

Year 2020

Consolidated Financial Statements





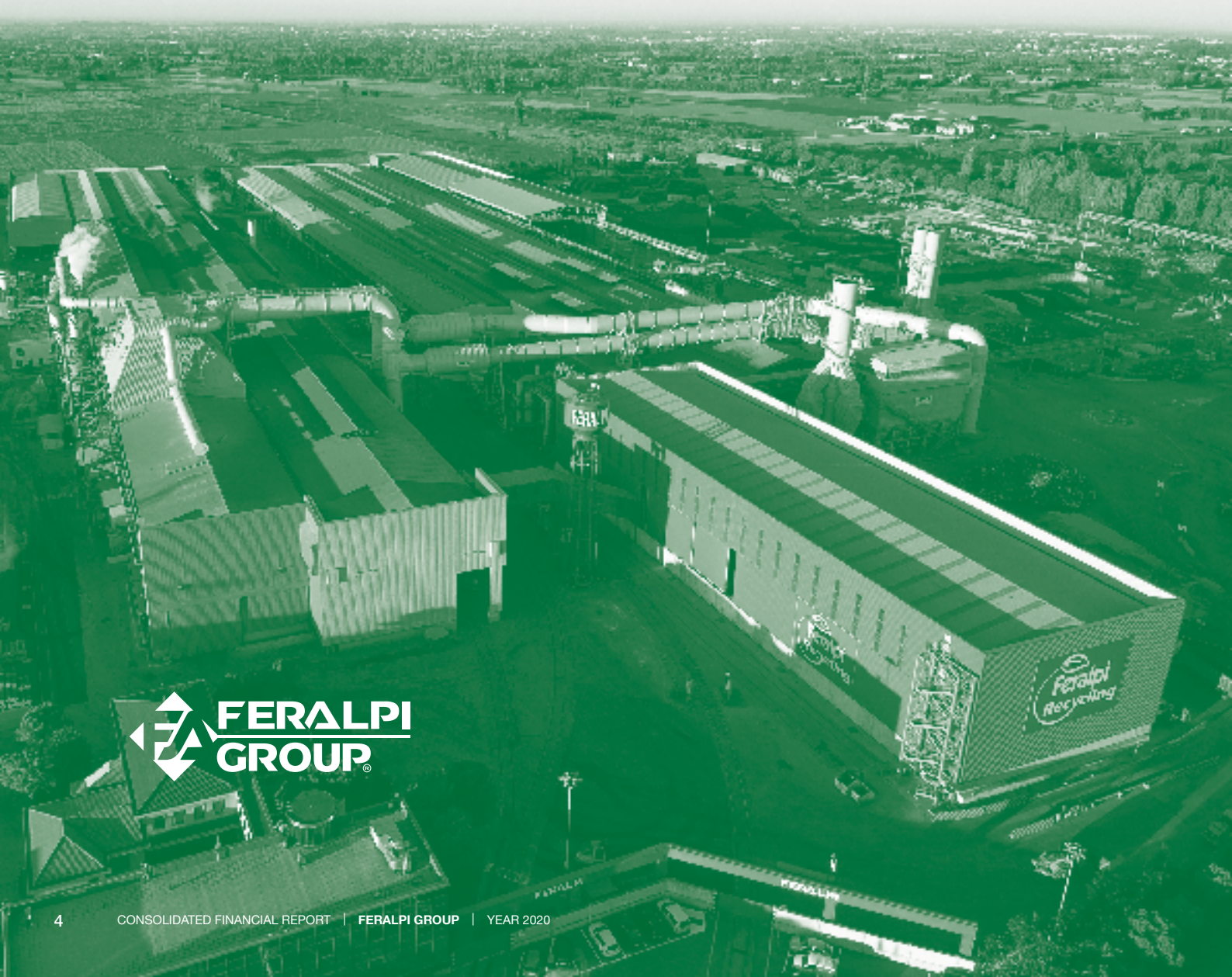
A special tribute goes to the memory
of the founder **Carlo Pasini**
and his wife **Lidia Camilla Savoldi**

Year 2020



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Company organisation chart 2021



Legend

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

Key economic figures



Key equity and financial figures

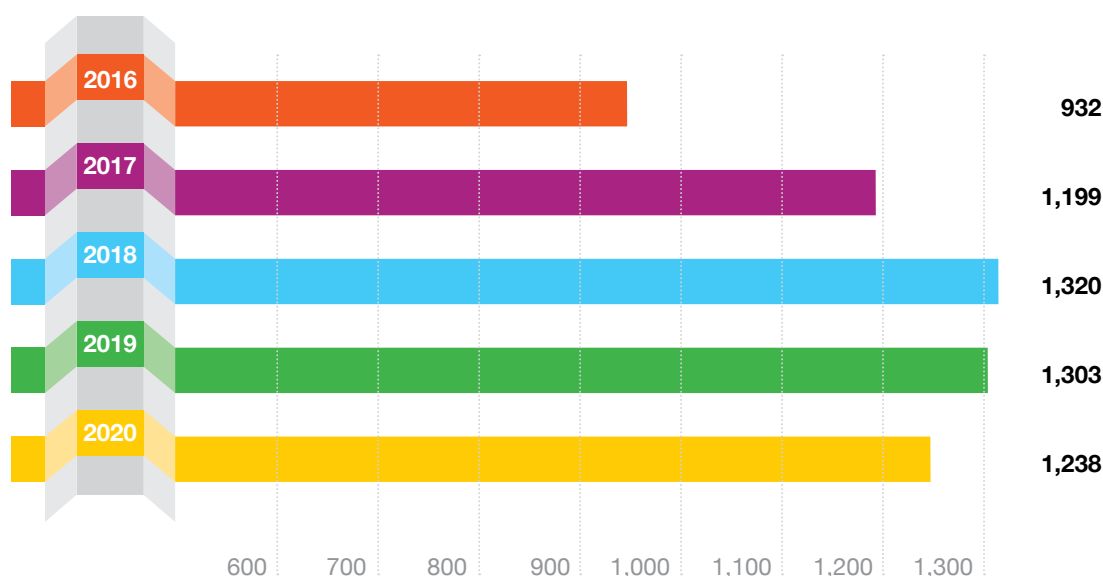
KEY ECONOMIC FIGURES		2018	2019	2020
	Sales	1,320,333	1,302,752	1,238,398
	Italy	(38%) 500,421	(37%) 483,784	(38%) 469,229
	Exports	(62%) 819,912	(63%) 818,968	(62%) 769,169
	Production value	1,366,314	1,331,674	1,222,458
	Pre-tax result	77,610	54,508	12,642
	Net result for the year	53,735	40,831	5,450
	Depreciation, amortisation and write-off	(46,092)	(53,935)	(55,196)
	Cash Flow	99,827	94,766	60,646
	Ebitda	126,237	125,101	73,751
	Ebit	80,145	71,166	18,555

(€,000)

KEY EQUITY AND FINANCIAL FIGURES		2018	2019	2020
	Investments made	60,618	54,521	55,597
	Net fixed assets	350,807	357,424	405,052
	Net equity	475,449	509,496	520,849

(€,000)

Consolidated sales (€/m)



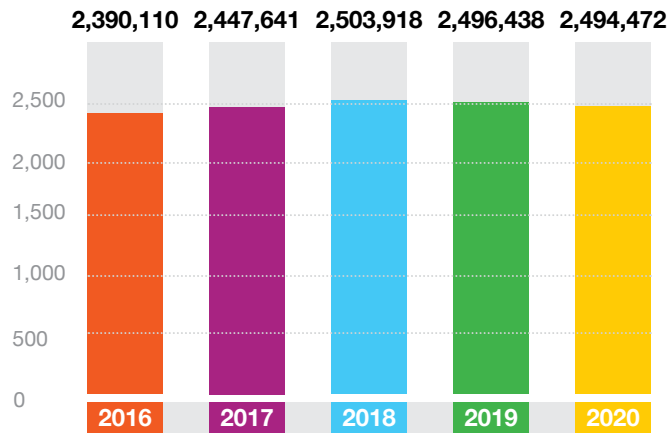
Production

Steel business



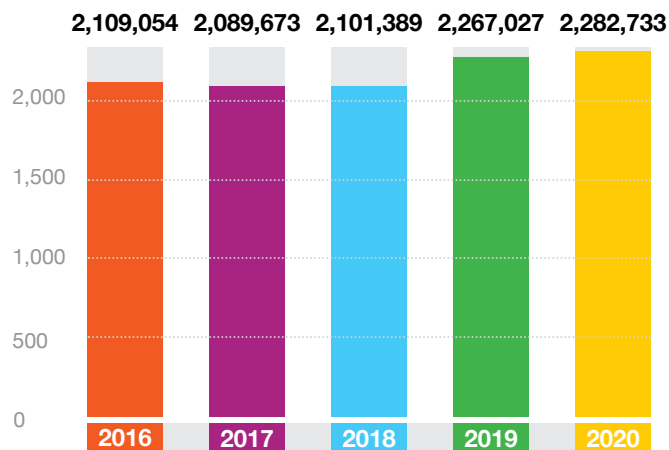
Steel billets (tonnes)

Feralpi Siderurgica SpA
Acciaierie di Calvisano SpA
ESF GmbH



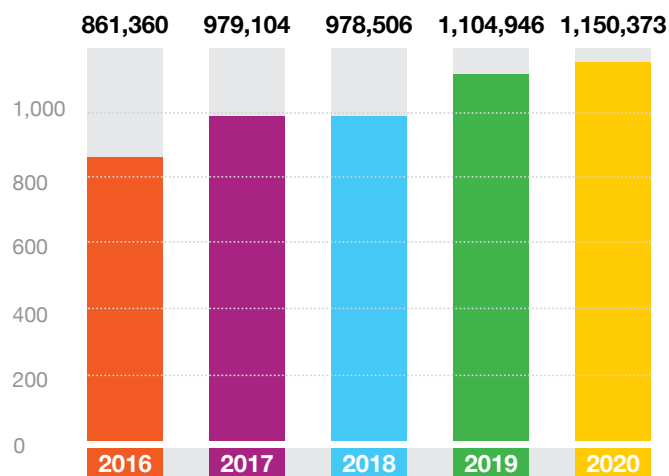
Rebar, reinforcing steel in coils, wire rod and merchant bars (tonnes)

Feralpi Siderurgica SpA
ESF GmbH
Feralpi Profilati Nave Srl



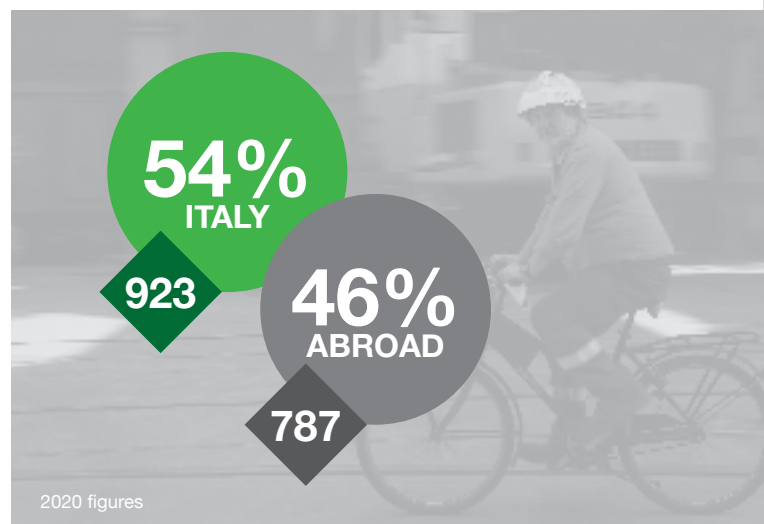
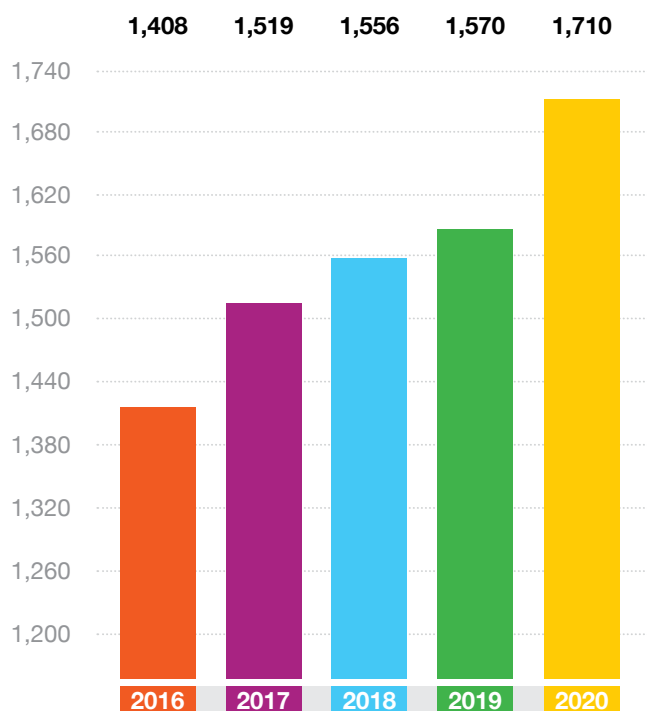
Cold-drawn steel - downstream products (tonnes)

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



Personnel

As at 31.12



Training hours

COMPANY	2018	2019	2020
Feralpi Holding	1,695	1,533	686
Feralpi Siderurgica	9,199	8,057	4,295
Acciaierie di Calvisano	3,443	2,532	1,024
Nuova Defim	2,040	1,097	472
Feralpi Profilati Nave	1,414	99	0
Fer-Par	12	1,885	486
Presider	1,017	535	154
MPL	149	147	78
Ecoeternit	0	104	340
Arlenico	0	0	423
Caleotto	0	0	73
ESF	9,119	6,665	9,386
Feralpi Stahlhandel	53	10	65
Feralpi-Logistik	267	8	75
Feralpi Praha	303	451	298
Feralpi Hungaria	0	80	24
Presider Armatures	0	0	0
Feralpi Algérie	58	14	10
TOTAL	30,699	23,217	17,889

CERTIFICATIONS



Feralpi Siderurgica
IT - 001669
del 10.12.2014

Feralpi STAHL Riesa
DE - 144 - 00047
von 2.08.2012



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Ente Italiano di Unificazione Siderurgica

Business Report

Consolidated Financial Statement
as at 31st December 2020

Business Report on the Consolidated Financial Statements as at 31st December 2020

To the Shareholders,

The year that ended on 31.12.2020 shows a positive result for the Group amounting to over € 4 million and a turnover of €1.24 billion.

The Board of Directors would like to express sincere thanks to all the Feralpi Group staff for the commitment and dedication they have been able to put into their own work, even in the midst of a health emergency that has affected our lives, even more as people, than as businesswomen and businessmen.

It should be noted that the Feralpi Holding Group has voluntarily prepared, with a separate report, the Non-Financial Statement.

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

The Group is controlled by Feralpi Holding and it split into two main areas – the first relating to the steelmaking business (Steel Business), and the second to various business, including operations in the environmental sector, property and portfolio holdings (Diversified Equity Investments).

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

As at 31.12.2020, the Feralpi Group organisational chart is as follows:



Legend

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

Group Structure

Steel Business

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

Feralpi Siderurgica SpA – Italy (100% owned by Feralpi Holding SpA)

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 SpA is also the Group's sub-holding for the steel sector and controls all the Italian and foreign subsidiaries.

The production site covers a total 517,900 m², of which 94,200 m² indoors, and is served by a railway siding.

Presider SpA – Italy (100% owned by Feralpi Siderurgica SpA)

The company is located at Borgaro Torinese (Torino) and manufactures reinforcing steel in bar and coils for building sites for use in the construction industry. It covers a surface area of 38,285 m², of which 20,830 m² indoors, including the sheds and buildings. The company also has a production plant in Maclodio (Brescia) covering 6,100 m² and one in Pomezia (Rome) covering 21,624 m².

Acciaierie di Calvisano SpA - Italy (100% owned by Feralpi Siderurgica SpA)

The plant, which is located in Calvisano (Brescia), makes steel billets and common and quality steel blooms. Sales are mainly aimed at the other companies of the Group. Products are sold on the Italian market. The production site covers 250,214 m², including 43,976 m² indoors.

This company owns:

Feralpi Profilati Nave Srl - Italy (100% owned by Acciaierie di Calvisano SpA)

The company Dieffe Srl, after the takeover of operations under "Stefana" composition, changed its corporate name into Feralpi Profilati Nave Srl. The main activity is the marketing of steel sections.

Following the conversion of the industrial site of Nave (Brescia), currently underway, the marketing of steel profiles is no longer active.

Fer-Par Srl – Italy (100% owned by Acciaierie di Calvisano SpA)

The company holds an equity interest in production and trading companies operating in the steel and structural work industry, such as ESF GmbH (2%), Comeca SpA and Feralpi Algérie Sarl.

The company also acquired the plant engineering line of business under the “Stefana” composition, and it has worked as subcontractor for Feralpi Profilati Nave Srl until 31.12.2020.

Following the conversion of the industrial site of Nave, the plants were sold to third parties; therefore, the production of steel profiles is no longer active.

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

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 SpA – Italy (100% owned by Acciaierie di Calvisano SpA)

The company and its 100% subsidiary Arlenico SpA are located in Lecco.

It 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, including sheds and buildings. The company was held in equal shares with Duferco Italia Holding SpA; on 31.03.2020, Acciaierie di Calvisano acquired the remaining 50%, and became the sole shareholder.

CO.GE.ME Steel Srl - Italy (100% owned by Acciaierie di Calvisano SpA)

The company, 100% owned by Acciaierie di Calvisano since June 2020, jointly with its 100% owned Nuova Cogeme Srl, is based in Casalmaggiore (Cremona). It is a specialist manufacturer of hot rolled products for use in the building and the mechanical industry. It covers a surface area of around 40,000 m², of which 26,000 m² indoors including sheds and buildings. As part of the broader industrial conversion operation of the site in Nave (Brescia), any production and marketing activities have ceased.

MPL Metallurgica Piemontese Lavorazioni Srl – Italy (100% owned by Acciaierie di Calvisano SpA)

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

The Group's second production hub is based in Riesa, in the region of Saxony, Germany. It comprises the following companies:

ESF Elbe-Stahlwerke Feralpi GmbH - Germany (98% owned by Feralpi Siderurgica SpA and 2% by Fer-Par Srl)

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 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 only marginally in neighbouring countries, such as Belgium, Holland, the Czech Republic, Hungary and Poland. The production site covers a total 607,000 m², of which 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 SpA)

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. They both hold market shares for products used in the domestic construction industry.

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

The company is located in Kralupy, near Prague. It makes drawn products and electro-welded mesh.

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

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

Feralpi Recycling Sro – Czech Republic (90% owned by Feralpi Praha Sro)

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

The **Steel Business** also comprises the following foreign companies:

Presider Armatures Sas - France (99% owned by Presider SpA)

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 m² including 6,500 m² indoors. The company has been in operation since 2018.

Feralpi Algérie Sarl - Algeria (70% owned by Fer-Par Srl)

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

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

(€'000)		2020	2019	% change
Feralpi Siderurgica SpA	Italy	566,985	638,681	(11.2%)
Acciaierie di Calvisano SpA	Italy	158,569	176,074	(9.9%)
Feralpi Profilati Nave Srl	Italy	35,967	40,800	(11.8%)
Nuova Defim SpA	Italy	28,956	26,475	9.4%
Fer-Par Srl	Italy	7,133	8,517	(16.2%)
Presider SpA	Italy	79,402	79,089	0.4%
MPL Srl	Italy	17,312	21,181	(18.3%)
Cogeme Steel Srl	Italy	2,976	8,874	(66.5%)
Caleotto Consolidato	Italy	67,494	78,906	(14.5%)
Presider Armature	France	10,501	12,228	(14.1%)
ESF Consolidato	Germany	470,970	490,881	(4.1%)
Feralpi Algérie Sarl	non-EU	12,013	14,692	(18.2%)
Total		1,458,278	1,596,398	(8.7%)

*The tables below provide a summary of the activities carried out by the Group companies to give further information for the assessment of the **Steel Business**.*

Production (in tonnes)

Steel billets	Country	2020	2019	% change
Feralpi Siderurgica SpA - Lonato	Italy	1,130,124	1,168,995	(3.3%)
Acciaierie di Calvisano SpA - Calvisano	Italy	434,928	421,804	3.1%
ESF GmbH - Riesa	Germany	921,024	905,639	1.7%
<i>Total</i>		<i>2,486,076</i>	<i>2,496,438</i>	<i>(0.4%)</i>

Finished products (Rebar – Reinforcing steel in coils – Wire rod - Merchant bars)	Country	2020	2019	% change
Feralpi Siderurgica SpA - Lonato	Italy	1,225,260	1,340,076	(8.6%)
Feralpi Profilati Nave Srl	Italy	63,426	77,190	(17.8%)
Caleotto SpA	Italy	140,688	125,535	12.1%
ESF GmbH - Riesa	Germany	855,669	849,761	0.7%
<i>Total</i>		<i>2,285,043</i>	<i>2,392,562</i>	<i>(4.5%)</i>

Cold-drawn steel - Downstream products	2020	2019	% change
<i>Total</i>	<i>1,311,690</i>	<i>1,261,050</i>	<i>4.0%</i>

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

Alpifer Srl - Italy (50% owned by Feralpi Siderurgica SpA)

It is a holding company having a 100% interest in Unifer SpA and Steelfer Srl.

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

Media Steel Srl – Italy (45% owned by Feralpi Siderurgica SpA)

Media Steel, which is based in Massa (Massa), is a brokerage company specialising in the procurement and sale of ferrous scrap in Italy and abroad. It is equally owned (45%) by Duferco Italy Holding SpA, the reminder stake is owned by the management.

BUSINESS REPORT

DI.MA. Srl – Italy (31% owned by Acciaierie di Calvisano SpA)

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

Comeca SpA – Italy (19,85% owned by Fer-Par Srl)

This company, which is located in Lonato del Garda (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 major world steel manufacturers.

Beta SA - Romania (28,35% owned by Feralpi Siderurgica SpA)

Based in Buzau, this company makes metal structures for application mainly in the oil industry.

Diversified Equity Investments

The following Italian Companies come under this line of business:

Feralpi Farm S.r.l. – Italy (100% owned by Feralpi Holding SpA)

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

Immobiliare Feralpi Srl - Italy (100% owned by Feralpi Holding SpA)

This company, which was intended to be the Group's real estate company, in 2020 sold the industrial building situated in Pisogne (north of Brescia) that had received from Investimenti Sebino. In 2013, it acquired a second building in Anzano del Parco, near Como, that is currently leased to Nuova Defim.

The company also acquired in 2015 an industrial building in Odolo (Brescia) and, in 2016, another industrial building in Nave (Brescia) from Stefana S.p.A. under composition proceedings.

Due I. Investimenti Srl – Italy (100% owned by Feralpi Holding SpA)

This company acquires stakes in Italian and foreign companies and controls Ecoeternit Srl.

San Vigilio partecipazioni Srl – Italy (33% owned by Feralpi Farm Srl)

This company manages equity investments.

Finanziaria di Valle Camonica SpA - Italy (3,85 % owned by Feralpi Holding SpA)

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

Faeco Ambiente Srl – Italy (85% owned by Feralpi Farm Srl)

The corporate mission is to further develop activities in the environmental sector, in connection with the processing and recycling of waste.

Eco-Trading Srl – Italy (100% owned by Feralpi Farm Srl)

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

Agroittica Lombarda SpA – Italy (45,46% owned by Feralpi Farm Srl)

The company is active in the fisheries and aquaculture sector and it breeds, processes and sells various species of

BUSINESS REPORT

fish. It has two fish farms in Calvisano (in Viadana and in Ca' Nove) in the province of Brescia. It owns the company Fjord that has its production plant in Busto Arsizio and produces and sells smoked products. The company has earned itself a name at an international level, mainly due to its production and sales 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 Srl – Italy (30% owned by Feralpi Farm Srl)

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

Ecoeternit Srl – Italy (70% owned by Due I. Investimenti Srl)

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

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

International and national scenario and steel production

In 2020, the COVID-19 pandemic had dramatic health, social and economic impacts. Compared to 2019, world economic product decreased by 3.3% while international trade decreased by 8.5%. Advanced economies recorded a decline of 4.7% compared to 2019, while emerging and developing economies recorded a decline of 2.2%. China was the only country in the world to close the year with GDP growth of 2.3%. The United States recorded a decline of 3.5% and the European Union of 6.1% with the following situations: Germany -4.9%, France -8.2%, Italy -8.9% and Spain - 11.0%. The pandemic has also directed household consumption towards non-durable goods destined mainly for the improvement of private homes.

In Italy, investments, public and private, decreased by 9.1% on 2019, with a more modest decline for construction, -6.3%, compared to plant and machinery that registered -15.2%. With reference to construction, investments returned to growth in the second half of 2020.

World steel production in 2020 (1.88 billion t.) remained stable on the previous year (+3.1 Mt, -0.2%), but with China (1.1 billion t.) which increased by 7.0% (+69.3 Mt) on the previous year, and a share of the total equal to 57%, while the output of the rest of the world, 812.7 Mt, decreased by 7.5 % (-66.3 Mt).

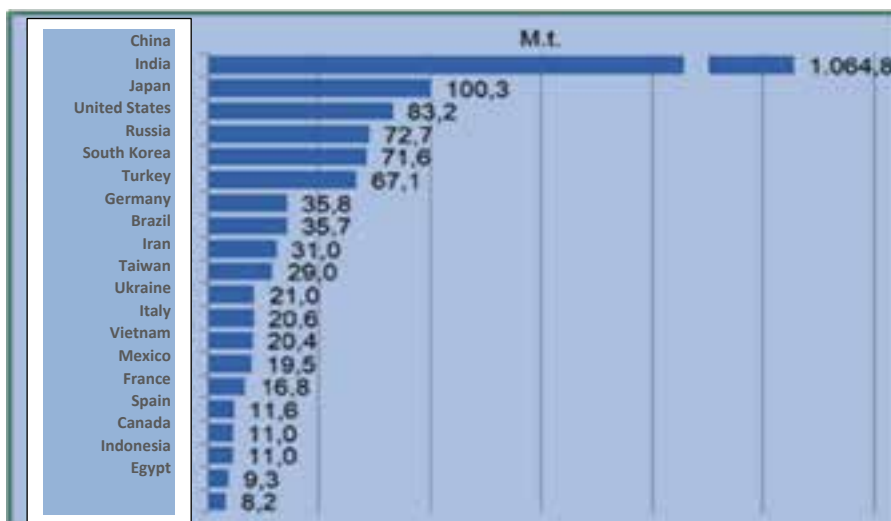
World steel production by macro-area and share of the 2020 total

Million tonnes	2016	2017	2018	2019	2020	2020/2019 % change	2020 share
European Union (28 countries)	162.2	168.5	167.1	157.4	139.2	-11.6%	7.4%
Other European countries	37.6	42.3	42.5	38.7	40.0	3.4%	2.1%
CIS countries	100.7	100.2	101.0	100.6	100.2	-0.4%	5.3%
North America	110.6	115.4	120.9	119.7	101.0	-15.6%	5.4%
South America	40.6	44.1	44.9	41.7	38.2	-8.2%	2.0%
Africa	13.3	15.0	17.8	17.4	17.4	0.0%	0.9%
Middle East	31.7	34.7	43.2	44.3	45.4	2.4%	2.4%
Asia	1,129.1	1,209.0	1,282.7	1,348.5	1,389.9	3.1%	74.0%
Oceania	5.8	6.0	6.3	6.2	6.1	-1.4%	0.3%
World	1,631.5	1,735.1	1,826.5	1,874.4	1,877.5	0.2%	100.0%
China	807.6	870.7	929.0	995.4	1,064.8	7.0%	56.7%
World –China excluded	823.9	864.3	897.5	879.0	812.7	-7.5%	43.3%

Million tonnes	2016	2017	2018	2019	2020	2020/2019 % change	2020 share
Germany	42.1	43.3	42.4	39.6	35.7	-10.0%	25.6%
Italy	23.3	24.0	24.5	23.2	20.4	-12.1%	14.6%
France	14.4	15.5	15.4	14.4	11.6	-19.8%	8.3%
Spain	13.6	14.4	14.3	13.6	11.0	-19.1%	7.9%
Poland	9.0	10.3	10.2	9.0	7.9	-12.3%	5.6%
United Kingdom	7.6	7.5	7.3	7.2	7.1	-1.8%	5.1%
Other countries	52.1	53.4	53.0	50.4	45.6	-9.4%	32.9%
European Union 28)	162.2	168.5	167.1	157.4	139.2	-11.6%	100.0%

Based on Federacciai and Worldsteel data

Steel production by country in 2020



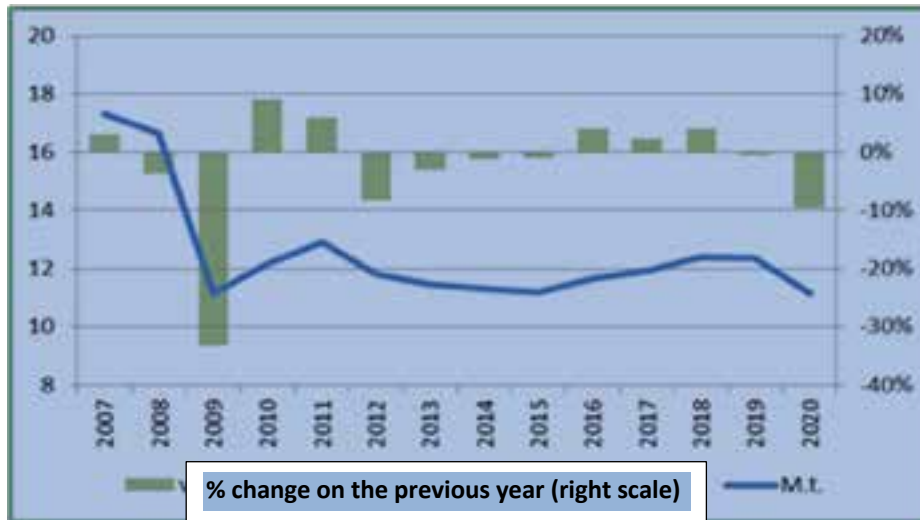
China (+69.3 M.t., +7.0%); Iran (+3.4 M.t., +13.3%); Turkey (+2.1 M.t., +6.1%)

India (-11.1 M.t., -10.0%); United States (-15.0 M.t., -17.1%); Japan (-16.1 M.t., -16.2%)

Sources: based on Federacciai and Worldsteel data

In 2020, in **Italy** the production of long laminates, 11.2 M.t., decreased by 9.6% (-1.2 M.t.) compared to the previous year. The decline affected all product groups: wire rod (4.6 Mt, -427 thousand tonnes, -8.5%), merchant rolled products (3.1 Mt, -336 thousand tonnes, -9.8%), rebar for approx. (2.7 m, -347 thousand t., -11.5%) and beams and reinforcement material in general (801 thousand t., -78 thousand t., -8.8%).

Production of long steel products in Italy



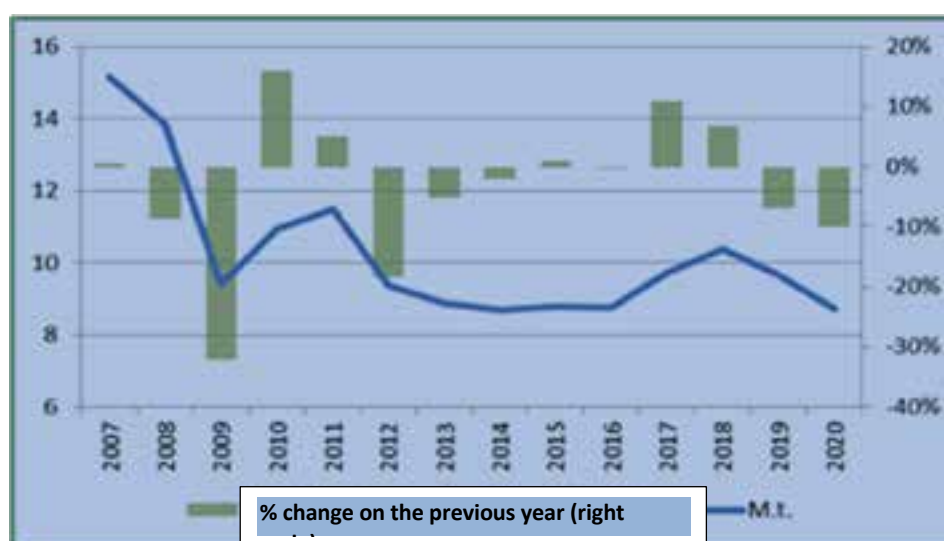
Source: based on Federacciai data

In 2020, the apparent consumption of long steel products, 8.7 m, decreased by 9.9% (-962 thousand t.) on the previous year. In the EU (28), the greatest absolute reduction was recorded by Germany (848 thousand tonnes, -63 thousand tonnes, -6.9%), which nevertheless confirmed its position as the main outlet market with a stable share of the total and equal to 19%. Among the non-EU countries, the most incisive decline was recorded by Algeria (159 thousand t., -247 thousand t., -60.8%), while Canada grew (from 108 thousand t. 2019 at 230 thousand tons in 2020, +122 thousand tons), which in the last year was the main outlet market among the non-EU countries.

Imports, 1.9 Mt, decreased by 10.5% (-219 thousand t.) on 2019, thanks to the reduction of both those from the EU countries (28) (1.5 Mt, -132 thousand t., -8.1%), which represent 80% of the total, both of those from non-EU countries (365 thousand tons, -87 thousand tons, -19.2%).

Unlike what was observed for the primary steel industry as a whole, in the long steel product sector the penetration rate of imports, net of arrivals, on apparent consumption remained stable and equal to 21%. This balances, on the one hand, the slight growth than that of the EU (28), from 16.8% to 17.2%, and, on the other hand, the slight reduction than that of the non-EU countries, from 4.7% to 4.2%. The data for each country show that the greatest decreases in volume were marked, in the EU countries (28), by Spain (300 thousand tons, -58 thousand tons, -16.2%) and, among non-EU countries, by China (50 thousand tons, -51 thousand tons, -50.7%). On the other hand, the increases, among the EU countries (28), in the Czech Republic (222 thousand t., +36 thousand t., +19.7%) and Austria (125 thousand t., +16 thousand t., +14.5%) and, among the non-EU countries of Egypt (from 1.9 thousand t. In 2019 to 12.4 thousand t. In 2020, +10.5 thousand t.).

Apparent consumption of long steel products



Sources: based on Federacciai and ISTAT data

Non-GAAP indicators

With respect to what is already provided by the OICs, additional economic and equity indicators are presented to allow a better analysis of the management trend. However, these indicators are not to be considered as alternatives to those envisaged by the OICs.

In particular, the Non-GAAP Measures used in this document are the following:

EBITDA (or MOL = Gross Operating Margin): economic figure used by the Group as financial targets both in internal and external presentations, and represents a useful unit of measurement for evaluating the operating performance of the Group as a whole and of individual businesses. This indicator adds to the operating result. EBITDA is an intermediate economic figure that derives from the operating result from which depreciation, provisions and any write-downs of tangible and intangible assets are excluded.

Net working capital: this figure is made up of the value of inventories, trade receivables, receivables from the tax authorities for current taxes and other receivables, from which the value of trade payables, tax payables and the item other payables are subtracted.

Net Invested Capital: this figure is constituted by the value of the net working capital to which the value of intangible and tangible fixed assets, equity investments, other fixed assets, deferred tax assets are added, to which deferred tax liabilities, employee benefits and provisions for risks and charges are subtracted.

Net Financial Position: this figure is represented by the gross financial debt reduced by cash and other equivalent cash and cash equivalents, as well as other financial receivables.

Reconciliation of the *adjusted* performance indicators to the *reported* indicators

In order to better understand the economic and financial performance, it is considered useful to isolate the *special items* indicated in the table below, which also reports the tracing of the *reported* values, as applicable, to the *adjusted* values, with a brief description of the *special items* considered.

	Operating income	Net financial charges	Charges	Minority	Net income
Reported indicators	18,556	(4,151)	(7,192)	1,244	4,206
Write-down for conversion of the plant in Nave (Brescia)	4,034	-	(968)	-	3,066
Write-down of the plant in Pisogne (Brescia)	2,074	-	-	-	2,074
Lack of margin due to a 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

Fer-Par production branch was sold to Presider S.p.A., with subsequent transfer of ownership to third parties, because of the Group's decision to reconvert the production site in Nave (Brescia) to the production of shaped elements used for the construction business. This sale generated an overall write-down of 4,034 million euros, and also resulted in positive economic and financial effects that will be carried forward starting from 2021. During the first months of 2021, Feralpi Immobiliare Srl sold to third parties the Pisogne site and the rolling mill installed there, therefore the value of the assets was adjusted to the price of the transaction. The adjustment generated a write-down of 2,074 million euros in the 2020 financial statements. Finally, a technical failure occurred in a Group company and it caused an unusual and particularly important business interruption, with the consequent loss of operating profit of 2,7 million euros. This loss of profit is the subject of an insurance reimbursement request, whose outcome is still not definitive and that has not been recognized in the 2020 Budget.

Investments in Equity Investments

As already mentioned in the present report, in March 2020 the subsidiary Acciaierie di Calvisano SpA acquired the remaining 50% of the investment in Caleotto SpA, becoming the sole shareholder of the Caleotto-Arlenico group. Furthermore, in June 2020 it completed the transfer of ownership of the remaining 50% stake in the Cogeme group, becoming its sole owner. During 2021, the company Cogeme Steel went into liquidation.

Technological investments

Feralpi Siderurgica SpA

Steel mill

- Installation of the new plant to blow polymer into the EAF furnace to replace coal;
- Purchase of new equipment for ferrous scrap handling (shovels, trucks, self-propelled);
- Installation at LF of wire pushing machines, temperature robots and porous rods;
- Purchase of a new basket and central drawer car;
- Purchase of a new overhead crane at the scrap yard;

Rolling mills

- Completion, installation and commissioning of the systems relating to the expansion project and modernization of the coil finishing area at Rolling Mill 2;
- Completion of installation of systems relating to the billet welding machine project at Rolling Mill 2;
- Complete refurbishment of refractory floor furnace at Rolling Mill 1;
- Purchase of a new overhead crane at the Rolling Mill 2 train span;

Derivatives Area

- Complete revamping of the grid machine 1, with passage from the hydraulic to the electric control;
- Modification of the unwinding beams of the rewinder 2 and 3 to allow the loading of heavier skeins;

Buildings, storage yards and other facilities

- Replacement of part of the coverage of the steel plant area and installation of the relative maintenance walkway;
- Completion of the new sandblasting and painting cabin and arrangement of the related external area;
- Seismic improvement interventions at the mechanical workshop sheds at Rolling Mill 1;
- Energy efficiency by installing new compressors and improving the compressed air distribution system;
- Construction of a new workshop at Rolling Mill 2 by modifying the existing building;
- Beginning of works for doubling the “Pesa” area 2 in order to streamline incoming and outgoing logistic flows;
- Construction of new administrative offices in an external property.

Acciaierie di Calvisano SpA

If we consider the plant engineering, during 2020 changes were introduced to improve the manufacturing process, the products and their traceability as well as to rationalize the use of production factors. Operating costs decreased essentially thanks to the improvement of the production process and the decrease in the price

of some factors such as electrodes, energy and ferroalloys.

In addition, the following interventions have been carried out or are in progress:

- assembly and putting into service of further modifications to the continuous casting machine;
- installation of a second robotic station for automatic billet labelling;
- new plant for adding powder to the mould to optimize process management;
- creation of new quality offices with an adjoining laboratory for the internal performance of mechanical and metallographic tests on products;
- new compressor and dryer for compressed air system;
- new hole for extension / assembly of electrodes outside the confined area of the oven;
- new power centre for water system cabin;
- new oven support cradle.

Presider SpA

In 2020, investments were made in tangible fixed assets for a total amount of 6,8 million euros (including fixed assets acquired with the Nave business unit, which for the purposes of the consolidated financial statements are not to be considered increases as an intra-group transaction), of which 2 million euros in buildings and lands, 2,4 million euros in plants and machineries, 0,1 million euros in industrial equipment, 0,3 million euros in other assets and 2 million euros in assets under construction. A significant part of this expense refers to the construction of the new production layout of the plant in the Borgaro Torinese (Torino).

2020 was deeply marked by innovation in logistics and machinery for bar machining.

We made extraordinary interventions relating to the bar warehouse consisting in:

- The replacement of the runways and the optimization of the same by creating containers for bundles that will allow immediate and effective management of supplies as well as the reduction of quantities in stock;
- The three new cutting lines are interfaced with the management system and will allow for increased productivity thanks to the "Lago" concept, which is the process that disconnects the cutting from the shaping activities, allowing greater combinations and less waste;
- The new construction crane and investments related to the assembly areas will lead to an increase and optimization of the related activities.

Caleotto Group

Below you find the details of the main investments concluded in 2020 or still in the design and development phase:

- Lamination train, installation of a new press-binding machine for the final packaging of the hanks, which allows the creation of a more compact roll with larger diameters such as those that can be made with the new plant;
- Revamping of the billet heating furnace, with improvement of technical solutions and new settings for better and more specific heating programs of the different types of billets;
- Improvement of the quality laboratory, subjected to a substantial restructuring also in 2016, with updating and expansion of the range of equipment available to the engineers and employees of the department;
- Updating of the equipment used in cylinder turning, with development of the internal workshop dedicated to the management of cylinders and rings;
- Revamping of the facility's purification plant;
- IT infrastructure: development of maintenance software, through which it is possible to manage all ordinary and extraordinary maintenance interventions, to improve the effectiveness of scheduled maintenance as well as to promptly manage the processing phases of rolling rings / cylinders and monitor their consumption.

ESF Elbe-Stahlwerke Feralpi GmbH

Many investments were made in ESF in all production and organizational departments during the year 2020.

- It was successfully introduced SAP, the new Group's ERP, as an organizational system to manage all processes throughout the German companies of the Group;
- At production level, a new traceability system for the FLS material has been implemented.

Steel mill:

- A new basket loading crane has been installed;
- The electrode arms have been renewed with the possibility of extending the diameter to 700 mm;

BUSINESS REPORT

- New burners with moving flame have been installed to increase the energy efficiency of the chemical package;
- To improve safety in the oven, an EAF cleaning pin and an automatic closing of the same with a chamber system and robotic sand hopper have been installed;

Rolling mill:

- The skein formation and roll binding part has been replaced;
- It was necessary to lengthen the roller conveyor and build a new shed for the plants;
- The electrical boards of the TD block have also been modernized for regulating the rolling mill and the refractory part of the heating furnace;

Derivatives area:

- A new “Versaline” structural mesh machine was installed;
- Die 8 was built;
- A new spacer machine has been installed;
- The roof of the derivative shed has been largely renovated;

Logistics and infrastructure:

- A new employee parking and a new reception building were built;
- Forklifts and self-propelled vehicles for scrap handling were bought;

Quality Department:

- A new “Zwick Roell” testing machine has been purchased which allows both static and dynamic tests to be carried out.

Environment and Safety

Respect for the environment, health and protection of the workplace has always been a primary objective of the Group.

Here below we briefly summarize the main actions taken:

Feralpi Siderurgica SpA

Activities related to environmental improvement

During 2020, Feralpi Siderurgica commitment to improving environmental performance continued. Particularly noteworthy are the following actions, which highlight the company's commitment to protecting the environment:

- The heat sale was consolidated through the district heating network outside the plant, to which public utilities in the Municipality of Lonato del Garda were connected;
- The energy efficiency projects in progress continued, both in relation to the optimization of electricity and natural gas consumption;
- In support of new Circular Economy projects, functional installations have been completed for the fully operational use of polymers in the electric furnace, resulting in a reduction in the use of coal and related impacts in terms of CO2 emissions;
- The replacement of mineral-based lubricants continued with products based on vegetable oils, which are totally biodegradable;
- The use of products produced with the use of company residues, or substrates and asphalts made with black slag continued;
- The *e-move* project continued: purchase of an electric car and construction of columns for charging electric cars;
- The renewed fleet of forklifts was equipped with mainly electric engines;
- A new communication campaign was created to raise awareness of environmental issues widespread in the plant.

The Environment and Safety Management System (already certified according to the respective standards) was integrated in 2020 also with the requirements of the ISO 50001 standard, to oversee the energy management system, with a view to optimally focusing all the improvement aspects of energy performance.

Activities related to the protection of the health of workers and workplaces

During 2020, we underline the role played by management system of all preventative measures taken to prevent the spread of Coronavirus contagion. This involved an extraordinary activity dedicated to prevention and surveillance, and had also some consequences in the usual operational activities, in particular relating to the training plan.

The constant updating of the risk assessment relating to work environments and equipment continued without significant impact. In particular, with regard to the assessments conducted in collaboration with the Chair of Occupational Medicine of the University of Brescia, the investigations relating to chemical agents, carcinogens and microclimate have been updated. The optimization of the procedural set-up followed the plant engineering and work environment changes that occurred during the year. In 2020 there was also an evolution of the Safety Management System, which was modified to meet all the requirements as stated in the new ISO 45001 standard. Below you find an example list of the various significant interventions taken to prevent and to protect:

- 69 courses on occupational safety and health were held, for a total of 2,236 training hours, giving priority to monitoring the mandatory aspects, in line with the restrictive measures imposed by the protocols for the management of the pandemic;
- A new system for the extraction of welding fumes was installed in the maintenance workshop of the crushing plant;
- The risk reduction activities arising from manual handling of loads continued, through plant interventions in the LF area, and the installation of new automatic manipulators at Rolling Mill 2;
- The installation of the revamping of the fire-fighting systems in the steel plant has been completed;
- The activities of continuous improvement of the safety level of the production plants continued, with particular reference to the optimization of the segregation logic of the areas relating to the plant evolutions that took place at the Rolling Mill 2 and the LF area. The fleet of material handling means was rationalized and optimized. In particular, the opportunity was taken to equip the new trolleys with systems to improve safety levels, with the addition of new accident prevention devices;
- In September 2020, external auditors of the company IGQ Srl carried out the verification for the passage of the certification of the safety management system to the UNI ISO 45001 standard, which replaced the BS OHSAS 18001 standard. The audit concluded with a positive result, certifying that the system guarantees effective management of safety and health in the workplace.

Acciaierie di Calvisano SpA

Activities related to environmental improvement

During the year 2020, despite the difficult pandemic situation, Acciaierie di Calvisano, with regard to the environment, maintained its usual attention, continuing the fruitful collaboration both with the main local production companies and the Municipal Administration.

Also in 2020, the verification of the requirements necessary to maintain the Environmental Management System was carried out by the "IGQ" Quality Assurance Institute, confirming full compliance with the reference standard UNI ISO 14001/2015.

Document reviews and on-site checks by the Supervisory Board (SB) continued regularly in 2020, to ensure complete compliance with the 231 corporate organizational model regarding environmental issues.

In addition, in relation to the year that has just ended, it deserves a mention the fact that asbestos is no longer present in Acciaierie di Calvisano following a final reclamation intervention and that, thanks to the optimization actions carried out on the production process, the total volume of waste globally generated, decreased significantly compared to the previous year.

As far as asbestos is concerned, the conclusion of a demanding program systematically carried out during more than a decade of interventions, is looked upon with extreme satisfaction.

Activities related to the protection of workers' health and safety in the workplace

2020 ended with no injuries: this result is of exceptional importance as a company in the steel industry, notoriously characterized by a high accident rate, achieved it. One reason for this result must be undoubtedly sought in the greater awareness of safety, which increased among the workers also through the new management of this steel plant. In fact, it required the drafting of new procedures, numerous work instructions, many of them characterized by safety criteria, and their widespread sharing in the departments.

In parallel with the new management of the work activity, significant improvements were made to the safety of equipment and systems in all plant areas. In addition, projects on plants have also been launched with the aim of certifying compliance with the Machinery Directive.

After a period of forced suspension of any courses in the classroom due to coronavirus pandemic, the Company was able to resume the training activity giving priority to periodic updates of the emergency workers and to the management of vehicles and equipment. The information activity for the risk of a major accident (Legislative Decree 105/2015), aimed at permanent internal and external workers, was also implemented. These courses were held by internal trainers or by relying on the advice of external professionals.

Presider SpA

Significant investments were made in order to improve safety, logistics and the working environment and production processes (storage of the finished products, handling equipment, refurbishment of buildings, demarcation of areas, etc.).

Caleotto Group

Activities related to the improvement in the environmental field and workers' health and safety in the workplace

To improve the protection of workers' safety and their safety in the performance of their tasks, the Group appointed a specialized company to develop an in-depth analysis of the risks associated with the rolling activity. The aim was to design and to develop adequate procedures and accident prevention-protection systems, to be implemented according to the multi-year specific investment plan started already in 2017 and which is still ongoing.

As required by the AIA monitoring plan, during the year the following actions were carried out:

- Analysis of waste water on a monthly basis
- Control of emissions deriving from the reheating furnace (carried out in December)
- Analysis of the main waste produced (scale and sludge deriving from water treatment)

To raise awareness among workers on the issue of safety and involve them more and proactively, since 2017 a "Box of ideas" was introduced. It consists in locked mailboxes located in 3 different areas of the plant where workers can submit reports and suggestions anonymously or not, by filling in a specific form available right near each box. All collected safety advisories are reported in a summary file subject to specific discussion during the safety meetings, which take place on a monthly basis with the involvement of the company officers.

With a view to increasing production activity, with the consequent implementation of night shifts, a contract was signed with the University of Brescia for the acoustic modelling of the plant and of the adjacent portion of the area, carried out by the Laboratory of applied acoustics of the Department of Mechanical Engineering. The project is accompanied by sophisticated measurements of the sound emissions in the plant, aimed at analysing the current situation, in order to study efficient acoustic mitigation interventions necessary for compliance with the limits and, above all, respect for the health of workers and of the inhabitants of the neighbourhood. Acoustic remediation interventions were started in the second half of 2017, with significant plugging works on the rolling shed. Further interventions were made throughout the years 2018 and 2019, while in 2020 a program of new

acoustic monitoring was undertaken.

Training

During the 2020 financial year, the constant training program for the plant's operational staff continued, with the provision of approximately 150 hours of training in the safety field.

Initial training, called “Induction”, was introduced in 2017 and was provided to new employees upon their entry into the company.

In addition, the following training interventions were carried out in order to:

- optimize business processes
- improve system efficiency and performance
- spread and share among all involved resources the quality culture, fundamental for the corporate mission and in line with the provisions of the Quality Assurance System.

ESF Elbe-Stahlwerke Feralpi GmbH

Activities related to improvement in the environmental and worker safety fields

- From March onwards, the year 2020 was strongly influenced by the global pandemic; for reasons due to workers' health protection, all public events such as visits to plants, like "open days" or "health days", were cancelled. In the reporting period, only 76 guests were welcomed into our company.
- The companies of the Feralpi Stahl Group have met the health protection and safeguarding requirements imposed by the anti-coronavirus regulations by using, among others, any available technological and organizational means for carrying out videoconferences. The entire group Feralpi relies on the proven Google Meet system and where possible, employees are allowed to work from home.
- For employees whose on-site presence was required (including manufacturing, maintenance, safety and Environmental Manager), a rigorous hygiene and spacing protocol was introduced and implemented also through regular checks and, from the beginning of 2021, employees attending the workplace were regularly tested.
- CO2 level: not even in 2020 it was necessary to buy any certificates, neither in the SW nor in the WW;
- Energy: Energy management was successfully re-certified last year according to the latest DIN EN ISO 50001: 2018 standard;
- Continuation of regular voluntary groundwater monitoring, annual sampling of all 8 wells at water level by a recognized external laboratory;
- Commissioning of car parks for employees: optimization of internal and external traffic flows, elimination

of critical points considered as probable cause of an accident and any sources of danger;

- Account activation and presentation of Feralpi Stahl Riesa on the digital platforms Facebook and Instagram: constant information to the public on environmental performance as well as on economic and social indicators;
- Replacement of the air preheater, the lifetable hearth furnace and the rolling mill (energy saving);
- Measurements of dust and heavy metal emissions continued throughout 2020. Full compliance with the limits was confirmed;
- Lighting systems in the sheds have been replaced with more advanced solutions with a lower environmental impact;
- The steel mill shed of the slag area was insulated;
- Improvement of the anti-emission coverage also at the waste fall shed;
- Automatic cleaning and filling system of the blanking block at the melting furnace in steel mill so that no operator is exposed to danger.

Feralpi Logistik GmbH

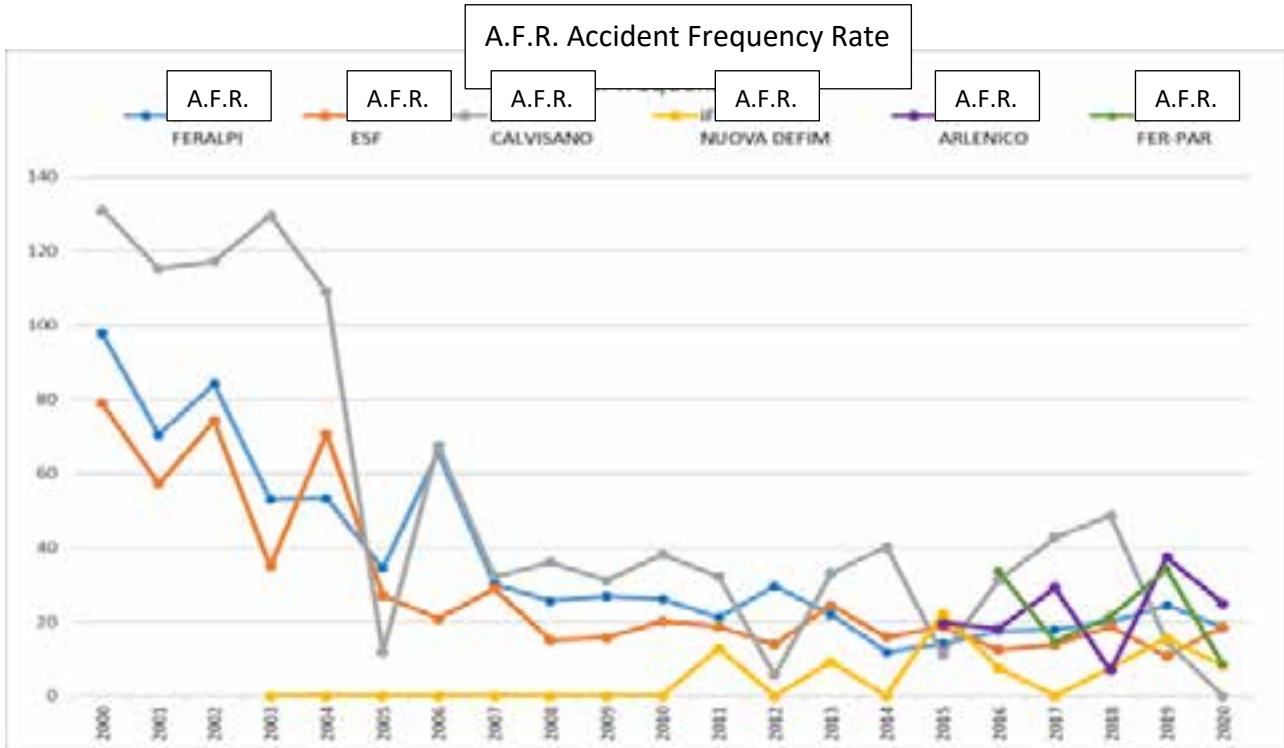
Activities related to the improvement of the environmental field

Renewal of Feralpi Logistik GmbH vehicle fleet. New acquisition of 12 latest generation tractors in accordance with the latest 2020-2021 technical standards.

Here below we provide an analytical detail of the injury frequency index by company:

	FERALPI	ESF	CALVISANO	NUOVA DEFIM	ARLENICO	FER-PAR
2000	97,7	78,8	131,0	-	-	-
2001	70,5	57,2	115,3	-	-	-
2002	84,2	74,2	117,4	-	-	-
2003	53,0	34,9	129,5	-	-	-
2004	53,2	70,7	108,9	-	-	-
2005	34,5	27,1	11,7	-	-	-
2006	65,7	20,8	67,6	-	-	-
2007	30,2	28,9	32,3	-	-	-
2008	25,6	15,0	35,9	-	-	-
2009	26,9	15,7	31,3	-	-	-
2010	26,1	20,1	38,2	-	-	-
2011	21,2	18,7	32,2	12,9	-	-
2012	29,6	13,9	5,6	-	-	-
2013	22,0	24,4	33,1	9,2	-	-
2014	11,9	15,9	40,2	-	-	-
2015	14,1	18,6	11,3	22,3	19,6	-
2016	17,5	12,5	31,2	7,5	18,2	33,5
2017	17,9	13,8	42,8	-	29,2	14,7
2018	19,8	18,7	48,7	7,5	6,9	21,4
2019	24,4	10,8	14,7	15,5	37,4	34,1
2020	18,4	18,6	-	8,2	24,9	8,4

The 2019 A.F.R. (Accident Frequency Rate) data of ESF also includes the results of EDF, as the latter had been merged into ESF during the year; Arlenico is the production company of Caleotto Group.



By Accident Frequency Rate is meant the number of recorded incidents by 1,000,000 and then dividing that number by the number of work hours.

Research & Development

Research and development activities have become increasingly important for the Group in recent years, and the costs incurred are recognized in the income statement or they pass to the income statement through the amortization rate of the capitalized costs.

Developments in the main companies are shown here below.

Feralpi Holding SpA

The following R&D projects, started in previous years, were carried forward also during this financial year.

In 2020, the project to implement customized CRM logics continued: it aims at creating the e-Business platform for profiling and identifying customer needs.

In addition, the following activities have been launched:

The Holding launched support activities for Feralpi Siderurgica projects “SteelZeroWaste” and “Coralis” for the environmental KPI's platform development and for dissemination activities.

Feralpi Siderurgica SpA

The following R&D projects, started in previous years, were carried forward also during this financial year:

- Project on the innovative scrap cleaning process, that in 2020 saw the continuation of performance tests and of changes aimed at optimizing the management of scrap cleaning;
- District heating system project through the recovery of heat from the cooling system of the steelworks fumes; the project continued with the study of the efficiency of the expanded network management, expansion and experimentation of the storage and expansion system, verification and monitoring of consumption with the development of a centralized supervision system in order to further reduce energy consumption and hence environmental impact;
- Internal remote-cooling system project for the generation of chilled water by reusing the heat of the fumes from the steel mill. In 2020, a study of the efficiency of the tower system was conducted and its construction began. At the same time, the experimentation activities aimed at optimizing the operating parameters continued;
- Project to improve the efficiency of the compressed air distribution network and generation in the compressor plant. The project continued with new installations and modifications dedicated to increasing the energy yield of the system. During 2020, predictive tests and data analysis were also conducted to improve consumption and control of users;
- Project aimed at raising the Security level in all the company area. This project continued in 2020 with studies relating to the inclusion of additional access control systems and expansion of the anti-intrusion system;
- Project for the construction of an innovative slagging gate for EAF. During the year, development activities continued with the related testing campaigns with the aim of optimizing the process conditions and metallurgical reactions and facilitating slagging activities for pulpit operators;
- "Fissac" project co-funded by the EU Horizon 2020 programme designed to promote and apply the concept of the circular economy. In 2020, the activities for the realization of eco-cement products were completed and also the studies on the mechanical characteristics of the new products were completed;
- The project entitled "Integration 4.0 Systems" concerning the implementation of interconnected systems integrated with the site network. In particular, the R&D activities concerned the machinery of the Derivatives Area;
- "Wire Accuracy4.0": this project was launched in 2018 and is co-funded by the Italian Ministry of Economic Development (MISE). Through-process actions for making wire rod products with thermo-mechanical treatment, bars and derivatives in new steels using Industry 4.0 engineering and control

operations. It continued during the 2020 financial year with analysis and simulation activities, engineering implementations and testing of the innovative areas. In particular, the test campaigns consisted in the new treatment and the installation of the new welding machine and coil evacuation line. Continuous casting testing activities and plant engineering activities in the Derivatives area were also completed. As regards the simulation and process control part, study and simulation activities continued as well as the revision of the monitoring and control criteria to improve process management and production tracking skills;

- The implementation of the IT system to support the commercial area was started;
- During the 2020 financial year, the following new projects were launched:
- “Coralis” project focused on the creation of industrial symbiosis between three technology parks placed in Spain, Sweden and in the Province of Brescia. Over the four-year duration of the project, the companies in the Brescia area together with the Industrial Association of Brescia (Confindustria Brescia) and Rina CSM will be involved to design and to test the reuse of waste. In particular, Feralpi participates in the project with the aim of testing the recovery of metal fractions from the plant's waste oxides;
 - "SteelZeroWaste - Improvement of the environmental sustainability of the steel sector through the implementation of innovative technologies for the elimination of the presence of waste from the production of electric cycle steel and the significant reduction of unwanted emissions", co-funded by the Italian Ministry of Economic Development (MISE). It aims to develop circular economy strategies for reducing environmental impact through the reuse of white waste in building products, recovery of metal fractions from black waste and all waste oxides from the plant, use of alternative materials to coal, concentration and reuse of CO₂ from fumes, fast integration of sludge and reduction of NO_x emissions from heating furnaces with urea injection. To complete this, the development of a systematic monitoring platform of the environmental KPIs of the plant and of the Group is already planned;
 - The “OnlyPlastic” project funded by the European Research Fund for Coal and Steel Call (RFCS), aims at the complete replacement of any fossil fuels in EAF with derived residues of plastic origin. Thanks to numerous studies on this subject, Feralpi has further continued with the demonstration activities of the industrial use of polymers inside the electric arc furnace as a substitute reduction agent for coal;
 - The scrap recognition project with the optical system, that in 2020 saw the start of the study phases and the start of the image acquisition campaign, aimed at creating the database and applying the required calculation logics;
 - The voltage stabilization project of electrical networks, which has seen the evolution of feasibility studies move towards the implementation of the solution that allows to speed up the switching times provided

by the voltage source converter and the emission of harmonics. During the 2020, the planned designs and measurements started;

- The Evaluation project of the new production structure with 160 mm billet section or modification of the curvature radius follows up on the activities carried out in the context of past projects on casting lines. During the year, analyses began on the possible enhancement of productivity during the solidification phase of semi-finished products;
- Energy conversion projects for billet reheating furnaces from methane to electric induction or electric resistance, started with the preliminary assessments of possible systems for reducing CO2 emissions in the reheating area during the rolling phase and evaluation of possible structures;
- The spooled coils line project “Linea Rocchettato” was launched in 2020 starting with a phase of studies and evaluations regarding the feasibility of obtaining steel for reinforced concrete packaged in reels and obtained by rolling and hot winding after in-line heat treatment;
- The “H2 employment development and development of sustainability improvement applications” project in Feralpi, saw the creation of working groups and networking activities on the design of H2 employment proposals, adherence to CSP creation and sustainability road mapping.
- The project for the “development of automation systems and remote control of processes” in the Steel Plant area with the start of the basic design and definition of systems and functionality architecture.

Acciaierie di Calvisano SpA

During this financial year, seven Research and Development projects were developed, three of which had already started in previous years:

- 2020 saw the continuation of the SteelPro4.0 project to develop special steels through innovations in the implementation of the manufacturing process, the characterization of materials and the integrated management of the entire production chain. This project aims to implement engineering and software solutions to improve steelworks production processes. This project is co-funded by the Lombardy Regional Government Dept. with the support of partners such as: Politecnico di Milano for analysis in the steelworks and continuous casting area, UniBS for assessing results on products, Capitanio Industrial Automation (this partner replaced Optel) and Visiorobotics for the development of a billet surface analysis system to identify defects caused by casting. During 2020, the development activities of the new innovative moving head injector continued. From the point of view of the implementation of software solutions, those relating to the monitoring system for basket packaging, the EAF process monitoring

system with performance indicators, the continuous casting solidification simulator and the steel mill process data integration platform continued. Regarding the performances, improvement results have been obtained both in the Power On and in the energy consumption and metallic yield of the process, both through the implementation of changes to the chemical package of the furnace and the operational practices for managing electrical parameters with new profiles. Considering metallurgical analysis, the billet and wire rod characterization activities obtained after the modifications in continuous casting were completed; the development of measuring systems for surface defects in continuous casting continued with Visiorobotics and AIC. These activities are expected to be completed in 2021.

- 2020 saw the end of the "Quality Integration" project, co-funded by the Italian Ministry of Economic Development (MISE) to increase product quality and the flexibility of wire rod and profile production through innovative technologies applied to the entire production chain. This R&D project was completed with the collaboration of the following partners: Acciaierie di Calvisano, as producer of billets, Arlenico for the production of wire rod in special steels and Fer-Par for the rolling of billets as profiles. This project aimed at expanding the range of products of the Calvisano-Arlenico-FerPar steelworks and at reducing the number of defects in these three sites. It saw the completion of plant implementation activities for quality improvement. In particular, the creation and testing of the new basket and the analysis on inclusion presence in LF were completed.
- Furthermore, works on the "Industry 4.0" strategy were completed with the implementation and testing of a new short plate labeller, the new level control and the ULD systems in the ingot mould, the development and testing the system to analyse processes outside CC and the implementation of the integration platform providing data capable of giving an integrated global view of full 4.0 production chain logic.
- The four-year "SupportCast" project continued in the 2020 financial year. This is co-funded by the European Community, through the Research Fund for Coal and Steel Call (RFCS) and aims to improve the interior and surface quality of billets 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, activities continued installing a thermal camera to detect surface defects and a post-processing software was implemented to monitor the interior and surface billet defects.

During 2020:

- The "iSlag" project was launched. It is co-funded by the European Community, through the Research Fund for Coal and Steel Call (RFCS) and it aims to optimize steel treatment in steel mills through innovative

control systems and dedicated sensors for monitoring and conditioning slag and to facilitate subsequent reuse. This project aims at developing a dynamic control system of steel mill processes including EAF, LF, Tundish with a through-process approach including a thermodynamic system for evaluating the interaction of steel, and slag and a system of process control guidelines (Decision supportSystem). Furthermore, this project aims to make the waste treatment more reliable for subsequent reuse by identifying optimal treatment paths and maintaining the process conditions suitable for this purpose. In this project are involved partners such as Rina Centro Sviluppo Materiali, BFI (VDEh Betriebsforschungsinstitut GmbH) and Scuola Superiore Sant'Anna. In this highly innovative activity, Calvisano plans to evolve with the use of a single management pulpit of the EAF and LF plants, that is of the entire liquid steel production phase. Consequently, it is required a completely different view by all involved operators, as the EAF pulpit will be distant from the plant and the operator will operate with no direct vision. It represents the first example here in Feralpi of a remote process management with reduction of the operator's proximity to the machine with implementation of remote vision and control systems. In 2020, this activity included the implementation of the structures to achieve this remote management including the review of data exchange and implementation of vision screens. This activity will continue also in 2021 with testing of the entire system and modification of operational management practices with the new systems;

- It was launched the project for the implementation of a new 6-lane wire pusher to renew the management capabilities of the secondary metallurgy treatment and to improve the accuracy of the additions to obtain greater reliability in product quality. This project started with a design phase, a suppliers' selection and the installation, and it will proceed in 2021 with the completion of the installation and the testing;
- In 2020 we started the construction of the new cleaning ram of the slagging door, operation required to obtain a better management of the EAF process for the optimization of the deslagging phase and reduction of false air re-entries with reduction of energy losses and reduction of metal loss due to oxidation;

During the financial year, the following three Technological Innovation projects were launched:

- In 2020 it was started the implementation of a new support cradle for the oven. The design foresees more reliable structures allowing better positioning and handling of the furnace with higher efficiency and effectiveness in melting process. The design and construction phase started in 2020 and it will continue in 2021 with test campaigns;

- In 2020, it was started the project for the renewal of the quality laboratory that included new offices and machineries in order to allow procedures for the validation and verification of the qualitative aspects, required for the production development of new special steels. They are related to the acquisition of the 100% shares of Arlenico for the production of special steels. This new implementation for Calvisano will allow greater reliability in achieving the desired quality and development of new steels;
- In 2020, the systems and the structures to be implemented were designed and new offices were built. Laboratory equipment will be completed in 2021;
- In 2020, it was started the construction of the new turn tundish linked to the new tundishes considered as a part of the Quality Integration project. This system has been designed and built, while long-term testing activities will be completed during 2021. The new tundishes will be used to obtain better fluid dynamics in the tundish and greater steel cleaning to produce higher quality steels. The turn tundish will allow the use of these new tundishes. System design and construction were carried out in 2020, while testing activities will continue in 2021.

Fer-Par Srl

The "Quality Integration" project, co-funded by the Italian Ministry of Economic Development (MISE) to increase product quality and the flexibility of wire rod and profile production through innovative technologies applied to the entire production chain was concluded. It was widely illustrated for Acciaierie di Calvisano SpA. In particular, as part of this project, the main activities carried out by Fer-Par included the support for the implementation of the integration platform with Acciaierie di Calvisano and Arlenico, providing data capable of giving an integrated global view of full production chain logic.

ESF Elbe-Stahlwerke Feralpi

Integrated Project: "Development of innovative TEG systems optimized for energy harvesting from EAF off-gas cooling water and radiative waste heat sources designed to be cost-effectively InTEGrated within steel plants" funded by the European Research Fund for Coal and Steel (RFCS) and carried out in consortium with other research partners. The project was launched in 2020 and, during the year, preliminary tests were carried out to measure the temperature and identify the best positions between the continuous casting and the wire rod rolling mill in order to position the TEG elements. The project will continue in 2021 with the construction of the equipment to be installed;

ConSolCast: During the 2020, ESF continued the project "ConSolCast - Comprehensive Modelling, Monitoring

and Control of Solidification for Optimization of Continuous Casting Process” . This project, co-funded by the European Research Fund for Coal and Steel (RFCS), is in consortium with BFI and other European partners and aims to develop systems for monitoring and controlling the billet solidification during casting in order to optimize the process parameters. During 2020, the test campaign was carried out with the innovative instrumentation system of the mold in continuous casting for on-line monitoring of the temperatures of the mold in order to assess the correctness of the solidification process in progress. In addition, in 2020 tests and data analysis were carried out by applying a sensor to measure the vibrations of the billet to evaluate the state of solidification and the closing position of the liquid well.

Furthermore, the following activities continued in 2020:

Environmental innovation program: ESF participates in a program supported by the German Ministry of the Environment, entitled "Innovative combination of process engineering in a high-powered steel mill with an adjoining rolling mill, to reduce environmental pollution". Through an overall management of the interfaces management of ferrous scrap, smelting activities, continuous casting plant and rolling mill, at a process integration level, the hitherto separate technological processes of the steel mill and of the rolling mill are connected and optimized, so that the efficiency of the production cycle is improved;

Billet quality improvement project: In partnership with the University of Freiberg, this project was launched to improve the quality of microalloyed steel billets in order to reduce any possible defects in particular for those markets that require higher quality standards;

Project for the electrical and chemical setting of the smelting furnace: In partnership with the University of Freiberg, this project was carried out to optimize the efficiency of the energy used in the EAF furnace;

Electric arc coverage improvement project with foamy slag: for this activity it was tested the use of "FEOS" system which, through an acoustic sensor, makes it possible to evaluate the efficiency of coverage of the electric arc with foamy slag and act directly on the coal injection to manage the foaming of the slag. A study was also started to use a similar system, which, in addition to taking into account the acoustic emission of the oven, also consider the distortions of the electrical parameters of the electric oven for managing the electrical and chemical parameters of the oven.

Communication and Social Responsibility

The year 2020 was characterised by the emergency due to Covid-19 pandemic, which deeply rewrote not only the health and social dynamics, but also the life of businesses.

In a such particular scenario, the Feralpi Group has confirmed its commitment to combine business and sustainability, moving along a path traced by the European guidelines of the Green New Deal. For the Group, this means to carry out concrete projects moving along three different paths. Feralpi aims to improve products and optimize processes through inclusive and sustainable industrialization, to modernize processes and promote technological capabilities through research and development. Again, it aims to create value for the entire local area by enhancing work, safeguarding the cultural and natural heritage and contributing to the development of sustainable urbanization.

Therefore, the growing integration of sustainability into Feralpi corporate strategies represents a concrete response to the demands of the constantly evolving external context that increasingly needs concreteness, comparability and transparency. The CSR activity, and the related communication and external relations activities, have moved along the same path.

From the end of February and during all the year, all communication activities related to Covid-19 have represented a constant priority where necessary. This emergency led the Group to identify the Sustainable Development Goals of the 2030 Agenda that could be more relevant for Feralpi concerning the current situation. In line with the ESG criteria (*Environment, Social and Governance*) – we chose the tools and actions to be considered as a priority, such as those related to sustainable development, the Green New Deal, the innovative processes and digital transformation.

Feralpi commitment to the United Nations 2030 Agenda is constantly evolving. Through sustainable management of the core business, the Group operates with important repercussions on territorial, national and global scale. For this reason, the goals on which we have a strong responsibility and on which we have to commit ourselves, are right those strictly connected to our value chain.

Further connections between Feralpi and the *Sustainable Development Goals* emerge clearly also in the processes supporting the business, which translate into transparent management of the company, the development of responsible practices, positive relationships with the community and the territory, and commitment towards the employees working in the group.

All these processes have marked the communication, any external relations and CSR activities by defining objectives, resources and tools.

Since the first emergency phase, communication and external relations activities have played in Feralpi a central role representing an real collector of information and facilitator of the dissemination in the internal community of government regulations, good practices and actions directly promoted by the Company so that the activity

could restart safely, after the lockdown imposed on all Italian companies.

Among the most important actions that allowed the restart of Feralpi production activity in Italy was the promotion and then an Experimental Health Protocol signed, thanks to the intense work of the Industrial Association of Brescia (Confindustria Brescia) together with the institutions, the University of Brescia and the Social Partners who represented a model of public-private collaboration at national level. It is also very important the Group's adhesion to the #iopagoifornitori awareness campaign, promoted by the Industrial Association of Brescia to support the economic and financial stability of the supply chains.

Along the entire year, besides the extraordinary and emergency activities, the communication, external relations and CSR division planned and implemented activities by acknowledging the strategic guidelines of the Group Business Plan, thus reporting the pillars and initiatives within the communication tools according to a content strategy coordinated at Group level and capable of strengthening the following four key points: business centrality (products, services and markets), the importance of innovation, the concrete commitment to decarbonisation and the circular economy, with particular attention to young people and to work with the enhancement of skills. The full potential of the business, from traditional to specialties, the internationalization, sustainability and innovation, together with the strengthening of the organizational model have in fact marked the furrow in which the communication activity has been carried out. On one hand, this had the task of identifying the relevant, clear and credible messages for each individual stakeholder, on the other hand that of adopting communication tools functional to each of them, at a traditional and - increasingly – a digital level due to the cancellation or postponement of events due to the restrictions imposed during the coronavirus pandemic.

This strategic approach has meant bringing these messages back into a corporate communication, involving the entire Group, with its progressive declination in the different companies, continuously reconciling the commitments, actions and results obtained by the Group to the Sustainable Development Goals. During the whole year, the communication activity presented, with different means and for different targets, the strategic sense of the Group's actions in the face of measurable commitments and concrete actions. In fact, communication got an increasingly important role in creating trust and guaranteeing the solidity of the business: all elements that contribute positively to economic performances.

On the digital front, in 2020 the process of creating the new corporate website (online from the first months of 2021) represented a starting point towards a *corporate digital style guide* that will take shape in 2021 and that will enhance greater recognition of the Feralpi Group focusing on two focal points: innovation and future.

The social channels of the Group were monitored and managed on a daily basis, to give consistency to the shared contents with the corporate communication plan and to strengthen the concept of *brand awareness*, giving a face to people and to the territory. Through the *new media*, Feralpi described the actions, approach and values of the

Group to its audience with an editorial proposal focused on the quality of the content, on a recognizable style, in an authentic and transparent way. Moreover, the LinkedIn profiles of Presider, Caleotto and FERALPI STAHL were opened during this year.

In 2020, a particularly relevant chapter was represented by internal communication on digital front, also due to the pandemic incidence and the impossibility to follow the most traditional channels. During the year, the company new intranet, called MyFeralpi, was opened and all Group's employees have the access to it. In an intuitive way, they can easily find service information, news and documents; moreover, they can have direct access to the various management software, emails and agenda. This tool confirms to be a valid means to share updates and protocols in a timely manner granting a greater safety in the workplace.

The planned and coordinated management of communication activities coexisted with the "emergency" management, therefore unpredictable and impacting, or with extraordinary situations that arose during the year, which moved the External Relations staff according to special and urgent procedures. This was undoubtedly also the case with the management of communication - internal and external - linked to the attack against our President Giuseppe Pasini. An action that had implications also on the communication front towards employees, numerous external stakeholders and the media.

In 2020, the media relations activity was particularly impactful with a positive visibility that has often extended to national newspapers and TV channels, never losing proximity to local and specialized newspapers - viaticum to communicate with the communities where the Group Companies are located - both in Italy and abroad.

The reactivity of the Group facing the Covid-19 emergency, the economic and financial results, the investments, the projects implemented to realize the commitment to economic, social and environmental responsibility, in particular with the circular economy, were some of the most media topics. In addition, the numerous interviews given by President Pasini on macroeconomic or on topical issues as well as related to the Feralpi Group, have made him a national *opinion maker*.

On the corporate social responsibility front, Feralpi is committed to renewing the global partnership for sustainable development through its network of partners, made up of organizations of various kinds united by the shared goal of contributing to long-term growth. The commitment has materialized through multilateral partnerships, between public, public-private entities, in civil society and in the business world, able to share knowledge, skills, technologies and financial resources, to support the achievement of sustainable development goals in all countries.

For the first time, in 2020, together with the Group's 2019 consolidated financial statements, Feralpi has presented a Consolidated Voluntary Non-Financial Statement (NFS) prepared pursuant to Legislative Decree 254/2016. While not among the companies obliged to draw up a NFS, the Group considered it necessary to

anticipate alignment with the Legislative Decree to provide its stakeholders with comparable elements and to encourage greater transparency on social and environmental issues, as well as economic. The Feralpi Group has chosen to continue to follow the *Sustainability Reporting Standards* published in 2016 by the *Global Reporting Initiative* (GRI), according to the "In Accordance - Core" option.

Consistency along the entire path, but innovation in digitalization. In 2020, the Group implemented an evolution in governance, underway also in 2021, supported and sustained by digital solutions and new technologies. Indeed, the Feralpi Group has embarked on a transformation process towards managing its own digital ESG governance: a new dedicated software - GRI certified - was introduced with the aim to facilitate the immediacy and security of information flows, and to allow easier accessibility, better interaction and a guarantee of flow traceability. This software allows to increase engagement on ESG KPIs, to reduce the risk of disputes by outlining the organizational chain of responsibilities on ESG factors, to strengthen the sustainability reporting process and stay compliant and updated on ever-changing regulatory requirements.

“Sustainable Dialogues” is Feralpi sustainability network, that was born in 2020 under the sign of transparency, but also of a strict collaboration with its stakeholders. This network aims to increase the dialogue between the Group and its stakeholders making it more and more stable and constant over time. It involves an initial list of selected suppliers, customers, institutions, entities, local organizations, media, universities and research institutes. In this way, the Group wants to initiate ad hoc dialogue paths with the different types of stakeholders - also through direct involvement - in response to needs that may emerge.

Finally, the Feralpi Group is one of the companies that, in June 2021, received the "Enterprise beyond enterprise" award, promoted by the Lombardy Region and the national daily business newspaper "Il Sole 24 Ore", with the project "*Containment. Continuity. Change. The three Cs of Covid-19 in Feralpi*".

This award aims to recognize the commitment of companies that have faced the crisis of the Covid-19 epidemic through innovation and a strategic vision. In particular, the Feralpi Group won the prize in the category "Attention to personnel with protection and support plans and transformation of operational and production methods to protect employees" in the cluster of large companies.

Personnel

Organization and workforce

Below is a *breakdown by qualification and geographical area*

Number of employees at year end by category	2020	2019	Change
Executives	37	34	3
Office workers and middle managers	528	445	83
Factory workers	1,145	1,091	54
Total	1,710	1,570	140

Number of employees at year end by geographical area	2020	2019	Change
Italy	923	806	117
Abroad	787	764	23
Total	1,710	1,570	140

Covid-19 emergency

A special Task Force has been set up to standardize the actions to be implemented in all the Italian companies of the Group with the aim to deal with the pandemic emergency, to protect the health of collaborators, suppliers and customers who access the company and to guarantee the continuity of operational activities. This Task Force, in co-operation with Executives, Business Unit Directors, Function Directors and Plant Managers, proceeded to: disclosing information relating to the management of the epidemiological phenomenon; defining the actions to be implemented by the direct managers in the Group sites; coordinating with the competent doctors present in the Group companies. Safety protocols, operating procedures, work instructions have been drawn up and conformed; a uniform and co-ordinated system of forms and signage have been provided. Among others, many initiatives have been adopted in a timely manner, which have subsequently become standard in all companies in Italy. After that, the "Memorandum of Understanding on organizational measures to combat the emergency linked to Covid-19 in the workplace" was signed by the Industrial Association of Brescia (Confindustria Brescia) and the trade unions, Feralpi joined the Sced-Cov experimental protocol (Clinical Epidemiological Surveillance and Diagnostics for a resumption of work safely during the SARS-COV-2 pandemic). This protocol, coordinated by the University of Brescia, allowed the entire company employees to undergo diagnostic tests (swab and serological tests with blood sampling). In addition to the analyses, the project included a continuous monitoring activity: the workers updated their health conditions on a daily basis by filling in a questionnaire on a dedicated App. A second serological test and, in some cases the throat swab, were carried out in October.

Smart Working

During the Covid-19 emergency, Feralpi introduced the smart working (or agile work), for all those company areas where organizational feasibility was possible. The preventive preparation of a plan to use the Smart Working allowed immediate carrying out of activities with smart mode. Overall, more than 160 people in Italy started operating in this way within 3 days and this made it possible, even before the lockdown in March, to be able to give continuity to all fundamental business activities, both at an administrative and at a technical level.

Training

Even though in 2020, especially in the first part of the year, training activities were drastically reduced because of Coronavirus pandemic, a total amount of 4,294.50 training hours was achieved. The use of digital platforms has allowed the provision of remote training activities. The training interventions provided fall into four main macro-guidelines: technical-specialist or trade area; safety, health in the workplace, environment and energy area; compliance; quality. Some Group's collaborators attended the modules of the Master in Management and Innovation of Enterprises organized by ISFOR2000; others have taken the Metal University course, born from the alliance among AQM, ISFOR2000 and Riconversider. The high-level training course with a focus on Metallurgy, lasting two years, combines a solid program on digital transformation for manufacturing 4.0 with the transversal skills essential to face innovative processes and continuous improvement of companies. The "Management 4 Steel" course, the first training course of the Steel Academy, ended in July 2020. This project, undertaken on the initiative of Feralpi, involves five steelmaking groups in the preparation and provision of shared training activities, overcoming the individuality of the company. "Management 4 Steel" had the goal to increase managerial culture and to encourage the creation of a network in the steel industry. The training activities concerned the analysis of business scenarios, process planning, communication techniques and problem-solving methods, the areas of safety and health in the workplace, environment and energy, have maintained their usual relevance. Finally, it is confirm the company commitment to training workers with reference to the UNI EN ISO 9001 standard.

Although the Covid-19 pandemic has also presented the same well-known criticalities in Germany, in 2020 it has never been in lockdown and therefore the German subsidiaries have been able to manage in a better way, among others, also training activities. In contrast to Italy, in fact, there has been an increase in the total amount of training hours mainly due to the recruitment of new staff to face the physiological turnover of colleagues close to retirement and the usual investments in terms of placement of apprentices.

We have also to consider the introduction of SAP as ERP, implemented in Italy in recent years and subsequently adopted by the German companies, which has already but had but that will have above all in the next year a strong impact on the training activities of our German colleagues. The introduction of this new software has made it necessary to train the staff of the various company functions on the use of the same. In addition, in line with

Group policies, in 2020 also in the German subsidiaries the focus was maintained on training in the field of safety and health in the workplace as well as on technical-professional and language improvement programs.

Other topics

After entering in 2013 the Workplace Health Promotion project (WHP), a Lombardy Network to promote health in the companies, since 25th October 2020 Feralpi has also joined the Fifty-Fifty Project, a prostate cancer prevention campaign, promoted by Rotary Club Brescia Sud Ovest Maclodio, Bieler Stefanini Foundation and supported by the Poliambulanza Foundation. The analysis started in 2019 in order to intercept and prevent postural problems related to the oral cavity, was completed in 2020. Activities related to the promotion of physical activity also continued such as the company walking activity that was enriched by the figures of the walking leaders, who shared the technical and motivational notions learned from ATS Brescia in order to better guide the walking group. Postural gymnastics pills proposed by AiFOS (Italian Association of Safety Trainers and Operators at Workplace) were shared with all employees. With respect to the fight against addictive behaviours, a training activity focused on pathological gambling was provided to some system figures (RSPP, supervisors, RLS, HR). The Feralpi Bootcamp project continued as a conceptual connector which, in line with the Group's commitment in terms of corporate welfare and attention to local communities, encompasses all Feralpi initiatives for younger generations and which collects guidance activities for the children of collaborators for conscious growth, Qualified School-Work Alternation and Higher Training Paths. In 2020, the company obtained a new certification from the Industrial Association of Brescia (Confindustria Brescia) in the field of training courses: the BITS (Bollino Impresa in ITS) is awarded to companies that actively engage in the training of new generations, helping to create conditions to improve the employability of young people. Moreover, this goal responds to one of the targets of the eighth Sustainable Development Goal (SDG), having as particular commitment the reduction of the share of unemployed young people and who are outside of any study or training cycle. The collaboration with the Higher Technical Institute for Mechatronics (ITS) and Confindustria Brescia was renewed in 2020.

With the aim of promoting the health of colleagues through physical activity and as a further initiative in the field of environmental sustainability, the German subsidiaries have promoted the JobBike project to encourage the purchase of bicycles through funding. In the period of Covid-19 pandemic, with the propensity not to move using public transports, 115 colleagues took advantage of this opportunity by going to work in a healthy, ecological and safe way.

Also in 2020 the traditional "Health Day" (Gesundheitstag) and "In Forma Insieme" were organized in Feralpi Stahl, which see the collaboration of numerous partners. Despite the obvious difficulties associated with the pandemic,

these two days saw a significant participation of employees and suppliers from the world of safety, sports equipment and Retirement Services.

In particular, the sports festival “Gemeinsam Fit” (Lit. Fit Together) registered a further increase in participants.

Social Inclusion Internship and Work Integration Projects

Adhering to the collaboration agreement between the Industrial Association of Brescia (Confindustria Brescia), the Supervisory Court, the correctional facilities in Brescia and the Brescia Guarantor’s Office to grant prisoners’ rights, Feralpi hosted an inmate at the end of his sentence in orientation, training and reintegration internship, for a nine-month period. During this project, the assigned company tutor constantly supported the trainee, in order to facilitate the transfer of knowledge and skills necessary for the consolidation of the essential skills of the work activity. At the end of the training period, the trainee showed to have acquired all technical and relational skills necessary to operate profitably in the company so that, finally he received a permanent employment contract.

In recent years, Feralpi Stahl has taken part in a company-mentoring program, promoted by the German Ministry of Economy and Labour of Saxony and coordinated by the Employment Agency, aimed at promoting employment and social integration of refugees. Thanks to this, in 2019, the company hired six people and at the end of 2020, promoted a travelling exhibition at the conclusion of the program.

Adoption of Legislative Decree 231/2001

Starting from 2010, the parent company Feralpi Holding SpA and the main Italian subsidiary companies have adopted their own Organization, Management and Control Model, which identifies the processes at risk and regulates the behaviours to which all involved players must stick to every process of daily work.

This adjustment process was developed taking into account both the dictates of Legislative Decree 231/01 and the specific initiatives already implemented by the Feralpi Group in the field of "Corporate Governance", based on the company's adhesion to the CSR (Corporate Social Responsibility).

The parent company Feralpi Holding SpA and the Italian subsidiaries constantly integrate and update their Models. The revision of the Organizational Models, currently in force, has been approved or will be approved by the respective Boards of Directors, or equivalent bodies, by most of the companies during 2021.

The most important interventions include, in addition to the adaptation of the Models to take into account the reorganization of the Group, the introduction of new control principles aimed at preventing the risk of committing new tax crimes, as well as IT crimes and illegal processing of data and therefore also with reference to the control

measures relating to smuggling offenses (pursuant to the new art.25-sexiesdecies Legislative Decree 231/2001), to the crime of fraud in sports competitions, as well as to crimes against industry and trade.

Risk management

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

In the first months of the year, the group started a risk mapping activity; the project was completed in December 2020 with the presentation of the ERM model to the management team.

A brief description of the **most relevant objectives** is provided below:

- mapping of the risks to which the various companies are subject
- assessment of action plans aimed at reducing or mitigating the mapped risks
- monitoring of the actions implemented to reduce / mitigate risks
- constant updating of the ERM

Feralpi Siderurgica is one of the main companies of the group operating in the Steel Business, a sector that involves the assumption of different types of risks.

The Group has defined the areas of its Enterprise Risk Management model, in light of the corporate objectives and the change that has taken place in the corporate organization.

Based on a first distinction, the **business risks** applicable to the Group are classified by **category**:

- strategic risks, relating to the corporate mission, and therefore concerning medium-long term objectives;
- operational risks, relating to the efficiency and effectiveness of business processes and the safeguarding of assets;
- legal and contractual compliance risks;
- image risks, linked to the reputation of the corporate and group brand;
- financial and reporting risks, linked to the reliability of internal and external reports with financial and non-financial information, as well as linked to short and long-term financial resources.

A second distinction classifies the **risks** in:

- external risks, relating to factors not directly controllable by the company;
- process risks, relating to internal processes;
- information and decision-making risks, related to the information flows towards outside and also inside, as well as the decisions deriving from such information.

Description of the **relevant risk factors**:

The description of the relevant risk factors contains a brief illustration of the factors or uncertainties that may

significantly affect the Group's business in the immediate future.

Risks associated with credit

The Group is exposed to credit risk due to its commercial relationships. In the event of non-compliance by its customers with the payment deadlines, the Group could worsen its financial position.

The trade credit risk is mitigated by the application of Group procedures and guidelines for the selection and evaluation of the customer portfolio, for the definition of credit limits, for the monitoring of expected collection flows and for any recovery actions.

Where possible and appropriate, they provide for the stipulation of insurance policies with primary counterparties as well as, in some cases, the request to customers for additional guarantees. Group Credit Management manages and monitors the credit risk in the Group.

Risks associated with product quality and product liability

The Group's products must comply with different quality, safety and regulatory standards, in line with the provisions required in the marketing countries. If the products do not comply with the provisions of the different applicable regulations, the return of such products may be legitimate, resulting in an increase in costs and a damage to the company image. The Group controls strictly all products: each production company has a risk management protocol for quality, consisting in control activities and procedures. In particular, there are functions dedicated to quality control, active directly at the production units and at suppliers. The organizational, production and commercial units share in specific meetings any problems related to the quality of the products and containment solutions and the resolution of the main problems encountered. In addition, the Group has an insurance coverage relating to product liability. Nevertheless, it is not possible to exclude the possibility of the presence of manufacturing defects, or, in certain circumstances, the inadequacy of the aforementioned insurance coverage. The Group must also maintain the required quality levels, in particular by complying with the requirements in terms of product safety.

Risks associated with the plants, related to environmental regulations, workplace safety and Business Continuity

The Group's industrial production is subject to the issue of administrative authorizations. Failure to renew or issue such authorizations could entail legal-administrative responsibilities of different types, with consequent interruption of production. The main plants of the Group have started the process for obtaining the ISO 50001 certification in terms of energy efficiency, while in the environmental field the EMAS (Environmental Management and Audit Scheme) and ISO 14001 have been already obtained. All the Group's production plants are required to adopt prevention and protection measures defined by the national regulations in force. Any accidents at work,

even if not serious, caused by failure to comply with the aforementioned regulations, could result in criminal and administrative sanctions, with serious financial and / or image consequences if they were disqualifying, even for limited periods.

The issuance of additional regulatory provisions applicable to companies, or changes to the regulations currently in force in the countries in which the Group operates, could force the Group to adopt standards that are more stringent and to incur additional costs for the adaptation of production facilities. A production interruption could also occur in the event of the occurrence of natural or accidental / malicious events. To mitigate this risk, the Group pursues the policy of dividing production between several factories, even if for some Group's product types can only move production in the different plants.

Risks associated with the fluctuation of the price of raw materials

They are related to the excursions, also significant, that the price of the finished product and raw materials (mainly ferrous scrap, ferroalloys and energy) can have even in short periods.

In the long run, the price trend of ferrous scrap and that of the finished product tend to be arranged on parallel lines; any hedging transactions must be assessed in the light of the liquidity of the official markets on which the main trades are carried out.

Risks associated with fluctuations in exchange rates and interest rate trends

The exchange rate risk, hedged with forward currency contracts, is quite modest, as most of the transactions are in euros.

The interest rate risk is covered by the stipulation of hedging contracts.

In the Explanatory Note, you will find mention of it.

Antitrust risk

As already mentioned, in 2017 Feralpi Siderurgica SpA and other steel operators were sanctioned in relation to alleged anti-competitive activities for an amount equal to 29,4 million euros.

Against the decision of the Italian Antitrust Authority, Feralpi Siderurgica SpA appealed to the competent Regional Administrative Court of Lazio, which recognized the lawfulness of its conduct.

The subsequent appeal of the State Attorney General, to the Council of State, was rejected in January 2020.

This matter ended with the full success of the company's thesis.

The group has appointed a manager covering a senior position to play the role of "Antitrust Officer" with the task of verifying compliance with the regulations by controlling the individual behaviour of those who could most expose the companies of the group to this kind of risk. This represents the first step of a path that will be completed over time. In fact, after having achieved the objective of the ERM model, the Group will have to allocate to appropriate corporate figures the responsibility of monitoring the actions of reduction/containment of the

identified risks and of updating the map, thus creating a real structure of "Risk management", which should "manage" in a concrete and organized way the risks to effective protection of the values to which the company strategy aims.

Analysis of the economic-financial trend

Income Statement

Item	2020	%	2019	%
Production value	1,222,457		1,331,674	
Raw materials consumption	779,842		841,531	
General expenses	261,114		246,347	
Added value	181,501	14.8%	243,796	18.3%
Personnel expenses	101,071		99,621	
Provisions & write-downs	1,743		13,547	
Sundry operating expenses	4,936		5,526	
Gross operating margin	73,751	6.0%	125,102	9.4%
Depreciation, amortisation & write-downs	55,196		53,935	
Net operating margin	18,555	1.5%	71,166	5.3%
Financial income	444		534	
Financial expenses	4,309		3,328	
Operating income before financial results	14,691	1.2%	68,373	5.1%
Revaluation of equity interests	1,246		1,384	
Impairment of equity interests	3,295		15,249	
Pre-tax result	12,642	1.0%	54,508	4.1%
Income tax	7,192		13,677	
Net operating result	5,450	0.4%	40,831	3.1%
Result of which third parties	1,244		1,019	

* Feralpi Algeria - Faeco Ambiente - Ecoeternit

The economic and financial performance of the Feralpi Group reflects the results of the Steel Business area, to which must be added the results of the Diversified Equity Investments, whose economic performance influenced the item Revaluations and Write-downs of equity investments.

In 2020, the Production Value reported an overall reduction of 8.2%; this reduction is due to the non-recurring positive impact recorded in 2019 relating to the closure of the dispute with the Italian Antitrust Authority and the trend in Revenues. With reference to Revenues, the dynamics are different in the different business units of the Group. In Italy, in the construction business unit (Construction Division) the reduction was mainly determined by sales price reduction, while the sales volumes resulted slightly down due to the production stoppage caused by Covid19. Within this business unit, Presider, which manufactures shaped products and well represents a verticalization of the Group's activities, reported growing sales volumes. In Germany, in the construction business unit (Construction Division), the reduction was determined exclusively by the reduction in sales prices, even though volumes increased. In the Specialties Division, the market conditions of the automotive and industrial sectors using Caleotto products have led to a reduction in prices and sales volumes; on the contrary, Nuova Defim (Diversified products) achieved an increase in the Production Value. In all the Group's operating units, the value of production reported significant recovery starting from the summer and especially during the last months of the year.

The trend in the Gross Operating Margin (EBITDA) reported in 2020 compared to 2019 is mainly driven by the trend in Revenues accompanied by an increase in the purchase cost of ferrous scrap used for production, which occurred in the last part of the year when the productive and commercial activity was particularly sustained. To make the comparison of the results more meaningful, it should be noted that the 2019 EBITDA was positively influenced by a non-recurring impact relating to the closure of the dispute with the Italian Antitrust Authority and definitive cancellation of the previously imposed sanction for a value equal to 29,4 million euros. Net of this effect, the normalized EBITDA of 2019 is equal to 100,6 million euros.

Provisions for 2020 are down if compared to 2019 mainly because the latter were influenced by non-recurring values; after the neutralization of these effects, the trend of this cost item does not show significant deviations.

Depreciation for 2020 is substantially in line with the values reported in 2019.

Financial charges in 2020 show an increase of approximately 1,000 thousand euros compared to the value reported in 2019. This trend is due for approximately 500 thousand euros to the consolidation of Caleotto, which took place with the line-by-line method starting from March 2020 and for the remainder to normal financial dynamics of management.

The net balance of revaluations and write-downs of shareholdings for the year 2020 shows a significant improvement compared to 2019, when the depreciation of the shareholdings in Cogeme Steel and, in particular in Agroittica Lombarda, was reported.

However, 2020 reports a positive Net Result.

Working capital	2020	% Revenues on total	2019	% Revenues on total
Receivables	384,576	31%	301,893	23%
Warehouse	232,605	19%	243,812	19%
Suppliers	(446,311)	(36%)	(358,278)	(28%)
Net operating working capital	170,869	14%	187,426	14%
Other liabilities (less credits)	774	0.1%	947	0.1%
Net working capital	171,643	14%	188,373	14%

Net working capital recorded a decrease in absolute value and remains stable as a percentage of sales revenues. The following contributed to this result: the increase in Trade Payables, which also reports an increase in terms of percentage weight on revenues; the reduction in the value of the Warehouse, whose percentage weight on Revenues remains unchanged; the increase in Trade Receivables, which increased as a result of the particularly brilliant revenue trend recorded in the last months of the year.

Net financial position	2020	2019	Change
Liquid assets	67,126	34,859	32,267
Current financial debt	(112,546)	(73,407)	(39,139)
Non-current financial debt	(100,499)	(96,389)	(4,110)
Total net financial position	(145,918)	(134,936)	(10,982)

The Net Financial Position (net debt) to third parties recorded a slight increase, due to the consolidation of Caleotto that took place in 2020, which resulted in an increase in the NFP of 46 million euros. By normalizing this effect, the indicator shows a net cash generation for a value of approximately 35 million euros.

Revenues and operating costs

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

Description	2020	2019	Change
Revenues from sales and services rendered	1,238,398	1,302,752	(64,354)
Other revenues and income	5,788	40,424	(34,636)
Total	1,244,186	1,343,176	(98,990)

The main *operating costs* are:

Description	2020	2019	Change
Raw materials, supplies and consumables	772,636	832,497	(59,861)
Services	255,548	242,415	13,133
Hire and lease fees	5,566	3,932	1,634
Personnel	101,071	99,621	1,450
Amortisation and depreciation allowances	55,196	53,935	1,260
Change in inventories of raw materials	7,206	9,034	(1,827)
Other charges	4,936	5,526	(590)
Total	1,202,157	1,246,959	(44,802)

Financial management

Description	2020	2019	Change
From equity investments	63	50	13
Interest income from associates	0	124	(124)
Other financial income	381	360	21
Total financial income	444	534	(90)
Interest expense and other financial expenses	4,151	3,296	855
Total financial expenses	4,151	3,296	855
Exchange gains (losses)	(158)	(31)	(127)
Total	(3,866)	(2,794)	(1,072)

The table below compares equity figures of individual companies in 2020 with net pro-quota result

	% stake	Total shareholders' equity	Group's shareholders' equity 2019	Group's shareholders' equity 2018 average figures	Carrying value of equity investments	Difference	Net pro-quota result	ROE
Feralpi Siderurgica	100	259,105,279	259,105,279	254,017,659	64,931,961	194,173,318	10,343,518	4.1
Acciaierie di Calvisano	100	39,438,399	39,438,399	41,518,234	16,155,185	23,283,214	(4,159,666)	(10.0)
Feralpi Profilati Nave	100	4,352,999	4,352,999	5,417,181	6,481,362	(2,128,363)	(2,128,360)	(39.3)
Nuova Defim	100	6,473,415	6,473,415	6,057,626	4,456,000	2,017,415	839,577	13.9
Immobiliare Feralpi	100	817,577	817,577	953,832	550,000	267,577	(272,512)	(28.6)
Fer-Par	100	3,965,158	3,965,158	5,640,980	5,162,094	(1,196,936)	(5,351,639)	(94.9)
Comeca	20	10,552,708	2,094,713	2,013,993	335,862	1,758,851	65,268	3.2
Caleotto Gruppo	100	13,014,561	13,014,561	8,608,260	12,201,958	812,603	(4,983,386)	(57.9)
Presider	100	12,414,167	12,414,167	12,380,846	15,471,689	(3,057,522)	66,644	0.5
MPL	100	1,495,658	1,495,658	1,676,246	2,568,555	(1,072,897)	(361,171)	(21.5)
Alpifer	50	18,956,624	9,478,312	9,173,044	7,931,334	1,546,978	610,534	6.7
Feralpi Algérie	70	804,108	562,876	575,817	368,798	194,077	77,417	13.4
Co.ge.me Steel	100	351,147	351,147	182,571	351,147	0	(550,180)	(301.4)
ESF	100	179,433,105	179,433,105	173,346,512	11,149,879	168,283,226	25,296,241	14.6
Feralpi Stahlhandel	100	10,532,943	10,532,943	10,532,943	682,063	9,850,880	1,295,838	12.3
Feralpi Logistik	100	1,524,392	1,524,392	1,524,392	1,000,000	524,392	987,333	64.8
Feralpi Praha	100	6,384,591	6,384,591	6,543,993	3,110,594	3,273,997	(104,531)	(1.6)
Feralpi Hungaria	100	2,138,866	2,138,866	2,273,401	4,700,303	(2,561,437)	(269,071)	(11.8)
Dima	31	3,161,879	980,182	815,470	722,592	257,591	331,130	40.6
Media Steel	45	6,006,788	2,703,055	2,602,836	990,000	1,713,055	203,256	7.8
Beta	28	14,858,028	4,212,251	4,072,066	353,512	3,858,739	36,221	0.9
Total		595,782,392	561,473,645	549,927,898	159,674,888	401,798,757	21,972,461	4.0

The sum of the net assets attributable to the Group in 2019 amounted to 538,4 million euros.

Also in the Diversified Equity Investments sector, the Group's net equity is higher than the book value of the equity investment by approximately 11 million euro.

	% stake	Total shareholders' equity	Group's shareholders' equity 2019	Group's shareholders' equity 2018 average figures	Carrying value of equity investments	Difference	Net pro-quota result	ROE
Due I. Investimenti	100	7,624,695	7,624,695	6,521,955	991,432	6,633,263	2,231,239	34.2
Feralpi Farm	100	9,116,725	9,116,725	9,146,547	8,755,742	360,983	(59,641)	(0.7)
Faeco Ambiente	85	3,105,475	2,639,654	2,898,470	1,628,000	1,011,654	(7,633)	(0.3)
Ecoeternit	70	5,395,373	3,776,761	3,487,878	746,397	3,030,364	2,827,766	81.1
Eco-Trading	100	61,630	61,630	35,593	61,629	1	(17,929)	(50.4)
Agroittica	45	17,855,381	8,117,056	8,381,194	8,117,056	0	(1,954,451)	(23.3)
Far Energia	30	653,343	196,003	200,145	35,000	161,003	754	0.4
Total		43,812,623	31,532,524	30,671,781	20,335,256	11,197,268	3,020,104	9.8

Forecasts on the trend of steel demand

World steel demand is expected to grow by 5.8% in 2021, reaching 1.874 million tonnes, and by 2.7% in 2022, reaching 1.925 million tonnes. It should be recalled that world steel production decreased by 0.2% in 2020. In the European Union, demand should reach 155 million tonnes in 2021, with an increase of 10.2% (compared to a decline of 11.4% in 2020) and 162 million tonnes in 2022, with a growth of 4.8%. The recovery should be good, led both by the revival in all sectors using steel, particularly in the automotive sector, and by public construction initiatives. In China, demand for steel is expected to grow by 3% in 2021. In the USA, the Biden administration recently announced comprehensive tax proposals containing provisions for substantial multi-year infrastructure investments. The automotive sector is expected to recover strongly (*source: World Steel Association, Short Range Outlook for 2021 and 2022*).

According to Eurofer forecasts, for the construction sector, which in 2020 represented 35% of the total consumption among the steel user sectors, growth is expected for the next two years (+ 5.0% in 2021 and + 4.0% in 2022) driven by the non-residential sector, which was definitely the most penalized by coronavirus, and by public investments in infrastructure. For the automotive sector, the growth forecast for 2021 (+ 15.9%) is the highest among the user sectors, positively influenced by the revival of foreign demand, in particular from China, USA and Turkey. According to Eurofer, for mechanical engineering the sector's output will grow by 8.0% in 2021, but the forecasts are volatile due to lack of confidence among sector operators, low demand from key European markets and uncertainty about the duration of the aftermath of the pandemic, whose effects could diminish from June 2021 onwards. The recovery of the sector in the USA and China, more positive than expected, could instead have a good impact on exports. Finally, Eurofer estimates a + 3.6% for 2022.

Foreseeable evolution of management

The most recent forecasts available for the main markets in which the Company run its commercial activities, foresee for 2021 a growing market demand. Based on the available information, the Group expects a commercial trend in line with the reference markets, also leveraging on its own internal projects. The commercial and economic-financial results achieved during the first five months of 2021, are significantly improved if compared to the same period of the previous year.

The markets are still affected by conditions of uncertainty relating to a definitive solution to the effects of the Covid-19 pandemic and its impacts on economic activity. In addition, a price increase of all materials and products within the steel industry is already generating worldwide, with a shortage of raw materials and products, which is putting a strain on the players present along the supply chain. In this contest, the structural evolutions underway in the sector, the evolution and the sharp and sudden increase in the cost of ferrous scrap, combined with the growing scarcity of procurement in the supply markets and the increase in the energy cost, are all factors that the company is monitoring carefully in order to safeguard its margins and to increase the use of available production capacities. That is the reason why during 2020 we drew up a Business Plan.

With reference to the Diversified Equity Investments, for the year 2021 the expectations are for continuity in terms of results, which were overall positive also during 2020.

For Agroittica Lombarda, the results are due to the resumption of commercial activities also in light of the evolutions linked to Covid 19. As regards Ecoeternit and Faeco Ambiente, the forecasts are for constant business management, with no particular alterations due to the contingent situation.

Statement

Consolidated Financial Statement
as at 31st December 2020
Financial statements

CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO EU DIRECTIVE IV: FERALPI HOLDING S.p.A. AS AT 31 DECEMBER 2020

(Figures expressed in thousands of euros)

BALANCE SHEET			31.12.2020	31.12.2019
ASSETS				
A	Subscribed capital unpaid, with separate indication of called-up portions:			
B	Fixed assets:			
I	Intangible assets:			
1	Incorporation and extension costs		18	13
2	Research, development and publicity costs		27	8
3	Patents and rights for use of intellectual property		6,122	4,844
5	Goodwill		1,131	1,320
6	Works in progress and down payments		-	1,616
7	Others		7,315	7,685
	Total intangible assets		14,613	15,486
II	Tangible assets:			
1	Land & buildings		181,182	160,724
2	Plant & equipment		157,430	153,517
2-bis	Leasing plant & equipment		8,116	-
3	Trade & industrial fixtures		2,105	2,515
4	Other assets		9,767	9,421
5	Works in progress and down payments		46,452	31,246
	Total tangible assets		405,052	357,424
III	Long term financial assets, with separate indication for each item of amounts collectable within 12 months			
1	Equity interests			
	b) associated companies		26,953	30,541
	d) other companies		9,994	9,701
	Total equity interests		36,947	40,242
2	Accounts receivable			
	b) from associated companies			
	less than 12 months		10	10
	over 12 months		-	7,500
	Total receivables from associated companies		10	7,510

CONSOLIDATED FINANCIAL STATEMENT

	d-bis) From others		
	less than 12 months	3,072	3,413
	over 12 months	1,865	2,065
		Total receivables from others	4,937
		Total financial receivables	4,947
			12,988
	3 Other securities	497	802
		Total financial assets	42,391
		Total fixed assets	462,056
			426,941
C	Current assets		
	I Inventories		
	1 Raw materials, supplies & consumables	107,002	99,544
	2 Work-in-progress & semi-finished products	26,642	31,717
	4 Finished products and goods	95,289	112,551
	5 Down payments	3,671	-
		Total inventories	232,604
			243,812
	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	239,940	195,398
	b) over 12 months	2,817	2,849
		Total trade debtors	242,757
			198,246
	3 from associates		
	a) less than 12 months	19,006	25,840
		Total receivables from associates	19,006
			25,840
	5-bis Tax credits		
	a) less than 12 months	40,659	27,359
	b) over 12 months	-	-
		Total tax credits	40,659
			27,359
	5-ter Prepaid tax assets		
		Total prepaid tax assets	21,865
			23,187
	5-quater from others		
	a) less than 12 months	9,106	10,277
	b) over 12 months	7	13
		Total receivables from others	9,113
		Total receivables	333,400
			284,922

III	Financial assets other than fixed assets:		
6	other securities	686	450
	Total financial assets	686	450
IV	Cash and cash equivalents		
1	bank and postal deposits	67,117	34,852
3	cash and cash on hand	9	7
	Total cash and cash equivalents	67,126	34,859
	Total current assets	633,817	564,042
D	Prepayments and accrued income		
1	Prepayments and accrued income	1,636	1,564
	Total prep. & accrued income	1,636	1,564
	Total assets	1,097,509	992,547

CONSOLIDATED FINANCIAL STATEMENT

BALANCE SHEET LIABILITIES

		31.12.2020	31.12.2019
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
2	Capital reserve	-	-
3	Special tax system reserves	-	-
4	Non-distributable profit reserve	-	-
5	Consolidation reserve	398,277	342,380
6	Currency translation reserve	164	378
7	Capital contribution reserve	-	-
8	Other reserves	-	-
9	Accelerated depreciation reserve	-	-
10	Reserve for financial statements in euros	-	-
	Total other reserves	423,274	367,591
VII			
1	Expected cash flow hedgign reserve	(628)	(460)
VIII	Profit / (Loss) brought forward	30,720	39,512
IX	Profit / (Loss) for the year	4,206	39,812
	Total shareholders' equity	519,551	508,435
X	Reserve for treasury share	(1,028)	(1,028)
	Total minority interest	2,326	2,089
	Total shareholders' equity	520,849	509,496

B	Provisions for contingent liabilities and charges			
1	Retirement benefits and similar indemnities		1,338	1,202
2	Taxes, including deferred taxes		100	306
3	Financial derivatives liability		945	605
4	Others		18,716	17,987
		Total provisions for cont. liabilities and charges	21,099	20,101
C	Provision for employees' severance pay		7,369	7,372
D	Payables with separate indication of amounts falling due over 12 months			
2	Convertible bonds			
	b) over 12 months		5,000	5,347
		Total convertible bonds	5,000	5,347
4	Bank borrowings			
	a) less than 12 months		106,299	73,407
	b) over 12 months		89,977	91,042
		Total bank borrowings	196,276	164,449
5	Payables to other lenders			
	a) less than 12 months		6,246	-
	b) over 12 months		5,522	-
		Total payables to other lenders	11,768	-
6	Down payments			
	a) less than 12 months		1,173	97
		Total down payments	1,173	97
7	Trade creditors			
	a) less than 12 months		257,071	216,870
		Total trade creditors	257,071	216,870
10	Payables to associates			
	a) less than 12 months		28,844	28,675
		Total payables to associates	28,844	28,675
12	Tax liabilities			
	a) less than 12 months		6,340	8,083
	b) over 12 months		178	-
		Total tax liabilities	6,518	8,083
13	Social securities liabilities			
	a) less than 12 months		5,120	4,688
		Total social securities liabilities	5,120	4,688

CONSOLIDATED FINANCIAL STATEMENT

14	Other payables		
	a) less than 12 months	35,220	26,459
	b) over 12 months	341	294
	Total other payables	35,561	26,753
	Total payables	547,331	454,961
E			
	Accruals and deferred income		
1	Accruals and deferred income	862	617
	Total accruals and deferred income	862	617
	Total liabilities	1,097,509	992,547

INCOME STATEMENT

31.12.2020 31.12.2019

A		Production value	
1	revenue from goods sold and services rendered	1,238,398	1,302,752
2	changes in inventories of WIP, semi-finished and finished products	(25,427)	(16,729)
4	increase in fixed assets from internal work	3,698	5,227
5	other revenue and income		
	a) contributions in trading account	1,767	3,122
	b) others	4,022	37,301
	Total other revenue and income	5,789	40,424
	Total production value	1,222,458	1,331,674
B		Production costs	
6	for raw materials, supplies, consumables and goods	772,636	832,497
7	for services	255,548	242,415
8	for leased assets of third parties	5,566	3,932
9	for personnel:		
	a) wages and salaries	73,821	71,312
	b) social security contributions	20,631	19,672
	c) employees leaving indemnity allowance	2,499	2,284
	d) retirement pension and similar	14	-
	e) other costs	4,107	6,353
	Total personnel expenses	101,072	99,621
10	depreciation, amortisation & write-downs:		
	a) amortisation of intangible assets	4,617	3,553
	b) depreciation of tangible assets	46,091	45,291
	c) other write-downs of fixed assets	3,156	4,500
	d) write-downs of receivables under current assets and cash and cash equivalents	1,332	592
	Total depr., amortisation & write-downs	55,196	53,935
11	changes in inventories of raw materials, supplies, consumable and goods	7,206	9,034
12	provisions for risks	200	11,978
13	other provisions	1,543	1,569
14	other charges	4,936	5,527
	Total production costs	1,203,903	1,260,508
	Difference between production value and costs	18,555	71,166

CONSOLIDATED FINANCIAL STATEMENT

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	63	50
	Total income from equity investments	63	50
16	other financial income		
	receivables entered under non-current assets, with separate indication of those		
	a) referring to subsidiaries and associates and to parent companies and entities under parent control		
	from associates	-	124
	Total income from loans and advances entered in fixed assets	-	124
	from others	381	360
	Total income other than previous ones	381	360
	Total other financial income	381	484
17	interest and other financial expenses, with separate indication of those referring to subsidiaries, associates and parent companies		
	d) from others	4,151	3,296
	Total interest and other financial expenses	4,151	3,296
17-bis	exchange gains and losses	158	31
	Total financial income and expenses	(3,865)	(2,794)
D	Adjustments to the value of financial assets and liabilities		
18	revaluations:		
	a) equity interests	1,246	1,384
	Total revaluations	1,246	1,384
19	impairments		
	a) equity interests	3,295	15,249
	Total impairments	3,295	15,249
	Total adjustments to the value of financial assets and liabilities	(2,048)	(13,865)
	Pre-tax result		
	Pre-tax result	12,642	54,508
T	Income tax for the year		
20	current, deferred and prepaid income taxes		
	a) current	4,785	17,351
	b) deferred	-	3
	c) prepaid	2,407	(3,677)
	Total income taxes for the year	7,192	13,677

21	Profit (loss) for the year		
	Consolidated operating result for the year	5,450	40,831
V	Result for the Group		
22	Minority interest result	1,244	1,019
	Result for the Group	4,206	39,812

CONSOLIDATED FINANCIAL STATEMENT

Balance sheet	Current Year	Previous Year
A. Cash flows generated by operating activities (indirect method)		
Profit (loss) for the year	5,450	40,831
Income taxes	4,785	13,677
Interest expenses (interest income)	3,803	(2,794)
(Dividends)	(63)	(50)
(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	13,974	51,665
<i>Adjustments for non-cash items that had no contra-entry in net working capital</i>		
Allocations to provisions	4,255	17,348
Non-current asset amortisation and depreciation	50,708	48,844
Write-downs for impairment losses	2,048	13,865
Other adjustments for non-cash items	1,332	592
<i>Total adjustments for non-cash items</i>	<i>58,344</i>	<i>80,648</i>
2. Cash flow before changes in net working capital	72,318	132,313
<i>Changes in net working capital</i>		
Decrease/(increase) in inventories	11,207	25,790
Decrease/(increase) in trade receivables	(45,843)	40,704
Increase/(decrease) in trade payables	41,276	(13,643)
Decrease/(increase) in accrued income and prep. ex.	(72)	30
Increase /(decrease) in accrued expenses and def. inc.	245	(35)
Increase /(decrease) infragroup transactions	7,002	(26,904)
Other changes in net working capital	(4,491)	(68,484)
<i>Total changes in net working capital</i>	<i>9,325</i>	<i>(42,542)</i>
3. Cash flow after changes in net working capital	81,642	89,771
<i>Other adjustments</i>		
Interest received/(paid)	3,866	(2,794)
(Income taxes paid)	(4,785)	(13,677)
Dividends received	63	-
Utilisations of provisions	(2,479)	32,827
<i>Total other adjustments</i>	<i>(3,335)</i>	<i>16,356</i>
4. Cash flow after other adjustments	78,307	106,127
Cash flow from operating activities (A)	78,307	106,127

B. Cash flows generated by investment activities		
<i>Tangible assets</i>		
(Investments)	(93,718)	(51,908)
Realizable price of divestments		
<i>Intangible assets</i>		
(Investments)	(3,744)	(5,413)
Realizable price of divestments		
<i>Financial assets</i>		
(Investments)	9,591	(6,871)
Realizable price of divestments		
<i>Financial assets other than fixed assets</i>		
(Investments)		
<i>Aquisition or transfer of subsidiaries or business units net of cash</i>		
Cash flows generated by investment activities (B)	(87,871)	(64,192)
C. Cash flows generated by funding activities		
<i>Loan capital</i>		
Increase in short-term borrowings from banks	36,160	(49,092)
Opening of loans	26,768	57
Loan repayment	(27,000)	(34)
<i>Equity</i>		
Shareholders' loan	5,902	
Extraordinary transactions (merger by incorporation)		
Dividends (and advances on dividends) paid		(7,000)
Cash flows generated by funding activities (C)	41,830	(56,069)
Increase (decrease) in cash and cash equivalents (a ± b ± c)	32,267	(14,134)
Cash and cash equivalents as at January 1st	34,859	48,993
Cash and cash equivalents as at December 31st	67,126	34,859
Increase (decrease) in cash and cash equivalents	32,267	(14,134)

Explanatory Note

Consolidated Financial Statement
as at 31st December 2020

Explanatory Notes to the Consolidated Financial Statements as at 31st December 2020

(Figures expressed in thousands of euros)

The Group's Consolidated Financial Statements for the year ended on 31st December 2020, of which these Explanatory Notes form 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 mentioned decree, full motivation is provided in these explanatory notes, and the effects on the equity and the results are also reported;
- A breakdown of the items under assets and liabilities is detailed when the figure is substantial.
- Risks and losses for the year were taken into account, even if known after the closing date.
- The 2020 consolidated financial statements were prepared in accordance with the provisions of Legislative Decree no. 127/91. When necessary, accounting reclassifications have been made to allow y-on-y comparison pursuant to art. 2423-ter of the Italian Civil Code. Any reclassifications were reported in the comments to the financial statements items.

Performed activities

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

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

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

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

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

EXPLANATORY NOTE

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

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

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

Scope of consolidation

Contents and form of the consolidated financial statements

Subsidiaries as identified by art. 26 of Italian Legislative Decree 127/1991 are subject to consolidation. The Group's Consolidated Financial Statements comprise the financial statements as at 31st December 2020 of Feralpi Holding S.p.A. (Parent company) and the companies listed below.

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

EXPLANATORY NOTE

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

Name and location	Share capital	Dir.	Indir.	Stake held by	%
Beta SA Buzau (Romania)	766		X	Feralpi Siderurgica SpA	28.35%
Agroittica S.p.A. I - Calvisano (Brescia)	12,500		X	Feralpi Farm S.r.l.	45.46%
Far Energia S.r.l. I - Sirmione (Brescia)	100		X	Feralpi Farm S.r.l.	30.00%
Dima Srl Italy	1,000		X	Acciaierie di Calvisano	31.00%
Media Steel S.r.l. Italy	200		X	Feralpi Siderurgica SpA	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 SpA	50.00%

Changes in the scope of consolidation

It should be noted that during the year, the consolidation scope has changed and the changes compared with the previous year are here reported, as the associated companies listed below have become subsidiaries and therefore fully consolidated:

- ✓ Increase from 50% to 100% of the stake held in Caleotto SpA;
- ✓ Increase from 50% to 100% of the stake held in Cogeme Steel Srl.

Consolidation method

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

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

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

Any difference resulting from the allocation process:

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

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

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

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

Consolidated equity and operating result and minority interest

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

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

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

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

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

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

Translation of foreign currency financial statements

For the purpose of consolidating companies that issue their financial statements in a currency other than 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;

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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 (exchange rate 162,11 dinars to 1 euro), the Rumanian Leu (exchange rate 1 Leu to 0.208 euro).

There are also exchange rates for Feralpi Hungaria (Hungarian Forint 363.89 to 1 euro) and Feralpi Praha (Czech Koruna 26.242 to 1 euro).

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

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

Accounting concepts and principles in the preparation of financial statements

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

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

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

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

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

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

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

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

Pursuant to art. 2423-ter, subsection 5, of the Italian Civil Code, the amount of the corresponding item of previous

financial year is shown for each item in the Balance Sheet and Income Statement. If the items are not comparable, those of the previous year are appropriately adjusted and the non-comparability and adaptation or impossibility are reported and commented on in these Explanatory Notes.

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

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

The information in these Explanatory Notes relating to items in the Balance Sheet and Income Statement is presented in the order in which they are listed in the Balance Sheet and Income Statement in accordance with art. 2427, subsection 2, of the Italian Civil Code.

Valuation criteria

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

The new provisions of law and individual accounting principles have envisaged transitional rules to the new valuation criteria that enable companies to make certain choices regarding their applicability in the first and the following years of adoption.

Intangible assets

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

Category	%
Incorporation and extension costs	20%
R&D costs	20%
Industrial patent fees	20%
Licensing and trade mark concessions	10% 20%
Goodwill	10%
Other intangible assets	10% 20%

Tangible fixed assets

Tangible fixed assets are entered at cost, increased by directly attributable accessory charges, adjusted as a result of the revaluations carried out in accordance with the law. In addition, land and buildings are adjusted by attributing the difference between the recorded value of the equity investments and the equity of the investee during the first consolidation, as it is considered large based on the current values documented by external appraisers.

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

The depreciation rates used are the following, unchanged compared to the previous year:

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“Steel Business”

Category	%
Buildings	2,5% - 5%
Lightweight construction - Roofs	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 the first year of life of the new asset, in order to balance the depreciation on average with the actual temporal use, the depreciation plans provide for the application of a rate that takes into account the date of entry into operation of the asset.

In particular, it should be noted that, in the Group, fixed assets are depreciated at rates that take into account the residual possibility of using them, in accordance with the provisions of art. 2426 of the Italian Civil Code, and in accordance with the amortization plan, which has not changed compared to the past year.

Financial fixed assets

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

Equity investments in other companies are entered at cost, possibly adjusted for lasting losses in value.

Receivables are entered at nominal value that corresponds to the presumed realizable value, possibly adjusted by lasting losses in value.

The Other Securities are recognized in the financial statements at their nominal value that corresponds to the presumed realizable value.

Derivative financial instruments

Derivative financial instruments are recognized from the date the contract is signed, starting from when the Company is subject to the related rights and obligations.

Pursuant to the provisions of Article 2426, paragraph 1, number 11-bis, of the Italian Civil Code and of OIC 32, derivative financial instruments, even if incorporated into other financial instruments, are measured at fair value

both at the date of recognition initial and at each subsequent closing date of the financial statements. The recognition and the change in fair value with respect to the previous year are recognized in the financial statements in different ways depending on whether the transaction in derivative financial instruments qualifies (and actually designated) as a hedging transaction for financial risks or not.

Transactions qualifying (and designated) as hedging

The company carries out transactions in derivative financial instruments to hedge the risk of interest rate fluctuations.

A transaction in derivative financial instruments is designated as a hedge when:

- a) The hedging relationship consists only of eligible hedging instruments and eligible hedged items pursuant to OIC 32;
- b) There is a close and documented correlation between the characteristics of the hedged instrument or transaction and those of the hedging instrument, pursuant to Article 2426, paragraph 1, number 11-bis, of the Italian Civil Code; the documentation concerns the formalization of the hedging relationship, the Company's objectives in risk management and the strategy in carrying out the hedge;
- c) The hedging relationship meets all of the following hedge effectiveness requirements:
 - I. There is an economic relationship between the hedged item and the hedging instrument;
 - II. The effect of the credit risk of the counterparty of the derivative financial instrument and of the hedged item, if the credit risk is not the hedged risk, does not prevail over the changes in value resulting from the economic report;
 - III. The hedging ratio is determined equal to the ratio between the quantities of derivative financial instruments used and the quantities of items hedged (to an extent that does not lead ex ante to the ineffectiveness of the hedge).

The verification of the economic relationship takes place qualitatively, verifying that the supporting elements of the hedging instrument and the hedged element are corresponding or closely aligned, and quantitatively. When the hedging transactions concern derivative financial instruments with characteristics completely similar to those of the hedged item (defined "simple hedging relationships") and the derivative financial instrument is stipulated at market conditions, the hedging relationship is considered effective simply by verifying that the supporting elements (such as the nominal amount, the settlement date of the cash flows, the maturity and the underlying variable) of the hedging instrument and the hedged element match or are strictly aligned and the credit risk of the counterparty is not such to significantly affect the fair value of both the hedging instrument and the hedged instrument.

The verification of the existence of the eligibility criteria is carried out continuously and at each balance sheet date, the company assesses whether the hedging relationship still satisfies the effectiveness requirements.

Cash flow hedging is activated when the hedging objective is to limit exposure to the risk of variability of cash flows attributable to an asset or liability recognized in the balance sheet, to irrevocable commitments, or highly probable scheduled transactions. The Company recognizes in the balance sheet at fair value the cash flow hedging instrument, linked to an asset or liability recognized in the financial statements, an irrevocable commitment or a highly probable planned transaction, and item A) VII "Reserve for hedging operations of expected cash flows" for the hedging component deemed effective, while for the ineffective component, calculated for hedging relationships that cannot be classified as simple, section D) of the income statement.

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In a hedge of cash flows associated with an asset or liability recognized in the balance sheet or a highly probable planned transaction or firm commitment, the amount of the reserve it is charged to the income statement in the same years in which the hedged cash flows have an effect on the profit (loss) for the year and in the same item impacted by the cash flows themselves. In hedging the cash flows associated with a highly probable forecast transaction or irrevocable commitment which subsequently entails the recognition of a non-financial asset or liability, the Company, upon recognition of the asset or liability, eliminates the amount of the reserve for hedging operations of expected cash flows and includes it directly in the book value of the asset (within the limits of the recoverable value) or of the liability. However, if in the presence of a negative reserve it is not expected to recover all the loss or part of the reserve in one year or in several future years, the Company immediately recognizes the reserve (or part of the reserve) that is not plans to recover.

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 Italian Civil Code, points 9-10. The average weighted cost method was used for raw materials, supplies, consumables, intermediate products, products and work in progress. In particular, consumables are entered at the average weighted cost of the year.

Manufacturing costs include the cost of raw materials, goods and labour, and all other direct and indirect production costs.

Accounts receivable and payable

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

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

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

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

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

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

The Group assumes the effects deriving from the application of the amortised cost and discounting as non-significant when the receivables maturity is within 12 months, taking into account all contractual and material considerations existing at the time of their recognition, and the amount of any transaction costs and difference between the original value and the nominal value at maturity is not significant. In this case, discounting was not considered, the interest was calculated at the nominal value and the transaction costs were entered as deferrals

and amortised on a straight-line basis over the term of the receivable in order to adjust the nominal interest income.

Tax credits

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

Prepaid taxes

This item covers amounts resulting from postponed deductibility of negative income components, which are recognised at the estimated realisable value, taking into account the expected taxable income in coming years.

Cash and cash equivalents

These are valued at their nominal value.

Prepayments and Accruals

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

Provision for risks and contingencies

This item refers to provisions estimated on the basis of amounts payable or losses of a set nature and of either a certain or probable existence, the amount of which or the date of occurrence is unspecified on the closing day. The general criteria of prudence and competence were applied in evaluating these provisions and no generic provisions not supported by economic reasons were established.

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

Provision for employee-leaving indemnity

This provision is calculated according to the law and existing labour agreements and reflects the amounts payable to employees due at the closing date.

Tax liabilities

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

Costs and revenues

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

Revenues and gains, and costs and charges are entered after deduction of returns, discounts and allowances.

Income tax for the year

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

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

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

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

Prepaid and deferred taxes are calculated on the cumulative amount of all temporary differences for the year at

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the tax rates applicable in the year in which the temporary differences are recognized, as provided for by the tax law in force at the reporting date.

Prepaid tax assets and deferred tax liabilities are not discounted.

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

Currency translation criteria

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

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

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

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

Change in accounting principles

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

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

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

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

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

Error detection and correction

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

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

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

ASSETS

B) Non-current assets

I. Intangible assets

The table below shows the movement of intangible assets during 2020:

	Incorporation and extension costs	R&D costs	Industrial patent fees	Goodwill	Assets under construction & downpayments	Other intangible assets	Total intangible assets
Opening value							
Cost	1,513	1,600	12,156	3,763	2,000	39,455	60,487
Amortisation (accumulated)	(1,500)	(1,592)	(7,312)	(2,443)	(384)	(31,770)	(45,001)
Carrying value	13	8	4,844	1,320	1,616	7,685	15,486
Changes during the year							
Increase due to acquisitions	-	22	1,265	-	-	2,023	3,310
Depreciation allowance	(157)	(3)	(1,874)	(189)	-	(2,393)	(4,617)
Decrease for divestments	-	-	(8)	-	-	-	(8)
Category reclassification	-	-	1,616	-	(1,616)	-	-
Change in cons. scope - Cost	1,191	-	729	-	-	-	1,920
Change in cons. scope - Provision	(1,029)	-	(450)	-	-	-	(1,479)
Total changes	5	19	1,278	(189)	(1,616)	(370)	(874)
Closing 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)	(51,097)
Carrying value	18	27	6,122	1,131	-	7,315	14,613

Incorporation and extension costs

Incorporation and extension costs are mainly related to costs and expenses sustained previously for the takeover of the Defim and Orsogrill lines of business by Nuova Defim and refer to the registration fee and notarial expenses and advisory fees. In addition, 162 thousand euros (net of funds) relate to the expansion of the consolidation area for the entry of the companies of the Caleotto Group.

Research and development costs

The costs for research and development relate to charges incurred in order to obtain predetermined scientific and technical know-how in the field in which the Group operates and to implement the necessary procedures for economic exploitation of the know-how acquired.

Industrial patents and intellectual property rights

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

The increases in the year relate to the costs incurred for the implementation of SAP in the German companies of the Group and for the expansion of the consolidation scope.

Goodwill

The companies Presider SpA and MPL Srl were taken over in 2017 and they generated a 2,047 thousand euros goodwill for the Group. This goodwill has been amortised on a straight-line basis over 10 years and in 2020 it has a residual value of 1,131 thousand euros.

Assets under construction and downpayments

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

Other intangible assets

The main increase in this item relates to expenses incurred by the subsidiary Ecoeternit and relating to the construction of new landfills and the repair of embankments 234 thousand euros and the remainder is due to charges relating to the taking out of new mortgages.

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

II. Tangible assets

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

	Land and buildings	Plant and machinery	Leased plant and machinery	Industrial and commercial equipment	Other tangible assets	Assets under construction & downpayments	Total tangible assets
Opening value							
Cost	282,542	775,977	8,315	14,070	44,022	46,620	1,171,547
Depreciation (accumulated)	(121,819)	(622,460)	(8,315)	(11,555)	(34,601)	(15,374)	(814,124)
Carrying value	160,724	153,517	-	2,515	9,421	31,246	357,422
Changes during the year							
Increase due to acquisitions	8,373	14,744	-	474	3,828	28,178	55,597
Depreciation allowance	(7,662)	(34,047)	-	(1,082)	(3,300)	-	(46,091)
Decrease for divestments & impairment losses	(1,239)	(4,196)	-	(857)	(378)	(1,995)	(8,665)
Reclassifications	2,941	7,153	-	-	43	(12,033)	(1,896)
Change in cons. scope - Cost	18,922	28,950	8,116	2,406	482	1,056	59,932
Change in cons. scope - Provision	(877)	(8,691)	-	(1,351)	(329)	-	(11,248)
Total changes	20,458	3,913	8,116	(410)	346	15,206	47,629
Closing value							
Cost	311,539	822,628	16,431	16,093	47,997	61,826	1,276,514
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	405,052

It should be noted that the increases due to acquisitions of 55,597 thousand euros are illustrated in the relevant point of the management report.

The most significant increases, for approximately 15,000 thousand euros, relate to the company Feralpi Siderurgica SpA, while the company Acciaierie di Calvisano SpA contributes approximately 3,600 thousand euros, and the German group for about 28,000 thousand euros.

In the subsidiary Caleotto SpA, the opportunity was taken to reevaluate the properties classified in the Land and

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Buildings item (Article 110 paragraphs 1-7 of Legislative Decree no. 104 of 14 August 2020). The revaluation value was determined at 85% of the maximum amount that can be revalued according to the general criterion of prudence. Consistently with the provisions of the Interpretative Document 7 issued by the OIC on March 31, 2021, the higher value of the revalued assets was recognized in the assets of the balance sheet with the method of historical cost only (gross value), against recognition as a counter-entry to the corresponding balance, reduced by the substitute tax, in a special Equity reserve. The substitute tax, recorded under item D12) Tax payables, is paid in three annual downpayments of the same amount expiring in June 2021, 2022 and 2023.

Category	Historical cost	Net book value	Market value	Revalued maximum amount	Revaluation amount (85%)	Substitute tax	Equity reserve
Lands	3,300,000	3,300,000	5,567,000	2,267,000	1,926,950	(57,808)	1,869,142
Buildings	3,262,308	2,633,721	10,819,551	8,185,830	6,957,955	208,739	6,749,216
Total	37,692	666,279	(5,252,551)	(5,918,830)	(5,031,005)	(266,547)	(4,880,074)

III. Financial assets

Details of the item "Financial fixed assets are provided below with evidence of the changes compared to the previous year:

Description	2020	2019	Change
Equity interest in associates	26,953	30,541	(3,587)
Equity interest in other companies	9,994	9,701	293
Receivables from associates	10	7,510	(7,500)
Receivables from others	4,937	5,478	(541)
Other securities	497	802	(305)
Total	42,391	54,031	(11,640)

The item equity investments in associates, consolidated using the equity method, then reflects the result pertaining to the group of the individual companies, which is described in the relevant section of the income statement. Furthermore, the significant reduction in the value of the subsidiaries is due to the reclassification towards the investments in subsidiaries of Caleotto and Cogeme, which became 100% of Acciaierie di Calvisano during the year.

Equity interest in associated companies

The following associated companies were valued using the equity method:

Description	Share Capital	Equity Profits/(Losses)	Receivable Profits/(Losses)	Ownership interest in %	Value in Balance sheet	
Beta S.A. Buzau (R)	766	14,858	128	36	28,35%	3,107
Media Steel Srl	200	6,007	452	203	45,00%	2,703
Dima	1,000	3,162	1,068	331	31,00%	980
Alpifer Srl (Unifer-Steelfer)	9,560	18,957	1,220	610	50,00%	9,478
Comeca S.p.A.	2,800	9,739	653	130	19,85%	2,095
Agroittica S.p.A.	12,500	17,855	(4,085)	(1,857)	45,46%	8,117
San Vigilio partecipazioni	50	556	(4)	(1)	33,00%	182
Feralpi Salo'	297	143	(353)	(157)	44,37%	132
Far Energia S.r.l.	100	681	(148)	(44)	30,00%	160
Total associates				(749)		26,954

In order to reconcile this table with what is indicated in the relevant section of the income statement under the item write-downs, it should be noted that it is necessary to integrate the losses attributable to the group with the results of those Companies that became subsidiaries following the acquisitions made during the year of Caleotto SpA and Cogeme Steel. The item write-downs regarding the associate Feralpi Salo' shows an amount equal to 200 thousand euros greater than the loss attributable to the group indicated in the table following the reconstitution of the share capital.

Other companies

The details of the equity investments in "Other companies" are shown below, indicating the changes that occurred during the year:

Description	2019	Increase	Decrease	2020
Finanziaria di Valle Camonica S.p.A.	3,144	424	-	3,568
Fondazione nazionale CRS	5	-	-	5
CSMT	22	-	-	22
Feralpi Salò	132	-	(132)	-
Metalinterconnector	6,195	-	-	6,195
Other minority interest companies	205	-	(1)	204
Total other companies	9,701	424	(133)	9,994

The increases are due to the purchase of additional shares in Finanziaria di Valle Camonica: the Group - through Feralpi Holding SpA - owns now 3.8485% of the share capital.

The decreases in the year 2020 refer entirely to the Feralpisalò football team and concern the elimination of the capital due to losses and the relative reconstitution. These changes have led the company to be classified among the associates.

Financial receivables

Description	2019	Change cons. scope	Increase	Decrease	2020
Associates (< 12 months)	10	-	-	-	10
Associates (> 12 months)	7,500	(7,500)	-	-	-
Others	5,478	-	-	(540)	4,938
Total	12,988	(7,500)	-	(540)	4,948

Financial receivables from associated companies

Financial receivables from Caleotto for 7,500 thousand euros in the financial statements at 31 December 2019 and still outstanding, were reclassified in receivables from subsidiaries and then eliminated with the corresponding payable.

The details are highlighted below:

Description		2020	2019	Change
Fer-Farm S.r.l.	Fin. Ecotrading S.r.l.	10	-	10
Total		10	-	10

Financial receivables from others

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

C) Current assets**I. Inventories**

Inventories, which are recognised at the lower of the cost and the fair value, are valued using the weighted average cost method.

This method is more appropriate to normalize the fluctuations in the price of raw materials than that of finished products, thus allowing the reader to have a better interpretation of the accounting figures.

Closing inventories as at 31.12.2020 were assessed by means of a physical inventory under the supervision of the various of department managers.

As regards the variations for each category, the following details are provided:

Description	2020	Change cons. scope	Total 2020	2019	Change
Raw materials, supplies and consumables	94,623	12,379	107,002	99,544	7,458
Work in progress and unfinished products	26,642	-	26,642	31,717	(5,075)
Finished products and goods	89,911	5,378	95,289	112,551	(17,262)
Instalments	3,671	-	3,671	-	3,671
Total	214,848	17,757	232,604	243,812	(11,208)

II. Accounts receivables

The balance of the Receivables item is detailed as follows:

Description	2020	Change cons. scope	Total 2020	2019	Change
Receivables from customers unter current assets	219,218	23,539	242,757	198,246	44,511
Receivables from associates unter current assets	19,006	-	19,006	25,840	(6,834)
Tax assets unter current assets	28,254	12,405	40,659	27,359	13,300
Prepaid tax assets unter current assets	19,142	2,723	21,865	23,187	(1,323)
Receivables from others unter current assets	9,060	53	9,113	10,291	(1,178)
Total	294,680	38,720	333,400	284,923	48,477

The balance of receivables for the year ended December 31, 2020 is divided by maturity, as follows:

Description	Less than 5 months	Over 12 months	Over 5 years	Total
Receivables from customers unter current assets	239,940	2,818	-	242,757
Receivables from associates unter current assets	19,006	-	-	19,006
Tax assets unter current assets	40,659	-	-	40,659
Prepaid tax assets unter current assets	4,970	16,895	-	21,865
Receivables from others unter current assets	9,106	7	-	9,113
Total	313,681	19,720	-	333,400

Accounts receivable from customers are recognised net of the provision for doubtful debts, which currently stands at 3,906 thousand euros. The adjustment of the nominal value to the estimated realisable value was achieved via the provision for doubtful debts, which recorded the following movements over the year. In particular, the increase is due to the greater provision made by the individual entities to deal with any insolvencies that could be caused by the economic and financial uncertainty caused by COVID-19 pandemic.

Description	2019	Utilisation	Allocation	2020
Provision for doubtful debts	3,062	(567)	1,236	3,731
Provision for doubtful debts - change of consolidation scope	134		41	175
Total	3,196	(567)	1,277	3,906

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

	Italy Commercial	Italy Others	Other EU countries Commercial	Other EU countries Others	Non-EU	Total
Receivables from customers under current assets	173,671	-	49,717	-	19,368	242,757
Receivables from associates under current assets	18,938	61	7	-	-	19,006
Tax assets under current assets	-	32,342	-	8,294	23	40,659
Prepaid tax assets under current assets	-	21,860	-	-	5	21,865
Receivables from others under current assets	126	1,272	-	7,170	545	9,113
Total	192,735	55,535	49,724	15,464	19,941	333,400

Tax assets

Tax assets, totalling 28,254 thousand euros, are broken down as shown below:

Description	2020	Change cons. scope	Total 2020	2019	Change
VAT credit	17,001	12,305	29,306	22,256	7,050
R&D tax credits	2,559	38	2,597	3,218	(621)
IRAP/IRES tax credits	8,578	62	8,640	1,811	6,829
Other tax credits	116	-	116	74	42
Total	28,254	12,405	40,659	27,359	13,300

Tax assets increased compared to the previous year by 13,300 thousand euros, mainly due to the change in the consolidation area (12,405 thousand euros) and to a further increase in the VAT credit in the subsidiary Feralpi Profilati Nave. During the first months of 2021, 5,800 thousand euros were reimbursed to the same for the VAT refunded and relating to previous years. In addition, the increase in IRES receivables refers to the reversal by the companies participating in the tax consolidation of their tax credits.

Prepaid taxes

The movements in deferred tax assets are provided below, for details see the income statement under the item taxes:

Description	2020	Change cons. scope	Total 2020
Tax losses	15,904	0	15,904
Material deferrization	340	0	340
Difference adjustment - Civil and tax depreciation	461	2497	2,958
Fixed asset write-downs	426	0	426
Others	2,011	227	2,238
Total	19,142	2,724	21,866

With regard to deferred tax assets, the business Plan highlights their recoverability in a reasonable period. The trend of the results relating to the first months of 2021 confirms the recoverability of a significant amount of the receivable starting from next year.

Receivables from others

Receivables from others equal to 9,113 thousand euros, decreased by 1,177 thousand euros compared to the previous year, are divided as follows:

Description	2020	Change cons. scope	Total 2020	2019	Change
Energy cost refund	4,025	-	4,025	3,810	215
Unemployment benefits	8	-	8	8	0
Social security institutions	186	14	200	388	(188)
Sundry receivables	1,822	-	1,822	1,776	46
Down payments from suppliers	2,889	20	2,909	3,963	(1,054)
Others	130	19	149	345	(196)
Total	9,060	53	9,113	10,290	(1,177)

The most significant item, equal to 4,025 thousand euros, as indicated in the summary table, refers to the “Subsidies for companies with high energy consumption”. In addition, payments on account in advance equal to 2,909 euros of which 2,750 thousand euros are attributable to the German subsidiary ESF, have decreased compared to the previous year by 1,054 thousand euros.

Financial assets other than non-current assets

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

Description	2020	Change cons. scope	2019	Change
Financial assets other than non-current assets	686	-	450	236

IV) Cash and cash equivalents

Description	2020	Change cons. scope	Total 2020	2019	Change
Bank and postal deposits	65,086	2,031	67,117	34,852	32,265
Cash and cash in hand	8	1	9	7	2
Total	65,095	2,032	67,126	34,859	32,267

The balance represents cash in hand and the existence of cash and securities available on the closing date, whose majority the German companies of the Group hold. For more details on the origins of the liquidity funds, please refer to the financial statements illustrated in the business report.

D) Prepayments and accrued income

They measure income and charges received or paid in advance or on an accrual basis; they are independent of the date of payment or collection of the related income and charges, refer to two or more years and can be allocated on an accrual basis. For these items too, the criteria adopted in assessing and translating values expressed in a foreign currency are shown in the first part of this explanatory note. As at 31.12.2020 there were no prepayments or accruals pertaining to more than five years. The change in this item compared to the previous year and its composition is shown in the table below.

Description	2020	Change cons. scope	Total 2020	2019	Change
Other accrued income	1,440	196	1,636	1,564	72
Total	1,440	196	1,636	1,564	72

Description	2020	Change cons. scope	Total 2020	2019	Change
Sundry	795	196	991	894	(99)
Interest and commissions	29	-	29	60	(31)
Insurance and guarantees	616	-	616	610	6
Total accrued income	1,440	196	1,636	1,564	(124)

LIABILITIES

A) Shareholders' equity

It is noted that the share capital of the parent company amounted to €55,000 thousand as at 31 December 2020. The adjustments deriving from the consolidation process resulted in the following differences between the financial statements as at 31 December 2020 for the parent company Feralpi Holding SpA and the Group's consolidated financial statements on that date.

RECONCILIATION STATEMENT BETWEEN SHAREHOLDERS' EQUITY AND OPERATING RESULT OF THE PARENT COMPANY AND THE SAME ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

	Operating result	Shareholders' equity
Feralpi Holding S.p.A.	12,781	115,494
Elimination of intercompany transaction effects		
Intra-group margins included in the value of inventories	1,134	(463)
Elimination of equity interest carrying value		
Goodwill	(189)	1,131
Elision of profit/ equity interests in subsidiaries	24,589	532,919
Elision of shareholdings in subsidiaries		(153,266)
Elision of dividends	(32,750)	17,749
Consolidation using the equity method	(116)	8,312
Treasury share reserve		(1,027)
Consolidated profit / consolidated equity	5,450	520,849
Minority interest profit / equity	1,244	2,326
Group's consolidated profit/equity	4,206	518,524

The figures shown are net of taxes.

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

	Share capital	Share premium reserve	Legal reserve	Extraordinary reserve	Profit/(Loss) brought forward	Currency transl. Reserve	Share premium reserve	Negative share premium reserve	Revaluation reserve	Cons. reserve	Financial operations hedging reserve	Result for the year	Total	Minority interest result	Minority interest capital	Total
31 December 2019	55,000	516	4,499	24,833	39,512	378	-	(1,028)	1,964	342,380	(460)	39,812	507,407	1,070	1,019	509,496
allocation of the 2019 operating result					(8,792)					48,604		(39,812)	-	(1,019)	1,019	-
Other movements						(213)				1,025	(168)		644		41	685
100% acquisition of Caleotto and Cogeme										6,268			6,268			6,268
2020 operating result												4,206	4,206	1,244	(1,050)	4,400
31 December 2020	55,000	516	4,499	24,833	30,720	164	-	(1,028)	1,964	398,277	(628)	4,206	518,523	1,295	1,029	520,849

The currency translation reserve reflects the exchange rate difference between Shareholders' equity as at 31 December 2020 and that at 31 December 2019, entered following the valuation of the ESF Consolidated financial statements for Hungarian and Czech equity investments.

Other reserves, amounting to 1,028 thousand euros, consist of the negative reserve for treasury shares in portfolio.

B) Provision for contingent liabilities and charges

A breakdown of this item is given below:

Description	2019	Change cons. scope	Increase	Decrease	2020
Suppl. sales agents' customer indemnity	1,202	-	149	13	1,338
Provision for deferred taxation	306	-	-	206	100
Financial derivatives liability	606	107	232		945
For slag disposal	326	-	-	57	269
Other contingencies	17,661	39	1,833	1,086	18,447
Total	20,101	146	2,214	1,362	21,099

Deferred taxes for the year 2020 refer entirely to the German group and were recorded following a tax audit. The most relevant item are the provisions for miscellaneous risks, which as at 31.12.2020 are made up as follows:

Description	2019	Change cons. scope	Increase	Decrease	2020
Fund for Antitrust sanction	5,125	-	-	-	5,125
Fund for after landfill closure	9,554	-	1,544	-	11,098
Fund for re-industrialisation ff the plant in Nave	2,250	-	-	950	1,300
Others	732	39	289	136	924
Total	17,661	39	1,833	1,086	18,447

As regards the Antitrust sanction provision, it refers to the provision in the parent company of 5,125 thousand euros due to the possible settlement proposal by the European Antitrust Authority for the sanction imposed in 1994 repeatedly paid and returned following the decisions issued by the various competent bodies in the relative degrees of judgment, which is still ongoing.

The most significant change relates to the "restructuring" provision, which was released for 950 thousand euros as it was excessive compared to the updated forecasts of the relative costs. The increase of 1,544 thousand euros is due to the subsidiary Ecoeternit for the provision after landfill closure.

C) Employees' severance pay

The movement was as follows:

	Employee severance pay
Opening value	7,372
Changes during the year	
Allocation for the year	2,464
Utilisation during the year	(2,479)
Allocation for the year - change in consolidation scope	35
Utilisation during the year - change in consolidation scope	(23)
Closing value	7,369

The figure set aside reflects the amount the company actually owes its employees as at 31 December 2020, net of any advances paid.

D) Accounts payable

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

Description	2020	Change cons. scope	Total 2020	2019	Change
Convertible bonds	5,000	-	5,000	5,347	(347)
Bank borrowings	158,976	37,300	196,276	164,449	31,827
Payables to other lenders	0	11,768	11,768	-	11,768
Down payments	1,173	-	1,173	97	1,076
Trade creditors	248,404	8,667	257,071	216,870	40,201
Payables owed to associates	28,844	-	28,844	28,675	169
Tax liabilities	6,059	459	6,518	8,083	(1,565)
Social security contribution liabilities	4,566	554	5,120	4,688	432
Other liabilities	34,300	1,261	35,560	26,751	8,809
Total	487,320	60,009	547,331	454,961	92,370

Description	Less than 12 months	Over 12 months	Over 5 years	Total
Convertible bonds	-	5,000	-	5,000
Bank borrowings	106,299	89,977	-	196,276
Payables to other lenders	6,246	5,522	-	11,768
Down payments	1,173	-	-	1,173
Trade creditors	257,071	-	-	257,071
Payables owed to associates	28,844	-	-	28,844
Tax liabilities	6,340	178	-	6,518
Social security contribution liabilities	5,120	-	-	5,120
Other liabilities	35,220	341	-	35,560
Total	446,312	101,018	-	547,331

Convertible bonds

The bonded loan of 10,000 euros that the company had reimbursed to the shareholders expired in 2018. The shareholders subscribed a new loan of the amount of 5,000 euros, comprising a non-convertible bonded loan expiring on 1 July 2023, made up of 5,000,000 bonds of a nominal value of 1 euro each.

Bank borrowings

Loans and borrowings from banks and credit institutions covering investments and financial restructuring work totalled 196,276 thousand euros as at 31 December 2020. They are secured by collateral for 111 mio euros (85 mio euros Feralpi Siderurgica, 20 mio euros Calvisano, 6 mio euros Presider). It is noted that the covenants on loans in being have been fulfilled; as to loans falling due after 5 years have been written off.

EXPLANATORY NOTE

Below is the breakdown of payables to banks:

Description	2020	Change cons. scope	2020 Total	2019	Change
Bank current accounts	48,920	21,072	69,992	21,714	48,278
Loans falling due > 12 months	36,307	-	36,307	58,712	(20,721)
Loans falling due < 12 months and < 5 years	73,748	16,229	89,977	84,023	4,270
Total	158,975	37,301	196,276	164,449	31,827

During 2020, new loans were taken out for approximately 5 million euros by Feralpi Siderurgica SpA and 10 million euros by Caleotto SpA.

It should be noted that the Company has issued guarantees, in favour of Banking Institutions, for credit lines for Group companies, for a total amount of 124,000 thousand euros.

Loans for approximately 27,000 thousand euros were repaid during the year, of which Euro 17,000 by Feralpi Siderurgica.

Trade payables

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 countries	Total
Trade creditors	167,673	86,949	2,449	257,071
Total	167,673	86,949	2,449	257,071

Tax liabilities

Tax liabilities within 12 months are broken down as follows:

Description	2020	Change cons. scope	2020 Total	2019	Change
Individual income tax (IRPEF)	2,661	184	2,845	2,345	500
VAT liability	2,102	-	2,102	2,140	(38)
Sundry tax and duty liabilities	1,298	273	1,571	3,598	(2,027)
Total	6,061	457	6,518	8,083	(1,565)

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

Other payables

The table below shows the item “Other payables” broken down by type:

Description	2020	Change cons. scope	2020 Total	2019	Change
Personnel expenses paid	13,653	574	14,227	12,900	753
Rewards to customers	8,974	-	8,974	7,942	1,032
Others	12,260	100	12,360	5,911	6,349
Total	34,887	674	35,561	26,753	8,134

The most significant amount is related to employee remuneration and collaborator fees accrued in December and which is normally paid within the first days of the following month. The increase relates to all the Group companies for bonuses paid and some extraordinary expenses for celebrations at the German Group.

Payables to others increased by Euro 6,349 and refer to the payable for the purchase of the stake in Caleotto by Acciaierie di Calvisano Spa expiring in September 2021.

E) Accruals and deferred income

Accruals and deferred income reflects harmonised items for the year calculated on an accrual basis. It should be noted that as at 31 December 2020 there were no accruals and deferred income exceeding five years. The comparative table below shows a virtually unchanged situation on the previous year.

Description	2020	Change cons. scope	2020 Total	2019	Change
Accruals and deferred income	818	44	862	617	245
Total	818	44	862	617	245

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

Description	Less than 12 months	Over 12 months	Over 5 years	Total
Accruals and deferred income	862	-	-	862
Total	862	-	-	862

INCOME STATEMENT

A comparison between the 2020 and 2019 consolidated income statements is shown below.

A) Production value

The production value is distributed as follows:

Description	2020	Change cons. scope	Total 2020	2019	Change
Revenues from goods sold and services rendered	1,184,354	54,044	1,238,398	1,302,752	(64,354)
Change in product inventories	(25,525)	98	(25,427)	(16,729)	(8,698)
Changes in works in progress ordered	-	-	-	-	-
Increase in capitalized internal work	3,698	-	3,698	5,227	(1,529)
Other revenues and income	4,706	1,083	5,789	40,424	(34,635)
Total	1,167,233	55,225	1,222,458	1,331,674	(109,216)

The decrease in turnover on the previous year reflects the general market situation, which has been heavily influenced by the pandemic. Further details are provided in the business report.

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

Category	2020	2019	Change
Rentals	614	716	(102)
Release of provisions for risks	950	29,429	(28,479)
Incentives	1,529	3,170	(1,641)
Other revenues and income	2,695	7,108	(4,413)
Total	5,789	40,424	(34,636)

The amount of Insurance refunds and recoveries for 7,109 thousand euros at 31 December 2019 was related for 6,885 thousand euros to the repayment by the Italian Antitrust Authority of the instalments already paid for the penalty following the publication of the sentence in favour of the company.

After the aforementioned favourable sentence issued by the Council of State, in 2017 following the imposition of the sanction, Feralpi Siderurgica had set aside the amount in a provision for risks and in 2019 had proceeded to release the provision for 29,429 thousand euros. The amount relating to 2020 of 950 thousand euros refers to the release of the surplus of the provision for expenses for employees set aside by Fer-Par Srl following the sale of the business unit to Presider Spa.

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

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

Geographical area	2020	2019	Change
Italy	469,229	483,784	(14,555)
EU countries	621,187	618,600	2,588
Non-EU countries	147,981	200,368	(52,387)
Total	1,238,398	1,302,752	(64,354)

B) Production costs

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

Description	2020	Change cons. scope	2020 Total	2019	Change
Raw materials, supplies, consumables and goods	725,937	46,699	772,636	832,497	(59,861)
Services	250,500	5,036	255,548	242,415	13,133
Leased assets of third parties	5,258	320	5,566	3,932	1,634
Personnel	97,998	3,074	101,072	99,621	1,451
Amortisation, depreciation and write-downs	53,004	2,192	55,196	53,935	1,261
Change in inventories	5,026	2,180	7,206	9,034	(1,828)
Provision for contingent liabilities	200	-	200	11,978	(11,778)
Other provisions	1,543	-	1,543	1,569	(26)
Other operating charges	4,548	389	4,936	5,527	(591)
Total	1,144,013	59,890	1,203,903	1,260,508	(56,605)

Cost for raw materials, supplies, consumables and goods

Compared to the previous year, the cost of raw materials, supplies, consumables and goods decreased by 59,861 thousand euros. For further details on the economic situation during the year, reference is made to the business report.

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

Cost for services

The details of the costs for services here below show a significant increase in costs for third party services, maintenance and transport, while a significant reduction in the cost of energy and consultancy is noted.

Description	2020	Change cons. scope	2020 Total	2019	Change
Maintenance and outsourced services	64,401	725	65,126	40,726	24,400
Production services	33,247	491	33,738	23,132	10,606
Energy and utilities	73,963	2,216	76,179	92,529	(16,350)
Transport and internal movements	59,148	727	59,875	44,165	15,710
Consultancy, insurance and advertising	16,472	415	16,887	30,043	(13,156)
Others	3,283	461	3,744	11,820	(8,076)
Total	250,514	5,035	255,548	242,415	13,132

Costs for the use of third party assets

Below is a breakdown of the costs for the use of third party assets:

Description	2020	Change cons. scope	2020 Total	2019	Change
Rentals	3,781	289	4,070	2,773	1,297
Licence fees	1,465	31	1,496	1,159	337
Total	5,246	320	5,566	3,932	1,634

The increase in costs for the use of third party assets is attributable for 320 thousand euros to the change in the consolidation area while the remaining part is attributable to the subsidiary ESF.

EXPLANATORY NOTE

Personnel expenses

This item comprises all expenses for employees, including merit salary increases, promotions, cost-of-living increases, cost of untaken leave and provisions required by law and collective labour agreements.

Description	2020	Change cons. scope	2020 Total	2019	Change
Wages and salaries	71,116	2,705	73,821	71,312	2,508
Social security contributions	19,915	716	20,631	19,672	959
Severance pay allowance	2,332	167	2,499	2,284	215
Others	4,004	116	4,120	6,353	(2,232)
Total	97,367	3,704	101,072	99,621	1,450

During the previous year, the item Others included the counter-entry of the provision for risks for 2,250 thousand euros linked to the restructuring plan that the Group had prepared for the subsidiary Fer-Par Srl. This amount generated the negative change shown in the previous table.

Depreciation allowance for non-current assets and write-downs

As regards depreciation, it is specified that these have been calculated on the basis of the useful life of the asset and its use in the production phase. The provision to the bad debt provision refers to the adjustment of the same, and was allocated according to the estimated recoverability of the receivables entered in the balance sheet.

Description	2020	Change cons. scope	2020 Total	2019	Change
Depreciation of tangible assets	44,122	1,969	46,091	45,291	800
Amortisation of intangible assets	4,430	187	4,617	3,553	1,064
Impairment of receivables	1,296	36	1,332	592	740
Total	49,848	2,192	52,040	49,435	2,604

Other write-downs of fixed assets

This item amounts to 3,156 thousand euros. For 1,382 thousand euro it relates to the write-down necessary to adjust the value of the plants and equipment owned by the company Fer-Par Srl and located in Nave (Brescia), which through the sale to the other company of the group Presider SpA, were then sold to third parties.

In addition, 1,774 thousand euro relates to the adjustment to the sale price of the plant owned by the parent company and located in Pisogne (Brescia) and which took place in the early months of 2021.

Provision for risks

During the year, the Group made provisions for 200 thousand euros and relate to a lawsuit started by the Parent Company against a supplier for services provided in 2018.

Last year significant provisions were made relating to the 96/515/ECSC sanction by the Parent Company for 5,125 thousand euros and by Feralpi Siderurgica for 6,853 thousand euros. This is the amount of the repayment instalments received, net of interest, referred to in the other income section. The company was still awaiting the sentence from the Council of State and had set aside the provision for risks to replenish the full amount of the Italian Antitrust sanction.

Other provisions

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

Other operating charges

This item comprises membership fees, municipal tax (IMU), credit losses, tax liabilities and other duties and non-deductible expenses. The table below shows a reduction compared to the previous year equal to Euro 589 thousand euros.

Description	2020	Change cons. scope	2020 Total	2019	Change
Donations and charities	169	-	169	1,122	(953)
Membership fees	368	-	368	327	41
Taxes and duties	1,697	93	1,790	1,274	516
Loss on receivables	363	167	530	426	104
Others	1,950	129	2,079	2,377	(298)
Total	4,547	389	4,936	5,527	(590)

The decrease in miscellaneous operating expenses mainly refers to the item Charity donations in which the previous year a disbursement of 1,000 thousand euros by the parent company Feralpi Siderurgica was booked to the local amateur football club, to improve and modernize its sports facility.

C) Financial income and expenses

Description	2020	Change cons. scope	2020 Total	2019	Change
From equity investments in associates	-	-	-	-	-
From equity investments in other companies	63	-	63	50	13
Interests income from associates	-	-	-	124	(124)
Other financial income	381	-	381	360	21
Total financial income	444	-	444	534	(90)
Interest and other financial expenses of parent companies	-	-	-	-	-
Interest and other financial expenses	3,639	512	4,151	3,297	854
Total financial expenses	3,639	512	4,151	3,297	854
Exchange gains and losses	(158)		(158)	(31)	(127)
Total	(3,354)	(512)	(3,865)	(2,794)	(1,071)

Financial income and expenses have increased compared to the previous year, mainly due to the reduction in interest rates on the financial markets and the change in debt.

EXPLANATORY NOTE

Financial income

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

Description	2020	2019	Change
Dividends	63	49	14
Bank and other interest income	381	485	(104)
Total	444	534	(90)

Financial expenses

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

Description	2020	2019	Change
Bank interest expense	(1,912)	(1,647)	(265)
Interests on loans	(1,495)	(1,075)	(420)
Financial discount and expenses	(18)	(39)	21
Foreign exchange gains /(losses) Utili (perdite) su cambi	(158)	(31)	(127)
Interest expense on hedges	(568)	(505)	(63)
Total	(4,151)	(3,297)	(854)

D) Adjustment to the value of financial assets

Revaluations/ write-downs

The table below shows the revaluations and impairment losses for 2020, 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	2020	2019	Change
Beta	36	62	(26)
Media Steel	203	264	(61)
Far energia	0	17	(17)
San Vigilio partecipazioni	0	67	(67)
Alpifer	610	(877)	1,487
Cogeme Steel	(636)	(1,163)	527
Caleotto	(472)	(981)	509
Dima	331	187	144
Agroittica	(1,922)	(11,232)	9,310
Comeca	66	130	(64)
Ecotrading	(18)	0	(18)
Far energia	(45)	0	(45)
Feralpi Salò	(200)	(338)	138
Others	(1)	(1)	0
Total revaluations/impairments	(2,048)	(13,865)	11,817
of which revaluations	1,246	1,384	(138)
of which impairments	(3,295)	(15,249)	11,954

The above list shows the values relating to companies consolidated using the equity method for revaluations and / or devaluations offset in a single amount for each of them. As regards the Caleotto Group, the loss of 472 thousand euros relates to the first quarter, after which it was fully consolidated.

Full control of the Cogeme Group was acquired in June, therefore the table shows the result for the first half of the year equal to 636 thousand euros as it was consolidated using the equity method, starting from July it was consolidated using a comprehensive method.

Income taxes for the year

Description	2020	Change cons. scope	2020 Total	2019	Change
Current taxes	4,772	13	4,785	17,351	(12,566)
Dererred taxes	0	-	-	3	(3)
Prepaid taxes	1,911	496	2,407	(3,677)	6,084
Total	6,683	509	7,192	13,677	(6,485)

EXPLANATORY NOTE

All companies with a negative result, with the exception of the subsidiary Caleotto SpA, have recorded the deferred tax assets on the tax loss generated during the year. Caleotto SpA generated a tax loss of 9,790 thousand euros and could have recorded deferred tax assets of 3,816 thousand euros, but the directors have considered, with a prudent attitude, to postpone the decision in the future, when market conditions will give certainty of the recoverability of the same.

Employees

The final number of Group's employees by category is given in the table below:

Description	2020	2019	Change
Executives	37	34	3
Office workers and middle managers	528	445	83
Factory workers	1,145	1,091	54
Total	1,710	1,570	140

The average employees broken down by company are distributed as follows:

Company	2020 average	2019 average	Change
Feralpi Holding Spa (Italy)	53	51	3
Ecoeternit Srl (Italy)	6	6	0
Presider SpA (Italy)	64	64	(0)
MPL Srl (Italy)	13	13	1
Caleotto SpA (Italy)*	8	-	8
Arlenico (Italy)*	83	-	83
Feralpi Siderurgica SpA (Italy)	392	389	3
Presider Armature (France)	4	4	0
Acciaierie di Calvisano SpA (Italy)	122	124	(2)
Fer Par Srl (Italy)	84	86	(2)
Feralpi profilati Nave Srl (Italy)	2	3	(1)
Nuova Defim Spa (Italy)	77	77	(0)
ESF GmbH (Germany)	659	628	31
Feralpi Stahlhandel GmbH (Germany)	10	10	(0)
Feralpi Logistik GmbH (Germany)	35	35	1
Feralpi Algerié (Algeria)	13	12	1
Feralpi Praha Sro (Czech Republic)	45	43	2
Feralpi Hungaria Kft (Hungary)	16	14	2
Total	1,687	1,558	130

* Companies totally acquired in 2020

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	Fees
Directors	2,717
Board of Auditors	200
Total	2,917

For the statutory audit of the accounts of the companies of the group and the supervision of the consolidated financial statements of the group, fees are paid for an amount of 260 thousand euros. As regards further assignments for the auditing of the financial statements, it should be noted that additional activities for Euro 206 thousand have been assigned.

Facts of note occurring after the closing date

The Group has decided to exit the merchant rolled market, consequently on 12 January 2021 it proceeded to sell the related rolling plants to third parties. At the same time, it is proceeding the plan to run out of stocks of laminates and guides for lifts that the companies involved in the laminate production process had in stock at the time of the interruption of production and commercial activity.

2021 began with positive conditions both as regards the sale of rebar and derivatives and as regards the performance of the subsidiaries. Based on the information available, the Group expects a commercial trend in line with the reference markets, also based on internal projects. However, they are still affected by conditions of uncertainty due to the Covid-19 pandemic and its impacts on economic activity.

As for the companies managing the landfills, the forecasts are of market stability and therefore the expectations are of constant economic results. Furthermore, in order to compete successfully, in the recent past, the Group has introduced appropriate forecasting tools.

All the Group companies, thanks to a greater knowledge of the situation and therefore more prepared in terms of infection prevention measures are trying to manage the unpredictability of the pandemic that is afflicting the whole world.

Board of Auditors' Report

Consolidated Financial Statement
as at 31st December 2020

Board of Statutory Auditors' report pursuant to art. 2429 of the Italian Civil Code

To the Shareholders' Meeting of Feralpi Holding S.p.A.,

Introduction

As is known, the year in question was deeply characterized by the health emergency due to Covid19 epidemic, which spread in Italy from the end of February 2020 onwards: it seriously influenced the economic and social scenario of our country and, concerning the Company, limited the presence of personnel in the workplace. The Board of Auditors' activities, in compliance with the regulatory provisions, aimed to curb the spread of the virus and from March onwards were carried out remotely. This did not make less effective and accurate all the controls that were carried out.

As stated above, this report was approved collectively, in time for its filing at the Company's registered office, and summarizes the activity concerning the disclosure required by art. 2429, paragraph 2, of the Italian Civil Code (ICC), referring to the year ended December 31, 2020, inspired by the Rules of Conduct of the Board of Statutory Auditors and recommended by the National Councils of Chartered Accountants and Accounting Experts.

Supervisory activity

The supervisory activity during the year was carried out taking into consideration the type of activity carried out by the Company, the size, the management complexity and the organizational and administrative structure. In particular:

- we monitored the observance of the law and of the articles of association as well as compliance with the principles of correct administration;
- we obtained from the corporate bodies, during the various meetings, information on the general performance of the management and its foreseeable evolution, also in light of the persistence of the Covid-19 pandemic;
- we regularly participated in the Shareholders' Meetings and the Boards of Directors, held in compliance with the statutory and legislative provisions governing their functioning, and for which we can reasonably ensure that the resolved actions comply with the law and the Company Articles, and they are not manifestly imprudent, risky, in potential conflict of interest or such as to compromise the integrity of the corporate assets;
- we monitored both the Company's organizational structure and the administrative and accounting system;
- we proceeded with the exchange of information with the representatives of the Audit Company;
- we proceeded with the exchange of information with the Supervisory Body pursuant to ex Italian Legislative Decree 231/01.

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

With reference to the additional duties of the Board of Auditors, we inform you that:

- (i) no complaints have been received from third parties;
- (ii) in 2020 - as also represented in the financial statements - the E&Y S.p.A. Audit Company was paid fees equal to € 10,000 for the statutory audit;
- (iii) it was not necessary to intervene due to omissions of the administrative body pursuant to art. 2406 of the Italian Civil Code;
- (iv) no lawsuits have been made pursuant to art. 2409, paragraph 7, of the Italian Civil Code.

With regard to the 2020 separate financial statements, drawn up by the Board of Directors on the assumption of business continuity, and upon its approval we have:

- noted that the Directors have not adopted any exemptions, pursuant to art. 2423, paragraph 4, of the Italian Civil Code;
- ascertained that the financial statements correspond to the facts and information we are aware of, following both the performance of our supervisory, inspection and control duties, and participation in the meetings of the corporate bodies;
- verified compliance with the law relating to the preparation of the Report on operations, in the context of which, in the section dedicated to the "Foreseeable evolution of management", is given an account of the relevant facts and mishaps (such as those connected to the persistence of the epidemiological emergency) which could affect the performance of operations and which are subject to monitoring at Company and Group level.

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

Upon completion, we inform that the supervisory activities that were carried out regarded, from a temporal point of view, the entire financial year, during which the meetings were held pursuant to art. 2404 of the Italian Civil Code, of which specific reports have been duly signed.

The Company has prepared voluntarily, with a separate report, the Consolidated Non-financial Statement (hereinafter NFS), providing an indication of it in the Business Report.

In this regard, the role of control function attributed to the Board of Auditors is carried out in supervising compliance with the provisions of Italian Legislative Decree 254/2016, within the scope of the competences attributed to it institutionally by the legal system, with the obligation to report them in the Annual Report to the Shareholders' Meeting.

In any case, we remain at your complete disposal to investigate any further aspect in the discussion of the Shareholders' Meeting.

Conclusions

As a consequence and taking into account what has been indicated above, as well as the results of the activity carried out by the body entrusted with the Statutory Audit, the

Assembly is proposed to approve the separate financial statements as at 31.12.2020, as drawn up by the Board of Directors.

Furthermore, there is nothing to observe in relation to the proposal of the management body regarding the destination of the result for the year.

Thus this report has been drawn up.

Lonato del Garda, 15th June 2021

BOARD OF AUDITORS

Dott. Giancarlo Russo Corvace



Dott. Alberto Soardi

Dott. Stefano Guerreschi



Independent Auditors' Report

Consolidated Financial Statement
as at 31st December 2020



Feralpi Holding S.p.A.

Consolidated Financial Statements as at December 31, 2020

Independent auditor's report

Pursuant to art. 14 of Legislative Decree no. 39 of January 27, 2010



EY S.p.A.
Corso Magenta, 29
25121 Brescia

Tel: +39 030 2896111
Fax: +39 030 295437
ey.com

INDEPENDENT AUDITOR'S REPORT pursuant to art. 14 of Legislative Decree no. 39 of 27 January 2010

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

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Feralpi Holding Group (the Group), which comprise the consolidated balance sheet as at 31st December 2020, the consolidated income statement and the consolidated statement of cash flows for the year then ended, and the explanatory notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Feralpi Holding Group as at 31 December 2020, its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with Italian laws governing the layout principles.

Basis for opinion

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

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

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

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

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

EY S.p.A.
Corso Magenta, 29 | 25121 Brescia | Tel: +39 030 2896111 | Fax: +39 030 295437 | ey.com
Capitale Sociale Euro 2.571.000.000 i.p.
Codice Registro Imprese Tribunale di Brescia 02009000149 - numero R.E.A. 020090149
P.IVA 020090149
Inquadramento societario: Società per azioni - 20844 FERRARIS (Brescia) - Via S. Simeone 13/17/19/21
Inquadramento fiscale: Società a partecipazione di diritto
Codice di procedura n. 2 del Tribunale di Brescia del 10/1/1982
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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 the main with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or taken together, they could reasonably be expected to influence the economic decisions of users taken based on these consolidated financial statements.

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

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

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



Report on Other Legal and Regulatory Requirements

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

The Directors of Feralpi Holding S.p.A. are responsible for preparing the Feralpi Holding Group's business report as at 31 December 2020, including consistency with the related consolidated financial statements and compliance with the law.

We performed the procedures required under audit standard (ISA Italia) no. 720B in order to express an opinion on the consistency of the business report with the consolidated financial statements of the Feralpi Holding Group as at 31st December 2020, 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 31st December 2020, which was prepared in compliance with legal requirements.

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

Brescia, 14th June 2021

EY S.p.A.



Stefano Colpani
(Responsabile Legale)

Statutory auditor

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FERALPI HOLDING S.p.A.

SEDE LEGALE

Via Aurelio Saffi, 15
25122 Brescia, Italia

SEDE AMMINISTRATIVA

Via Carlo Nicola Pasini, 11
25017 Lonato del Garda - Brescia, Italia
T. (+39) 030 9996.1

www.feralpigroup.com