production of stretched items, a preliminary feasibility study, new line design and technological system design.

The Raffreddamento Unificato Acciaieria project designed to standardise and optimise the cooling circuit. During the year the feasibility studies commenced on cooling in one EAF and associated fume circuit.

Acciaierie di Calvisano S.p.A.

Ten R&D projects were developed during the financial year, three of which had commenced in previous financial years.

SteelPro4.0. 2021 saw the completion of the SteelPro4.0 project to develop special steels through innovation in the implementation of the manufacturing process, the characterisation of materials, and the integrated management of the entire production chain. The project aim was to implement engineering and software solutions to improve steelworks production processes. The project was co-funded by the Lombardy Regional Government Dept. with the support of partners such as Milan Polytechnic for analysis in the steelworks and continuous casting area, UniBS for assessing results on products, and Automazioni Industriali Capitanio (replacing Optel) and Visiorobotics for the development of a billet surface analysis system to identify defects caused by casting.

In 2021 development and testing continued on the new innovative mobile-head injector and systems for measuring surface defects in continuous casting processes. Software implementation continued and was completed for the system to monitor tundish arrangements, the system to monitor the EAF process with performance indicators, the solidification simulator, systems to monitor billet defects in continuous casting, and a platform to integrate process data for the steel mill as specified in the SteelPro4.0 project.

The project was completed in July 2021 with the project objectives achieved and the planned activities completed.

Support Cast. The four-year SupportCast project was completed in the 2021 financial year. This was co-funded by the EU through the Research Fund for Coal and Steel (RFCS), and aimed to improve the interior and surface quality of billets from continuous casting by applying process simulations, innovative plant solutions to reduce interior defects, and applying a mapping system of surface billet temperature to detect casting defects.

During the financial year testing was carried out with a thermal imaging camera to detect surface defects and software developed as part of the project to process temperatures along with the partner BFI. Also tested at the same time with the partner Sapotech was the RevealCast equipment with the RevealUI platform. The test results processed confirmed the potential of the equipment tested in terms of detecting surface billet defects, with possible future developments in qualitative studies.

iSlag. The iSlag project co-funded by the EU through the Research Fund for Coal and Steel (RFCS) also continued in 2021. It aims to optimise steel treatment using innovative control systems and sensors for monitoring and conditioning slag and facilitating its subsequent reuse. The project also aims to develop a dynamic control system for steel mill processes, including the EAF, LF and the tundish, with a through-process approach including a thermodynamic system to assess the interaction of steel and slag, and a decision support system. Another aim is to make slag treatment more reliable for its subsequent reuse by identifying optimal treatment paths and maintaining process conditions suitable for this purpose. The project is being implemented in collaboration with partners such as Rina Centro Sviluppo Materiali, BFI (VDEH Betriebsforschungsinstitut GmbH), Scuola Superiore

Sant'Anna, Tenova, Tenaris Dalmine, Sidenor, Institut Fur Baustoff-Forschung EV, and Deutsche Edelstahlwerke Speciality Steel GmbH.

The following activities were carried out during the financial year:

- Data captured on process conditions, reference slag and test procedures
- Design of the decision support system on the basis of online process measurement and modelling systems
- Design and implementation of the software system for simulating treatment outside the furnace (LF) and use in reference cases for validation
- Design and initial development of the slag measurement sensor with BFI
- Support activities for the preliminary development of the thermodynamic simulation system for the interaction between steel and slag and inclusion estimates by CSM

Seven more projects commenced in 2021:

Polymer injection for special steels. The project involves the development of polymer injections in the EAF in Calvisano as a slag foaming agent to replace carbon in line with a circular economy approach. The aim is to recover plastic in the EAF process that would otherwise be dispersed into the environment. The agent is to be used to replace coal dust and act as a slag foaming agent, and a reducing agent with regard to CO₂ emissions counted by the ETS.

The activities carried out during the financial year involved setting up a blower system for the electric arc furnace in Calvisano, selecting and categorising polymers for injection, implementing the acoustic sensor for the effective evaluation of slag foaming, studying process and defining polymer injection practices in the EAF at Calvisano.

Master Quality. The project kicked off at the end of July 2021 after the completion of the SteelPro4.0 project, with further developments to the Master Quality system. It involves the development of the software system to monitor production process performance in the steel mill area for billet production in Calvisano.

The aim of developing the performance monitoring platform for billet production in the steel mill is to increase process repeatability and stability in the steel mill area and to improve performance.

During the project, activities have included additional modifications to the portal with design, implementation and testing phases for data analysis, calculations and reporting.

Intelligent casting control. The project on innovative continuous casting development aims to progress billet casting technology, and take a step forward with respect to current technology through control that incorporates innovative process monitoring systems, defect monitoring systems, and process control and simulation systems within one integrated system.

Since July 2021 other activities have been added to the project to further develop the online and offline solidification simulator, the defect detection system, and the equipment to measure solidification thickness.

These systems have also been integrated with the final line stirring system to improve control. The integrated system aims to improve productivity, product quality and process reliability during the casting phase.

Therefore, during the financial year developments continued on the laser equipment for detecting surface defects and the solidification simulation system, in addition to testing on ingot mould profiles, assessments on temperature measurements with existing equipment and potential additional ingot mould equipment, plus test procedures with final stirrers.

Integration development for special steel production. The project is to develop the quality integration platform for data integration in the steel mill, and integration with the DeepQuality project for the rolling mill in Arlenico.

The development of the software platform and data analysis methods has the dual aim of providing an integrated view of product quality levels along the production chain, and demonstrating consistency in terms of semi-finished and final products, and quality levels in operational practices.

Additional software platform developments were implemented and tested in 2021. The project also included the implementation of new offices, equipment and instrumentation for the quality laboratory to enable verification of quality aspects for new special steels linked to taking over 100% of the Arlenico shares. This new implementation for Calvisano will enable increased reliability in achieving the desired quality and the development of new steels, and the availability of more information to correlate with supply chain production.

Monitoring the charging process. The project commenced at the end of July 2021 to add innovative developments to the system for monitoring the tundish charging process, and for integration in the monitoring system and EAFPro process control with respect to the objects pursued in the SteelPro4.0 project.

During the financial year, work was carried out to review decision support system (DSS) functionality, and to complete data exchange from the yard to the crane with a review of the required functionality.

Steelmaking Innovation. The project on innovation in the steelmaking area involved the application of two main plant improvements for liquid steel treatment - new single EAF/LF terminal and 6-position wire feeder for quality purposes.

2021 saw the completion of a single integrated control terminal for the EAF and LF plants, to enable the integrated remote management of the liquid steel production phase. During the financial year work was carried out to review data exchange and functional testing on the entire system, with a change in operational management practices with new systems.

On completion of the design phase the new 6-position wire feeder station was implemented to upgrade capability in managing secondary metallurgy treatment and improve the accuracy of additions to increase the reliability of product quality. Functional testing of the enhanced LF also commenced in the financial year.

MovInjEAF developments. This project is to develop systems for mobile chemical injection in the EAF, smelting monitoring, scrap charging control, and the management of operational practices coupled with the EAF process control system split into sectors (EAFPro) to improve the performance of smelting and EAF processes.

The main aim is to improve EAF process performance in terms of smelting speed, energy transfer to scrap, and efficiency in chemical reactions.

During the financial year work was carried out to also set up a mobile injector in a second position, test the

mobile injectors in two positions, and assess process performance.

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Integrated project: in 2020 the project was carried out to develop innovative TEG systems optimised to harvest energy from EAF off-gas cooling water and radiative waste heat sources designed to be cost-effectively InTEGrated within steel plants, funded by the EU through the Research Fund for Coal and Steel (RFCS) and conducted in conjunction with other research partners.

The project kicked off in 2020, and during the year preliminary testing was performed to measure temperature and identify the best positions between the continuous casting and wire rod rolling mill to position TEG elements. The project progressed in 2021 with the implementation of instrumentation to be installed in 2021.

ConSolCast: In 2020 this project on the comprehensive modelling, monitoring and control of solidification to optimise the continuous casting process continued for Feralpi ESF in conjunction with BFI and other European partners. It aims to develop systems to monitor and control billet solidification during casting to optimise process parameters, and is co-funded by the EU Research Fund for coal and Steel (RFCS). In 2020, testing was performed with the innovative system of ingot mould instrumentation in continuous casting, to monitor ingot mould temperature on-line and assess the accuracy of the solidification process in progress. Data analysis and tests were also carried out in 2020 for the application of a sensor to detect billet vibrations to assess the solidification process and the liquid pit closure position. The following ongoing activities also continued in 2020:

Environmental innovation programme: ESF is participating in a project supported by the Federal Ministry for the Environment regarding the innovative combination of process engineering in a high-power steel mill with rolling mill, with the aim of reducing environmental pollution. Through the comprehensive management of interfaces to manage scrap iron, smelting activities, the continuous casting plant and the rolling mill at a process integration level, technological steel mill and rolling mill processes that have been separate until now are connected and optimised overall with the aim of improving production cycle efficiency.

Project to improve billet quality: a project kicked off in conjunction with Freiberg University to improve the quality of micro-alloyed steel billets to reduce potential defects for markets with the greatest quality requirements.

Project on the electrical and chemical configuration of the smelting furnace: a project was carried out in conjunction with Freiberg University to optimise energy efficiency in the electric arc furnace.

Project to improve electric arc coverage with foamed slag: this project involved the use of the FEOS system, which uses an acoustic sensor to assess the efficiency of electric arc coverage with waste foam, and intervenes directly in the injection of carbon to manage the formation of the waste foam.

A study also commenced on the use of an alternative system which, apart from considering acoustic emission from

the furnace, also considers the distortions of the furnace's electrical parameters to control its chemical and electrical parameters.

Communication

Throughout 2021 the ongoing Covid-19 pandemic directly affected communication and external relationships, impacting the priority of scheduled actions, planning and subsequent execution.

New internal and external company arrangements were defined along with new relational dynamics that affected the methods, language and tools for communicating with the different stakeholders.

As a result, Feralpi Group's online and offline communication activities were established in coordination with the Group's industrial strategies, implementing the pillars and initiatives within communication tools in line with timescales and budgets.

The content strategy, editorial plans, development and updating of tools was coordinated at Group level with a view to strengthening the reputation of the Feralpi Group brand in line with the themes forming the pillars that underpin its identity. In addition to focusing on the business, fairly central were the subjects of decarbonisation and the circular economy with regard to technological investment and R&D projects that demonstrate the Group's commitment and the results achieved, including in relation to the most innovative projects. Moreover, people are at the heart of the business with the development of careers, talent, younger generations and activities implemented to create a fairer, more inclusive society, and an innovative industry that can help to tackle climate change and achieve a net zero economy.

Internally, accurate, timely information was especially relevant with regard to policies to protect against Covid-19 and was provided through digital channels and more conventional methods. Actions to understand the views of personnel continued with the eighth survey open to all of the Group's employees. The results will be published in 2022.

Externally, digital style guides were defined in 2021 to strengthen corporate communication. These outlined style requirements for maintaining brand identity in digital media, printed publications and broadcasting media. Also completed was the publication of the new Feralpi Group website, and a project commenced to review the new website dedicated to foreign subsidiaries, under the brand Feralpi STAHL, and this will be published in 2022. The Group's company profile has been aligned in this respect.

The Group's social media channels were kept up-to-date in line with its communication plan, to strengthen the concept of brand awareness as part of the strategic pillars of communication, which is increasingly digital. The digitalisation of events activities has been key to increasing the presence of management at webinars and online workshops, especially in the first half of the year.

In 2021 media relations focused on press engagements, both in person and streamed on the Group's social media

channels, including the presentation of financial and non-financial information and the Group's investment in renewable energy. Media communication also involved newspapers and national TV channels, with special focus on relationships with local Italian and German press to strengthen ties in the communities in which Feralpi operates.

Events in person included the Made in Steel conference in Milan from 5-7 October, where Feralpi used multimedia channels to share its commercial offering and circular economy projects, not to mention the innovative digital factory experience to virtually visit the facility in Lonato del Garda, which will be extended to the facilities in Calvisano, Lecco and Riesa in 2022.

ESG and sustainable development

Acquiring greater significance is increasing integration between business development and ESG (Environment, Social, Governance) performance achieved within the wider scope set out by the United Nations 2030 Agenda Sustainability Development Goals, and the ever-broader EU directives and legislation on the subject.

In accordance with the verticalisation and diversification approach developed in recent years, Feralpi's industrial plan includes further expansion of the core business by strengthening the business model for sustainable development, and its application leading to new opportunities in the entire value chain, not only from procurement through to recovery operations, but also in managing their process and in terms of impact.

Through the investment activities set out in the business plan, Feralpi plans to develop a competitive strategy incorporating ESG objectives and risk management, and obtain an appropriate return on investment.

Given that every investment implies a longstanding commitment, such commitments must be planned as medium to long-term. When planning, monitoring and implementing projects, Feralpi prioritises impact on the environment (E), human resources and society (S) and integration with business and sustainability goals (G), along with process, product and service quality, increasing productivity, reducing costs, improving efficiency (generation of economic value) and hence implementation times.

Feralpi will be working in this respect over the next 5 years to tackle climate change and reduce its environmental impact by decreasing direct and indirect CO₂ emissions, improving its energy mix by increasing its percentage of renewables, and investing in solutions designed to improve energy efficiency and increase the amount of waste sent for recovery operations.

To support the implementation of the ESG commitments defined by the Group, in 2021 Feralpi focused on governance aspects in particular, by defining functions dedicated to the green transition, safety and cyber security, setting up a new ESG management committee, and drawing up Group policy with the aim of outlining

approaches and lines of strategy that are shared at Group level. In addition to the investment policy, work was also carried out on policies relating to sustainability aspects, such as: Diversity&Inclusion, Human Rights, and Stakeholder Engagement. Added to this is a renewed commitment to sharing social and environmental performance details with stakeholders through a voluntary non-financial report (NFR) to accompany the consolidated financial statement. Even though the company is not among those required to produce an NFR, the Group is anticipating alignment with legislation for smaller companies to provide this voluntary statement. In addition to the annual publication of the non-financial report, engagement with stakeholders is ongoing thanks to the Sustainable Dialogues network set up to facilitate communication between Feralpi and stakeholders with regard to sustainability matters.

The company has also reinforced and extended relationships for sustainable development among its partners to contribute to positive long-term growth with public and private organisations, the wider community, and the business world.

Convinced that business is an asset for the community, throughout the year the Feralpi Group, through its Italian and foreign subsidiaries, has made donations and sponsored projects or organisations with social or cultural objectives, focusing in particular on three areas: safeguarding artistic and cultural heritage in the community, education, work and training as tools of change, and community development.

Personnel

Organisation and workforce

Below is a breakdown by qualification and geographical area

The increase in personnel continued in the year 2021, mainly in order to support the technological, production and organisational developments of companies in the steel sector.

The number of employees at the end of the year increased by 39 compared to the previous year, with the consolidated figure rising from 1,710 to 1,749.

More specifically, this increase was mainly due to the reinforcement of skills in the technical and production areas, which saw the hiring of highly qualified personnel as well as new resources with significant basic skills for growth in the steel industry (one example for all are the nine new graduates of the Technical Graduate Program project launched at the Lonato plant). As usual, staff previously employed on temporary contracts also stabilised. Lastly, there was a reduction in the workforce as part of the reconversion of one of the Italian production facilities.

Below is a breakdown of this item by company:

Number of employees at year end by category	2021	2020	Change
Executives	38	37	1
Office workers and middle managers	511	528	(17)
Factory workers	1,200	1,145	55
Total	1,749	1,710	39

Number of employees at year end by geographical area	2021	2020	Change
Italy	937	923	14
Abroad	812	787	25
Total	1,749	1,710	39

Talent Management

A **Succession Planning** project has been launched to cope quickly and successfully with the planned or sudden replacement of employees in holding strategic corporate role.

The aim of this project is the early identification of candidates for succession in key positions, thus ensuring continuity and distinctive skills over time.

Moreover, the project also seeks to motivate and retain potential employees, defining development paths for them in terms of skills, career and individual remuneration.

Originally promoted only on the Italian facility, the project involved the participation of 24 candidates in a series of tests and assessments defining their level of development potential. Prospective candidates whose skills and motivation made them eligible for the process were then identified, and development plans and career goals were defined for each of them.

In order to actively contribute to the company's technical-technological development, the first edition of the **Technical Graduate Program** was launched in 2021: a challenging opportunity for 9 young engineers who had the ability to win a position within the Group and start their career in a high-tech sector such as the steel industry.

After a structured short-listing process, the selected resources will undertake a 20-month course that, between specialised technical training and coaching of experts, will see them progressively involved in company projects within the Group's Technical Department.

The experience acquired will then allow them to work in technical staff functions at Group level or in Operations. The year 2021 also marked the start of a new edition of the **Sider+** project, which enabled the Group to intercept resources to be employed in the production departments of the Group's Brescia facilities. A dedicated recruitment process made it possible to identify candidates who underwent a 96-hour training course combining technical distance learning and on-site workshops to provide basic training needed to work in the steel industry. Intermediate benchmarking sessions, using gaming methodology in a digital perspective, and a final test subsequently defined the participants to whom to propose a work contract in the Group's companies.

Covid-19 emergency

In connection with the persistence of global pandemic, the Feralpi Group continued its response to the SARS-CoV-2 health emergency throughout 2021. The specific task force set up the previous year was maintained, and the protocols for preventing the spread of Covid were constantly revised.

As a result, monitoring, risk assessment, management of protective measures and related procedure and protocol updating then continued by the HR functions together with the Covid Task Force, the Plant Safety Officers and the relevant Directors, competent doctors and function managers, according to the flow of contagions and the relevant regulations. Actions to safeguard workers' safety were therefore maintained and optimised. With this in mind, rules for access, sanitising, hygienising and cleaning activities were reviewed and updated, as well as the introduction of a specific operational practice concerning the Greenpass check, a measure introduced in 2021, which required widespread communication activities, exploiting not only the usual internal digital channels, but also a specific 'Covid 19' area specifically prepared within the company intranet. The key contents were also disseminated through billboards posted in the places of greatest transit and identified as suitable to avoid gatherings during viewing.

The Group was able to continue its production activities thanks to all the initiatives put in place, thereby enabling employees to work safely. This is also confirmed by the climate survey - which involved all Group companies in 2021 - showing that over 80% of respondents said they felt safe in the company in relation to health emergencies and their follow-up throughout the Group.

Smart Working

Alongside the measures to monitor and safeguard workers' health, Feralpi has maintained - for as long as necessary - remote working, with the gradual return of all functions to the company, in compliance with regulations and maintaining the obligation to wear PPE and personal protective equipment within the work areas.

Training

Following the inevitable reduction in training hours in the previous year due to the Covid emergency, training activities resumed at full swing in 2021, with both remote and face-to-face modes remaining active.

Other initiatives and activities

On the wave of previous years' trend, Feralpi once again confirmed its commitment to promoting the health and well-being of its employees throughout 2021.

Compliance with Legislative Decree 231/2001

The parent company Feralpi Holding S.p.A. and the Group's main important Italian subsidiaries have adopted their own Organisation, Management and Control Model, which identifies the risk processes and regulates how the various players shall behave in each process of daily work.

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

The parent company Feralpi Holding S.p.A. and its Italian major Italian subsidiaries constantly supplement and update their Models. The review of the current Organisational Models by the respective Boards of Directors of the major Group companies has already been completed and the updating of the Models for the remaining companies is in progress and is expected to be completed by the end of 2022.

In addition to the adaptation of the Models to take account of the reorganisation of the Group, the most important interventions include the introduction of new control principles to prevent the risk of committing new tax offences, the introduction of a procedure to prevent crimes during M&A activities, as well as cybercrimes and unlawful data processing, and therefore also with reference to the control measures relating to smuggling offences (referred to in the new Article 25-*sexiesdecies* of Legislative Decree 231/2001), the offence of fraud in sporting competitions, and crimes against industry and trade.

Risk management

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

In the first months of 2021, the group started mapping the risks. The project was completed in January 2021 by submitting the ERM model to the management team.

A brief description of the work objectives is provided below:

- mapping of the risks to which the various corporate entities are exposed;
- evaluation of action plans aimed at reducing or mitigating the mapped risks;
- monitoring of actions implemented to reduce/mitigate risks;
- constant updating of the ERM.

Feralpi Siderurgica is one of the main group companies operating in the steel business, a sector that involves the assumption of various types of risk.

The Group has defined the scope of its Enterprise Risk Management model in light of its business objectives and the change in corporate organisation.

On the basis of an initial subdivision, the **business risks** applicable to the Group continue to be classified **by category**:

- strategic, relating to the corporate mission, i.e. relating to medium-long term objectives;
- operational, relating to the efficiency and effectiveness of business processes and the safeguarding of assets;

- legal and contractual compliance risks;
- image risks, related to the reputation of the corporate and group brand;
- financial and reporting, related to the reliability of internal and external reports with financial and non-financial information, as well as related to short- and long-term financial resources.

A second distinction classifies **risks** into:

- external, relating to factors not directly controllable by the company
- in-process, relating to internal processes
- information and decision-making, related to external and internal information flows, as well as decisions resulting from such information

Description of the **relevant risk factors**:

A brief illustration of the factors or uncertainties that may significantly affect the Group's business in the near future is provided in the description of material risk factors.

Furthermore, the Feralpi Holding Group has long adopted the Supervisory Board, which, through the 231 organisational model, contributes to the control of risks related to the various corporate functions.

Credit risks

The Group is exposed to credit risk arising from its business relations. If customers fail to meet their payment terms, the Group could worsen its financial position. Trade credit risk is mitigated by the application of Group procedures and guidelines to select and assess the customer portfolio, determine credit limits, monitor expected collection flows and take any credit recovery actions. These include, where possible and appropriate, the stipulation of insurance policies with leading counterparties and, in some cases, the request to customers for additional guarantees. Group Credit Management controls and monitors credit risk throughout the Group.

Risks related to product quality and liability

The Group's products shall comply with different quality, safety and regulatory standards, consistent with the provisions required in the countries where they are marketed. If the products do not comply with the requirements of the different applicable regulations, it may be legitimate to return them, thereby increasing the companies' costs and image. The Group carries out strict controls on its products: each production company has put in place its own quality risk management protocol, with control activities and procedures. More specifically, there are dedicated quality control functions, operating directly at the production units and also at suppliers. The organisational, production and commercial units hold specific meetings to discuss any product quality issues and contain and solve the main difficulties encountered.

The Group also holds product liability insurance coverage. Nevertheless, the possibility of manufacturing defects or, in certain circumstances, the inadequacy of the aforementioned insurance coverage cannot be excluded. The Group shall also maintain the required quality levels, in particular by complying with the requirements in terms of

product safety.

Production plant risks relating to environmental, occupational and safety regulations and Business Continuity

The Group's industrial production is subject to administrative authorisations. Failure to renew or issue such authorisations could result in legal-administrative liabilities of various kinds, entailing the interruption of production.

The Group's main plants have started the process to obtain ISO 50001 certification in the energy efficiency field, while in the environmental field EMAS and ISO 14001 have already been obtained. All the Group's production plants are required to adopt prevention and protection measures defined by current national regulations. Any accidents in the workplace, even non-serious ones, caused by non-compliance with the aforementioned regulations, could lead to criminal and administrative sanctions, with even serious consequences if they are disqualifying - even for limited periods - pecuniary and/or image-related.

Additional regulatory provisions applicable to the companies, or changes to the regulations currently in force in the countries where the Group operates, could require the Group to adopt stricter standards, also entailing costs for adapting production facilities. An interruption of production could also occur in the event of the occurrence of natural or accidental/wilful events. To mitigate this risk, the Group pursues the policy of distributing production among several plants, even though for some types of products the Group may only relocate operations among different plants.

Risks associated with commodity price fluctuations

Risks associated with fluctuations in the price of finished products and raw materials (mainly ferrous scrap, ferroalloys and energy) may occur even in fairly short periods.

In the long term, the trend in the price of ferrous scrap and that of the finished product tend to run along parallel lines; any hedging transactions need to be assessed in light of the liquidity of the official markets in which the main transactions are conducted.

Risks associated with exchange rate fluctuations and interest rate trends

The exchange rate risk, which is very low as most transactions are carried out in euros, is hedged with forward currency contracts. Interest rate risk is hedged by entering into hedging contracts.

Further details are provided in the explanatory Note.

Antitrust risk

As to the Antitrust risk, it is worth mentioning that in the Feralpi Holding SpA's financial statements, the item "Provisions for contingent liabilities and charges" includes the amount of €5,125 thousand relating to the Antitrust sanction due to the possible settlement proposal by the European Antitrust Authority for the sanction imposed in 1992 that was repeatedly paid and returned following the decisions issued by the various competent bodies at the relative levels of judgement, which is still pending. During the year, there was no change on the previous year.

The Group has appointed an executive to act as 'antitrust officer' with the task of verifying compliance with regulations by monitoring the individual conduct of those individuals who could most expose the Group's companies to this risk.

The course undertaken is the first step of a journey that will be completed over time. In fact, after having achieved the objective of creating ERM, the Group, in order to 'manage' risks in a concrete and organised manner to effectively protect the values to which the corporate strategy tends, will have to allocate the responsibilities of monitoring the reduction/containment of identified risks and of updating the map to specific corporate figures, thus creating a true 'Risk management' organisation.

Financial trend analysis

Non-GAAP indicators

Economic and equity indicators are also presented in addition to those already provided for by the Italian Standards Setter (OIC) in order to allow for a better analysis of business performance. These indicators are not to be considered as alternatives to those provided for by said OIC.

More specifically, the Non-GAAP measures used in this document are as follows:

EBITDA (or Gross Operating Margin): an indicator used by the Group as financial targets in internal and external reports, and is a useful unit of measure for assessing the operating performance of the Group as a whole and of individual companies. This indicator is in addition to the operating profit. EBITDA is an intermediate economic indicator derived from the operating result, excluding depreciation, amortisation, provisions and any impairment of tangible and intangible assets.

Net Working Capital: this item consists of the value of inventories, trade receivables, current tax receivables and other receivables, from which the value of trade payables, tax payables and other payables are subtracted.

Net Invested Capital: this is the value of Net Working Capital plus the value of intangible and tangible fixed assets, equity interest, other fixed assets, and deferred tax assets, from which deferred tax liabilities, employee benefits and provisions for contingent liabilities and charges are subtracted.

Net Cash Flow: this is the gross financial debt reduced by cash and cash equivalents and other financial receivables.

A reclassification of the income statement is provided for a better understanding of the result of operations:

Income Statement

Item	2021	%	2020	%
Production value	2,058,087		1,222,457	
Raw materials consumption	1,262,829		779,842	
General expenses	404,102		261,114	
Added value	391,156	19.0%	181,501	14.8%
Personnel expenses	109,712		101,071	
Provisions & write-downs	2,568		1,743	
Sundry operating expenses	7,174		4,936	
Gross operating margin	271,701	13.2%	73,751	6.0%
Depreciation, amortisation & write-downs	52,966		55,196	
Net operating margin	218,735	10.6%	18,555	1.5%
Financial income	632		444	
Financial expenses	3,941		4,309	
Income net of financial operations	215,426	10.5%	14,690	1.2%
Revaluation of equity interests	3,131		1,246	
Impairment of equity interests	3,260		3,295	
Pre-tax result	215,297	10.5%	12,641	1.0%
Income tax	59,413		7,192	
Net operating result	155,884	7.6%	5,449	0.4%
Minority interest result	1,863		1,244	
Result for the Group	154,021		4,206	

€,000

Production value in 2021 reported an overall growth of 68.4%. This trend was driven by the significant growth in Revenues of the steel business, where the trend, albeit with the typical peculiarities of the various business units of the Group, resulted from a growth in volumes and, mainly, the strong growth in sales prices, which in turn is a consequence of the increasing trend in the cost of production factors. When comparing 2021 results with those of 2020, it should be noted that in the Italy Construction *business unit* (Construction Division), the year 2020 was marked by weak selling prices, with sales volumes affected by the production shutdown caused by the Covid-19. In the Specialties Division, the market conditions in the automotive and industrial sectors that use Caleotto products led to a significant growth in revenues in the first nine months of 2021, with a decline in the last quarter. Nuova Defim (Diversified Products *business unit*) achieved a significant increase in Production Value.

The significant growth in EBITDA in 2021 compared to the year 2020 was mainly driven by the trend in selling prices and was accompanied by a significant growth in sales volumes. Similarly, there was an increase in the purchase cost of the main commodities used for production, especially scrap, electricity and natural gas. This increase was particularly significant in the later part of the year.

Depreciation, amortisation and write-downs in 2021 are down from the values reported in 2020, as are net financial expenses, which amounted to €3.309 million, down €0.556 million from the 2020 figure. This reduction was reported despite a significant increase in Net Working Capital.

The net balance of revaluations and write-downs of equity investments in 2021 is virtually nil, mainly as a result of the balance between the revaluation of the equity investment in Alpifer and the impairment in that of Metallinterconnector, while in 2020 it was in the negative mainly due to the impairment of equity investments in Agroittica and Cogeme Steel.

As a result of the above elements, the Net Profit reported in 2021 is particularly positive, and is a record high in the Group's history. Finally, it is worth mentioning that the 2021 results were positively influenced by a significant revaluation of the inventory, as a consequence of the increasing trend in the cost of the main production factors; nevertheless, they still set an absolute record in the Group's history.

Reconciliation of adjusted performance indicators to reported indicators

For a better understanding of economic and financial performance, it is considered useful to separate the special items indicated in the table below, which also shows the reconciliation of the reported values, as applicable, to the *adjusted* values, with a brief description of the *special items* considered.

	Operating Result	Net financial charges	Equity rev./imp.	Pre-tax result	Taxes	Minority result	Group's net result
Reported Indicators	218,735	(3,309)	(129)	215,297	(59,413)	1,863	154,021
Insurance reimbursement	(3,299)	-	-	(3,299)	910	-	(2,389)
Other	400	-	-	400	-	-	400
Previous years' taxes	-	-	-	-	(929)	-	(929)
Nave redevelopment	(6,303)	-	-	(6,303)	1,739	-	(4,564)
Financial assets impairment	-	-	2,415	2,415	-	-	2,415
Adjusted indicators	209,533	(3,309)	2,286	208,510	(57,692)	1,863	148,955

€,000

The Group's decision to convert the Nave-based production site to the production of shaped elements for the Building business unit resulted in a non-recurring income resulting from the sale of the Feralpi Profilati Nave market to third parties. In the early months of 2021, an insurance reimbursement was recognised for accidents that had occurred in 2020. In addition, income was recognised for the reimbursement of taxes pertaining to previous years and, lastly, an impairment loss was realized on the equity investment in Metal Interconnector as a result of a reported impairment.

Net of the effect of non-recurring items, the Operating Result for the year 2021 amounts to €208.6 million, of while the Group's result amounts to €148.9 million. These results are a strong improvement over the normalised values recorded in the year 2020 and represent an absolute record in the Group's history. Finally, it should be noted that the results were positively influenced by a significant inventory revaluation, as a consequence of the increasing trend in the cost of the main production factors.

For comparison purposes, the table below shows the normalisation of the 2020 operating results:

	Operating Result	Net financial expenses	Taxess	Minority	Net Result
Reported Indicators	18,556	(4,151)	(7,192)	1,244	4,206
Nave redevelopment asset write-down	4,034	-	(968)	-	3,066
Pisogne site write-down	2,074	-	-	-	2,074
Loss of margin due to plant failure	2,700	-	(891)	-	1,809
Special items	8,808	-	(1,859)	-	6,949
Adjusted Indicators	27,364	(4,151)	(9,051)	1,244	11,155

€,000

Following the Group's decision to reconvert the Nave-based production site to the production of shaped elements for the building business, the production branch of Fer-Par was sold in 2020 to Presider S.p.A, with subsequent transfer of ownership to a third party; this sale had generated a total write-down of €4.034 million, which also had a positive effect on the 2021 economic and financial situation. During the first months of 2021, Feralpi Immobiliare S.r.l. also sold the Pisogne site and the rolling mill installed therein to a third party, therefore the value of the assets was adjusted to the transaction price, which generated a write-down of €2.074 million in the 2020 financial statements.

Lastly, a technical fault that occurred in a Group company had led to an unusual and particularly important stoppage of operations, resulting in a loss of operating profit of EUR 2.7 million. This loss of profit was the subject of an insurance claim, the outcome of which is still not final and had not been recognised in the 2020 accounts.

For a better understanding of the result of operations, *a balance sheet reclassification* is provided below.

Balance Sheet	Dec.-21	%	Dec.-20	%
Intangible assets	15,251	0.7%	14,613	1.2%
Tangible assets	414,194	20.3%	405,052	33.4%
Provision for contingent liabilities	(24,075)	(1.2%)	(21,099)	(1.7%)
Provision for employee-leaving indemnity	(7,075)	(0.3%)	(7,369)	(0.6%)
Other long-term receivables/payables	26,968		19,200	
Net fixed assets	425,264	20.9%	410,396	33.8%
Inventories	395,523	19.4%	232,605	19.2%
Trade receivables	459,861	22.6%	258,946	21.3%
Advances to suppliers		0.0%		0.0%
Trade payables	(460,289)	(22.6%)	(287,087)	(23.7%)
Trade current assets	395,096	19.4%	204,464	16.9%
Other assets/liabilities	(64,413)	(3.2%)	8,830	0.7%
Net current assets	330,683	16.2%	213,294	17.6%
Net operating assets	755,947	37.1%	623,690	51.4%
Receivables from associates		0.0%		0.0%
Payables owed to associates		0.0%		0.0%
Financial assets	45,722	2.2%	43,078	3.6%
Other investments	45,722	2.2%	43,078	3.6%
NET INVESTED CAPITAL	801,668	39.3%	666,767	55.0%
Cash and cash equivalents	103,591	5.1%	67,126	5.5%
Short-term financial assets		0.0%		0.0%
Intercompany receivables/payables		0.0%		0.0%
Short-term financial liabilities	(118,860)	(5.8%)	(112,546)	(9.3%)
Medium/Long-term financial liabilities	(109,919)	(5.4%)	(100,499)	(8.3%)
Net cash flow	(125,189)	6.1%	(145,918)	12.0%
Shareholders' equity	(676,480)	33.2%	(520,849)	42.9%
Total Sources	(801,668)	39.3%	(666,767)	55.0%

€ ,000

Net current assets as at 31 December 2021 increased significantly compared to the 31 December 2020 figures, both in absolute terms and as a percentage of sales revenue. This growth was driven by the trend in Trade Receivables and Inventories, both as a result of the sustained growth in the cost of key production factors.

The *Net Cash Flow* (net debt) to third parties improved, despite the sharp increase in net current assets.

Revenues and operating expenses

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

Description	2021	2020	Change
Revenues from sales and services rendered	1,928,446	1,238,398	690,048
Other revenues and income	14,994	5,789	9,204
Total	1,943,440	1,244,187	699,253

€,*000*

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

Description	2021	2020	Change
Raw materials, supplies and consumables	1,317,095	772,636	544,459
Services	397,920	255,548	142,372
Hire and lease fees	6,182	5,566	616
Personnel	109,713	101,072	8,641
Amortisation and depreciation allowances	52,966	55,196	(2,230)
Change in inventories of raw materials	(54,266)	7,206	(61,472)
Other charges	7,174	4,936	2,238
Total	1,836,784	1,202,160	634,624

€,*000*

Financial Management

Description	2021	2020	Change
From equity investments	111	63	48
Interest income from associates	5	0	5
Other financial income	516	381	135
Total financial income	631	444	188
Interest expense and other financial expenses	4,016	4,151	(135)
Total financial expenses	4,016	4,151	(135)
Exchange gains (losses)	75	(158)	233
Total	(3,310)	(3,865)	554

€,*000*

The table below compares individual companies' equity figures in 2021 with net pro-quota profit:

	% stake	Total shareholders' equity	Group's shareholders' equity 2021	Carrying value of equity investments	Difference	Net pro-quota result	ROE
Feralpi Siderurgica	100	309,482	309,482	64,932	244,550	64,838	23.4
Acciaierie di Calvisano	100	37,899	37,899	16,155	21,744	(1,559)	(4.0)
Feralpi Profilati Nave	100	8,648	8,648	6,481	2,166	4,294	66.1
Nuova Defim	100	9,270	9,270	4,456	4,814	2,786	35.4
Immobiliare Feralpi	100	894	894	550	344	77	8.9
Fer-Par	100	3,536	3,536	5,162	(1,626)	(429)	(11.4)
Comeca	19.85	10,935	2,171	336	1,835	83	3.9
Caleotto Gruppo	100	20,871	20,871	12,202	8,669	7,762	45.8
Presider	100	15,693	15,693	15,460	233	3,279	23.3
MPL	100	2,960	2,960	2,569	392	1,465	65.7
Alpifer	50	22,704	11,352	7,931	3,421	2,374	22.8
Feralpi Algérie	70	763	534	369	165	(46)	(8.3)
Co.ge.me Steel	100	149	149	351	(203)	(203)	(81.1)
ESF	100	245,098	245,098	10,445	234,653	67,544	31.8
Feralpi Stahlhandel	100	10,533	10,533	682	9,851	1,058	10.0
Feralpi Logistik	100	1,524	1,524	1,000	524	914	59.9
Feralpi Praha	100	8,278	8,278	3,111	5,168	1,491	20.3
Feralpi Hungaria	100	2,726	2,726	4,700	(1,975)	287	11.8
Dima	31	4,689	1,454	723	731	414	34.0
Media Steel	45	6,470	2,911	990	1,921	208	7.4
Beta	24	14,858	4,212	299	3,913	31	0.7
Total		737,980	700,195	158,904	541,290	156,668	25.1

€ ,000

The Group's total shareholders' equity in 2020 amounted to €561.5 million.

In the Diversified Participations segment, the Group's shareholders' equity also exceeded the carrying value of the investment by about €7 million.

	% stake	Total shareholders' equity	Group's shareholders' equity 2021	Carrying value of equity investments	Difference	Net pro-quota result	ROE
Due I. Investimenti	100	2,165	2,165	991	1,173	2,822	57.7
Feralpi Farm	100	9,352	9,352	8,756	597	236	2.6
Faeco Ambiente	85	2,487	2,114	1,628	486	(13)	(0.6)
Ecoeternit	70	7,677	5,374	746	4,628	4,397	96.1
Eco-Trading	100	64	64	62	3	3	4.4
Agroittica	45	17,314	7,871	7,871	0	(31)	(0.4)
Far Energia	30	643	193	25	168	35	17.9
Total		39,702	27,133	20,079	7,054	7,448	25.4

€ ,000

Outlook

According to Eurofer's forecasts, the construction industry is expected to grow in 2022. Fuelled by investments in the residential sector, the growth is favoured by low interest rates on mortgages and the generous support measures for housing renovations taking place in many EU Member Countries. Positive developments are also seen in other types of investment, in particular in public works, the expansion of which is bound to strengthen during 2022 as governments use these investments as a cyclical tool to strengthen the economic recovery, including under the Next Generation EU programmes.

However, the impact of these publicly financed projects may become uncertain due to multiple push-back factors, which cast shadows on the overall economic outlook. Disruptions in supply chains, which have started to affect the automotive industry's business since the third quarter of 2021, will persist at least throughout 2022. The machinery and mechanical equipment sector will grow only slightly in 2022 due to ongoing supply chain problems, combined with the negative impact on companies' propensity to invest as a result of uncertainty about the outcome of the Russian-Ukrainian conflict. After a fairly positive first quarter (+4.6%), operations will gradually decline to a negative 0.3% in the second quarter. However, there are still considerable elements of uncertainty, mainly of a macroeconomic and political nature, which may adversely affect the steel demand.

In April the subsidiary Nuova Defim S.p.A. completed the takeover of Saexpa. With two production sites, in Barcelona and Ripoll (Spain), Saexpa specialises in solutions for the logistics world and, more specifically, vertical warehouse racking and storage solutions, a sector that is experiencing strong growth thanks to increasing investment in modern distribution and e-commerce. Founded in 1985, Saexpa - which currently employs 77 people - has steadily strengthened its European market share, closing 2021 with a turnover in excess of €16 million and progressively increasing margins. Strongly dedicated to export, it serves customers in nearly 30 countries.

With regard to the Diversified Participations Branch, the expectations for the year 2022 are for continuity in terms of results, which were positive overall in 2021. As for Agroittica Lombarda, the results are linked to the resumption of trading activities also in view of the developments related to Covid-19. For Ecoeternit and Faeco Ambiente the expectations are of constant business management, with no particular changes resulting from adverse circumstances.

According to the very latest forecasts available for the main markets in which the company operates, demand is expected to grow in 2022. On the basis of the information available, the Feralpi Group expects its business performance to be in line with the reference markets, also based on its plans for growth and improved production efficiency.

Number and par value of treasury shares held through Feralpi Farm S.r.l.

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

The President

Giuseppe Pasini

Lonato del Garda, May 26, 2022

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Statement

Consolidated Financial Statement
as at 31st December 2021
Financial statements

**FERALPI HOLDING S.p.A. CONSOLIDATED FINANCIAL STATEMENTS
PURSUANT TO EU DIRECTIVE IV**

(Figures expressed in thousand euros)

BALANCE SHEET

		31.12.2021	31.12.2020
ASSETS			
A	Subscribed capital unpaid, with separate indication of called-up portions:		
	Total subscribed capital unpaid	-	-
B	Fixed assets:		
I	Intangible assets:		
1	Incorporation and extension costs	-	18
2	Research, development and publicity costs	2	27
3	Patents and rights for use of intellectual property	6,280	6,122
5	Goodwill	943	1,131
6	Works in progress and down payments	105	-
7	Others	7,921	7,315
8	Consolidation difference	-	-
	Total intangible assets	15,251	14,613
II	Tangible assets:		
1	Land & buildings	187,029	181,182
2	Plant & equipment	161,767	157,430
2-bis	Leasing/Leased plant and machinery	7,678	8,116
3	Trade & industrial fixtures	2,475	2,105
4	Other assets	10,251	9,767
5	Work in progress & down payments	44,995	46,452
	Total tangible assets	414,194	405,052
III	Long term financial assets, with separate indication for each item of amounts collectable within 12 months		
1	Equity interests:		
	b) Associates	29,327	26,953
	d) Other companies	9,531	9,994
	Total equity interests	38,859	36,947
2	Accounts receivable		
	b) from associates		
	less than 12 months	10	10
	Total receivables from associates	10	10
	d-bis) from other lenders		
	less than 12 months	3,510	3,072
	over 12 months	1,987	1,865
	Total receivables from other lenders	5,498	4,938
	Total financial receivables	5,508	4,948
3	Other securities	523	497
4	Financial derivatives (assets)	146	-
	Active derivative financial instruments	45,036	42,392
	Total fixed assets	474,480	462,056
C	Current assets		
I	Inventories		
1	Raw materials, supplies & consumables	163,890	107,002
2	Work-in-progress & semi-finished products	34,345	26,642
4	Finished products and goods	196,854	95,289
5	Down payments	434	3,671
	Total inventories	395,524	232,605
II	Accounts receivable, with separate indication for each item of the amounts collectable over 12 months		
1	from trade debtors		

	a) less than 12 months	459,768	258,946
	b) over 12 months	-	2,817
	Total trade debtors	459,768	261,763
3	from associates		
	a) less than 12 months	93	-
	Total receivables from associates	93	-
5-bis	Tax assets		
	a) less than 12 months	14,084	40,659
	b) over 12 months	1	-
	Total tax assets	14,084	40,659
5-ter	Prepaid tax assets:		
	Total prepaid tax assets	25,858	21,866
5-quarter	from others		
	a) less than 12 months	11,974	9,106
	b) over 12 months	4,598	7
	Total receivables from others	16,572	9,113
	Total receivables	516,376	333,400
III	Financial assets other than fixed assets:		
6	Other securities	686	686
	Total financial assets	686	686
IV	Cash and cash equivalents		
1	Bank and postal deposits	103,581	67,117
2	Cheques	-	0
3	Cash on hand,	9	9
	Total cash and cash equivalents	103,591	67,126
	Total current assets	1,016,176	633,817
D	Prepayments and accrued income		
1	Prepayments and accrued income	2,753	1,636
	Total Prepayments and accrued income	2,753	1,636
	Total Assets	1,493,410	1,097,509

BALANCE SHEET LIABILITIES

		31.12.2021	31.12.2020
A	Shareholders' equity:		
I	Share capital	55,000	55,000
II	Share premium reserve	516	516
III	Revaluation reserves	1,964	1,964
IV	Legal reserve	4,499	4,499
V	Statutory reserves	-	-
	Total shareholders' equity and reserves	61,979	61,979
VI	Other reserves, indicated separately		
1	Extraordinary reserve	24,833	24,833
5	Consolidation reserve	389,790	398,277
6	Currency translation reserve	567	164
	Total other reserves	415,190	423,274
VII			
1	Expected cash flow hedging reserve	(90)	(628)
VIII	Profit/(Loss) brought forward	43,501	30,720
IX	Profit/(Loss) for the year	154,021	4,206
	Total Group shareholders' equity	674,602	519,551
X	Reserve for treasury share	(1,028)	(1,028)
XI	Share capital, reserves, minority interest:		
1	Minority share capital and reserves	1,043	1,082

2	minority interest profit/(loss)	1,863	1,244
	Total minority interest	2,905	2,326
	Total consolidated shareholders' equity	676,480	520,849
B	Provisions for contingent liabilities and charges		
1	Retirement benefits and similar indemnities	1,325	1,338
2	Taxes, including deferred taxes	1,288	100
3	Financial derivatives liability	219	945
4	Others	21,244	18,716
	Total provisions for cont. liabilities and charges	24,075	21,099
C	Provision for employee-leaving indemnity	7,075	7,369
D	Payables with separate indication of amounts falling due over 12 months:		
2	Convertible bonds		
	b) over 12 months	-	5,000
	Total convertible bonds	-	5,000
4	Bank borrowings		
	a) less than 12 months	118,186	106,299
	b) over 12 months	105,083	89,977
	Total Bank borrowings	223,269	196,276
5	Payables due to other lenders		
	a) less than 12 months	674	6,246
	b) over 12 months	4,836	5,522
	Total payables due to other lenders	5,510	11,768
6	Payables for advance payments		
	a) less than 12 months	5,115	1,173
	b) over 12 months	-	-
	Total down payments	5,115	1,173
7	Trade creditors		
	a) less than 12 months	370,341	257,071
	b) over 12 months	12	-
	Total trade creditors	370,352	257,071
10	Payables to associates		
	a) less than 12 months	84,833	28,844
	b) over 12 months	-	-
	Total payables to associates	84,833	28,844
12	Tax liabilities		
	a) less than 12 months	49,570	6,340
	b) over 12 months	89	178
	Total tax liabilities	49,659	6,518
13	Social security liabilities		
	a) less than 12 months	5,544	5,120
	Total social security liabilities	5,544	5,120
14	Other payables		
	a) less than 12 months	39,994	35,219
	b) over 12 months	393	341
	Total other payables	40,388	35,560
	Total payables	784,671	547,329
E	Accruals and deferred income		
2	Accruals and deferred income	1,109	862
	Total Accruals and deferred income	1,109	862
	Total liabilities	1,493,410	1,097,509

INCOME STATEMENT

31.12.2021

31.12.2020

A		Production value:	
1	revenue from goods sold and services rendered	1,928,446	1,238,398
2	changes in inventories of WIP, semi-finished and finished products	109,917	(25,427)
4	increase in fixed assets from internal work	4,730	3,698
5	other revenue and income	-	-
	a) contributions in trading account	2,982	1,767
	b) others	12,011	4,022
	Total other revenue and income	14,993	5,788
	Total production value	2,058,086	1,222,457
B		Production costs:	
6	for raw materials, supplies, consumables and goods	1,317,095	772,636
7	for services	397,920	255,548
8	for hire, purchase and leasing charges	6,182	5,566
9	for personnel:		
	a) wages and salaries	80,349	73,821
	b) social security contributions	22,344	20,631
	c) employees leaving indemnity allowance	2,711	2,499
	d) pensions and similar entitlements	-	14
	e) other costs	4,309	4,107
	Total personnel expenses	109,712	101,071
10	depreciation, amortisation & write-downs:		
	a) amortisation of intangible assets	5,253	4,617
	b) depreciation of tangible assets	45,547	46,091
	c) other write-downs of fixed assets	557	3,156
	d) write-downs of receivables under current assets and cash and cash equivalents	1,608	1,332
	Total depr., amortisation & write-downs	52,966	55,196
11	changes in inventories of raw materials, supplies, consumable and goods	(54,266)	7,206
12	provision for contingent liabilities	408	200
13	other provisions	2,160	1,543
14	other charges	7,173	4,936
	Total production costs	1,839,351	1,203,902
	Difference between production value and costs	218,735	18,556
C		Financial income and expenses:	
15	Investment income, with separate indication of those referring to subsidiaries and associates and to parent companies and entities under parent control		
	e) from other companies	111	63
	Total income from equity investments	111	63
16	Other financial income		
	receivables entered under non-current assets, with separate indication of those referring		
	a) to subsidiaries and associates and to parent companies and entities under parent control		
	from others	5	0
	Total long-term investments under non-current assets	5	0
	d) Income other than previous ones, with separate indication of those referring to subsidiaries, associates and parent companies		
	from others	516	381
	Total income other than previous ones	517	381
	Total other financial income	522	381
17	Interest and other financial expenses, with separate indication of those referring to subsidiaries, associates and parent companies		
	d) from others	4,016	4,151
	Total interest and other financial expenses	4,016	4,151
17-bis	Exchange gains and losses	(75)	158
	Total financial income and expenses	(3,309)	(3,866)

D	Adjustments to the value of financial assets and liabilities:		
18	Revaluations:		
	a) equity interests	3,131	1,246
	Total revaluations	3,131	1,246
19	Impairments		
	a) equity interests	3,260	3,295
	Total impairments	3,260	3,295
	Total adjustments to the value of financial assets and liabilities	(129)	(2,048)
	Pre-tax result		
	Pre-tax result	215,297	12,642
T	Income tax for the year:		
20	Current, deferred and prepaid income taxes		
	a) current	57,667	4,785
	c) prepaid	1,746	2,407
	Total income taxes for the year	59,413	7,192
	Operating result for the year		
21	Consolidated operating result for the year	155,884	5,450
	Minority interest result	1,863	1,244
V	Result for the Group	154,021	4,206

Cash Flow

	Current Year	Previous Year
A. Cash flows generated by operating activities (indirect method)		
Profit (loss) for the year	155,884	5,450
Income taxes	57,667	4,785
Interest expenses (interest income)	3,309	3,803
(Dividends)	(111)	(63)
(Capital gains)/capital losses from the sale of assets	-	0
1. Profit (loss) for the year before income taxes, interest, dividends and capital gains/losses from the sale of assets	216,749	13,974
<i>Adjustments for non-cash items that had no contra-entry in net working capital</i>		
Allocations to provisions	2,682	4,255
Non-current asset amortisation and depreciation	50,800	50,708
Write-downs for impairment losses	686	2,048
Other adjustments for non-cash items	1,608	1,332
<i>Total adjustments for non-cash items</i>	<i>55,777</i>	<i>58,344</i>
2. Cash flow before changes in net working capital	272,526	72,318
<i>Changes in net current assets</i>		
Decrease/(increase) in inventories	(162,919)	11,207
Decrease/(increase) in trade receivables	(200,252)	(45,843)
Increase/(decrease) in trade payables	117,224	41,276
Decrease/(increase) in accrued income and prep. exp.	(1,117)	(72)
Increase/(decrease) in accrued expenses and def.inc.	247	245
Increase/(decrease) intragroup transactions	55,896	7,002
Other changes in net working capital	20,594	(4,491)
<i>Total changes in net current assets</i>	<i>(170,326)</i>	<i>9,325</i>
3. Cash flow after changes in net current assets	102,200	81,642
<i>Other adjustments</i>		
Interest received/(paid)	(3,309)	3,866
(Income taxes paid)	(11,213)	(4,785)
Dividends received	111	63
Utilisation of provisions	(3,005)	(2,479)
<i>Total other adjustments</i>	<i>(17,416)</i>	<i>(3,335)</i>
4. Cash flow after other adjustments	84,784	78,307
Cash flow generated from operations (A)	84,784	78,307
B. Cash flows generated from investments		
<i>Tangible assets</i>		
(Investments)	(55,996)	(93,718)
Realizable price of divestments	715	
<i>Intangible assets</i>		
(Investments)	(5,890)	(3,744)

	Realizable price of divestments		
	<i>Financial assets</i>		
	(Investments)	(2,773)	9,591
	Realizable price of divestments		
	<i>Financial assets other than fixed assets</i>		
	(Investments)		
	<i>Acquisition or transfer of subsidiaries or business units net of cash</i>		
	Cash flow generated from investments (B)	(63,944)	(87,871)
	C. Cash flows generated from funding activities		
	<i>Loan capital</i>		
	Increase in short-term borrowings from banks	38,733	36,160
	Opening of loans	58,980	26,768
	Loan repayment	(82,089)	(27,000)
	<i>Equity</i>		
	Shareholders' loan		5,902
	Extraordinary transactions (merger by incorporation)		
	Dividends and advances on dividends paid		
	Cash flows generated by funding activities (C)	15,624	41,830
	Increase (decrease) in cash and cash equivalents (a ± b ± c)	36,465	32,267
	Cash and cash equivalents as at January 1	67,126	34,859
	Cash and cash equivalents as at December 31	103,591	67,126
	Increase (decrease) in cash and cash equivalents	36,465	32,267

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Explanatory Note

Consolidated Financial Statement
as at 31st December 2021

Explanatory Note to the Financial Statements for the year ending on 31 December 2021

(Figures expressed in thousands of euros)

The Group's Consolidated Financial Statements for the year ended on 31st December 2019, of which this Explanatory Note forms an integral part pursuant to Art. 29 of Legislative Decree no. 127/91, were drawn up in compliance with articles 29-39 of the same legislative decree and Legislative Decree no. 6 of 17 January 2003 and subsequent amendments.

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

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

The following points should also be noted:

- In exceptional cases requiring derogations pursuant to article 29, subsection 4 of the above decree, full motivation is provided in this Explanatory Note, and the effects on the equity and the results are also reported.
- A breakdown of the items under assets and liabilities is detailed when the figure is substantial.
- Risks and losses for the year were taken into account, even if known after the closing date.
- The 2021 consolidated financial statements were prepared in accordance with the provisions of Legislative Decree no. 127/91 and allow y-on-y comparison pursuant to art. 2423-ter of the Civil Code. Any reclassifications were reported in the comments to the relevant items in the financial statements.

Operations

The parent company is a mixed equity investment holding operating in the production of steel in billets, rebar and wire rod.

The financial statements of the Italian companies included in the scope of consolidation are those approved and/or being approved by the related general assemblies, while those of companies abroad were included in the consolidated financial statements of ESF GmbH.

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

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

The Explanatory Note analyses and complement the accounting figures with the information deemed necessary to provide a true and fair representation of the data shown, taking into account that no exemptions were made pursuant to art. 29 of Legislative Decree 127/1991. To this end, the Note is accompanied by a statement reconciling the parent company's operating result with the consolidated operating result, and the parent company's shareholders' equity with the consolidated shareholders' equity, the statement of changes that have occurred in the consolidated shareholders' equity accounts and the list of companies included in the scope of consolidation.

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

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

Scope of consolidation

Contents and form of the consolidated financial statements

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

The Group's consolidated financial statements comprise the financial statements as at 31st December 2021 of the parent Feralpi Holding S.p.A. and the companies listed below.

CAP. 3_EXPLANATORY NOTE

Name and location	Share Capital	Dir.	Indir.	Stake held by	%
Feralpi Siderurgica Brescia (Bs)	50,000	X		Feralpi Holding S.p.A.	100.00%
Acciaierie di Calvisano S.p.A. Calvisano (Bs)	3,250		X	Feralpi Siderurgica S.p.A.	100.00%
Feralpi Profilati Nave S.r.l. Lonato (Bs)	1,900		X	Acciaierie di Calvisano	100.00%
Nuova Defim S.p.A. Brescia (Bs)	300		X	Acciaierie di Calvisano	100.00%
Ecotrading S.r.l. Lonato del Garda (Bs)	50		X	Feralpi Farm	100.00%
Immobiliare Feralpi S.r.l. Lonato del Garda (Bs)	50	X		Feralpi Holding S.p.A.	100.00%
Caleotto S.p.A. Italy	2,000		X	Acciaierie di Calvisano	100.00%
Arlenico S.p.A. Italy	1,000		X	Acciaierie di Calvisano	100.00%
Cogeme Steel. S.r.l. Italy	300		X	Acciaierie di Calvisano	100.00%
Fer-Par S.r.l. Lonato del Garda (Bs)	20		X	Acciaierie di Calvisano	100.00%
Presider S.p.A. Borgaro Torinese (TO)	4,160		X	Feralpi Siderurgica S.p.A.	100.00%
MPL S.r.l. Rivoli (TO)	2,555		X	Acciaierie di Calvisano	100.00%
Presider Armatures Saint Souplets (FR)	1,000		X	Presider S.p.A.	100.00%
ESF Elbe-Stahlwerke Feralpi GmbH Riesa (D)	11,000		X X	Feralpi Siderurgica S.p.A. Fer-Par S.r.l.	98.00% 2.00%
Feralpi Stahlhandel GmbH Riesa (D)	2,100		X X	Feralpi Siderurgica S.p.A. ESF GmbH	33.33% 66.67%
Feralpi Logistik GmbH Riesa (D)	1,000		X X	ESF GmbH Feralpi Stahl. GmbH	35.00% 65.00%
Feralpi Praha Sro Kralupy (CZ)	3,427		X	Feralpi Stahlhandel GmbH	100.00%
Feralpi Hungaria KFT Budapest (H)	6,684		X	Feralpi Stahlhandel GmbH	100.00%
Feralpi Farm	80	X		Feralpi Holding S.p.A.	100.00%
Ecoetemit	1,000		X	Due I Inv. Industriali S.p.A.	70.00%
Due I Inv. Industriali S.p.A.	60	X		Feralpi Holding S.p.A.	100.00%
Faeco Ambiente	1,000		X	Feralpi Holding S.p.A.	85.00%
Feralpi Algerié Orano (Algeria)	339		X	Fer-Par S.r.l.	70.00%

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

Name and location	Share Capital	Dir.	Indir.	Stake held by	%
Beta SA Buzau (R)	714		X	Feralpi Siderurgica S.p.A.	24.00%
Agroittica S.p.A. Calvisano (BS)	12,500		X	Feralpi Farm S.r.l.	45.46%
Far Energia S.r.l. Sirmione (BS)	100		X	Feralpi Farm S.r.l.	30.00%
Dima S.r.l. Italy	1,000		X	Acciaierie di Calvisano	31.00%
Media Steel S.r.l. Italy	200		X	Feralpi Siderurgica S.p.A.	45.00%
Comeca S.p.A. Italy	2,800		X	Fer Par S.r.l.	19.85%
Alpifer S.r.l.* Italy	9,560		X	Feralpi Siderurgica S.p.A.	50.00%

*sub-consolidated (Unifer-Steelfer)

Changes in the scope of consolidation

During the year, the scope of consolidation did not change on the previous year. However, it should be noted that the shareholding in the associated company Beta decreased from 28.35% to 24%.

Consolidation method

The full consolidation method was used for all the subsidiaries. This method consists of fully incorporating the assets and liabilities and the costs and revenues of entities within the scope of consolidation, regardless of the percentage of equity interest of the consolidating entity. The consolidated balance sheet and income statement show all the elements of the parent company and the other companies within the scope of consolidation, net of the adjustments shown here below.

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

and in each identifiable assumed liability, including any prepaid and deferred taxes to be recognised against plus or minus values allocated to items in the consolidated companies' assets and liabilities. Any difference resulting from the allocation process:

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

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

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

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

Consolidated shareholders' equity and operating result, and minority interests

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

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

interests is deducted from the overall consolidated economic result.

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

If, when acquiring a stake, the minority interest consists of a deficit, it is valued at zero, unless the minority shareholders have expressly undertaken to recover the loss. When cancelling the stake, this situation is reflected in an increase in the write-off difference. Any subsequent profit pertaining to minority interests are deducted until making up the goodwill entered when allocating the write-off difference until full recovery of the loss initially recognized as an increase in goodwill net of amortization.

This situation is reflected in an increase in the goodwill arising on the elimination of the investment. If, on the other hand, profits pertaining to minority interests are subsequently generated, such profits are recognised as a reduction, up to the amount of the goodwill recognised when the cancellation difference is allocated, until the losses initially recognised as an increase in goodwill net of amortisation are fully recovered.

Translation of foreign currency financial statements

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

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

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

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

It is worth noting that the foreign currencies that were translated for the purpose of the consolidated financial statements are the Algerian dinar and the Rumanian Leu.

There are also exchange rates for Feralpi Hungaria and Feralpi Praha (Czech crown).

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

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

Accounting concepts and principles adopted in the preparation of financial statements

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

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

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

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

Profits/losses indicated in the financial statements are only those realized on the reporting date. Income and expenses shown are those pertaining to the financial year, regardless of the date of collection or payment. Risks and losses pertaining to the financial year were taken into consideration, regardless of whether they were known on the reporting date.

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

Pursuant to art. 2423-ter, subsection 5, of the Italian Civil Code, the amount of the corresponding item of previous financial year is shown for each item in the balance sheet and income statement. If the items are not comparable, those

of the previous year are appropriately adjusted and the non-comparability and adaptation or impossibility are reported and commented on in this explanatory Note.

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

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

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

Valuation criteria

The valuation criteria of the various items of the financial statements comply with those set out by art. 2426 of the Italian Civil Code and the reference accounting standards. Among the accounting concepts there is also the continuity with the previous year in the application of valuation criteria adopted for the preparation of the financial statements.

Intangible assets

Intangible assets are entered at cost and refer to costs pertaining to more than one year.

They are amortised over five years or, if different, in proportion to the expected useful life, in compliance with article 2426 of the Civil Code.

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

Tangible assets

Tangible fixed assets are stated at cost, increased by directly attributable accessory charges, and adjusted on the basis of revaluations carried out in accordance with the law. Land and buildings are also adjusted by allocating in the first consolidation the difference between the amount recorded under investments and the net assets of the associated company, to the extent that the value has been ascertained by independent experts.

The cost of tangible assets is adjusted by depreciation calculated on the basis of the estimated residual life of the assets.

The depreciation rates used, unchanged from the previous year, are as follows:

“Steel and Steelmaking” business

Category	%
Buildings	2,5% - 5%
Lightweight construction	10%
Plant and machinery	from 5% to 20%
Industrial and commercial equipment	12,50% - 20% - 25% - 100%
Other tangible assets	12% - 20% - 25%

Environment

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

In order to adjust the average depreciation to the actual use in the first year of life of the new asset, the depreciation schedules provide for the application of a rate that takes into account the date of first use of the asset.

Specifically, it should be noted that, within the Group, assets are depreciated at rates that take into account their residual life, in accordance with Article 2426 of the Italian Civil Code, and according to the depreciation schedule, which has not changed from the previous year.

Write-downs for impairment of tangible and intangible assets

Impairment losses on tangible and intangible assets are accounted for in accordance with the requirements of Accounting Standard OIC 9.

At each balance sheet date, an assessment is made as to whether an indicator exists that a fixed asset may be impaired. In which case, the recoverable amount of the fixed asset is estimated.

In particular, if the recoverable amount of a fixed asset (i.e., the higher of its value in use and its fair value) is lower than the carrying amount, the fixed asset is recognised at that lower value. The difference is recognised as an impairment loss in the income statement under item B10c.

In order to assess whether an asset is impaired, the Company checks, at least, whether the following indicators exist:

- if the market value of an asset has decreased significantly during the financial year, more than would be expected with the passage of time or under normal use of the asset concerned;
- if any significant changes with an adverse effect on the company have occurred during the year or will occur in the near future in the technological, market, economic or regulatory environment in which the company operates or in the target market for the specific asset;
- if obsolescence or physical deterioration of an asset becomes evident;
- if any significant changes with an adverse effect on the company have occurred in the course of the financial year (such as non-utilisation of the asset, plans for disposal or restructuring, redefinition of the useful life of the asset), or are expected to occur in the near future, in the extent or manner in which an asset is used or expected to be used.

Financial assets

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

Equity investments in other companies, are entered at cost, adjusted, if necessary, as the result of durable losses in value.

Amounts receivable are entered at their nominal value, corresponding to the estimated realisable value, adjusted as required due to impairment losses.

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

Financial derivatives

Financial derivatives are recognised as of the date the contract is signed, from when the Company is subject to the related rights and obligations.

Pursuant to Article 2426.1.11-bis of the Italian Civil Code and OIC 32, financial derivatives, even if embedded in other financial instruments, are measured at fair value both at initial recognition and at each subsequent financial statements closing date. Recognition and changes in fair value with respect to the previous year are recognised in the financial statements in different ways depending on whether the relevant transaction qualifies (and is effectively designated) as a financial risk hedging transaction or not.

Transactions qualifying (and designated) as hedges

The company engages in financial derivatives transactions to hedge against the risk of interest rate fluctuations.

A transaction in financial derivatives is designated as a hedge when:

- a) the hedging relationship consists only of eligible hedging instruments and eligible hedged items within the

meaning of OIC 32;

- b) In accordance with Article 2426, subsection 1, no. 11-*bis*) of the Italian Civil Code, there is a close and documented correlation between the characteristics of the hedged instrument or transaction and those of the hedging instrument; the documentation concerns the actual formalisation of the hedging relationship, the Company's risk management objectives and strategy in hedging;
- c) The hedging relationship fulfils all of the following hedge effectiveness requirements:
 - I. There is an economic relationship between the hedged item and the hedging instrument;
 - II. Where the credit risk is not being hedged, the effect of the credit risk of the counterparty of the derivative financial instrument and the hedged item does not prevail over the changes in value resulting from the economic relationship;
 - III. The hedge ratio is determined as the ratio of the quantities of financial derivatives used to the quantities of hedged items (so far as not to lead beforehand to hedge ineffectiveness).

The economic relationship is verified both in qualitative terms, by checking that the carriers of the hedging instrument and the hedged item match or are closely aligned, and in quantitative terms.

When hedging transactions involve financial derivatives that have characteristics that are very similar to those of the hedged item (referred to as 'simple hedging relationships') and the derivative financial instrument is entered into at fair market conditions, the hedging relationship is considered effective simply by verifying that the carrier elements (such as the nominal amount, cash flow settlement date, maturity date and underlying variable) of the hedging instrument and the hedged item match or are closely aligned, and the counterparty's credit risk is not such as to materially affect the fair value of both the hedging instrument and the hedged item.

Whether the eligibility criteria are met is verified on an ongoing basis and at each financial statements closing date the company assesses whether the hedging relationship still meets the conditions for effectiveness.

Cash flow hedges are entered into when the objective of the hedge is to limit exposure to the risk of variability in cash flows attributable to a recognised asset or liability, firm commitments or highly probable planned transactions. The Company recognises the cash flow hedging instrument, linked to a recognised asset or liability, an irrevocable commitment or a highly probable planned transaction, in the balance sheet at fair value, and a contra-entry is made in item A) VII "Reserve for expected cash flow hedging transactions" for the hedging component considered effective, while for the ineffectiveness component, calculated for hedging relationships that do not qualify as simple, section D) of the income statement is used.

In a cash flow hedge related to a recognised asset or liability or a highly probable planned transaction or firm commitment, the amount of the reserve is recognised in the income statement in the same periods in which the hedged cash flows affect profit or loss and in the same line item as the cash flows themselves.

In a cash flow hedge associated with a highly probable planned transaction or firm commitment that subsequently results in the recognition of a non-financial asset or liability, the Company derecognises the amount of the reserve for expected cash flow hedges and includes it directly in the carrying amount of the asset (to the extent of the recoverable amount) or liability. If, however, in the presence of a negative reserve, all or part of the loss is not expected to be recovered in one or more future periods, the Company immediately recognises the reserve (or the part of the reserve) that is not expected to be recovered in the income statement for the period.

Inventories

Inventories are valued according to the lesser of either the cost of acquisition (including accessory charges) or production and the market value, pursuant to art. 2426 of the Civil Code, points 9-10. The yearly average weighted cost method is used for raw materials, supplies, consumables, intermediate products, end products and work in progress. Ancillary materials are valued at their yearly weighted average cost as well. Manufacturing costs include the cost of raw materials, goods and labour, and all other direct and indirect production costs.

In addition to the invoiced price, cost includes ancillary costs such as customs, transport and other taxes directly attributable to that material, net of returns, trade discounts, rebates and premiums.

The value of inventories thus obtained is written down in order to take into account the obsolescence of the goods, as well as the actual possibility of selling them on the basis of their turnover.

The value of inventories is reinstated in the year in which the reasons for a previous write-down cease to exist within the limits of the cost originally incurred.

Accounts receivable and payable

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

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

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

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

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

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

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

Tax assets

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

Prepaid taxes

This item covers amounts resulting from postponed deductibility of negative income components compared to the year to which they pertain; they are recognised at the estimated realisable value, taking into account taxable income expected in future years in relation to the reasonable certainty of their recovery.

Cash and cash equivalents

These are valued at their nominal value.

Prepayments and accruals

Accrued income and prepaid expenses, and accrued expenses and deferred income have been calculated on an accrual basis

Provision for contingent liabilities and charges

This item refers to provisions estimated on the basis of amounts payable or losses of a set nature and of either a certain or probable existence, the amount of which or the date of occurrence is unspecified on the closing day.

The general criteria of prudence and competence were applied in evaluating these provisions and no generic provisions not supported by economic reasons were established.

Potential liabilities were recognized in the balance sheet and allocated to provisions as they were considered probable and their extent reasonably determinable.

Provision for employee-leaving indemnity

The provision for severance indemnity is allocated to cover the entire liability accrued in favour of employees, in accordance with current legislation and collective labour and supplementary company agreements. This liability is subject to revaluation pursuant to Article 2120 of the Civil Code.

The employee-leaving indemnity recorded in the financial statements comprises the total of the individual indemnities accrued by employees, including revaluations, net of any advances paid, and taking into account the effects of the reform introduced by Act no. 296 of 27 December 2006 (2007 Budget Law) concerning the allocation of severance indemnities (to the National Social Security Institute (INPS) treasury fund or other opted funds).

As a result of this reform, the quotas accrued up to 31 December 2006 remain in the company and contribute to forming the provision for the employee-leaving indemnity allocated in the financial statements.

As of 1 January 2007, the quotas accrued during the year are charged to the income statement and reflected, for the portion still to be paid to the INPS treasury fund or other funds, as current payables under item D14.

Tax liabilities

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

Costs and revenues

Costs and revenues for the year are recorded on an accrual basis and recognised on delivery of the goods or services. Revenues and gains, costs and charges are recognised net of returns, discounts and allowances.

Income tax for the year

Direct tax liability for the year is entered on the basis of the estimated taxable income, in compliance with the provisions of law and applicable rates, taking into account any applicable exemptions. An analysis is also made of the existence of temporary differences between the value of assets and liabilities and the corresponding values of relevance for tax purposes and/or between income components recognized in the income statement and those taxable or deductible in future years for the recognition of accrued taxes, as required by OIC 25. In the presence of temporary taxable differences, deferred tax liabilities are entered, with the exceptions provided by OIC 25. In the presence of deductible temporary differences, deferred taxes are recognised only if there is reasonable certainty of their future recovery.

Prepaid and deferred taxes are calculated on the cumulative amount of all temporary differences for the year at the tax rates applicable in the year in which the temporary differences are recognized, as provided for by the tax law in force at the reporting date. Prepaid tax assets and deferred tax liabilities are not discounted. For classification purposes in the financial statements, tax assets and liabilities are offset only if there exists a legally enforceable right to offset the amounts recognized based on tax legislation and there is an intention to settle tax assets and liabilities on a net basis with a single payment.

Currency translation criteria

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

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


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

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

Change in accounting standards

Below are the accounting policies adopted in connection with changes in voluntary or even compulsory accounting standards where no different specific rules are specified.

The change of an accounting standard is recognized in the year in which it is adopted, and the associated events and transactions are dealt with in accordance with the new policy, which is applied retrospectively. This entails the recognition of the resulting effects on the opening balance of equity for the year.



For comparative purposes only, when feasible or not excessively burdensome, the opening balance of equity and any previous-year comparative figures are adjusted as if the new accounting standard had always been applied.

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

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

Correction of errors

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

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

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

ASSETS**B) Non-current assets*****I. Intangible assets***

The table below shows the movement of intangible assets during 2021.

	Incorporation and extension costs	Developmen t costs	Industrial patent fees	Goodwill	Work in progress & advances	Other intangible assets	Total intangible assets
Opening value							
Cost	2,704	1,622	15,758	3,763	384	41,478	65,709
Amortisation (accumulated)	(2,686)	(1,595)	(9,636)	(2,632)	(384)	(34,163)	(51,096)
Carrying value	18	27	6,122	1,131	(0)	7,315	14,613
Changes during the year							
Increase due to acquisitions	-	-	2,422	-	105	3,363	5,890
Amortisation allowance	(18)	(25)	(2,264)	(188)	-	(2,757)	(5,253)
Total changes	(18)	(25)	158	(188)	105	606	637
Closing value							
Cost	2,704	1,622	18,180	3,763	489	44,841	71,599
Amortisation (accumulated)	(2,704)	(1,620)	(11,900)	(2,820)	(384)	(36,920)	(56,349)
Carrying value	-	2	6,280	943	105	7,921	15,251

Incorporation and extension costs

Incorporation and extension costs are mainly related to costs and expenses sustained previously for the takeover of the Defim and Orsogrill lines of business by Nuova Defim and refer to the registration fee, notarial expenses and advisory fees.

Development costs

Development costs relate to charges incurred with the aim of obtaining pre-determined scientific or technical knowledge in the field in which the Group operates and implementing the procedures necessary for the economic exploitation of the knowledge acquired.

Industrial patents and intellectual property rights

These refer entirely to the costs for software and computer applications. The main investments relate to the implementation of the SAP management software charged to the Parent's accounts, and the development and purchase of licences for the automation of the production warehouse of one of the Group's companies. During the financial year 2021, the companies Caleotto and Arlenico also joined the group management system. The increases in the financial year relate to the costs incurred for the implementation of SAP in the Group German companies and the expansion of the scope of consolidation.

Goodwill

In 2017 the subsidiary Presider S.p.A. was taken over, which generated a €2,047 thousand goodwill for the Group, which is being amortised over ten years.

Work in progress and advances

This item comprises projects in progress not yet completed that will be finalised in the following year.

Other intangible assets

The change relates to the subsidiary Presider S.p.A., which carried out work on the building and the subsidiary Ecoeternit for landfill operations.

// Tangible assets

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

	Land and buildings	Plant and machinery	Leased plant and machinery	Industrial and commercial equipment	Other tangible assets	Work in progress & down payments	Total tangible assets
Opening value							
Cost	311,539	822,628	16,431	16,093	47,997	61,826	1,276,515
Depreciation (accumulated)	(130,358)	(665,198)	(8,315)	(13,988)	(38,230)	(15,374)	(871,463)
Carrying value	181,182	157,430	8,116	2,105	9,767	46,452	405,051
Changes during the year							
Increase due to acquisitions	12,063	20,371	-	489	4,267	18,806	55,996
Depreciation allowance	(8,538)	(32,197)	(438)	(833)	(3,541)	-	(45,547)
Decreases	-	(507)	-	-	(242)	-	(749)
Reclassifications	2,322	17,227	-	714	-	(20,263)	0
Tangible assets write-downs	-	(557)	-	-	-	-	(557)
Total changes	5,847	4,337	(438)	370	484	(1,457)	9,143
Closing value							
Cost	325,924	859,162	16,431	17,296	52,022	60,369	1,331,204
Depreciation (accumulated)	(138,896)	(697,395)	(8,753)	(14,821)	(41,771)	(15,374)	(917,010)
Carrying value	187,029	161,767	7,678	2,475	10,251	44,995	414,194

Increases amounting to €55,996 thousand are detailed in the Business Report. For obsolete assets in Presider S.p.A. that are no longer used or usable in the production cycle, the depreciation process was discontinued. These assets were booked at the lower of net book value and recoverable value, considered to be zero as it cannot be objectively determined, with a write-down of €557. This write-down, in accordance with the provisions of OIC 9, was made because these plants, deriving from the acquisition of Fer-Par's business unit last year, are no longer capable of producing future economic results, thus deeming the impairment to be permanent.

The value of the buildings also includes the amount (net of depreciation) of the revaluations carried out in accordance with the dictates of the 2020 legislation (Decree-Law 104/2020). A breakdown is given below.

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

III. Financial assets

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

Description	2021	2020	Change
Equity interest in associates	29,327	26,953	2,374
Equity interest in other companies	9,531	9,994	(463)
Receivables from associates	10	10	-
Receivables from others	5,498	4,938	560
Other securities	669	497	172
Total	45,036	42,392	2,645

The item equity interest in associates, which have entered the scope of consolidation using the equity method, reflects the individual companies' result pertaining, which pertains to the Group, which is detailed in the relevant section of the income statement.

Equity interest in associates

The following associates were valued using the equity method.

Name and location	Share capital	Shareholders' equity	Profit/ (Loss)	Relevant Profit/ (Loss)	% stake held	Carrying value
Beta S.A. Buzau (R)	714	14,858	64	15	24.00%	3,070
Media Steel S.r.l.	200	6,470	463	208	45.00%	2,911
Dima	1,000	4,689	1,336	414	31.00%	1,454
Alpifer S.r.l. (Unifer-Steelfer)	9,560	22,704	1,220	610	50.00%	11,352
Comeca S.p.A.	2,800	10,935	417	83	19.85%	2,171
Agroittica S.p.A.	12,500	17,314	(69)	(31)	45.46%	7,871
San Vigilio partecipazioni	50	1,127	(8)	(3)	33.00%	180
Feralpi Salo'	297	143	(353)	(157)	44.37%	102
Far Energia S.r.l.	100	681	55	17	30.00%	217
Total associates				1,156		29,327

For details on revaluations and write-downs for the year, please refer to the specific section in the income statement entitled 'Value Adjustments on Financial Assets'.

Other companies

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

Description	2020	Increase	Decrease	2021
Finanziaria di Valle Camonica S.p.A.	3,567	250	-	3,817
Fondazione nazionale CRS	5	-	-	5
CSMT	22	-	-	22
Metalinterconnector	6,195	1,082	(2,416)	4,861
Alpicapital	-	440	-	440
Cysero EuVeCa	-	186	0	186
Other minority interest companies	205	-	(5)	200
Total other companies	9,994	1,958	(2,421)	9,531

The most significant changes in 2021 concern the impairment of the equity investment in Metalinterconnector, relating to the subsidiaries Feralpi Siderurgica S.p.A. (€1,516 thousand) and Acciaierie di Calvisano S.p.A. (€899 thousand).

Two other significant increases concern the purchase of a shareholding in the company Alpicapital S.p.A. for €440 thousand (a company operating in the renewable energy sector) and in the Cysero fund for €186 thousand.

Financial receivables from associates and others

A breakdown of financial receivables from associates is given below:

Description	2020	Increase	Decrease	2021
Associates (<12 months)	10	-	-	10
Others	4,938	560	-	5,498
Total	4,948	560	-	5,508

Receivables from others are mainly for guarantee deposits of the parent and Italian companies.

Current assets

I. Inventories

Inventories, which are recognised at the lower of the cost and the fair value, are valued using the weighted average cost method. This method is more appropriate to normalize the fluctuations in the price of raw materials than that of finished products, thus allowing the reader to have a better interpretation of the accounting figures. Closing inventories as at 31.12.2021 were assessed by means of a physical inventory under the supervision of the various heads of department.

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

Description	2021	2020	Change
Raw materials, supplies and consumables	163,890	107,002	56,888
Work in progress and unfinished products	34,345	26,642	7,703
Finished products and goods	196,854	95,289	101,565
Down payments	434	3,671	(3,237)
Total	395,523	232,604	162,920

The increase in inventories compared to the previous year is due to the increase in prices, which were strongly affected by the rise in input costs. In this regard, please refer to the description in the Business Report attached to these annual Financial Statements.

Accounts receivable

A breakdown of this item is given below.

Description	2021	2020	Change
Receivables from customers under current assets	459,768	261,763	198,006
Receivables from associates under current assets	93	-	92
Tax assets under current assets	14,084	40,659	(26,574)
Prepaid tax assets under current assets	25,858	21,866	3,992
Receivables from others under current assets	16,572	9,113	7,459
Total	516,376	333,400	182,976

The balance of accounts receivable for the year ended 31 December 2021 is broken down by maturity date as follows:

Description	Less than 12 months	Over 12 months	Total
Receivables from customers under current assets	459,768	-	459,768
Receivables from subsidiaries under current assets	-	-	-
Receivables from associates under current assets	93	-	93
Receivables from controlling companies under current assets	-	-	-
Tax assets under current assets	14,084	1	14,084
Prepaid tax assets under current assets	25,858	-	25,858
Receivables from others under current assets	11,974	4,598	16,572
Total	511,778	4,598	516,376

Trade receivables are recognized net of the allowance for doubtful accounts currently equal to €5,001 thousand. The nominal value of receivables is adjusted to their estimated realisable value by means of a specific provision for bad debts, which underwent the following changes during the year. In particular, the increase is due to the greater provision made by the individual entities to face possible insolvencies that could be caused by the economic and financial uncertainty caused by the COVID-19.

Description	2020	Utilisation	Allocation	2021
Provision for doubtful debts	3,906	(495)	1,608	5,019

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

	Italy Commercial	Italy Others	Other EU countries Commercial	Other EU countries Others	Non-EU	Total
Receivables from customers under current assets	340,576	91	87,360	194	31,548	459,768
Receivables from associates under current assets	13	80	-	-	-	93
Tax assets under current assets	-	14,084	-	-	1	14,085
Prepaid tax assets under current assets	-	25,858	-	-	-	25,858
Receivables from others under current assets	-	4,886	-	11,141	545	16,572
Total	340,589	45,000	87,360	11,335	32,093	516,376

Tax assets

Tax assets, totalling €14,085 thousand, are broken down as shown below.

Description	2021	2020	Change
VAT assets	9,894	29,306	(19,412)
R&D assets	3,352	2,597	755
IRAP/IRES tax assets	711	8,640	(7,929)
Other tax assets	128	116	12
Total	14,084	40,659	(26,574)

Tax receivables amounting to Euro 14,084 thousand decreased compared to the previous year by €26,574 thousand, mainly due to two reasons: as of 2021, certain Group companies are subject to the Group VAT scheme, which entails the transfer of receivables and payables generated by individual companies directly to the Parent

Feralpi Holding S.p.A. Therefore, unlike in previous years, the VAT receivables of the individual companies were transferred each month to the Group, thus not being retained by the entity that generated them, but rather were offset against the same number of debts generated periodically.

Prepaid taxes

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

Description	2021	2020
Tax losses	22,798	15,904
Deferrization material	185	340
Civil and Tax depreciation diff. adjustment	461	2,958
Provision for sundry risks	439	426
Others	1,974	2,238
Total	25,857	21,866

Deferred tax assets decreased compared to the previous year; in this respect, the Business Plan shows that they can be recovered within a reasonable period of time.

Receivables from others

Under receivables from others, amounting to €16,572 thousand, up by €7,459 thousand compared to the previous year, the most significant item, amounting to €3,074 thousand, is related to customer AFV for the sale of market shares related to merchant profiles. These receivables will have a final payment date of July 1, 2022.

Financial assets other than current assets

Below is a comparison with the previous year:

Description	2021	2020	Change
Financial assets other than non-current assets	686	686	-

The most significant amount concerns Certificates of Deposit subscribed by the Parent Company with Banca Santa Giulia during the 2015 financial year, for €450,000 maturing on February 23, 2022.

IV) Cash and cash equivalents

Description	2021	2020	Change
Bank and postal deposits	103,581	67,117	36,464
Cash in hand	9	9	-
Total	103,591	67,126	36,464

The balance reflects the cash and cash equivalents and the existence of monetary assets at the end of the financial year, which are largely held by the Group's German companies. For understanding the origin of the cash formation, reference must be made to the cash flow statement included in the business report.

Prepayments and accrued income

They measure income and expenses whose accrual is anticipated or deferred with respect to the numerical and/or documentary evidence of occurrence; they are irrespective of the date of payment or collection of the related income and expenses, common to two or more financial years and allocable on a time basis. For these items, too, the criteria adopted in the valuation and conversion of the values expressed in foreign currencies are reported in the first part of this Explanatory Note. As at 31 December 2021, there were no accruals with a term exceeding five years.

The following table shows the change compared to the previous year and a breakdown of this item.

Description	2021	2020	Change
Other accrued income	2,753	1,636	1,117
Total	2,753	1,636	1,117

Description	2021	2020	Change
Sundry	1,731	991	740
Interest and commissions	46	29	17
Insurance and guarantees	976	616	360
Total accrued income	2,753	1,636	1,117

LIABILITIES

A) Shareholders' equity

It is noted that the share capital of the parent company amounted to €55,000 thousand as at 31 December 2021.

The adjustments deriving from the consolidation process resulted in the following differences between the financial statements as at 31 December 2021 for the parent company Feralpi Siderurgica S.p.A. and the Group's consolidated financial statements on that date.

RECONCILIATION STATEMENT BETWEEN THE PARENT COMPANY'S SHAREHOLDERS' EQUITY AND OPERATING RESULT AND THE SAME ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31.12.2021

	Operating result	Shareholders' equity
Feralpi Holding S.p.A.	1,976	132,290
Elimination of intercompany transaction effects		
Intra-group margins included in the value of inventories	(529)	(991)
Elimination of equity carrying value		
Goodwill	(189)	943
Elision of subsidiaries profit/ equity	160,868	678,709
Elision of subsidiaries equity interest	0	(153,254)
Elision of dividends	(9,370)	9,369
Consolidation using the equity method	3,127	10,441
Treasury share reserve		(1,027)
Consolidated profit/share capital	155,884	676,479
Consolidated profit/share capital from consolidated financial statements	155,884	676,479
Minority interest profit / share capital	1,863	2,906
Group's profit/share capital	154,021	673,573
Group's profit/share capital from consolidated financial statements	154,021	673,573

The figures shown are net of taxes.

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

	Share capital	Share premium reserve	Legal reserve	Extraord. Reserve	Profit/(Loss) brought forward	Currency transl. reserve	Share premium reserve	Negative share premium reserve	Reval. Reserve	Consol. Reserve	Financial operations hedging reserve	Result for the year	Total	Minority interest result	Minority interest capital	Total
31 December 2021	55,000	516	4,499	24,833	30,720	164	-	(1,028)	1,964	398,277	(628)	4,206	518,523	1,244	1,082	520,849
Allocation of the 2020 operating result					12,781					(8,577)		(4,206)	(2)	(1,244)	(1,082)	(2,328)
Other movements						404				90	538		1,032			1,032
2021 operating result												154,021	154,021	1,863	1,043	156,927
31 December 2021	55,000	516	4,499	24,833	43,501	567	-	(1,028)	1,964	389,790	(90)	154,021	673,572	1,863	1,043	676,480

B) Provision for contingent liabilities and charges

A breakdown of this item is given below:

Description	2020	Increase	Decrease	2021
Suppl. sales agents' customer indemnity	1,338	58	71	1,325
Provision for deferred taxation	100	1,188	-	1,288
Financial derivatives liability	945	-	726	219
For slag disposal	269	-	-	269
Other contingencies	18,447	4,066	1,538	20,975
Total	21,099	5,312	2,335	24,075

The most significant item is deferred taxation, which increased by €1,188,000 compared to the previous year.

Provisions for sundry contingencies also increased due to risks related to possible litigation with former employees.

The most significant item is the provision for sundry contingencies, which, as of 31 December 2021, consisted of the following.

Description	2020	Increase	Decrease	2021
Provision for antitrust penalties	5,125	-	-	5,125
Provision for "post-closure" landfills	11,098	2,027	-	13,125
Others	2,224	2,039	1,538	2,725
Total	18,447	4,066	1,538	20,975

The provision for antitrust penalties relates to the parent company's accrual of €5,125 thousand due to the possible settlement proposal by the European Antitrust Authority for the penalty levied in 1994, which has been repeatedly paid and returned following the decisions issued by the various competent bodies at different levels of judgement, which is still pending.

Conversely, the main decrease is attributable to the company Presider Spa for €900 thousand referring to costs estimated for the re-organisation of employees transferred with the business unit during the previous year from the associated company Fer-par and discharged for their utilisation and redundancy.

The €2,027 thousand increase in the provision for "post-closure" landfills is due to the subsidiary Ecoeternit.

C) Employee-leaving indemnity

The change is shown below.

	Employee severance pay
Opening value	7,369
Changes during the year	
Allocation for the year	2,711
Utilisation during the year	(3,005)
Closing value	7,075

The figure set aside reflects the amount the company actually owes its employees as at 31 December 2021, net of any advances paid.

Accounts payable

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

Description	2021	2020	Change
Convertible bonds	-	5,000	(5,000)
Bank borrowings	223,269	196,276	26,992
Payables due to other lenders	5,510	11,768	(6,258)
Payables for advance payments	5,115	1,173	3,942
Trade creditors	370,352	257,071	113,283
Payables owed to associates	84,833	28,844	55,989
Tax liabilities	49,659	6,518	43,143
Social security contribution liabilities	5,544	5,120	424
Other payables	40,388	35,560	4,827
Total	784,671	547,329	237,342

Description	Less than 12 months	Over 12 months	Over 5 years	Total
Bank borrowings	118,186	105,083	-	223,269
Payables due to other lenders	674	4,836	-	5,510
Payables for advance payments	5,115	-	-	5,115
Trade creditors	370,341	12	-	370,352
Payables owed to associates	84,833	-	-	84,833
Tax liabilities	49,570	89	-	49,659
Social security contribution liabilities	5,544	-	-	5,544
Other payables	39,995	393	-	40,388
Total	674,259	110,413	-	784,671

Convertible bonds

During 2018, the bondholders subscribed to a new bond loan in the amount of € 5,000 thousand maturing on July 1, 2023, consisting of 5,000,000 bonds with a par value of €1 each, which was redeemed during 2021.

Bank borrowings

The balance of payables to banks and credit institutions, for investments and financial reorganisation, outstanding as at 31 December 2021 amounted to a total of € 223,269. They are secured by collateral for €111 million (€85 million Feralpi Siderurgica, €20 million Calvisano, €6 million Presider). It should be noted that the covenants attached to the existing loans have been fulfilled;

The table below shows a breakdown of this item.

Description	2021	2020	Change
Bank current accounts	70,341	69,992	349
Loans falling due <12 months	47,844	36,307	11,537
Loans falling due >12 months and <5 years	105,084	89,977	15,107
Total	223,269	196,276	26,993

It is worth noting that the company issued guarantees, in favour of banking institutions, covering credit facilities for Group companies, for a total amount of €294,890,000. These are guarantees related to the companies' credit lines

Payables due to other lenders

Payables to other lenders in the amount of €5,510 thousand pertain to Caleotto and refer to a finance lease agreement (technically lease-back) for a 10-year term that had a total value of €8,750 thousand on the date it was entered (2019).

Payables for advance payments

Payables for advance payments amounting to €5,115 thousand include €4,914 thousand related to Feralpi Siderurgica Spa, of which €4,000 thousand refer to the advance payment received for the future sale of land to the high-speed rail network.

Trade creditors

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

Description	Italy Commercial	Other EU countries Commercial	Non EU	Total
Trade creditors	240,230	125,206	4,916	370,352
Total	240,230	125,206	4,916	370,352

Tax liabilities

Tax liabilities within 12 months are broken down as follows.

Description	2021	2020	Change
Individual income tax (IRPEF)	5,759	2,845	2,914
VAT liability	123	2,102	(1,979)
Sundry tax and duty liabilities	43,777	1,571	42,206
Total	49,659	6,518	43,141

The most significant item is tax payables totalling €43,777 thousand, up on the previous year. This increase is closely related to the results achieved by Group companies during the year.

Payables due to social security institutes

Amounts due to social security institutes amounting to 5,544 thousand include the debt accrued to employees mainly for accrued paid holidays and leaves. Compared to the previous year, this item shows a decrease of €424 thousand.

Other payables

A breakdown of this item by type is given below.

Description	2021	2020	Change
Personnel expenses paid	17,889	14,227	3,662
Rewards to customers	10,180	8,974	1,206
Others	12,319	12,359	(40)
Total	40,388	35,560	4,828

The most significant liability relates to the December remuneration of employees and collaborators, which is paid as usual within the first few days of the following month, the increase relates to all Group companies for bonuses paid.

Accruals and deferred income

Accruals and deferred income are the connecting items for the year calculated on an accrual basis. It should be noted that as at 31 December 2021 there were no accruals and deferred income exceeding five years. The comparative table below shows a virtually unchanged situation on the previous year.

Description	2021	2020	Change
Accruals and deferred income	1,109	862	247
Total	1,109	862	247

Deferred income is broken down over time as follows:

Description	Less than 12 months	Over 12 months	Over 5 years	Total
Accruals and deferred income	1,109	-	-	1,109
Total	1,109	-	-	1,109

INCOME STATEMENT

A comparison is made between the 2021 and 2020 consolidated income statements.

A) Production value

A breakdown of this item is detailed below.

Description	2021	2020	Change
Revenues from goods sold and services rendered	1,928,446	1,238,398	690,048
Change in product inventories	109,917	(25,427)	135,344
Change in work in progress to order	-	-	-
Increase in capitalized internal work	4,730	3,698	1,033
Other revenues and income	14,993	5,788	9,204
Total	2,058,086	1,222,457	835,629

The increase in turnover on the previous year reflects the market situation. Further details are provided in the Business Report.

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

Category	2021	2020	Change
Rentals	175	614	(439)
Release of provisions for risks	-	950	(950)
Incentives	2,675	1,529	1,146
Other revenues and reimbursements	12,143	2,695	9,448
Total	14,993	5,788	9,205

The most significant change relates to 'other income' in the amount of €9,448,000, of which €6,330,000 relates to Feralpi Profilati Nave S.r.l. for the recognition of the sale of the market to the customer AFV.

The table below shows a breakdown of revenues from sales by geographical area:

Geographical area	2021	2020	Change
Italy	795,643	469,229	326,414
Other EU countries	995,192	621,187	374,005
Non-EU countries	137,611	147,981	(10,370)
Total	1,928,446	1,238,398	690,048

B) Production costs

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

Description	2021	2020	Change
Raw materials, supplies, consumables and goods	1,317,095	772,636	544,459
Services	397,920	255,548	142,372
Hire, purchase and leasing charges	6,182	5,566	616
Personnel	109,712	101,071	8,642
Amortisation, depreciation and write-downs	52,966	55,196	(2,229)
Changes in inventories	(54,266)	7,206	(61,473)
Provision for contingent liabilities	408	200	208
Other provisions	2,160	1,543	617
Other operating charges	7,173	4,936	2,236
Total	1,839,351	1,203,902	635,448

Cost for raw materials, supplies, consumables and goods

Compared to the previous year, raw materials, supplies and consumables increased by €544,459,000. For more information on the economic trend for the year, reference must be made to the Business Report.

It is worth noting that the cost of scrap accounted for about 80% of the total cost of raw materials.

Cost for services

Below is a breakdown of service costs showing a significant increase in almost all the items listed. The increase is mainly due to the rise in energy costs, which resulted in an increase of €134 thousand compared to the previous year, as better described in the Business Report in these Financial Statements.

Description	2021	2020	Change
Maintenance and outsourced services	67,924	65,126	2,798
Production services	37,757	33,738	4,019
Energy and utilities	210,233	76,179	134,054
Transport and internal movements	50,397	59,875	(9,478)
Consultancy, insurance, advertising	26,995	16,887	10,108
Others	4,614	3,743	871
Total	397,920	255,548	142,372

Costs for hire, purchase and leasing charges

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

Description	2021	2020	Change
Rentals	4,443	4,070	373
Licence fees	1,739	1,496	243
Total	6,182	5,566	616

Personnel expenses

This item includes the entire expenditure for employees, including staff merit salary increases, category upgrades, cost-of-living increases, untaken leave, and provisions required by law and collective labour agreements.

Description	2021	2020	Change
Wages and salaries	80,349	73,821	6,528
Social security contributions	22,344	20,631	1,713
Severance pay allowance	2,711	2,499	212
Others	4,309	4,120	189
Total	109,712	101,071	8,641

Personnel expenses increased significantly as a result of the growth in production which required more hours worked and a greater number of resources employed (overtime and new resources added).

Amortisation, depreciation and write-down allowances for non-current assets

Amortisation and depreciation allowances have been on the basis of the useful life of assets and their utilisation in the production process.

The provision relates to the adjustment for doubtful debts and was allocated based on the estimated recoverability of recognized receivables.

Description	2021	2020	Change
Depreciation of tangible assets	45,547	46,091	(544)
Amortisation of intangible assets	5,253	4,617	636
Impairment of receivables	1,608	1,332	276
Total	52,409	52,040	369

Other write-downs of non-current assets

This item amounts to €557 thousand and relates to the write-down necessary to adjust the value of plant and equipment owned by Presider S.r.l.

For obsolete assets that are no longer used or usable in the production cycle, the depreciation process was discontinued; in fact, they were recognised at the lower of net book value and recoverable value, which is considered zero as it cannot be objectively determined, resulting in a write-down amounting to €557,031.

According to the provisions of OIC 9, this write-down was made because these facilities, resulting from the takeover of Fer-Par's business unit last year, are no longer capable of producing future economic results, thus rendering the impairment loss permanent.

Provision for contingent liabilities

During the year, the Group set aside provisions of €408 thousand, of which €400 thousand related to a prudential provision for the reclamation of land at the production site sold by Feralpi Siderurgica S.p.A. to third parties for public works.

Other provisions

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

Other operating charges

This item includes membership fees, IMU, losses on receivables, sundry taxes and duties, and non-deductible costs for tax purposes; a breakdown is provided below, showing a €2,237 thousand increase over the previous year. The increase is mainly due to ESF.

Description	2021	2020	Change
Donations and charities	99	169	(70)
Membership fees	386	368	18
Taxes and duties	2,113	1,790	323
Loss on receivables	7	530	(523)
Others	4,568	2,079	2,489
Total	7,173	4,936	2,237

C) Financial income and charges

Description	2021	2020	Change
From equity investments in other companies	111	63	48
Other financial income	522	381	141
Total financial income	632	444	188
Interest and other financial expenses	4,016	4,152	(136)
Total financial expenses	4,016	4,152	(136)
Exchange gains and losses	75	(158)	233
Total	(3,309)	(3,866)	557

The decrease as compared to the previous year is mainly due to exchange rate gains.

Financial income

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

Description	2021	2020	Change
Dividends	111	63	48
Bank and other interest income	522	381	141
Total	632	444	188

Financial expenses

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

Description	2021	2020	Change
Bank interest expense	(3,155)	(1,912)	(1,243)
Interest on loans	(786)	(1,495)	709
Financial discount and expenses	0	(18)	18
Foreign exchange gains (losses)	(75)	(158)	83
Interest expense on hedges	0	(569)	569
Total	(4,016)	(4,152)	136

D) Adjustments to the value of financial assets

Revaluations/impairments

The table below shows the revaluations and impairment losses for 2021, which are mainly associated with the valuation of equity investments in associates included in the scope of consolidation using the equity method and other minor companies.

Description	2021	2020	Change
Beta	18	36	(18)
Media Steel	208	203	5
Far energia	39	-	39
San Vigilio partecipazioni	-	-	-
Alpifer	2,374	610	1,764
Cogeme Steel	-	-	-
Caleotto	-	-	-
Dima	414	331	83
Agroittica	-	-	-
Comeca	76	66	10
Total associates revaluations	3,129	1,246	1,883
Mittel	-	-	-
Other minor	2	-	2
Total other companies revaluations	2	-	2
Total Revaluations	3,131	1,246	1,885
Agroittica	246	1,922	(1,676)
Cogeme Steel	242	636	(394)
Caleotto	-	472	(472)
Alpifer	-	-	-
Ecotrading	-	18	(18)
Far energia	-	45	(45)
Total associates impairments	488	3,093	(2,605)
Metalinterconnector	2,415	0	2,415
Feralpi Salò	355	200	155
Other minor	3	2	1
Total other companies impairments	2,773	202	2,571
Total Impairments	3,260	3,295	(35)
Revaluations (Impairments)	(129)	(2,049)	1,920

The above table shows the values relating to companies entered in the consolidation scope according to the net equity method for revaluations and/or write-downs that have been offset in a single amount for each of them.

Income tax for the year

Description	2021	2020	Change
Current taxes	57,667	4,785	52,882
Prepaid taxes	1,746	2,407	(661)
Total	59,413	7,192	52,221

All companies with a negative result recognised deferred tax assets on the tax loss generated during the year.

The taxes have been calculated in accordance with the regulations of the tax consolidation scheme.

Employees

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

Description	2021	2020	Change
Executives	38	37	1
Office workers and middle managers	511	528	(17)
Factory workers	1,200	1,145	55
Total	1,749	1,710	39

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

Company	2021 average	2020 average	Change
Feralpi Holding S.p.A. (Italy)	57	53	4
Ecoetemit S.r.l. (Italy)	6	6	0
Presider S.p.A. (Italy)	106	64	41
MPL S.r.l. (Italy)	13	13	0
Caleotto S.p.A. (Italy)*	9	8	1
Arlenico (Italy)*	87	83	3
Feralpi Siderurgica S.p.A. (Italy)	433	392	41
Presider Armature (France)	4	4	0
Acciaierie di Calvisano S.p.A. (Italy)	128	122	6
Fer Par S.r.l. (Italy)	-	84	(84)
Feralpi profilati Nave S.r.l. (Italy)	1	2	(1)
Nuova Defim S.p.A. (Italy)	79	77	2
ESF GmbH (Germany)	671	659	12
Feralpi Stahlhandel GmbH (Germany)	9	10	(1)
Feralpi Logistik GmbH (Germany)	34	35	(1)
Feralpi Algerié (Algeria)	12	13	(1)
Feralpi Praha Sro (Czech Republic)	45	45	(0)
Feralpi Hungaria Kft (Hungary)	17	16	1
Total	1,710	1,687	24

Supplementary disclosure

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

Position	Fee
Directors	2,816
Auditors	231
Total	3,047

The fees paid for statutory audits of the group companies' accounts and the supervision of the group consolidated financial statements amounted to €250 thousand.

Facts of note occurring after the closing date

In January 2022 the Feralpi Group established the company Feralpi Power On to manage its photovoltaic power plant. Reducing environmental impact and further developing the business are being achieved through a greener energy mix in the Feralpi Group. The Group's 5-year set goal is to achieve 100 megawatts of installed power for self-consumption, to cover 20% of the Group's requirements in its companies in Italy. Thanks to this new investment, the Feralpi Group is set to reduce its CO₂ emissions by approximately 85,000 tonnes a year on completion of the project.


Furthermore, in April Nuova Defim S.p.A. took over a Spanish group that produces large-scale shelving for the logistics sector, thereby increasing production in the business unit focusing on product diversification.

In 2020 the Group decided to leave the merchant steel market, and therefore on 12 January 2021 sold the relevant rolling mill equipment to third parties, definitively closing a difficult chapter to proceed with expanding profiling operations in Nave through the company Presider S.p.A.

2022 started with positive signs in the wake of 2021, both in terms of sales of rebar and downstream products and in terms of the performance of subsidiaries. On the basis of the information available, Feralpi Siderurgica and its subsidiaries are expecting business performance to be in line with the reference markets, including on the basis of internal plans. However, these are affected by conditions which are uncertain due to the Covid-19 pandemic and their impact on economic activity, in addition to the escalation of the Russia-Ukraine conflict, which constitutes another highly unpredictable factor in the economic situation in the near future.

To compete successfully, Feralpi Siderurgica and the Group's companies recently introduced tools to enable appropriate forecasting. In 2020 a Business Plan was drawn up which, at the time of writing this document, is being updated due to developments in investment opportunities, which the Group has underway.

A pooled investment scheme was set up in January in connection with a three-year investment plan to refinance existing debt and supporting planned investments.



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

The Chairman
Giuseppe Pasini

Lonato del Garda, May 26, 2022

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Board of Auditors' Report

Consolidated Financial Statement
as at 31st December 2021

***Board of Auditors' Report to the Annual General Meeting of Feralpi Holding S.p.A.,
prepared in compliance with art. 2429, subsection 2, of the Italian Civil Code***

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

Introduction

This report was approved by the Board of Statutory Auditors, in time for its filing at the registered office of Feralpi Holding S.p.A. (the "Company"), and summarises the activity concerning the information required by Article 2429, subsection 2, of the Italian Civil Code, referring to the financial year ended 31 December 2021, which was inspired by the Rules of Conduct of the Board of Statutory Auditors recommended by the National Register of Certified Chartered Accountants and Statutory Auditors.

Supervisory activity

During the year, supervisory activities were carried out taking into consideration the type of operations carried out by the Company, its size, management complexity and organisational and administrative structure. In particular:

- we ensured compliance with the law, the deed of incorporation and the principles of proper administration;
- we obtained from the corporate bodies, during the various assemblies and meetings, information on the general performance and foreseeable evolution of operations, including information regarding the effects arising from the development of the Covid-19 pandemic, as well as considerations in relation to the uncertainties connected with the Russian-Ukrainian conflict
- we regularly attended general assemblies and board meetings, which were held in compliance with the statutory and legislative provisions, which govern their functioning, and for which we can reasonably assure that the actions resolved are in compliance with the law and the Articles of Association, and are not manifestly imprudent, risky, in potential conflict of interest or such as to compromise the integrity of the company's assets;
- we monitored the Company's organisational structure and the administrative and accounting system;
- we exchanged information with the contact persons of the auditing firm;
- we exchanged information with the Supervisory Board pursuant to Legislative Decree pursuant to legislative decree no. 231/2001.

During the supervisory activity, as described above, no facts or findings emerged that need to be mentioned in this Report.

With reference to the additional duties of the Board of Statutory Auditors, we report that: (i) no complaints have been received from third parties; (ii) during 2021, further assignments were entrusted – at a company and group level as well - to the independent auditors, as indicated in the financial statements; (iii) no action had to be taken as a result of omissions by the board of directors pursuant to art. 2406 of the Italian Civil Code; (iv) no complaints were made pursuant to art. 2409(7) of the Italian Civil Code.

In connection with the financial statements for the year ended 31.12.2021, prepared by the Board of Directors on a going concern basis, we

- verified that the Directors had not adopted any departure from art. 2423, subsection 4, of the Italian Civil Code;
- ascertained that the financial statements correspond to the facts and information of which we are aware, as a result both of the performance of our supervisory, inspection and control duties and of our participation in board meetings;

- verified compliance with the legal requirements concerning the preparation of the Business Report, which includes in the "Business Outlook" the Directors' considerations regarding uncertainties related to the current macroeconomic and geopolitical environment "*that could have a negative impact on the demand for steel*".

In the course of our auditing activities, as described above, no observations emerged that need to be highlighted in this Report.

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

However, we remain at your complete disposal to discuss any further aspects during the Shareholders' Meeting.

Conclusions

Therefore, in light of the foregoing and the results of the work carried out by the body entrusted with the legal audit, we propose that the Shareholders' Meeting approve the separate financial statements, closed on 31.12.2021, as prepared by the Board of Directors. Furthermore, there is nothing to be observed with regard to the proposal of the Board of Directors concerning the allocation of the profit for the year.

Lonato del Garda, June 10, 2022

The Board of Auditors
Giancarlo Russo Corvace
Alberto Soardi
Stefano Guerreschi

The image shows two handwritten signatures in blue ink. The top signature is for Giancarlo Russo Corvace, and the bottom signature is for Stefano Guerreschi. The signatures are written in a cursive style.

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Independent Auditors' Report

Consolidated Financial Statement
as at 31st December 2021



Feralpi Holding S.p.A

Consolidated Financial Statements as at December 31, 2021

Independent Auditors' report

Pursuant to art. 14 of legislative decree no. 39 of January 27, 2010



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Independent auditor's report Pursuant to art. 14 of legislative decree no. 39 of January 27, 2010

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

Report on the Consolidated Financial Statements audit

Opinion

We have audited the accompanying consolidated financial statements of the Feralpi Holding Group (the Group), which comprise the consolidated balance sheet as at December 31, 2021, the consolidated income statement, the consolidated statement of cash flows for the year then ended and the explanatory note.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2021, its financial performance and its cash flows for the year then ended, in accordance with Italian laws governing the layout principles.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italy). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of Feralpi Holding S.p.A. in accordance with the code of ethics for professional accountants established by Italian law on financial statements auditing. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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



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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Opinion pursuant to art. 14, subsection 2, letter e) of Italian legislative decree no. 39 of January 27, 2010

The directors of Feralpi Holding S.p.A. are responsible for preparing the Feralpi Holding Group's business report as at December 31, 2021, including consistency with the related consolidated financial statements and compliance with the law.

We performed the procedures required under audit standard (ISA Italia) no. 720B in order to express an opinion on the consistency of the business report with the consolidated financial statements of Group as at December 31, 2021, and on its compliance with the provision of law, as well as issue a declaration on any material error.

In our opinion, the business report is consistent with the consolidated financial statements of the Feralpi Holding Group as at December 31, 2021, which was prepared in compliance with legal requirements.

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

Brescia, June 10, 2022

EY S.p.A.

Signed by

Andrea Barchi

(Statutory Auditor)



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