



**MARCEGAGLIA STEEL****HIGHLIGHTS**

<b>Sales (euro/000)</b>	<b>2018</b>	<b>2017</b>	<b>Change</b>
steel Italy	4,651,653	4,327,901	7.5%
steel Abroad	515,793	522,875	-1.4%
(Elimination of intercompany items)	-106,476	-86,870	22.6%
consolidated sales	<b>5,060,969</b>	<b>4,763,906</b>	<b>6.2%</b>
consolidated sales of finished products	<b>4,666,809</b>	<b>4,372,739</b>	<b>6.7%</b>

**RESULTS (euro/000)**

EBITDA	383,833	362,511	5.9%
amortisation, depreciation and allowances	175,843	193,405	-9.1%
net profit (loss)	97,134	65,684	47.9%
cash flow from operations (after changes in NWC)	343,683	304,231	13.0%

<b>NET SHIPPING of finished products (tons)</b>	<b>5,276,682</b>	<b>5,155,385</b>	<b>2.4%</b>
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**EMPLOYEES**

Italy	3,715	3,628	2.4%
Abroad	1,293	1,321	-2.1%
<b>Total consolidated companies in Marcegaglia Steel</b>	<b>5,008</b>	<b>4,949</b>	<b>1.2%</b>

The background of the entire page is a grayscale abstract pattern consisting of numerous concentric, curved lines that sweep across the frame from the top-left towards the bottom-right, creating a sense of depth and movement.

# financial statements 2018

# Management board

## BOARD OF DIRECTORS



**Chairman and  
Managing Director**  
Antonio Marcegaglia



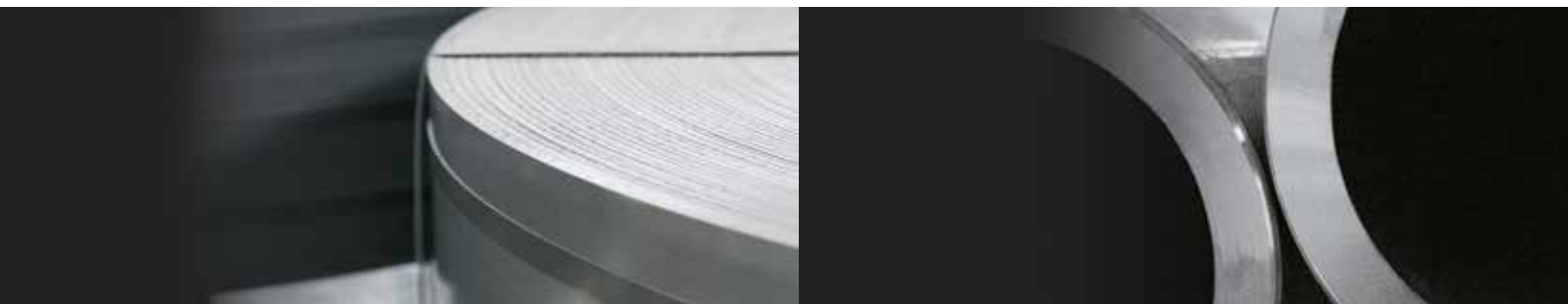
**Vice Chairman and  
Managing Director**  
Emma Marcegaglia

## BOARD OF STATUTORY AUDITORS

<b>Chairman</b>	Andrea Manzitti
<b>Auditors</b>	Enrico Colantoni Alessandro Righi
<b>Deputy auditors</b>	Matteo Apicella Francesca Bigi

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# Marcegaglia Steel 95%



## MARCEGAGLIA CARBON STEEL

### CARBON STEEL FLAT PRODUCTS

#### COIL AND PPGI PRODUCTS

PICKLED COILS

COLD ROLLED COILS

HOT DIP GALVANIZED COILS

PRE-PAINTED STEEL PRODUCTS

#### PROCESSED FLAT ROLLED PRODUCTS

BLACK STRIPS AND SHEETS

PICKLED STRIPS AND SHEETS

COLD ROLLED STRIPS AND SHEETS

HOT DIP GALVANIZED  
STRIPS AND SHEETS

OSCILLATED WOUND COILS

DIAMOND AND TEARDROP  
PATTERNED SHEETS

### CARBON STEEL WELDED TUBES

#### WELDED TUBES

WELDED TUBES

#### COLD-DRAWN WELDED TUBES

COLD-DRAWN WELDED TUBES

#### PLANTS ITALY:

Headquarters  
Gazoldo degli Ippoliti  
Boltiere  
Casalmaggiore  
Corsico  
Dusino San Michele  
Lomagna  
Ravenna

#### WAREHOUSES ITALY:

Lainate  
Osteria Grande  
Tezze sul Brenta

#### PLANTS AND SALES OFFICES WORLDWIDE:

Marcegaglia do Brasil, *Garuva*  
Marcegaglia Poland, *Kluczbork*  
Marcegaglia Poland, *Praszka*  
Marcegaglia UK, *Dudley*  
Marcegaglia UK, *Rotherham*  
Marcegaglia Colombia, *Funza*  
Marcegaglia Mexico, *Querétaro*

#### SALES OFFICES WORLDWIDE:

Marcegaglia Deutschland  
Marcegaglia France  
Marcegaglia Iberica  
Marcegaglia India  
Marcegaglia North Europe  
Marcegaglia Romania

## A large industrial machine, likely a hot rolling mill, is shown processing a glowing hot metal slab. The machine has multiple horizontal rollers, and the metal slab is being fed through them. The scene is dimly lit, with the primary light source being the intense heat of the metal, which glows bright orange and yellow. The machine itself is dark and industrial, with various pipes and structural elements visible. The background is dark and indistinct, suggesting a factory environment.

## MARCEGAGLIA PLATES

## HEAVY PLATES

## CARBON STEEL COLD-DRAWN BARS

## HEAVY PLATES

## COLD ROLLED SHEETS

**PLANT ITALY:**

## San Giorgio di Nogaro

# Marcegaglia Steel worldwide presence



## MARCEGAGLIA CARBON STEEL

- Carbon steel coils and strips
- Carbon steel sheets
- Carbon steel welded tubes
- Cold-drawn welded tubes
- Refrigeration tubes
- Hot dip galvanized coils and strips
- Hot dip galvanized sheets

## MARCEGAGLIA RAVENNA

- Pre-painted coils and strips
- Pre-painted sheets
- MARCEGAGLIA  
PLATES**
- Heavy plates
- MARCEGAGLIA  
GAZOLDO INOX**
- Stainless steel coils and strips
- Stainless steel sheets

## MARCEGAGLIA SPECIALTIES

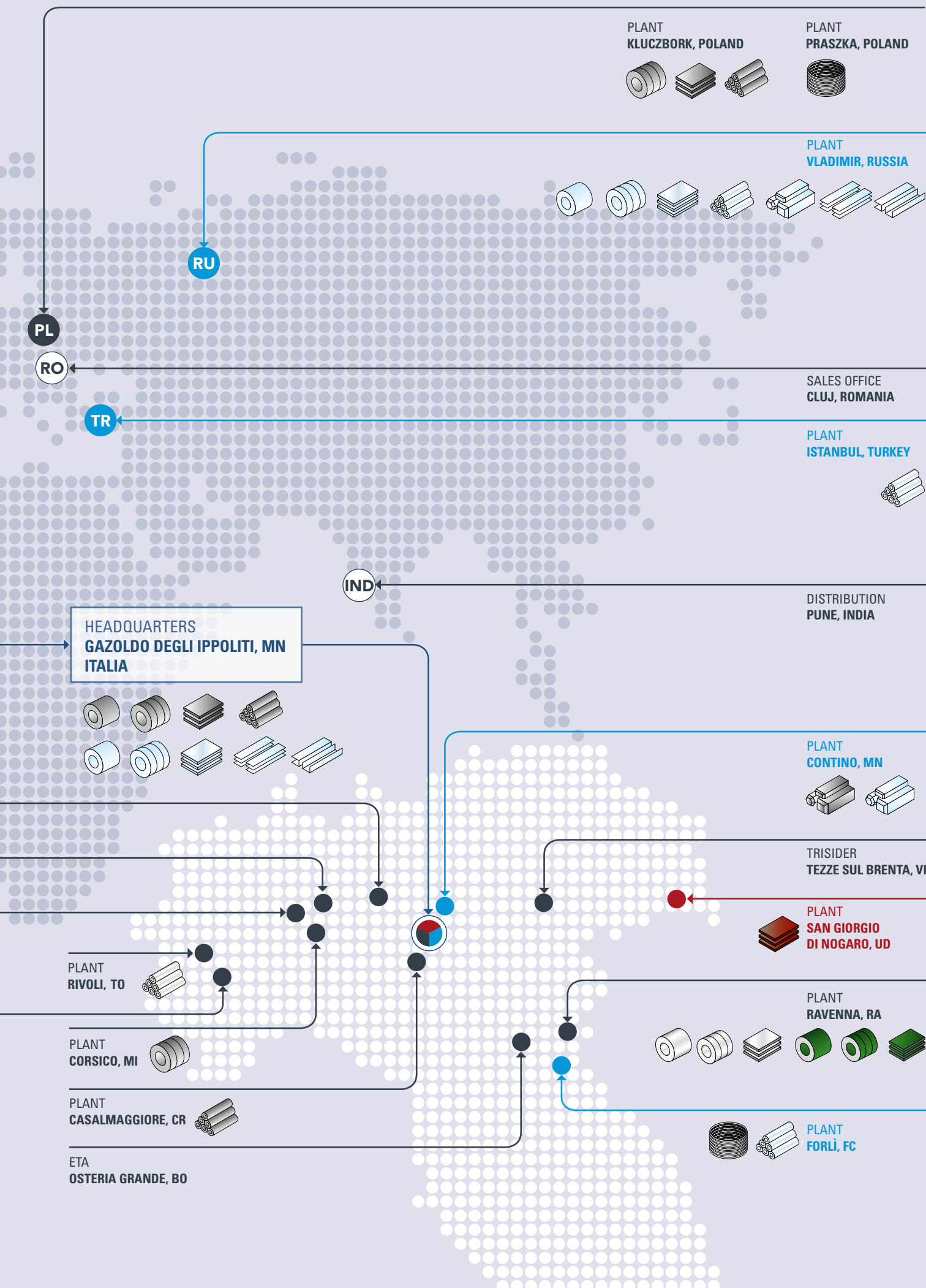
- Stainless steel coils and strips
- Stainless steel sheets
- Stainless steel welded tubes
- Carbon and Stainless steel cold-drawn bars
- Stainless steel flat bars
- Stainless steel cold formed sections

## PLANT BOLTIERE, BG

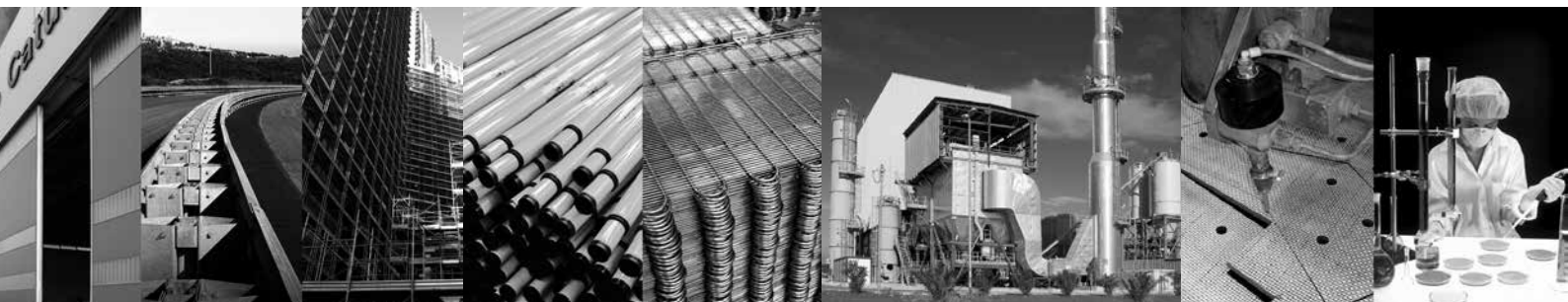
## PLANT LOMAGNA, LC

## ETA LAINATE, MI

## PLANT DUSINO SAN MICHELE, AT



# Marcegaglia Investments 5%



## Marcegaglia Buildtech

**INSULATED PANELS**

**GUARDRAIL**

**CONSTRUCTION  
EQUIPMENT**

## Oskar - Imat

**METAL HANDLES**

**CONDENSERS**

**EVAPORATORS**

## EuroEnergy - CO.GE.AM

**POWER  
PRODUCTION  
FROM RENEWABLE  
SOURCES**

## Elet.Ca - Made HSE

**COMPOSITE MATERIALS**

**ENVIRONMENTAL SAFETY,  
QUALITY**

### PLANTS AND SALES OFFICES:

Headquarters  
Milano  
  
Graffignana  
Pozzolo Formigaro  
Doha, Qatar

### PLANTS AND SALES OFFICES:

Fontanafredda  
Mezzolara di Budrio

### SALES OFFICE AND POWER PRODUCTION:

EUROENERGY GROUP Lainate  
ETA Manfredonia  
APPIA ENERGY Massafra  
ECOENERGIA Massafra  
CO.GE.AM. Massafra  
SOCIETÀ PROGETTO AMBIENTE  
P.A. Bacino Lecce Due  
P.A. Bacino Lecce Tre  
P.A. Provincia di Lecce  
P.A. Provincia di Foggia  
P.A. Bacino Bari Cinque (L)  
P.G. Bacino Bari Cinque (L)

### PLANT AND SALES OFFICE:

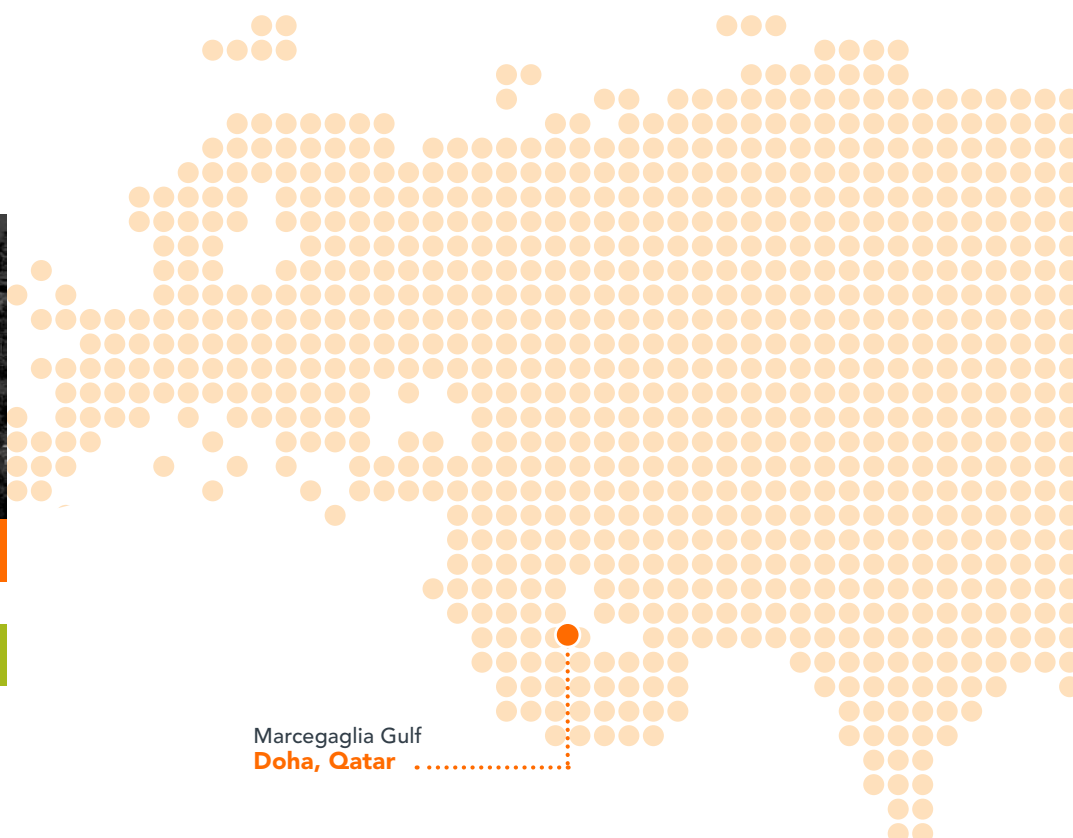
Signa  
Gazoldo degli Ippoliti



## Albarella - Gabetti Prop. Sol.

### HOSPITALITY ACTIVITIES

### REAL ESTATE



Marcegaglia Gulf  
**Doha, Qatar**

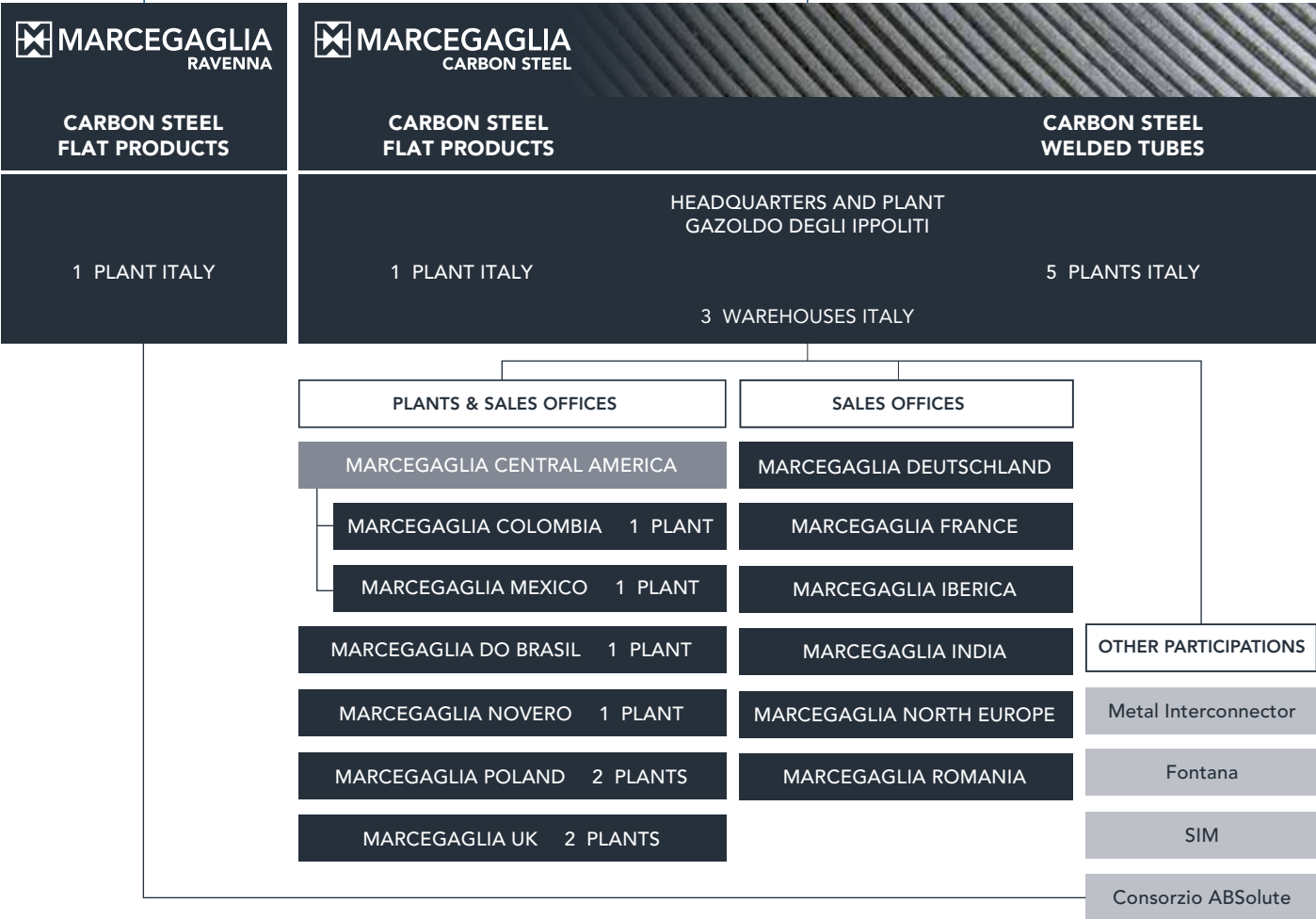


Albarella  
Castel Monastero  
Le Tonnare  
Pugnochiuso

GABETTI PROPERTY SOLUTIONS  
Milano

# Group structure

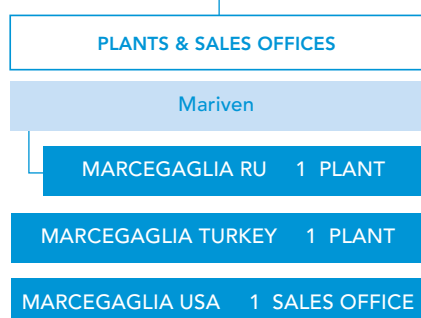
FIN. MAR.



Employees	Turnover (M/€)		Production (KT/y)	
4,300	3,450 TOTAL		4,650 TOTAL	
	2,300 FLAT PRODUCTS	1,150 WELDED TUBES	3,100 FLAT PRODUCTS	1,550 WELDED TUBES

**MARFIN**

Staff Corporate

**HOLDING****MARCEGAGLIA INVESTMENTS****BUILDING**

Marcegaglia Buildtech

M. Gulf Qatar

**HOME PRODUCTS**

Oskar

Imat

**ENERGY**

CO.GE.AM

Other particip.

EuroEnergy

Other particip.

**ENGINEERING**

Elet.Ca

Made HSE

**HOSPITALITY ACTIVITIES & REAL ESTATE**

Albarella

Other particip.

Pugnochiuso

Gaia Turismo

Other particip.

Palazzo Agricoltura

Gabetti Property Solutions

**OTHER PARTICIPATIONS**

E	T (M/€)		P (KT/y)	
1,000	1,350 TOTAL		700 TOTAL	
	1,200 STAINLESS STEEL	150 COLD-DRAWN BARS	500 STAINLESS STEEL	200 COLD-DRAWN BARS

E	T (M/€)	P (KT/y)
100	250	400

E	T (M/€)	P (KT/y)
1,100	250	50

# The global economic context

## The world economy

The global economy grew by 3.2% in 2018; in the second half of the year it slowed down and is expected to grow by 2.8% in 2019.

Economic activity in some advanced economies was weaker than expected, particularly in the Eurozone and Japan, while growth in the US, India and emerging Asia continued to remain solid.

In China, recent data confirm a loss of momentum in growth due to uncertainty about the outcome of US-China trade negotiations and the effectiveness of domestic policy stimulus in weighing on short-term prospects.

Economic activity in other emerging economies is expected to remain diversified. Growth in Latin America and South Africa is expected to resume after a weak 2018, while the fall in oil prices since the autumn has worsened the outlook for oil exporters such as Russia and OPEC countries.

Global trade grew by 3.3% in 2018 after +4.6% in 2017.

For 2019, growth is estimated at 1.4%, mainly due to the protectionist policy of the United States and the related countermeasures of other countries.

## The European economy

The Eurozone economy grew by 1.8% in 2018; by +0.4% in the first half of the year, while it slowed to +0.2% in the second half.

2018 was the year with the lowest expansion rate since 2014. In addition to Italy, Germany, in particular, has slowed down, especially due to problems related to the automotive sector; in contrast,

Spain, which has managed to maintain a faster pace, supported in particular by public consumption.

The signs of a slowdown in the European economy became more pronounced in the first few months of 2019, as the qualitative data indicate:

- confidence in businesses and households (ESI) fell to 106 in January-February, from 111 on average in 2018;
- the decline in activity has hit manufacturing hard, where in February the activity recorded its first contraction since June 2013 (SMEs to 49.2, below the natural threshold of 50);
- industrial entrepreneurs (European Commission survey) blame the drop in the quantity produced for the reduction in demand, especially from abroad, which they expect to continue to weaken in the spring months.

The growth outlook remains downward due to the combined effect of external factors (protectionism, Brexit, falling world trade), which are accumulated by internal factors, such as the decline of the German automotive industry and the stagnation of Italy.

It is assumed that in 2019 the dynamics of GDP should be penalized by the weak performance of the first months, and will not be able to exceed by much more than 1%.

## The Italian economy

The Italian economy grew by an overall 0.9% in 2018. It started to lose momentum as early as the beginning of 2018, due to a wider slowdown in the euro area, and contracted in the second half of the year.

Real GDP fell by 0.2% in the last three

months of 2018, after a decrease of 0.1% in the previous quarter.

Since mid-2018, Italy has suffered, more than other European countries, the rapid worsening of the international economic context. In particular, the deterioration in Germany, where new regulations on cars and the slowdown in imports from China led to a halt in activity in the automotive sector, which was passed on to the rest of the economy. The resulting decline in German industrial production has had a significant impact on the activity of Italian industry, due to the strong links between the two economies.

In the second half of 2018, the Italian economy was also held back by a very weak domestic demand, conditioned by the gradual worsening of confidence, which has pushed businesses - and more recently households - to greater prudence in the management of budgets. The increased pessimism on the expected trend in demand was reflected in a substantial standstill in production and in greater use of inventories, whose contribution to GDP growth was negative especially in the fourth quarter of 2018, when the decline in output is entirely attributable to the decumulation of inventories.

The Italian economy is expected to stagnate in 2019.

# The steel industry scenario

## The steel industry worldwide

In 2018 world production of crude steel reached 1,808.6 million tonnes, an increase of 4.6% compared to 2017.

Once again, the biggest increases were recorded in Asia (+5.6%), with India (+4.9%) settling as the second largest producer in the world after China (+6.6%). However, it is estimated that the official Chinese figure is distorted by a significant underestimation in 2017 - due to illegal and unregistered production that would have been eliminated by 2018 - so some analysts estimate the actual increase in production (and Chinese consumption) at +2/2.1%.

Europe recorded a decline of 0.3%, compared to apparent consumption estimated at +2.2%.

Apparent world consumption is estimated at +3.9%; with a substantial “balance” in the growth rates of the macro regions (with the exception of China, officially at +6%, but probably at +2/2.1%).

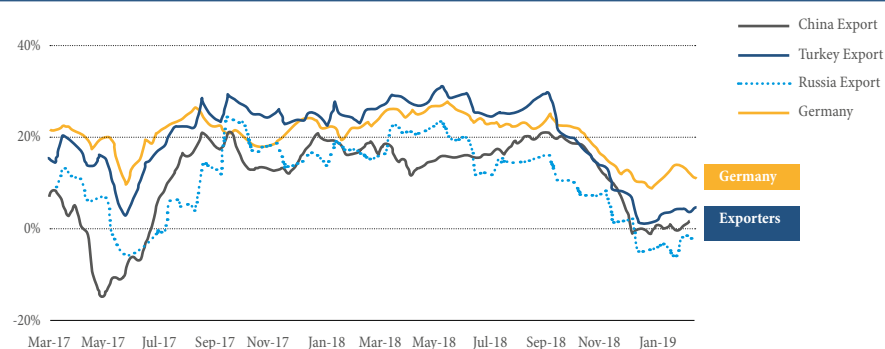
IN 2018, WORLD STEEL PRODUCTION DID GROW BY +4.6%. ZERO GROWTH IN EUROPE

WORLD STEEL OUTPUT Jan-Dec 2018 / Jan-Dec 2017 in%		PRODUCTION versus CONSUMPTION	WORLD STEEL APPARENT CONSUMPTION ESTIMATE 2018/2017 in%	
UE-28	-0.3		UE-28	+2.2
CIS	+0.3		CIS	+1.4
Nord America	+4.1		Nord America	+1.7
Sud America	+1.3		Sud America	+3.4
Africa	+7.2		Africa	+3.1
Medio Oriente	+11.7		Medio Oriente	+2.1
Cina	+6.6		Cina	+6.0
Altri Asia	+3.2		Altri Asia	+2.6
<b>Mondo</b>	<b>+4.6</b>		<b>Mondo</b>	<b>+3.9</b>

Source: WorldSteel

Against fundamentally stable raw materials, at medium-high levels, the prices of steel products recorded increases until the summer of 2018, guaranteeing good margins for steel products, and then “fall back” in the last quarter of 2018, with partial contractions in profitability levels.

MODELLED EBITDA MARGIN, %, HR COIL, REPRESENTATIVE MILLS



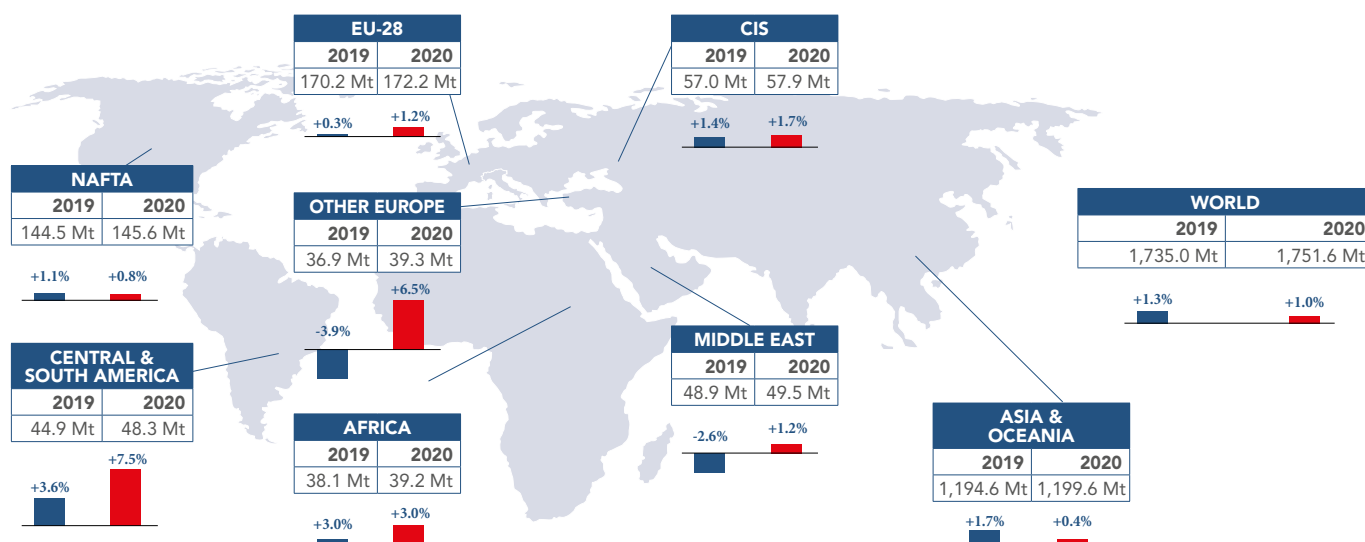
Source: CRU

For 2018 and 2020, the World Steel Association expects significantly more moderate growth in world consumption of finished steel (net from semi-finished products), in the order of +1.3% (2019) and +1% (2020).

These low growth rates would also affect Asia and China.

However, other analysts are confident that the Chinese government will be able to stimulate the economy more, including with regard to fixed investments and other steel-consuming sectors.

STEEL DEMAND, FINISHED STEEL – Million tonnes / y-o-y growth rate is expressed in %



Source: WorldSteelAssociation

## The European and Italian steel industry

The steel-consuming industrial sectors recorded growth of +3.1% in 2018. Although still positive, this figure should be compared with the best performance of previous years, with a slowdown in the second half of the year, compared to the first, and with the sharp slowdown in various industrial segments, such as automotive and household appliances. For 2019 and 2020, further significant declines in the growth rate are expected, which should settle at +1.5%/+1.7%.

TREND IN MAIN CUSTOMER SECTORS - Year-on-year %-change EU Steel Weighted Industrial Production (SWIP) index

	% share in total consumption	Q1 18	Q2 18	Q3 18	Q4 18	2018	Q1 19	Q2 19	Q3 19	Q4 19	2019	2020
Construction	35	5.8	3.8	5.1	3.9	4.6	2.5	3.0	1.4	1.7	2.1	1.2
Mechanical engineering	14	5.7	5.4	4.2	2.8	4.5	1.5	1.6	1.4	1.7	1.6	1.5
Automotive	18	3.5	4.8	-1.3	-2.3	1.3	0.6	-0.5	2.5	1.9	1.0	2.4
Domestic appliances	3	0.9	0.0	-2.7	-1.5	-0.8	-0.3	2.1	2.2	2.2	1.5	2.1
Other transport	2	4.0	9.1	10.7	12.8	9.0	4.8	3.1	0.7	1.6	2.6	1.8
Tubes	13	-1.6	-1.7	-0.9	-1.1	-1.4	0.7	1.3	-0.3	0.0	0.5	1.4
Metal goods	14	5.8	4.8	2.7	2.4	3.9	0.6	1.4	1.4	1.3	1.2	1.8
Miscellaneous	2	4.4	2.5	1.0	-0.3	1.9	0.4	1.4	2.1	2.1	1.5	2.0
<b>Total</b>	<b>100</b>	<b>4.1</b>	<b>3.9</b>	<b>2.3</b>	<b>2.0</b>	<b>3.1</b>	<b>1.5</b>	<b>1.7</b>	<b>1.8</b>	<b>1.3</b>	<b>1.5</b>	<b>1.7</b>

Source: Eurofer - 2017 Forecasting

European steel consumption in 2018 was +2.7% (for real consumption) and +2.6% for apparent consumption (more recent estimates have reduced the rate to +2.2%). For 2019 and 2020, consumption is expected to be substantially stable (+0.8%/1.0%), with a particularly slow start in the first half due in particular to the sharp contraction in consumption in the automotive sector.

FORECAST FOR REAL CONSUMPTION - % change year-on-year

Period	Q1 18	Q2 18	Q3 18	Q4 18	Year 2018	Q1 19	Q2 19	Q3 19	Q4 19	Year 2019	Year 2020
%	3.7	3.5	1.9	1.6	2.7	0.8	1.0	1.1	0.6	0.8	0.9

Source: Eurofer

FORECAST FOR APPARENT CONSUMPTION (EU) - % change year-on-year

Period	Q1 18	Q2 18	Q3 18	Q4 18	Year 2018	Q1 19	Q2 19	Q3 19	Q4 19	Year 2019	Year 2020
%	3.3	4.1	2.6	0.3	2.6	-1.4	0.0	0.0	3.5	0.5	1.2

Source: Eurofer

Italian crude steel production stood at 24.5 m. tonnes (+1.9%), laminates at 23.6 m. tonnes (+1.3%), of which the production of long products at 12.4 m. tonnes (+4.1%) and that of floors at 11.1 m. tonnes (-1.6%).

Total consumption in Italy recorded an increase of +2.6% to 29.4 m. tonnes, although the flat segment recorded a -0.8%, in particular the consumption of verticalised products suffered more with cold coils at -5.5%, galvanized products at -4.5% and painted products at -2.5%.

APPARENT CONSUMPTION (January - December)

	Consumption		
	2017	2018	Var.% '18/'17
<b>Total</b>	<b>28,686,006</b>	<b>29,437,054</b>	<b>2.6</b>
<b>Total semi-finished</b>	<b>3,234,502</b>	<b>3,445,146</b>	<b>6.5</b>
<b>Total laminates</b>	<b>25,451,502</b>	<b>25,991,907</b>	<b>2.1</b>
of which: long products	9,728,122	10,396,638	6.9
of which: flat products	15,723,382	15,595,269	-0.8
Beams and armament material	732,300	773,685	5.7
Sheet piling	9,840	12,610	28.2
<b>Total merchant laminates</b>	<b>3,162,422</b>	<b>3,542,652</b>	<b>12.0</b>
of which: bars	2,438,841	2,829,413	16.0
of which: profiles	260,331	278,292	6.9
of which: dishes	463,251	434,947	-6.1
Round reinforced concrete	1,345,038	1,376,786	2.4
Wire rod	4,478,521	4,690,905	4.7
<b>Total flat and reinforced lam.</b>	<b>1,154,156</b>	<b>989,840</b>	<b>-14.2</b>
Hot-rolled strip <600	224,772	238,026	5.9
Coils	6,881,344	7,142,758	3.8
Galvanized sheets and metal rivets	3,492,412	3,334,436	-4.5
Synthetic riveted sheet metal	571,196	557,030	-2.5
Other products (*)	1,575,231	1,610,135	2.2
Cold sheets in sheets or rolls	1,824,269	1,723,045	-5.5

(\*) Tinplate / chromed sheeting / black strip

Elaborated from Federacciai data

## The challenges facing the European steel industry

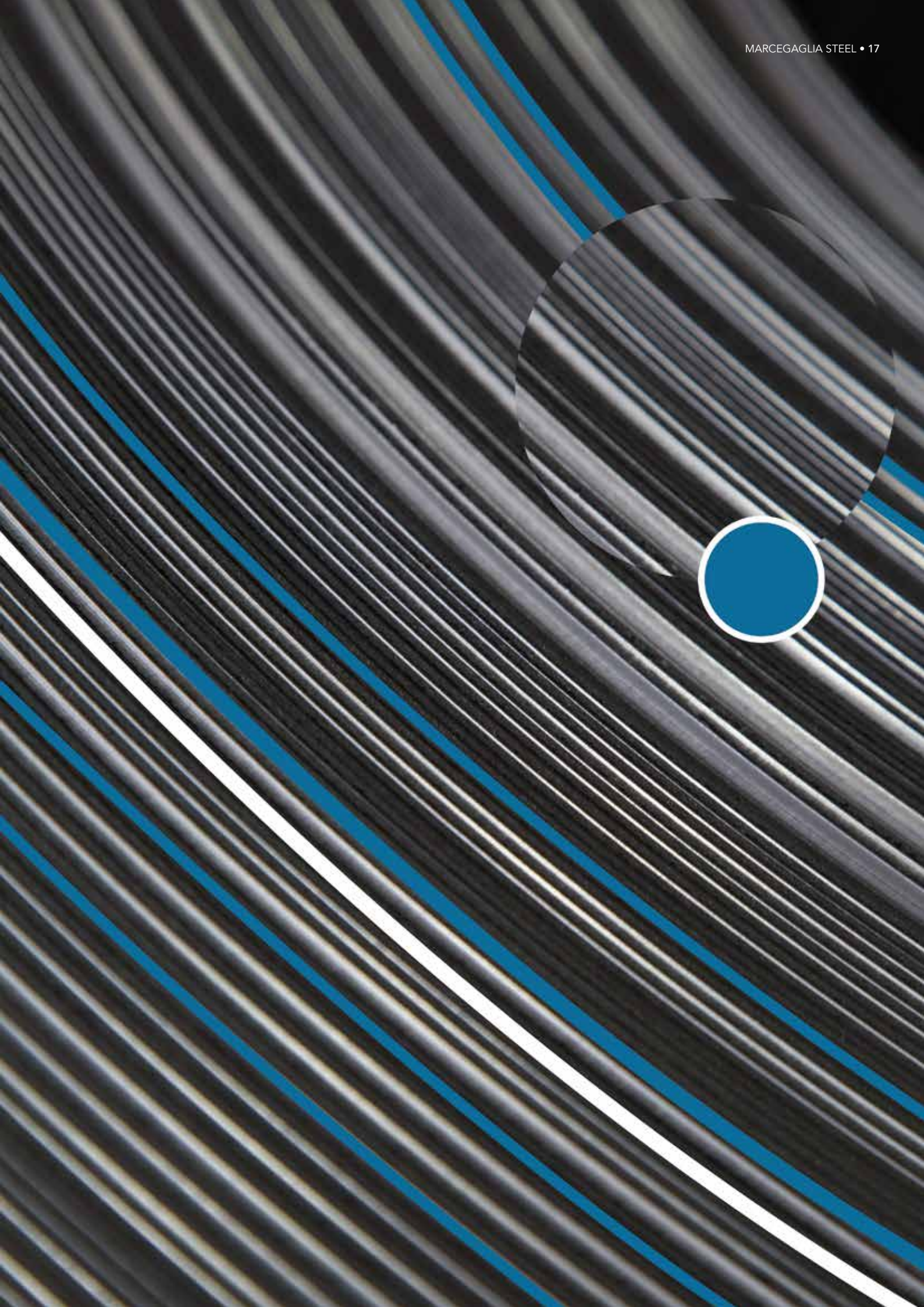
As anticipated in last year's report, the European steel industry has seen major structural changes in 2018.

With the acquisition of ILVA by Arcelor Mittal, the consolidation process in the sector has resumed and accelerated.

The whole of Arcelor Mittal's "package" of divestments, following the instructions of the Antitrust Authority, was taken over by the Liberty House group (with the approval of the European Commission, in April 2019), which in fact represents a significant new player in Europe.

The Tata-Thyssen joint venture is also progressing, waiting for the European Commission's "green light" by May 2019. At the same time, in 2018 provisional measures were drawn up, which were then made definitive in January 2019, relating to safeguard - i.e. free import quotas per country of origin - with a ceiling equal to the average of the previous three years, and duties from 25% above these quotas. This import containment measure follows a tightening of restrictions on international trade initiated by the Trump administration and subsequently spread globally, and reinforces the issue of the progressive regionalisation of markets.

Growing and increasingly important in terms of costs for European producers will be the environmental challenges and further reductions in CO<sub>2</sub> emissions designed to widen the competitiveness gap vis-à-vis less virtuous countries and producers.



# Operating results

2018 was another positive year for the world steel industry, and also for Europe, marking a further strengthening of the economic-financial performance.

With the prices of raw materials steadily high, semi-products and basic products - such as hot coils - also benefited from high prices.

First and second processing products, although following the trend of basic products, were nevertheless more affected by competition from integrated producers, on the one hand, and from imports from neighbouring countries, on the other, with a more limited spread on hot coils.

Despite this, Marcegaglia Steel was able to replicate the good operating results of 2017, through:

- selective commercial action in the mix of products/markets with greater added value
- optimisation of the purchasing policy, thanks to extensive international networking and confirmation, at favourable conditions, of the strategic relationships existing in Europe with Arcelor Mittal, US Steel and others
- constant cost efficiencies, and in particular the reduction of fixed costs, achieved by concentrating on the best performing plants, in order to make the most of production capacity, or by selling or disposing of the least efficient ones
- prudent management of investments and working capital, with a view to strengthening capital and further significantly reducing the net financial position

Specifically, in 2018:

- overall volumes increased by 2.4% to 5.3 million tonnes, in line with consumption trends, but to a greater extent than direct European competitors

- revenues - due to price and mix effects - amounted to Euro 5,061 million (+6.2% compared with 2017)
- operating EBITDA stood at Euro 384 million, or 7.6% of turnover, in line with 2017
- operating cash flow, net of changes in working capital, came to Euro 344 million
- the net financial position fell further to Euro 677 million (Euro -240 million)

It should be noted that all the companies of the Steel Group (and also of the Investment Group) are positive contributors in terms of EBITDA and cash flow, including each of the foreign companies.

Among the Italian operating companies, particularly performing is the company Marcegaglia Specialties, in both the stainless steel and drawn bars divisions, and also Marcegaglia Plates, despite the strong tensions on raw material prices (slabs).

## Revenues

Marcegaglia Steel volumes grew by 121 kt in 2018, an increase of 2.4% in line with market dynamics. Growth was seen in all geographical areas with the only exceptions of Brazil and Turkey due to adverse macroeconomic conditions. It should be noted that the slight reduction in the total amount of foreign trade is due to the sale during the year of the remaining operating activities of Marcegaglia USA; net of this company, foreign trade also grew overall by about 9 kt (+1.7%).

### SHIPMENTS OF FINISHED PRODUCTS (tonnes)

Italian companies	2018 volumes	2017 volumes	Δ %
<b>MARCEGAGLIA CARBON STEEL</b>	<b>3,791,502</b>	<b>3,685,895</b>	<b>2.9</b>
of which flats	2,755,547	2,652,853	3.9
of which welded tubes	1,035,318	1,032,364	0.3
<b>MARCEGAGLIA SPECIALTIES</b>	<b>579,551</b>	<b>584,442</b>	<b>-0.8</b>
of which stainless steel and special	395,870	395,998	0.0
of which cold drawn bars	183,553	188,344	-2.5
<b>MARCEGAGLIA PLATES</b>	<b>353,754</b>	<b>344,756</b>	<b>2.6</b>
of which heavy plates	353,754	344,756	2.6
<b>Tot. MARCEGAGLIA STEEL Italy</b>	<b>4,724,807</b>	<b>4,615,093</b>	<b>2.4</b>
Foreign companies	2018 volumes	2017 volumes	Δ %
MARCEGAGLIA POLAND Sp z.o.o.	325,034	317,195	2.5
MARCEGAGLIA UK	85,108	80,906	5.2
MARCEGAGLIA DO BRASIL Ltda	92,729	93,780	-1.1
MARCEGAGLIA RU	15,636	13,737	13.8
MARCEGAGLIA USA	9,590	22,058	-56.5
MARCEGAGLIA Turkey	8,713	12,617	-30.9
<b>Tot. MARCEGAGLIA STEEL foreign</b>	<b>536,810</b>	<b>540,293</b>	<b>-0.6</b>
Other minor items (Novero)	15,065		
<b>Tot. MARCEGAGLIA STEEL foreign</b>	<b>5,276,682</b>	<b>5,155,385</b>	<b>2.4</b>

Overall, consolidated revenues came to Euro 5,061 million, an increase of almost Euro 300 million (+6.2%) on 2018, with consolidated revenues reaching Euro 4,667 million (+6.7%) if the analysis is limited to sales of finished products, making for growth of Euro 294 million.

#### CONSOLIDATED REVENUES BY GEOGRAPHICAL AREA (000/Euro)

	2018	2017	export	% sales	of which EU	of which non-EU
carbon steel tubes	1,119,067	1,030,630	774,309	69.19	624,138	132,171
flat products (from coils)	2,119,445	1,962,802	1,144,089	53.98	1,024,200	119,889
heavy plates	163,698	163,698	95,718	58.47	82,097	13,621
stainless steel	1,077,792	1,046,811	779,100	72.29	647,646	131,455
cold drawn steel	166,925	140,326	98,190	58.82	92,084	6,106
other	520,518	506,509	115,675	22.22	94,851	20,824
<b>total aggregated 2018</b>	<b>5,167,446</b>	<b>4,850,776</b>	<b>3,007,082</b>		<b>2,583,016</b>	<b>424,066</b>
<b>total aggregated 2017</b>	<b>4,850,776</b>		<b>2,798,390</b>		<b>2,353,167</b>	<b>445,223</b>
	6.5%		7.5%		9.8%	-4.8%
intercompany	(106,476)	(86,870)	(12,963)	12.17	(11,200)	(1,763)
<b>total revenue</b>	<b>5,060,969</b>	<b>4,763,906</b>	<b>2,994,119</b>	<b>59.16</b>	<b>2,571,816</b>	<b>422,302</b>

Even if we look at revenues by company and division, we can observe a widespread growth of moderate entity with the only exceptions already indicated for Turkey and Brazil, Marcegaglia USA as already explained is not comparable with the previous year. Compared to the average growth, the results of the drawn division of Marcegaglia Specialties, +19.0%, of Marcegaglia Plates, +12.0%, and, among the foreign companies, of Marcegaglia UK, +15.9%, stand out. Finally, it should be noted that the revenues of the newly established companies Marcegaglia Ravenna and Marcegaglia Gazoldo Inox are entirely linked to the work account activities carried out respectively for Marcegaglia Carbon Steel and Marcegaglia Specialties.

#### REVENUES (000/Euro)

Italian companies	tot. 2018	tot. 2017	Δ %
<b>MARCEGAGLIA CARBON STEEL</b>	<b>3,143,860</b>	<b>2,966,255</b>	<b>6.0%</b>
of which flats	1,961,891	1,836,951	6.8%
of which welded tubes	841,214	767,038	9.7%
<b>MARCEGAGLIA SPECIALTIES</b>	<b>1,205,340</b>	<b>1,139,899</b>	<b>5.7%</b>
of which stainless steel	996,656	954,450	4.4%
of which cold drawn bars	166,925	140,326	19.0%
<b>MARCEGAGLIA PLATES</b>	<b>232,590</b>	<b>207,728</b>	<b>12.0%</b>
of which heavy plates	222,741	197,314	12.9%
<b>Tot. MARCEGAGLIA STEEL Italy</b>	<b>4,581,791</b>	<b>4,313,882</b>	<b>6.2%</b>
foreign companies	tot. 2018	tot. 2017	Δ %
MARCEGAGLIA POLAND Sp z.o.o.	265,426	254,777	4.2%
MARCEGAGLIA UK	70,378	60,714	15.9%
MARCEGAGLIA DO BRASIL Ltda	104,416	111,370	-6.2%
MARCEGAGLIA RU	37,905	35,175	7.8%
MARCEGAGLIA USA	15,673	37,205	-57.9%
MARCEGAGLIA Turkey	21,995	23,634	-6.9%
<b>Tot. MARCEGAGLIA STEEL foreign</b>	<b>515,793</b>	<b>522,875</b>	<b>-1.4%</b>
MARCEGAGLIA RAVENNA	36,071		
MARCEGAGLIA GAZOLDO INOX	9,476		
MARCEGAGLIA NOVERO	12,955		
other intercompany elisions	-95,117	-72,850	
<b>total consolidated net revenues</b>	<b>5,060,969</b>	<b>4,763,906</b>	<b>6.2%</b>
<b>total revenues of finished products only (*) net intercompany</b>	<b>4,666,809</b>	<b>4,372,739</b>	<b>6.7%</b>

\*excluding sales of scrap, raw materials and other revenues

## Profits

Also in 2018, Marcegaglia Steel recorded a positive economic-financial performance, especially considering the reduction of the spreads between raw materials (coils) and downstream products, especially for carbon products.

The gross operating margin was 384 million, equal to 7.6% of consolidated turnover and the operating result was Euro 208 million (4.1%).

Gross operating profit (before corporate costs and intragroup royalties) amounted to Euro 390.8 million (8.2% of finished product revenues), of which Euro 180.5 million related to Marcegaglia Carbon Steel, Euro 144.1 million to Marcegaglia Specialties, Euro 16.7 million to Marcegaglia Plates and Euro 49.6 million to foreign companies, whose profitability is in line with that of the Italian companies.

The operating result before write-downs and amortisation of the brand amounted to Euro 219.4 million, equal to 4.6% of revenues from finished products, slightly down compared to 2017 in relation to Marcegaglia Carbon Steel.

Among the positive components of EBITDA, an effect of Euro 16.8 million should be noted, mainly relating to a tax dispute won by the company. Without this extraordinary component, EBITDA would have been Euro 367.1 million and EBIT Euro 191.3 million, as better shown in the following tables:

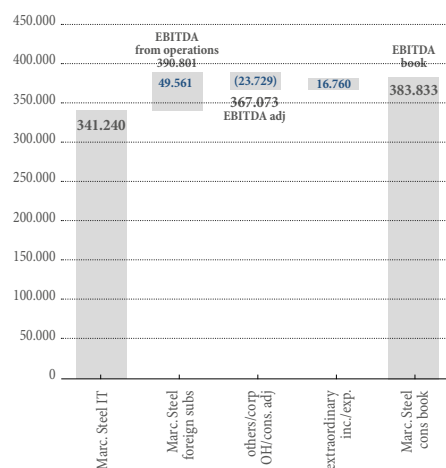
PROFITABILITY 2018 (in 000/Euro)

Company	Revenue	EBITDA *	EBITDA %
Marcegaglia Carbon Steel	2,842,749 **	179,784	
Marcegaglia Ravenna	0 **	685	
<b>Marcegaglia Carbon Steel + Marcegaglia Ravenna</b>		<b>180,468</b>	<b>6.3</b>
Marcegaglia Specialties	1,180,201 **	142,432	
Marcegaglia Gazoldo Inox	0 **	1,675	
<b>Marcegaglia Specialties + Marcegaglia Gazoldo Inox</b>		<b>144,107</b>	<b>12.2</b>
<b>Marcegaglia Plates</b>	<b>224,016 **</b>	<b>16,664</b>	<b>7.4</b>
<b>tot. Marcegaglia Steel Italy</b>	<b>4,246,967 **</b>	<b>341,240</b>	<b>8.0</b>
MARCEGAGLIA Poland	259,156 **	21,049	8.1
MARCEGAGLIA UK	68,842 **	2,792	4.1
MARCEGAGLIA DO BRASIL Ltda	102,568 **	12,482	12.2
MARCEGAGLIA USA	12,323 **	8,551	69.4
MARCEGAGLIA RU	37,469 **	2,101	5.6
MARCEGAGLIA TURKEY	21,646 **	2,586	11.9
<b>tot. foreign subsidiaries</b>	<b>502,004 **</b>	<b>49,561</b>	<b>9.9</b>
<b>tot. Marcegaglia Steel from operations</b>	<b>4,748,971 **</b>	<b>390,801</b>	<b>8.2</b>
others*** and intercompany	311,998	(3,479)	
corp OH		(20,250)	
ammort royalties trademark and goodwill			
<b>tot. Marcegaglia Steel</b>	<b>5,060,969</b>	<b>367,073 adjusted</b>	<b>7.3</b>
extraordinary components		16,760	
<b>tot. Marcegaglia Steel</b>	<b>5,060,969</b>	<b>383,833 book</b>	<b>7.6</b>

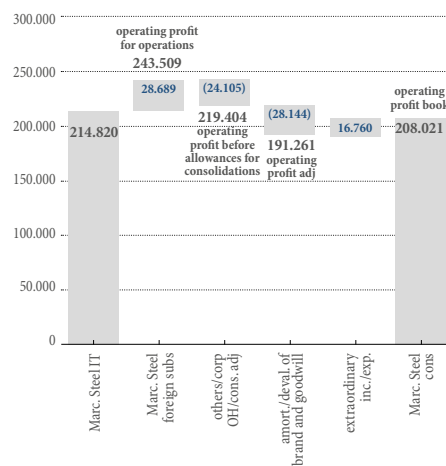
\* Ebitda net of intercompany royalties \*\* Sales of finished goods

\*\*\* Sales of scrap, resales of raw materials and other revenues, sales of Novero and minor entities

EBITDA



OPERATING PROFIT



Interest expense decreased significantly, thanks to the simultaneous reduction in debt and interest rates.

However, unlike the previous year, foreign exchange losses of more than Euro 26 million were recorded (against Euro 11 million in profits in 2017), mainly due to the devaluation of the Rouble, the Reais and the Turkish Pound, relating to the debts of foreign companies. It should be noted, however, that almost all of these

debts are owed to the parent company (Marcegaglia Steel and/or subsidiaries).

Prudentially, following the strong depreciation of the Reais, an amount of Euro 7.5 million was set aside in a specific risk provision following the commitments made by the subsidiary Marcegaglia Carbon Steel for the purchase, during 2019, of the minority shareholding held by Simest in the subsidiary Marcegaglia do Brasil.

Among the positive components, there was a capital gain of approximately Euro 25 million relating to the sale of the minority shareholding in AM Investco - the company that won the assets of Ilva. Profit before taxes was close to Euro 130 million and net profit for the period was Euro 97.1 million (99.6 for the group).

## Financial management

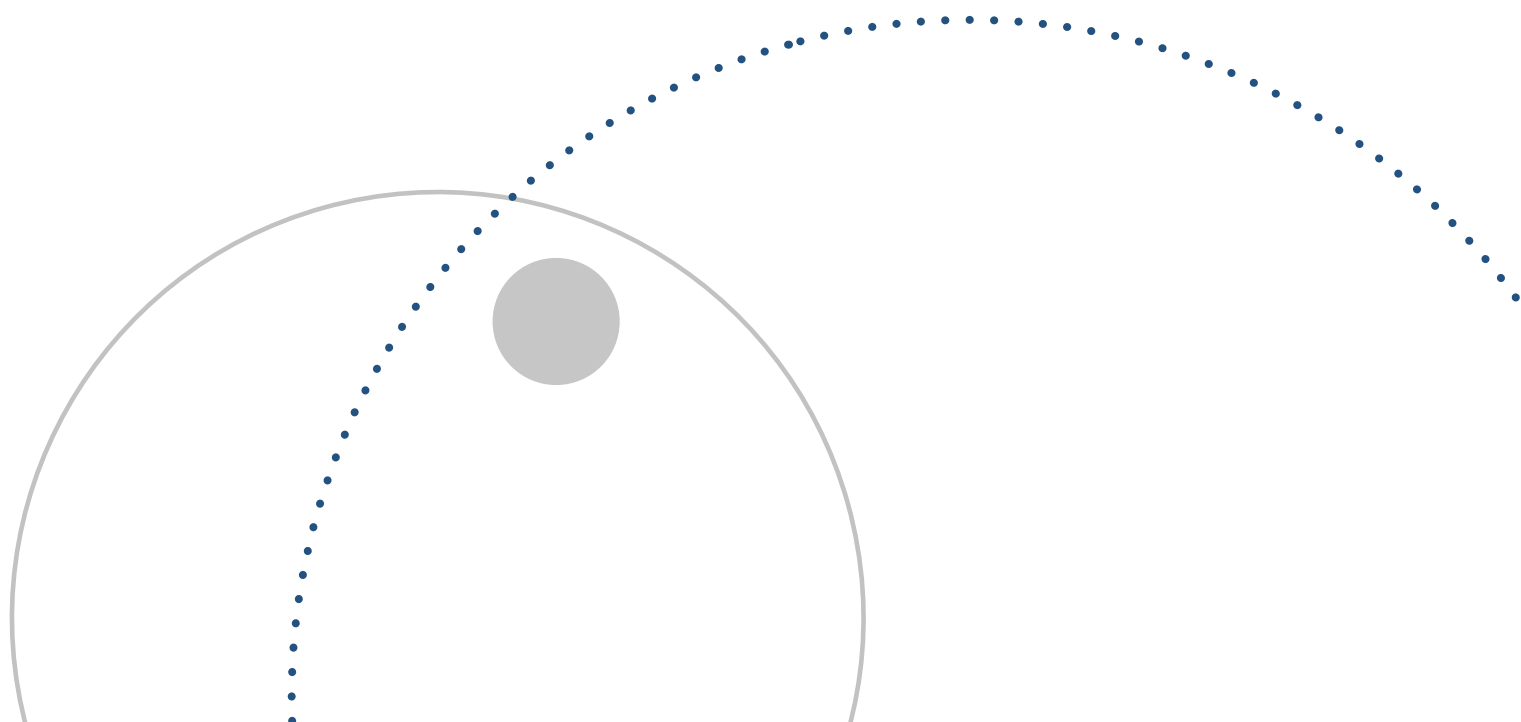
The industrial management of Marcegaglia Steel generated an operating cash flow in 2018, net of the change in working capital of Euro 347.7 million, which financed Euro 54 million in investments, Euro 53 million in financial charges (net of income) and approximately Euro 30 million in taxes.

With the cash flow generated during the year, the net financial position fell from Euro 917 million in 2017 to Euro 677 million (Euro -240 million).

The further reduction of Marcegaglia Steel's debt remains a top management priority in the near future, despite an expected increase in investments.

### NET FINANCIAL POSITION

	31.12.2018	31.12.2017
Payables to banks		
- within the following year	306,923,090	542,384,793
- after the following year	436,393,610	375,573,849
<b>Total payables to banks</b>	<b>743,316,700</b>	<b>917,958,642</b>
Payables to other lenders		
- within the following year	866,096	8,398,123
- after the following year	663,231	1,404,860
<b>Total payables to other lenders</b>	<b>1,529,327</b>	<b>9,802,983</b>
<b>Total financial position</b>	<b>744,846,027</b>	<b>927,761,625</b>
Other equity investments that do not constitute fixed assets	182,186	259,870
Other securities not constituting fixed assets	5,102,639	3,308,823
Total liquid funds	62,554,920	7,250,636
<b>Total short-term cash and equivalents</b>	<b>67,839,745</b>	<b>10,819,329</b>
<b>Total Net Financial Position</b>	<b>677,006,282</b>	<b>916,942,296</b>



# Strategy and investments

Continuing the path of recent years, also in 2018 Marcegaglia has focused its attention on its core business at national and international level, with particular reference to those markets where it is expected to be able to fully express its distinctive skills and competitive advantages, enhancing in particular the most performing assets.

In 2018, the Group underwent a number of changes in its scope of consolidation in line with its strategy.

In particular, in Italy, a second plant was acquired in the Forlì area, intended for the finishing of stainless steel pipes (January); plants and production were transferred from the Parma plant to the Forlì plant, with cost and logistics synergies (May); the cold rolling branch of the small and dated Padua plant was sold, concentrating production in Gazoldo and Ravenna, without additional resources and with greater efficiency (February).

In May, the acquisition of 80% of the shares of Novero S.p.A. (renamed Marcegaglia Novero), a company operating in the drawn tubes sector, was completed to strengthen and complete the range of Boltiere's activities, with significant commercial and production synergies.

In November, the spin-off of production activities in the Ravenna and Gazoldo plants (Specialties part) was completed, with the creation of two new companies called Marcegaglia Ravenna and Marcegaglia Gazoldo Inox. This operation allowed both companies of Engie (limited to 5% of the shares), a leading operator in the energy sector, to enter the capital in December, with the aim of building and operating two cogeneration plants, 30 MWe and 20 MWe respectively, to

increase the self-production of electricity and heat, with significant savings expected in energy costs.

In October 2018, the sale of the minority stake in AM Investco and the sale of the 11% stake in Bremen (the latter held by Marfin) were completed, as part of the remedies proposed by Arcelor Mittal for the acquisition of ILVA. As a 'related party', the presence of Marcegaglia Carbon Steel in ILVA's shareholding structure was considered inappropriate as it restricted competition. With the exit from AM Investco, Marcegaglia monetised the value of the shareholding and a lump sum compensation for the waiver of future benefits associated with the ILVA operation, while maintaining the validity of the commercial supply contracts with Arcelor Mittal FCE and Arcelor Mittal Italy, on favourable terms.

Internationally, in June, Marcegaglia USA sold its galvanized pipe business to Bristol Metals; with immediate success and an earn-out over the next four years. In October, Marcegaglia Steel set up Marcegaglia Central America, a joint venture with Simest (49%), and acquired two companies, in Mexico and Colombia, operating in the refrigeration sector which, together with Marcegaglia do Brasil, express a strong leadership in the American market.

Finally, in December, the sale of the companies of Marcegaglia China (already deconsolidated in 2017) to a state-owned company in the province of Jiangsu was completed. This exit from the Chinese market was managed with the local government, minimizing the social impact on employees and related parties.

Marcegaglia Steel, which has further

strengthened its capital and financial position, and in terms of cost efficiency and production and commercial structures, intends to pursue growth in size and added value both by external lines - selectively assessing available opportunities - and by internal lines - with an increase in investments - mainly aimed at further increasing cost efficiency and competitiveness.

This ambition and strategy to strengthen its role, particularly in Europe, will be implemented in accordance with the objective of further reducing financial debt.

## Investments

Also in 2018 the policy of targeted investments for all the companies of Marcegaglia Steel continued, for a total of about Euro 54 million. The focus was on the Italian companies to which capex has been dedicated for Euro 51.7 million, while 2.5 million are those pertaining to the foreign companies.

The investments were aimed at projects related to issues of particular relevance for the competitive strengthening of the group, including energy saving, plant improvements capable of ensuring higher quality standards of products, measures to ensure the preservation of excellent safety standards, line digitization and systemic review of the supply chain with a new integrated model, and, finally, the framework was completed by investments for renewal to maintain the production efficiency of the plants.

In particular, investments were made in Marcegaglia Carbon Steel and Marcegaglia Specialties, including the related spin-off companies Marcegaglia Ravenna and Marcegaglia Gazoldo Inox.

Marcegaglia Carbon Steel (with Marcegaglia Ravenna) has made investments for Euro 36.1 million concentrated in the Ravenna plants for Euro 17.0 million, among which efficiency interventions in the galvanizing lines for Euro 4.5 million, the “master model” project for optimisation of production flows for Euro 2.7 million and Gazoldo for Euro 11.7 million, where they mainly take over the Euro 2.7 million upgrade of the pickling line soon to be reactivated and the Euro 1.6 million for the cutting line for pre-painted belts.

Marcegaglia Specialties (with Marcegaglia Gazoldo Inox) has made investments for Euro 14.2 million. Worthy of mention is the investment of Euro 4.6 million (between the warehouse and the machinery) for the finishing of the stainless steel pipe, which will be carried out by a subcontractor, and the production improvement works for the stainless steel pickling and austenization lines of Gazoldo for Euro 1.7 million.

### INVESTMENTS 2018 (net of transfers of tangible fixed assets between companies)

Steel Italy	k€	Marcegaglia Carbon Steel	Marcegaglia Ravenna
Ravenna	17,017,012	13,888,456	3,128,556
Gazoldo degli Ippoliti	11,658,422	11,658,422	
Boltiere	2,860,166	2,860,166	
Casalmaggiore	2,391,418	2,391,418	
Dusino	664,915	664,915	
Lomagna	591,167	591,167	
Corsico	365,248	365,248	
Albignasego	275,006	275,006	
Lainate	237,506	237,506	
other	44,163	44,163	
<b>tot. Marcegaglia Carbon Steel</b>	<b>36,105,022</b>	<b>32,976,466</b>	<b>3,128,556</b>

Marcegaglia Specialties	Marc. Gazoldo Inox
8,091,564	
3,209,304	847,564
2,062,102	
<b>13,362,971</b>	<b>847,564</b>

Forlimpopoli	8,091,564
Gazoldo Inox	4,056,868
Contino	2,062,102
<b>tot. Marcegaglia Specialties</b>	<b>14,210,535</b>

San Giorgio di Nogaro	1,137,224
<b>tot. Marcegaglia Plates</b>	<b>1,137,224</b>

<b>tot. Marcegaglia Steel Italy</b>	<b>51,452,781</b>
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Novero	242,436
other Italy	3,677
<b>Total Steel - Italian companies</b>	<b>51,698,894</b>

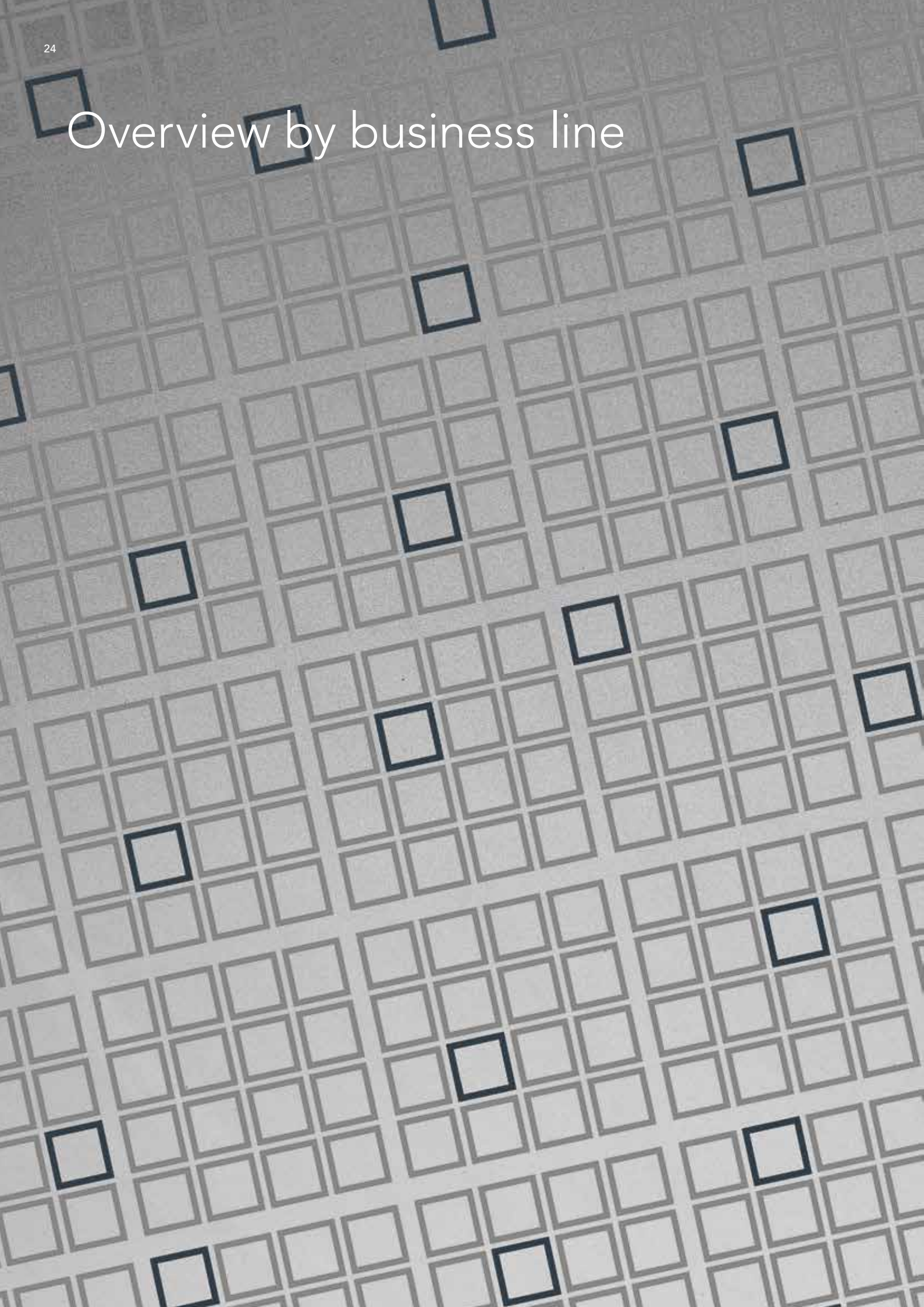
  

Consolid. foreign companies (Steel)	k€
Marcegaglia UK	673,677
Marcegaglia Poland	648,196
Marcegaglia TR	559,143
Marcegaglia do Brasil Ltda	542,335
Marcegaglia USA	93,939
Marcegaglia RU	24,319
<b>Total foreign companies (Steel)</b>	<b>2,541,609</b>

<b>Total Marcegaglia Steel</b>	<b>54,240,503</b>
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# Overview by business line



# Marcegaglia Carbon Steel

## FLAT PRODUCTS

### Coils (excluding painted products)

Coils shipments in 2018 increased by 8.4% compared to 2017, with a 2% increase compared to the budget. Sales reached Euro 833 million, almost +13% over the previous year, only partly due to price increases.

	2016	2017	2018	2017 vs 2018
Shipments ( in ton.)	1,112,493	1,124,139	1,218,606	8.40%
Turnover (Eur)	558,240,840	738,497,291	833,711,797	12.89%

This result is particularly positive when compared with shipments of flat products to European steel service centres (80% of the sales perimeter of the coils division); on average, it amounts to -3.1% vs. 2017 (source: Eurometal).

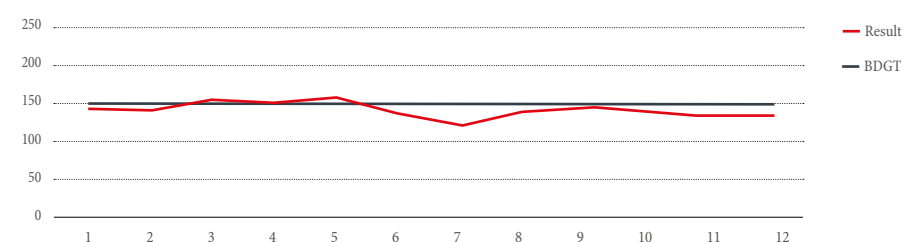
Also in 2018, the coils division underwent substantial market changes, mostly related to protectionism measures adopted by several countries around the world. Overall, the safeguard clause in Europe had a positive impact on performance in Italy (+3.9%) and in general towards EU28 countries (+9.7%).

The performance of the coils division is particularly significant because it is placed in a difficult context in view of the slowdown in apparent Italian consumption (source: Federacciai) of the main verticalised products such as cold rolled products (-5.5%) and coated products (-4.5%). This is even more evident in Europe if we consider the slowdown in demand for these products (source: Eurofer): cold rolled product -1.4% and coated products -4.3%.

In terms of product mix, there was substantial growth in pickled and oiled coils (+ 39% compared to the budget and +98% compared to 2017) and also in hot dip galvanized coils (+7% compared to the budget and +15% compared to 2017). By contrast lack of production, the shipment of cold rolled products has decreased by 25% compared to the budget and by 21% compared to 2017. Finally, second-rate shipments decreased by 17% compared to the previous year.

The profitability of the coils division in 2018 is slightly below budget in a very difficult year, while the main market segments, such as automotive and household appliances, have begun to enter a recessionary phase. The overall performance is however to be considered satisfactory.

2018 COIL MARK UP

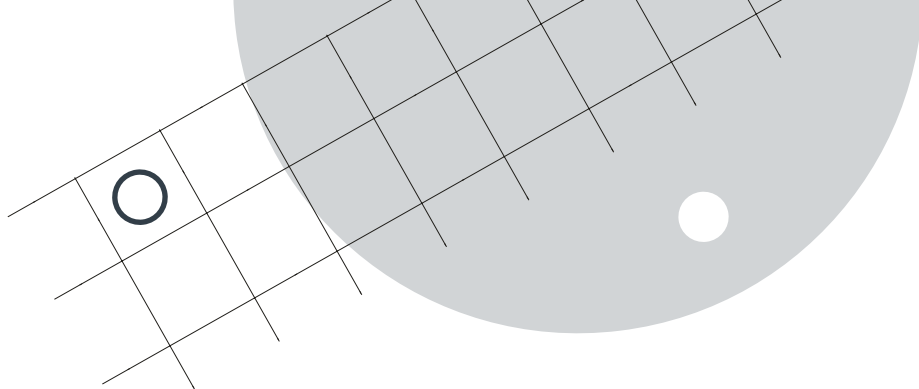


### Processed flat products

The volumes of flat products shipped in 2018 were down on 2017, reaching 1.110 million tonnes (-1.5%), while turnover increased to Euro 773 million (+2.9%). The reduction in volumes was in any case less than the average for European service centres and decidedly better than their Italian competitors.

The two main products, strips and sheets, have seen completely different time dynamics and problems.

The tapes have been subjected to the extreme aggressiveness of the Chinese steelworks during the stipulation of contracts and the allocation of volumes, which have exponentially increased their presence below all European players. Despite these assumptions, the first half of the year was in line or better than expected, but then suffered in September the stop of registrations in Germany due to WLTP approvals and in the fourth quarter the great slowdown of the Chinese car that has greatly reduced volumes and continues throughout the first half of 2019. The final result saw a drop of -1.7% compared to 2017; negatively affected by the performance of the Italian market (-2.4%), France (-20.1%) and exports to Turkey (-54.5%) and the USA (-97.3%). In Italy, the decrease is mainly due to the reduction in intra-group deliveries (-18%) and the aforementioned weakness of the automotive sector. Growth in the rest of Europe is noteworthy: +10.9%, the result against the trend in France was offset by the excellent performance of the German-speaking countries. In Turkey, exports were penalised by a reduction in the presence of local car manufacturers, while in the USA they were penalised by the protectionist measures in place.



Sheet metal saw a good start to the year, but then suffered a sharp slowdown in apparent demand at the end of Q1 and Q2, which led to the reversal of the price trend during the summer months.

Overall, sheet metal deliveries decreased by 1.2%. The narrow price gap between northern and southern Europe in the first few months of the year and above all the reduction in the spread between verticalised products and hot coils led the division to push sales to the domestic market and exports to end users. The result has seen a slight growth in the Italian market compared to the volumes of 2017 +1.7%; however, a significant increase if compared to the performance of other service centres (as shown in the table above) and an export that has marked an increase towards the use of +7% and consequent reduction towards the distribution of -6%. This commercial strategy has allowed the company the turnover in line with 2017, compensating for the drop in volumes.

The above mentioned aggressive factors in the price of car imports and the reduction in the spread between verticalised products and black coils have structurally complicated the achievement of fixed margins. In spite of everything, the extreme flexibility and commercial capillarity with consequent ability to target spot sales to more profitable markets and the now consolidated focus on value-added products have allowed to mitigate the effect and close the year with positive results, even if less brilliant than in previous years.

Finally, 2018 saw a positive trend in sales - in line with the objectives set - of LASER SHARP®, the range of structural sheets for laser applications suitable for special finishes introduced at the end of 2017.

MANAGEMENT SUMMARY Strip mill products - SHIPMENTS: 12 months 2018 / 12 months 2017

Market perimeter	Hot rolled flats	Cold rolled flats	Galv. & coated flats	ALL SMP
SSC EU-28	-0.3%	-6.3%	-4.8%	-3.1%
SSC Austria + Belgium + Germany + NL	-3.5%	+1.6%	-1.7%	-2.0%
SSC Italy	+1.3%	-12.1%	-9.0%	-5.5%
SSC France	-3.6%	-5.7%	+2.1%	-1.3%
Multi-products & prox. st. dist. EU-28	+2.4%	-2.3%	+2.0%	+1.3%
<b>Monitoring by main national markets (all shipments of strip mill products):</b>				
Germany	+2.2%	-1.9%	+4.8%	+2.4%
UK	+5.9%	-4.3%	-6.9%	-1.3%
France steel stockholders	+2.3%	-3.3%	-2.4%	+0.6%
Sweden	+3.9%	-0.7%	+4.1%	+3.1%
Spain	N.A.	N.A.	N.A.	+3.4%
Poland (11 months)	-21.2%	-17.5%	+37.4%	+6.3%
<b>A year-on-year comparison of shipments, in %</b>				

Source: Eurometal

### Pre-painted products

Pre-painted products close the year 2018 with an increase in volumes of 3% compared to the previous year (415 thousand tonnes compared to 402 thousand tonnes).

With consolidated European consumption at around 5.2 million tonnes, Marcegaglia's presence in Europe is around 7.9%.

The commercial activity was affected throughout the year by the significant increase in hot rolled coils, with an adjustment in the selling prices of coated "delayed" by several months.

As regards the market mix, 62% of the pre-painted product was distributed in Europe and the remaining 38% on the domestic market; the trend in the number of customers handled by the division, equal to 389, was also positive. In addition to the traditional reference markets, those of Central Europe are developing well, thanks to the increased level of quality and services.

Of particular note is the performance of the processed product, which recorded a 20% increase over the previous year; in line with the company's objectives of encouraging the distribution of products with greater added value, and thanks to the launch of a dedicated department at the Gazoldo plant.

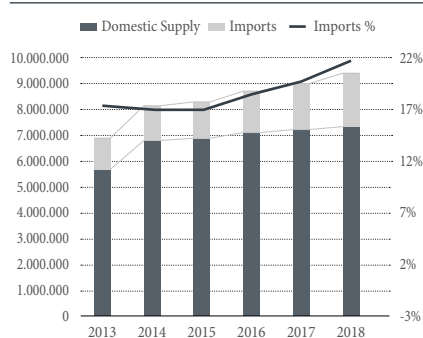
Always with a view to the future, many activities have been undertaken to develop new product cycles and technologies with the aim of increasingly supporting the profitability of painted products.

For 2019, the aim is to achieve further growth in volumes, accompanied by improved margins, also thanks to the more limited role of imports from third countries.

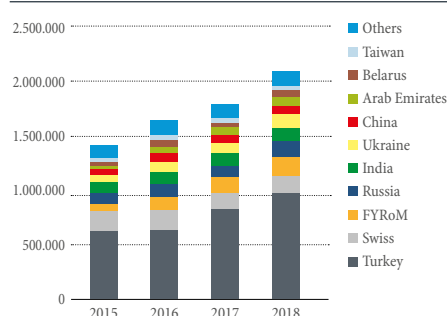
## WELDED TUBES

Apparent consumption of welded pipe up to 406 mm diameter in the European market showed good progress at 9.4 million tonnes, unfortunately this result did not benefit domestic producers but rather imports that exceeded 2 million tonnes reaching a market share of 22%.

APPARENT CONSUMPTION EU28 - Small welded tubes



SMALL WELDED IMPORTS EU28



Imports were concentrated on commodity products using the large distribution networks as the primary channel.

In addition to the actions taken at European level with the safeguard measures aimed at countering this trend, the company has undertaken an extensive program of intervention in the area of the supply chain to offer its customers

an increasingly timely and personalized service.

The project, which covers the entire spectrum of the company's activities, from the purchase of the raw material to delivery to the customer, will be completed by the summer of 2019.

At the same time, efforts are continuing to differentiate and develop products with greater added value.

The presence of the construction sector was consolidated with the introduction of the hot finished structural product according to EN 10210 and the development of the range of products for the oil drilling sector.

Sales for use reached 55% of the total volume, with an increasingly marked focus on the automotive, renewable energy and environment sectors. The company has thus taken up the challenges proposed by a largely loyal clientele and interested in developing cutting-edge technical and application solutions.

From a systemic point of view, these developments have also benefited the production companies of Marcegaglia Po-

land and Marcegaglia UK, whose growth, both in terms of quality and volume, has allowed them to consolidate their leadership position at European level.

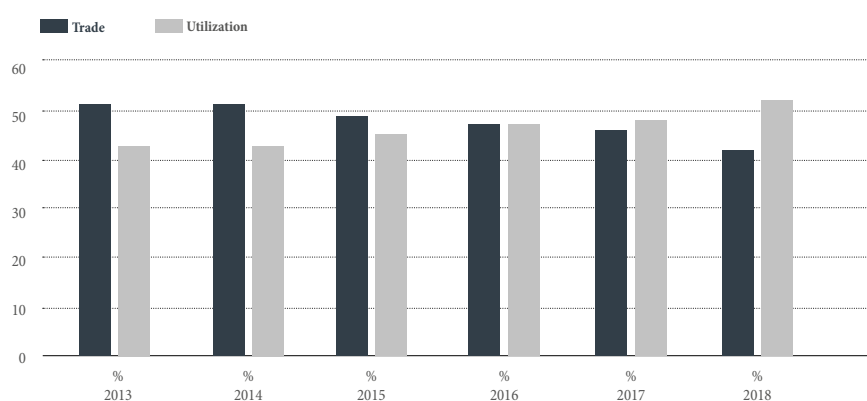
Within its own distribution, the Eta division, with 49 thousand tonnes, has reached an all-time high. This result was also made possible by the expansion of its range of services.

The Trisider division has managed to maintain its territorial presence by quickly adapting to the changing needs of the precision tube market

The first quarter of 2019 will once again present the challenges of 2018 with high import volumes, particularly from Turkey, Russia and Ukraine, but thanks to a careful and widespread commercial presence it has been possible to counteract these flows and to increase shipping volumes compared to the same period of the previous year.

The entry into force of the safeguard clauses, which will begin to show their effects from the second half of 2019, together with the measures put in place at the technical and production level give us hope for the continuation of the year.

TRADE AND USE SALES TREND



### Cold-drawn tubes

In terms of demand, the drawn tube market recorded its best ever result in 2018.

The year was positive for all sectors and, in particular, there was a significant recovery in earthmoving, mining and all hydraulics in general, with increases in volume of 25%.

During the year, following the typical dynamics of the drawn tube, the increase in the price of raw materials 2017/2018 was recovered with the achievement of a good product margins.

The growth in volumes, especially in the first part of the year, was limited by the lack of availability, in the short term, of both raw materials and production capacity.

In this scenario, Marcegaglia Carbon Steel increased its presence on the European market with volumes growing by 5% and with a significant recovery in exports outside the EU.

In 2018 Marcegaglia Carbon Steel completed the acquisition of 80% of an independent and competitive drawing plant, Novero, which also performed positively with a 20% growth compared to 2017.

The hydraulic/oil-hydraulic sector and the mechanical sector have confirmed the good performance of previous years. In 2018, the automotive sector recorded a positive first part of the year, while in the second part there was a significant slowdown.

Sales volumes of products with high added value, such as H8 finished tubes (+10%), increased compared to 2017, also thanks to the start-up of the new production plants installed.

The market mix was stable, with sales on the Italian market remaining around 40%, while the export share was 60%.

Sales in Northern Europe and France grew, while the presence on the German market remained stable.

Sales to OEMs reached more than 60% of the total volume in both the automotive and hydraulics sectors, while the consolidated collaboration with various distributors both in Italy and Europe has enabled the company to reach customers who needed a level of service that a manufacturer is not able to guarantee.

The outlook for 2019 is substantially stable, with a slight growth forecast for the hydraulic sector and a reduction in the automotive sector, at least for the first half of the year.

### Marcegaglia do Brasil

The Brazilian economy did not confirm its expectations of recovery, despite recording the second consecutive rise in GDP (+1.1% compared to 2017). Annual inflation rose slightly to 3.7% (2.9% in 2017). Actual steel consumption is considered stable, far from the pre-crisis volumes.

In this context, Marcegaglia do Brasil continued to consolidate its balance sheet and financial position, increasing its margins thanks to an effective commercial policy.

Volumes in the steel sector rose to 99 thousand tonnes (+6.8% on 2017), while volumes in the refrigeration sector rose by 7.0%.

Turnover fell slightly to Euro 104 million (-6.3% on 2017), due to the devaluation of the Reais (turnover +12.1% in local currency).

EBITDA of 12.5 Euro million, 12% of turnover (Euro 10.9 million in 2017, equal to 9.8% of turnover).

The financial position improved over the period by Euro 27.8 million to Euro -5.7 million.

Brazil	2017	2018	var %
steel ton/000	92.6	98.9	6.8
million Euro turnover	111	104	-6.3
direct costs	-13.0%	-11.2%	13.8
administrative costs	-7.8%	-6.5%	16.7
million Euro EBITDA % EBITDA	10.9 9.8	12.5 12.0	14.7
Fin. Position mil. Euro	-33.5	-5.7	27.8

2019 promises to be a year of gradual improvement of the Brazilian economy, GDP is expected to grow by 2% with a rate of inflation substantially stable.

The Selic, the reference interest rate, is expected to decrease by a further one percentage point during the year (from the current 6.5 to 5.5%).

### Marcegaglia Poland

In Poland, GDP grew substantially also in 2018, with a +5.1% (+4.6% in 2017).

Inflation stood at 1.8% (2.8% in 2017).

Household spending continues to be the driving force, albeit with a lower push due to the reduction in the employment growth rate.

Marcegaglia Poland has consolidated its position despite a general context of reduced margins.

Steel volumes grow by 1.6%, exceeding 320 thousand tonnes (315 thousand in 2017).

The refrigeration sector experienced a 7.5% contraction in volumes, maintaining its good marginality; on the contrary, the sandwich panels, although recording a 14.7% drop in volumes, were able to compensate with a significant increase in margins (business EBITDA +11.2%).

Turnover rose to Euro 264 million, an increase of 4.3% on 2017.

The continuous search for efficiency and economies of scale have made it possible

to achieve a further improvement in efficiency in terms of a percentage reduction in both direct costs, which fell to 5.1% of turnover (5.3% in 2017), and administrative costs, which stood at 2.1% (2.2% in 2017).

EBITDA stood at Euro 21.1 million, or 8% of turnover.

The net financial position improved by Euro 15.2 million during the period to Euro -51.1 million.

Poland	2017	2018	var %
steel ton/000	315.1	320.2	1.6
million Euro turnover	253	264	4.3
direct costs	-5.3%	-5.1%	3.8
administrative costs	-2.2%	-2.1%	4.5
million Euro EBITDA	29.1	21.1	-27.5
% EBITDA	11.5	8.0	
Fin. Position mil. Euro	-66.3	-51.1	15.2

For 2019, the positive trend of the results of recent years is expected to be further confirmed.

### Marcegaglia UK

For the Anglo-Saxon economy, 2018 was a troubled year with a significant slowdown in growth, the Bank of England raised rates to the highest level since the financial crisis and recorded faster increases in inflation. The economy has grown by 0.2% in the last three months and by 1.4% in 2018; constant but not very bright.

Since the Brexit referendum, economic expansion has been held back by both a lack of business investment and a slowdown in the economy of major trading partners, in particular China and the EU.

The UK pipe market was under severe stress throughout 2018 with a strong downward pressure.

In this context, however, Marcegaglia UK continued to grow at a steady pace, closing 2018 with volumes up 4.6% compared to 2017, despite strong competition, particularly from imports. While confirming the positive trend in results in 2018, the delta between the price of the raw material entering and the price of the tube leaving remained unfavourable throughout the year and margins suffered causing a decrease in margins and financial results compared to the 2017 financial statements.

The volumes shipped increased by 4.6% to 84,000 tonnes (80,300 in 2017), with direct costs contained from 10.3% to 9.7% of turnover, administrative costs to 4.7% (5.7% in 2017).

Turnover reached Euro 68 million (59 million in 2017, +15.3%)

Direct costs fall from 10.3% to 9.7% while administrative costs reach 4.7% (5.7% in 2017).

EBITDA therefore stood at Euro 2.8 million while the Net Financial Position further strengthened to Euro +2 million.

UK	2017	2018	var %
steel ton/000	80.3	84.0	4.6
million Euro turnover	59	68	15.3
direct costs	-10.3%	-9.7%	5.8
administrative costs	-5.7%	-4.7%	17.5
million Euro EBITDA	3.9	2.8	-28.2
% EBITDA	6.6	1.4	
Fin. Position mil. Euro	0.2	2.0	1.8

2019 promises to be even more turbulent and probably the most difficult and unpredictable in the recent history of the United Kingdom. The exit from the EU with an unclear definition (whether agreed or not) are leading the UK economy into a period of unprecedented uncertainty. Much will depend on how

Brexit develops during the first quarter post release.

Economists expect UK growth to fall to 1.1% in 2019 and to strengthen only moderately, to 1.6% in 2020. This year's slow growth reflects the slowdown in business investment given the ongoing economic and political uncertainty surrounding the outcome of the Brexit process.

In this difficult context, Marcegaglia UK feels confident of being able to continue its growth path by focusing more on strengthening the domestic market and recovering margins.

# Marcegaglia Specialties

## STAINLESS STEEL

In 2018, the International Stainless Steel Forum recorded growth for stainless steel in all geographical areas, with total output of 51 million tonnes (+5.5% compared to 2017).

The largest growth in production is in the rest of the world, +35.9%, with an output of 5.635 million tonnes. China, with +3.6%, rises to 26.7 million tonnes of stainless steel. In third place for growth, +2.1%, there is the rest of the Asian continent, from which South Korea is excluded, with a balance of 8.195 million tonnes. It is worth mentioning the growth of Indonesia thanks to the start of new production facilities.

The USA is recovering (+2%) with 2.808 million tonnes of stainless steel put on the market.

Only +0.1% for Europe, which remained stable at 7.385 million tonnes.

GLOBAL STAINLESS STEEL PRODUCTION (thousand tonnes)

r: revised

	Quarter				12 months		var % trend
	I 2018	II 2018	III 2018	IV 2018	2017	2018	
Europe	2,014	1,921	1,702r	1,748	7,377	7,385	0.1%
USA	718	725	741	624	2,754	2,808	2.0%
China	6,533r	6,983r	7,189r	6,161	25,774	26,706	3.6%
Asia (excl. China and Korea)	2,079	2,090	2,043	1,983	8,030	8,195	2.1%
Other *	1,439	1,429	1,456	1,311	4,146	5,635	35.9%
<b>Total</b>	<b>12,783r</b>	<b>12,987r</b>	<b>13,132r</b>	<b>11,827</b>	<b>48,081</b>	<b>50,729</b>	<b>5.5%</b>

\* Brazil, Russia, South Africa, South Korea, Indonesia

Source: ISSF - Data elaboration siderweb.com

With a view to consolidating and developing its market position, Marcegaglia Specialties faced 2018 with a differentiation of its production and commercial activities with the aim of increasing the efficiency of its system.

During 2018, production from the Parma plant was moved to the Forlì plant. With this change, the objectives of improving and optimising production were pursued by increasing the efficiency of the lines, giving a further boost to the total output of the site. There was also a logistical advantage that allowed a reduction in costs and savings on operational management.

Also in 2018, a 12,000 sq. m. warehouse was purchased adjacent to the Forlì plant, creating a new production centre where surface finishing lines were installed, allowing a further focus on increasing productivity and quality.

As a result of this development, a more stable order book (>6 months) and high average margins were obtained thanks to the use of these tubes for users, particularly in the following sectors:

- tubes for solar energy
- pipes for boilers
- tubes for heat exchangers

In addition, a number of highly innovative projects were launched:

- pipes for use in a solar power plant

- H.F. welded tubes for use in the automotive world / hooks-holders

- special surface on materials used in the production of welded tubes for hydro-forming use, always in the automotive sector

A significant increase in volumes was achieved both in the production and distribution of flat materials and in the growth of ribbons for the 'automotive' world, as well as in the stabilisation of the quantities sold of stainless steel pipes for mufflers in a European context of strong decrease (more than -10%). The commercial action undertaken in 2017 has borne fruit in 2018, both in Italy and in Europe, with the introduction and development of relations with all major national and international players. This situation is allowing benefits to be obtained in the automotive sector in the other Marcegaglia plants in Brazil and Russia, with gradual growth also in these countries.

The upward trend in European prices, until the middle of the year, strongly accelerated the flow of imports with a sharp slowdown in apparent consumption and a rapid fall in prices in the fourth quarter. However, the application from February 2019 (but already announced at the end of 2018 by the system of quotas/safeguard measures) which impose a ceiling on total imports and in particular on some countries, will have a positive effect on European producers' shipments, price levels and margins during 2019.

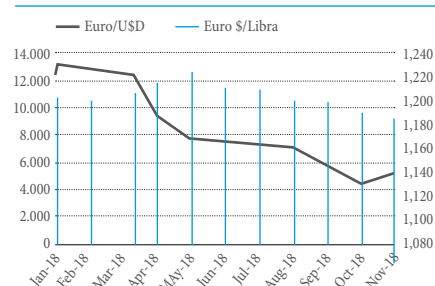
Marcegaglia Specialties has adopted a strategy of diversification of its purchases both in the Far East and in the European Union and the West of the world, which has helped not only to maintain good business relations but has effectively contributed to allocate the volumes purchased to ensure adequate resources for the dif-

ferent internal productions.

However, stainless steel remains strongly influenced by the trend of raw materials and stocks (Nickel and Ferrochrome). In detail, the performance in 2018 was characterised by a positive first part both in terms of volumes and margins, while, after the summer break, a negative phase began at international level.

The forecasts of negative scenarios of the world economy led to the consequent decline in raw materials and a decrease in quotations with its phase of strong de-storage until the end of the year.

TREND NICKEL / USD



Source: Reuters

In this case, Marcegaglia Specialties has dealt in the best possible way with the first part of 2018 and the relative growth phase, both in terms of volumes and margins, guaranteeing optimal management also of the final part of the year with the achievement of positive results.

Thanks also to all the investments made, Marcegaglia Specialties remains the world's leading producer of stainless steel pipes, despite the growth of the Far East in the global scenario.

## COLD DRAWN BARS

Also in 2018 the drawn division of Marcegaglia Specialties performed well, confirming the already good volumes of 2017 about 185,000 tonnes - equal to about 23% of the Italian production of drawn products - and significantly widening the unitary margin.

In fact, thanks to the positive market intonation throughout the year - particularly in the mechanical and automotive segments - Marcegaglia has maximized the benefits deriving from its articulated offer, consisting of a very wide and differentiated range of products, from a punctual and rapid service, thanks to the vast warehouse of finished products, combined with dedicated programs for users.

Cost efficiency has also been improved, especially with regard to waste and plant productivity.

The user market (now accounting for 36% of the total) and a balance between the domestic market (41%) and the export market have developed more commercially, mainly in Europe and also, progressively growing, in selected non-European markets.

PRODUCTION COLD DRAWN BARS

Months	2015	2016	2017	2018
January	67,558	67,168	70,007	79,093
February	71,106	77,597	73,146	80,973
March	74,273	77,722	85,557	80,217
<b>1st quarter</b>	<b>212,937</b>	<b>222,487</b>	<b>228,710</b>	<b>240,283</b>
April	69,466	72,912	61,910	71,775
May	65,335	75,131	77,378	81,090
June	69,780	69,282	72,581	76,132
<b>2nd quarter</b>	<b>204,581</b>	<b>217,325</b>	<b>211,869</b>	<b>228,997</b>
July	72,795	69,183	73,498	76,974
August	12,901	16,964	20,936	17,338
September	74,774	76,532	81,697	72,796
<b>3rd quarter</b>	<b>160,470</b>	<b>162,679</b>	<b>176,131</b>	<b>167,108</b>
October	70,144	69,435	78,315	77,882
November	66,362	73,845	77,295	67,335
December	43,878	47,445	48,995	42,154
<b>4th quarter</b>	<b>180,384</b>	<b>190,725</b>	<b>204,605</b>	<b>187,371</b>
<b>total year</b>	<b>758,372</b>	<b>793,216</b>	<b>821,315</b>	<b>823,759</b>

Source: Federacciai

The drawn division was thus the one with the best income performance - in percentage terms - with an EBITDA close to 15% of turnover.

### Marcegaglia RU

For Russia, 2018 was a year divided into two very different parts: in the first part, GDP growth was +1.5% in the first quarter of 2018 and +1.9% supported by rising oil prices and a stable macro-economic environment with inflation around +2.6%. Since mid-September, the Russian economy has been suffering as a result of the fall in the price of crude oil, also in relation to the worsened international macroeconomic situation.

The consumption of the main stainless steel products in Russia in 2018, compared to 2017, increased in volume by +1.7%, to 485,000 tonnes. Consumption of hot flat products increased by +3.2% to 228,000 tonnes, while consumption of cold flat products decreased by 1.3% to 87,000 tonnes and consumption of welded tubes by 0.2% to 45,000 tonnes. The domestic production of welded tubes was 20,000 tonnes, while the volume of imported tubes was 25,000 tonnes (7,900 from Italy and 13,200 from China).

Marcegaglia RU started the first half of the year 2018 with a negative trend, but ended the second half of the year in growth.

The tonnage shipped stood at 15,640 (+13.9% on 2017) with turnover at Euro 38 million (+8.6% on 2017, +21% in local currency).

Direct costs were contained at 3.6% of turnover (4.0% in 2017), while administrative costs were contained at 4.1% (4.6% in 2017).

EBITDA was Euro 2.1 million, slightly down compared to 2017, mainly pena-

lised by an unfavourable exchange rate effect.

In 2018, the rouble still fluctuated sharply, devaluing heavily, especially at the end of the year and penalizing the final result of Marcegaglia RU with losses on exchange rates on foreign currency loans (intra-group).

However, the net financial position improved by Euro 5.5 million to Euro -5.3 million (Euro -10.8 million in 2017).

Russia	2017	2018	var %
steel ton/000	13.7	15.6	13.9
million Euro turnover	35	38	8.6
direct costs	-4.0%	-3.6%	10.0
administrative costs	-4.6%	-4.1%	10.9
million Euro EBITDA % EBITDA	2.4 6.9	2.1 5.5	-12.5
Fin. Position mil. Euro	-10.8	-5.3	5.5

Russia's growth prospects for 2019-2020 remain modest, with a forecast of between 1.5 and 1.8%. A sound macroeconomic framework, with relatively high levels of international reserves (\$461 billion), low external debt (around 29% of GDP) and import coverage (15.9 months) would allow Russia to absorb any external shocks. In January, the increase in VAT to 20% and the reform of the pension system came into force. The Russian stainless steel market is expected to decline slightly in 2019.

Industrial production and automotive are stable. Sanctions are still a threat. Competition is also strong thanks to the stocks of imported products in the warehouses of the main distributors.

The 2019 budget forecasts an increase in sales compared to 2018 of 11% in volume, with an average mark up of 20% on local production thanks to the development of new segments, in particular the automo-

tive segment, integrating the supply of pipes with that of flat products.

### Marcegaglia Turkey

2018 was a particularly complex year for Turkey, with its GDP swinging, but gradually decreasing in the year by +2.6% on an annual basis (+7.1% in 2017). The financial crisis of the Turkish lira in August pushed inflation to 20.03% for the consumer index while that of industrial production even to 33.64% (11.14% for consumption in 2017).

In the specific market, the import of ornamental pipe from the Far East has fallen to 29,000 tonnes per year (34,000 last year). In more detail, imports were sustained up to Q3 and then gradually stopped during Q4.

Marcegaglia TR has been able to take advantage of the opportunities by closing the year with a good performance of margins, even if, overall, the year is penalized by losses on exchange rates of a financial nature.

The tonnes shipped increased to 8,800 (8,200 in 2017) with turnover at Euro 22 million (23 in 2017, substantially stable). Direct costs as a percentage of turnover were contained at 5.0% (6.4% in 2017) and administrative costs at 5.7% (5.4% in 2017).

EBITDA rose to Euro 2.6 million, accounting for 11.8% of total revenues (1.2 in 2017 or 5.2% of turnover).

The net financial position improved by Euro 1 million to Euro -0.7 million.

The year 2019 started with a sharp drop in imports of stainless finished products (-50% in January). Marcegaglia Turkey took advantage of this economic situation by increasing its market share from 20 to 29%.

Turket	2017	2018	var %
steel ton/000	8.2	8.8	7.3
million Euro turnover	23	22	-4.3
direct costs	-6.4%	-5.9%	7.8
administrative costs	-5.4%	-5.7%	-5.6
million Euro EBITDA	1.2	2.6	116.7
% EBITDA	5.2	11.8	
Fin. Position mil. Euro	-1.7	-0.7	1.0

At the same time, the import of raw materials was reduced (from 1647 tonnes January 2018 to 1023 in January 2019).

IMF forecasts GDP growth of 0.4%. The automotive market is expected to decline by 48%, comparable to the forecast of a decline in the real estate sector (-45%).

In this difficult context, Marcegaglia TR will try to make the most of consolidation opportunities by increasing its penetration of the local market both in its own production range and in the marketing of out-of-range products.

The market is expected to stabilise after the elections at the end of March. The government is expected to take decisive action and, after that date, to launch an important package of reforms to help the economy recover.

We should not underestimate the interpretation that the current crisis is linked more to geopolitical and speculative effects than to a weakening of the real economy, which still pays the consequences.

# Marcegaglia Plates

## Main facts and outlook of the European market for the production of sheet metal

In 2018, the supply of the EU market for railways plates fell by 2.4%. EU producers lost 0.7% and non-EU imports decreased significantly by 7.4%, both compared to the year 2017.

EU producers lost positions on export markets by decreasing volumes by 10.6%.

As regards the structure of the European Union's supply of train plates, given the fragmented reality of the main producers, it is plausible to expect a greater consolidation of production also starting from the acquisition of the divestment package of Arcelor Mittal (imposed by the EU antitrust authority for the Ilva operation) by Liberty House.

In the end-use segments, the shipyard, wind and civil engineering sectors are currently increasing demand for metal sheets.

By contrast, the end use sector of large welded tube producers is a highly volatile element in the structure of metal sheets demand. At the moment, there are no large projects in sight for the next 18 months, which could induce the major producers to turn to the spot market. As far as import levels are concerned, the quotas defined by the safeguard measure will not help, as the volumes established are higher than previous consumption.

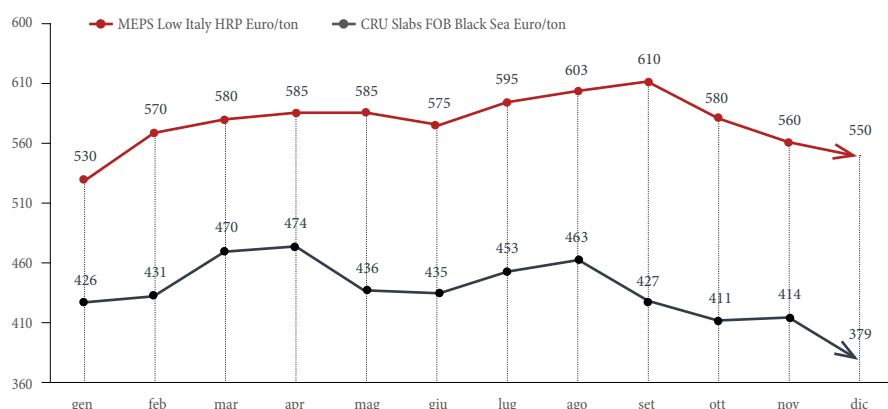
Despite a decrease in EU sheet production of 3.7% in 2018, due to the lack of export volumes, capacity utilisation remained above 80% and the outlook remains satisfactory.

## The Market Scenario

The year 2018 was positive for Marcegaglia

Plates, despite the fact that European and Italian production continued to increase the supply in the wake of the good results of 2017. Selling prices remained positive for most of the year, with only a few setbacks in the fourth quarter. On the contrary, raw materials (slabs) struggled to maintain the solid levels of 2017, strengthening in the first quarter and then continuing to fall until the end of the year.

TREND SLABS / HEAVY PLATES



The factors that had the greatest impact on the market were: the increase in production of the new European and Italian rolling mills, the arrival (-24% on the previous year) of imports and the start of the investigation for the approval of safeguard measures by the European Union, which discouraged imports and supported sales prices.

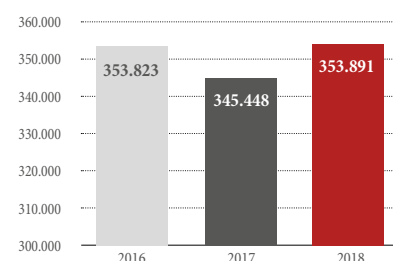
## The activity of Marcegaglia Plates

The distinctive feature that marked the operations in 2018 was the consolidation of the good results of 2017, in a logic of constant profitability. Production has improved its action thanks to targeted studies on the processes of the standardization furnace and service centre.

Sales were 36% distributed in Italy and the remaining 64% abroad and their prices maintained an upward trend until the third quarter. Efforts have been directed towards markets with the greatest added value, whether for opportunities or for greater product specificity.

Research and development have identified, approved and introduced substantial innovations in the offer of steel grades, continuing the path of specialization defined by company policy. All this has allowed the company to consolidate a base of customers who find in the product Marcegaglia Plates the reference in terms of quality and service, and to

SHIPPED (ton)



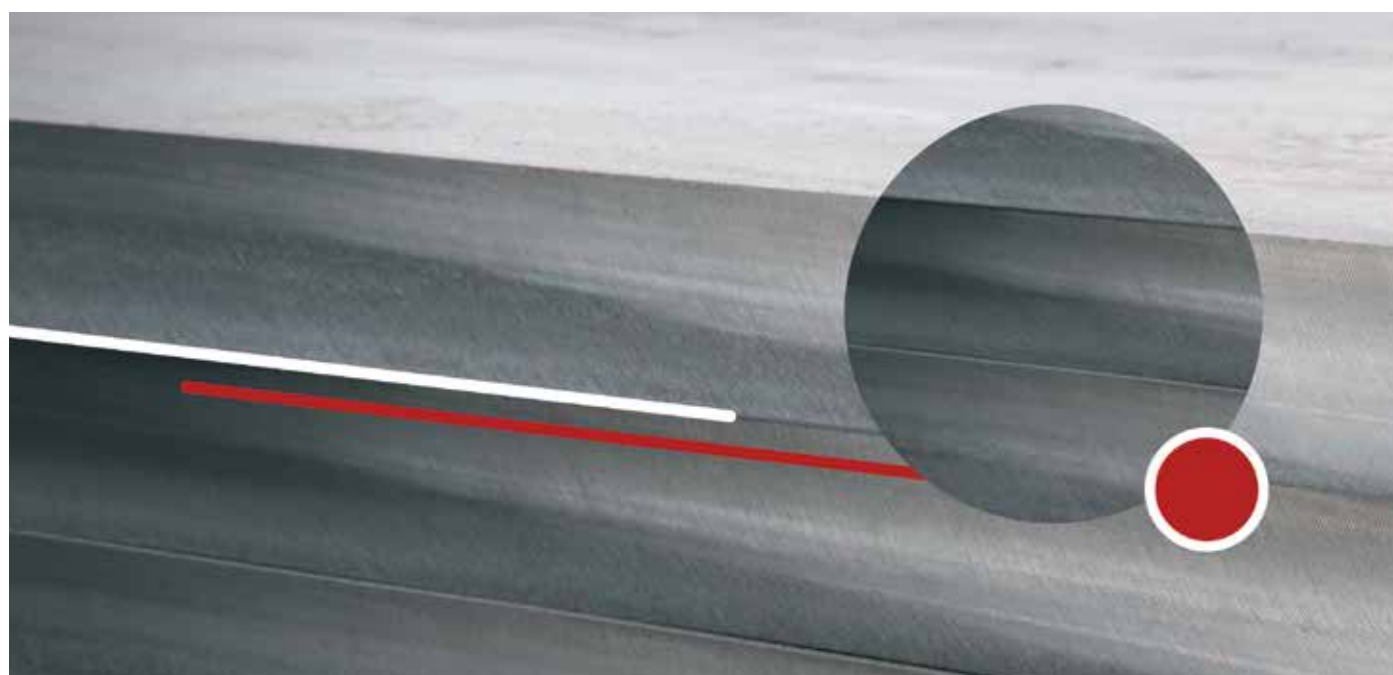
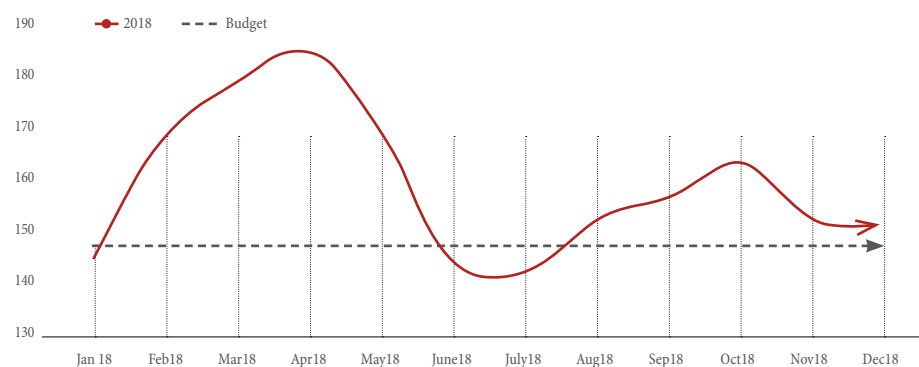
begin a phase of development and promotion of new degrees that are intended as the future hallmark of the company.

### Results and objectives

The results obtained are positive in terms of both volume and marginality. The shipping budget was exceeded by 2.84%, while the mark up budget was +11.34% on the target set.

Starting from here, the new objectives of Marcegaglia Plates become the reshaping of the product mix towards higher quality and more profitable margins and the exploitation of its production flexibility to maximize performance.

MARK UP - 2018



# Significant events after the end of the financial year

After the end of the year 2018 with purchase volumes and prices in decline (for all products, and in particular stainless ones), 2019 started with great uncertainty about the strength of demand and the possible further decline in prices.

However, due to the low level of stocks, apparent demand has essentially “held” in the first quarter, despite the fact that final consumption of steel remains “fragile”

On 31 January 2019, the European Commission published the definitive safeguard measures, deciding to apply maximum quotas per product and country of origin to imports of almost all steel products.

For hot rolled coils, as requested and argued by Marcegaglia Steel and other first transformation operators, a “global” quota (not for each country) has been defined at levels in line with imports in recent years.

The overall effect of these measures should be to stabilise traditional trade flows and eliminate import ‘peaks’ in particular in 2017 and 2018 such as galvanised coils from China or welded tubes from Turkey with a benefit for processors and Marcegaglia.



# Research and development

As usual, as part of the investment plan aimed at consolidating the technological and product leadership in the sector, particular attention was paid to R&D projects through strategic collaboration with international partners able to ensure adequate technical and scientific support and to spread the “Marcegaglia” brand more effectively in Europe and internationally.

In all the group’s plants, numerous technological R&D activities have led to improvements in terms of safety, productivity and product quality.

In 2018, Marcegaglia Specialties completed an expansion of its product range with the introduction in its catalogue of austenitic steels for stamping and precision re-rolling. In the welded tubes sector, R&D activities were completed for the production of Duplex steel tubes and shaped ferritic steel tubes for the transport sector.

In the field of drawn bars, the improvement of surface finishes has made it possible to optimise processes and customer service. Cooperation activities with leading suppliers have allowed a strong capitalization of know-how in the sector of reference.

Marcegaglia Carbon Steel has activated, in particular at the Ravenna plant, numerous projects for the activation of cycles and processes, also in collaboration with technological partners and the presentation of patents (for example, the master model project).

The following table summarises the main projects implemented in the various plants:

Project Title	Main Objective	Plant
Study, design and construction of a new combustion plant Line 2	Improved efficiency and safety	Marcegaglia Gazoldo Inox
Study for a new filtering system for the Sendzimir rolling mill	Improved product quality	Marcegaglia Gazoldo Inox
Study for the improvement of the pickling conditions of stainless steels using ecological solutions	Increased productivity and product quality	Marcegaglia Gazoldo Inox
Design and development of an innovative cutting line for pre-painted strips	Enlargement of the range	Marcegaglia Carbon Steel Gazoldo degli Ippoliti
Conversion of the strip pickling process from sulphuric acid to hydrochloric acid	Improved product quality	Marcegaglia Carbon Steel Gazoldo degli Ippoliti
Development of innovative process control systems through the use of “Big Data” and “TPM” on the HF TX030 line	Process improvement	Marcegaglia Specialties Forlì
Development of special tubes in the automotive and transport sector	Enlargement of product range and cost reduction	Marcegaglia Specialties Forlì
Study and development of carbon steel round bars suitable for direct chromium plating	Product quality improvement	Marcegaglia Specialties Contino
Study and development of the Master Model project	Improvement of quality and productivity of integrated rolling and galvanising processes	Marcegaglia Carbon Steel Ravenna
New Tech 4 steel project	Improved quality and efficiency of integrated lamination processes	Marcegaglia Carbon Steel Ravenna
Project automation and digitization in logistics	Reliability and safety of movements	Marcegaglia Carbon Steel Ravenna, Casalmaggiore
Feasibility study of electrical steels	Electric steels with non-oriented grain	Ravenna

# Sustainability and safety

Also in 2018, the companies of the Marcegaglia group operated in coherence and adherence to their policy of social responsibility and ethics, to achieve the planned objectives of sustainability and safety, respecting the physical and moral integrity of their workers and respecting the environment, issues that Marcegaglia has always considered of primary importance and priority and not in conflict with other goals. The founding principles of the Marcegaglia company policy, on which the involvement and commitment of all components is required, are established:

- full and complete compliance with **environmental and occupational health and safety legislation**;
- the **prevention** of potential non-conformities and the minimisation of risks **to safety and health at work, accidents and pollution**;
- the adoption of the best technologies available to ensure and improve the **reliability of production plants**;
- continuous improvement, with reference to each process, **management system**, environmental performance and, above all, safety and health at work.

## ENVIRONMENTAL AND SAFETY MANAGEMENT SYSTEMS

After obtaining in 2017 the certification of the energy management system according to the standard UNI CEI EN ISO 50001:2011, during the year 2018, on all production sites began the activities of maintenance of the same certifications, which went to join the similar activities of maintenance of the certifications of environmental management systems and safety, according to the international standards UNI EN ISO 14001:2015 and OHSAS18001:2007.

All the auditing activities carried out by the certification body (RINA), for all the systems and production units sampled, have given positive results and the certifications have been confirmed.

For 2019, activities have already been planned for the transition of safety management systems to UNI EN ISO 45001:2015.

## INITIATIVES TO PROMOTE A CULTURE OF SAFETY AND HEALTH

### Zero Accidents project

In addition to the ongoing training initiatives dedicated to employees at all levels, in 2018 the activities of the “**Zero Accidents Project**”, which have been implemented for several years at the Ravenna and Gazoldo plants, continued to raise awareness of the culture of safety and with attention also to external companies. The application of the **BBS protocol (Behaviour Based Safety)**, also continued at the Forlì site, given the achievement of significant results in reducing accidents and raising awareness of prevention among people. On the Gazoldo site, through the pilot experience of MADE HSE, a series of initiatives for the promotion of occupational health and well-being have been implemented, through the adherence to the **European protocol WHP (Workplace Health Promotion)**.

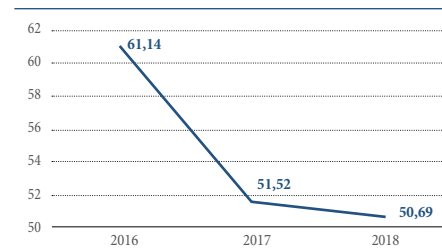
### Accident trends

The consistent and precise application of the company's health, safety and environmental policy is reflected in continuous investments aimed at ensuring and improving the reliability of production facilities and the healthiness of the workplace, with the aim of achieving maximum reduction of the accident

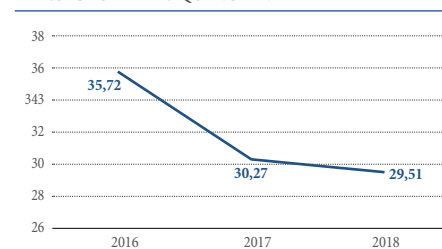
phenomenon, maintain full compliance with current legislation and apply the strategy of continuous improvement.

Thanks to this strategy, over the last three years, the Marcegaglia group has continued its trend of a constant and sharp decline in all accident indices, frequency, incidence and severity, with a significant reduction in the number of accidents. The trends of the above indices, referring to all the production units as a whole, are shown below.

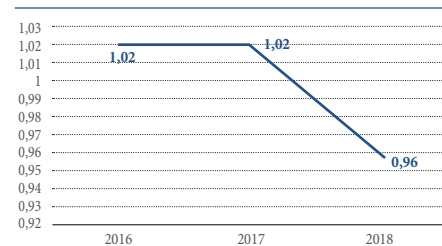
MARCEGAGLIA - INCIDENCE INDEX



MARCEGAGLIA - FREQUENCY INDEX



MARCEGAGLIA - GRAVITY INDEX



### Promotion of social and cultural activities of the group

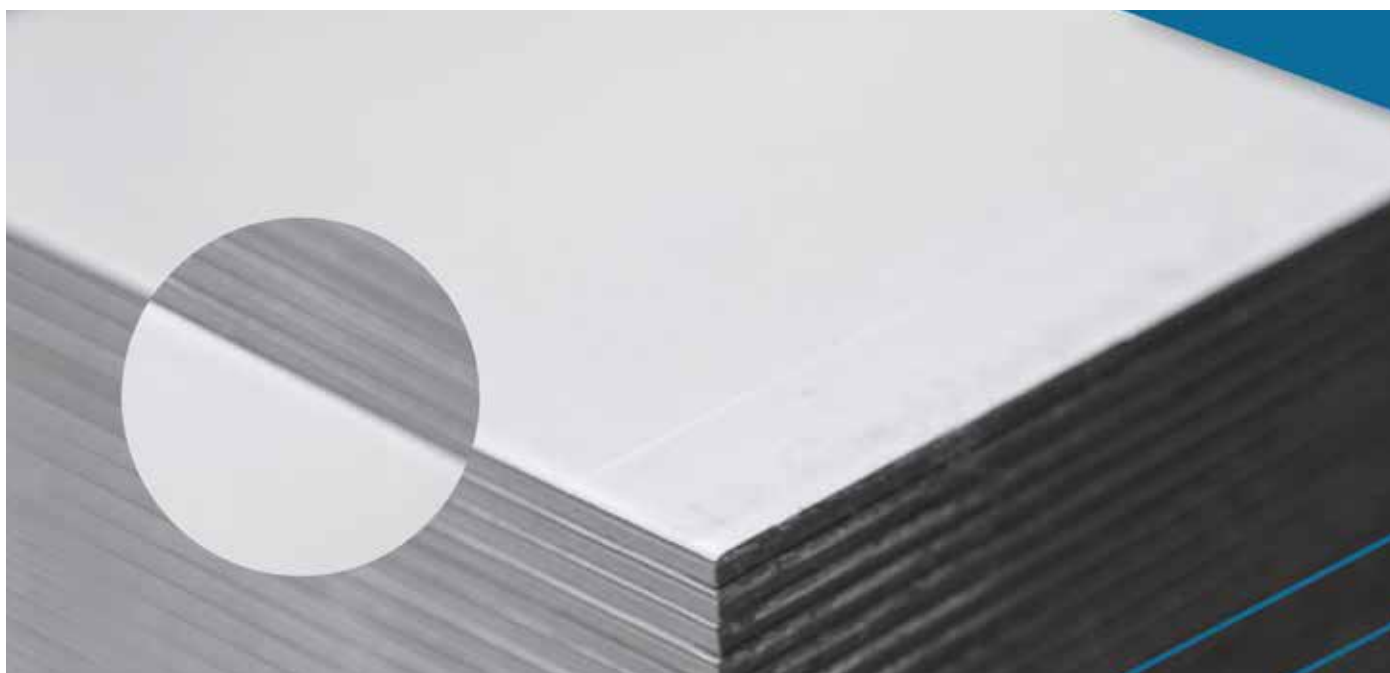
There are numerous initiatives that support the values of corporate culture for the benefit of the community in the area where Marcegaglia has its own production facilities. These include the partnership with **Festivaletteratura**, the support to the activities of the **Chamber Orchestra of Mantua**, the **FAI - Fondo Ambiente Italiano**. In addition to various **sports, social and cultural activities** including the *Festa Artusiana* in Forlì, the biennial exhibition of *Contemporary Mosaics* in Ravenna, which recorded 120 thousand entries to various events, the exhibition *Dialoghi di teatro contemporaneo* del cinema del carbone in Mantova.

2018 was for the **Marcegaglia Foundation** a year of intense activity focused on two key projects. The first in Rwanda, founded in 2013 to support widows through breeding, has become over the years an important reference point for the development of the entire community. In 2018, the main interventions concerned the training of young people through scholarships for the attendance of professional development courses. Also this year, the foundations have been laid for the creation of a children's centre that will welcome mothers and children in difficult situations.

In Italy, the Marcegaglia Foundation has continued its commitment to support anti-violence centres, exporting to Carrara the virtuous model built in previous years in Mantua. This is an innovative support approach that combines training for voluntary workers in anti-violence centres with direct support for accompanying the autonomy of women victims of violence through training, guidance and work grants.

Finally, 2018 saw two speeches dedicated to the employees of the Italian offices in Marcegaglia.

**Ten scholarships** were awarded to students, children of employees, recent graduates or recent graduates who wanted to continue their studies and **5 schools** were supported, recommended by employees, through the call for "a school to the highest standards" with the aim of promoting through art awareness and involvement of students on social issues.



# Human resources

In 2018, the average number of Steel employees, attributable to the consolidated companies, reached 5,008 compared to 4,949 employees in 2017. To these must be added the employees of the companies acquired in 2018, Mexico and Colombia, and of Marfin, for a total of 5,733.

Italian units account for 67% of total employment with 3,850 employees and the remaining approximately 1,900 are employed in foreign companies.

During the year, the Italian production units recruited young people with a high level of education, both to replace the natural turnover and to develop projects to increase the turnover of the production plants. The new additions will allow a progressive generational change in the operational activities.

At the same time, training investment in human resources continued, with more than 50,000 hours of training focused on occupational safety and technical and professional issues.

In 2018, the production units reached the expected productivity levels, with employees being awarded the bonuses provided for in the company's supplementary contracts. They also showed a further improvement in accident indices, obtaining ISO 18000 and ISO 14000 certifications for the environmental aspects in all companies.

With effect from 1 November 2018, the companies Marcegaglia Ravenna and Marcegaglia Gazoldo Inox were incorporated to manage the production activities of the related plants, for the exclusive benefit of Marcegaglia Carbon Steel and Marcegaglia Specialties respectively.

The review of the operating flows of the various companies and corporate functions, carried out by Marfin for the entire group, was carried out with the involvement of employees to simplify and streamline business processes through the use of new technologies.

The constant evolution of the organization and the full enhancement of the group internal skills represent the recognition of the fundamental role of human resources in strategic development projects, as well as the testimony of the validity of a professional and cohesive management, which goes the appreciation of the company.

The average number of employees in 2018, taking into account the differences in the scope of consolidation, is broken down as follows compared to 2017:

## EMPLOYEES

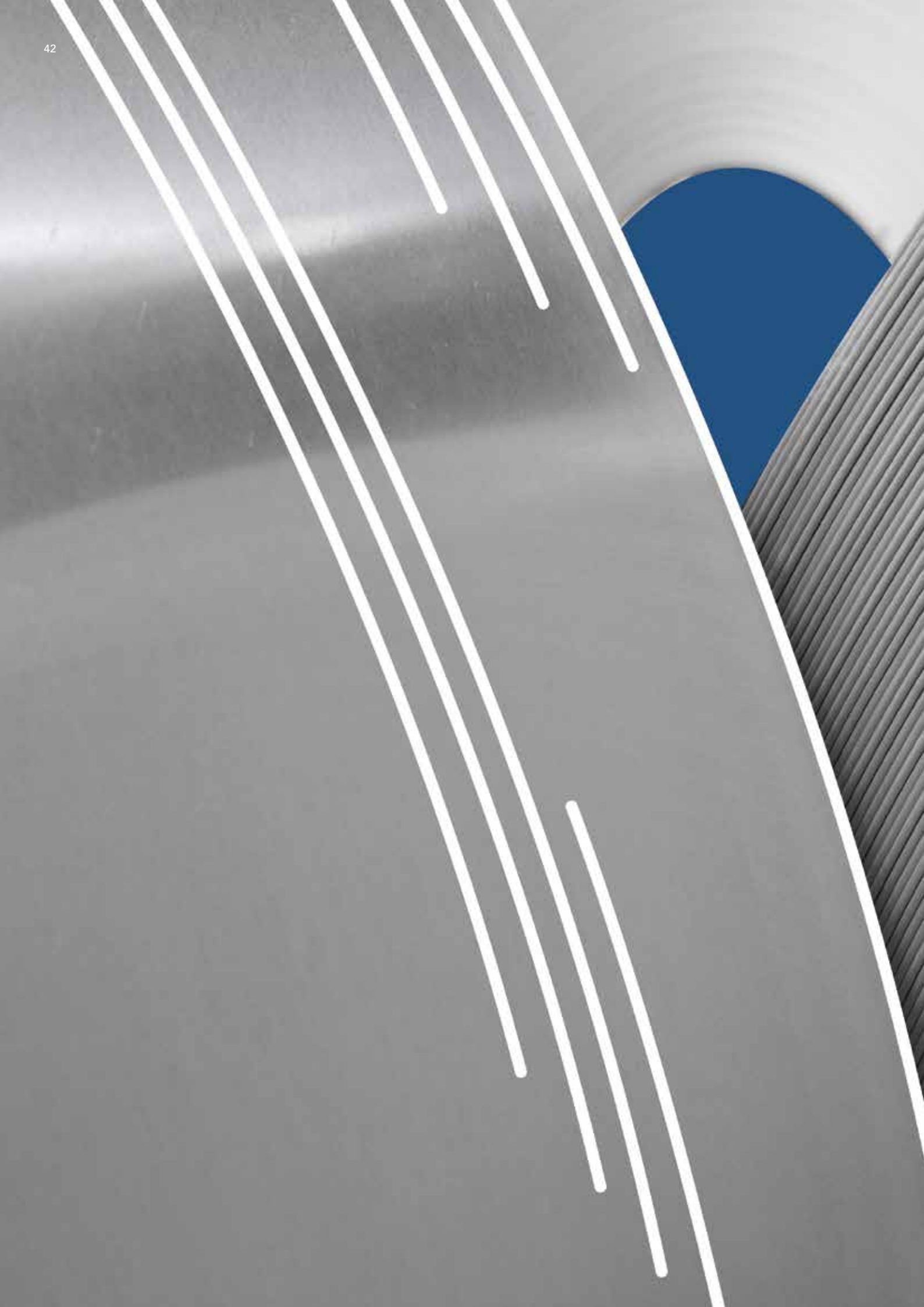
Company	2018	2017	var
MARCEGAGLIA CARBON STEEL	2,604		
MARCEGAGLIA RAVENNA	135		
MARCEGAGLIA CARBON STEEL + MARCEGAGLIA RAVENNA (*)	2,739	2,741	-0.1%
MARCEGAGLIA SPECIALTIES	775		
MARCEGAGLIA GAZOLDO INOX	29		
MARCEGAGLIA SPECIALTIES + MARCEGAGLIA GAZOLDO INOX	804	769	4.6%
MARCEGAGLIA PLATES	87	85	2.4%
NOVERO	77		
Outsourcing inox (**)	8	33	-75.8%
<b>Total Italy</b>	<b>3,715</b>	<b>3,628</b>	<b>2.4%</b>
Marcegaglia Poland	541	578	-6.4%
Marcegaglia UK	140	129	8.5%
Marcegaglia do Brasil	475	480	-1.0%
Marcegaglia RU	78	80	-2.5%
Marcegaglia USA	2	4	-50.0%
Marcegaglia Turkey	57	50	14.0%
<b>Total export</b>	<b>1,293</b>	<b>1,321</b>	<b>-2.1%</b>
<b>Consolidated total</b>	<b>5,008</b>	<b>4,949</b>	<b>1.2%</b>
Marfin	135	132	2.3%
Marcegaglia Mexico	470		
Marcegaglia Colombia	120		
<b>Total</b>	<b>5,733</b>	<b>5,081</b>	<b>12.8%</b>

(\*) in 2018 the employees of the Albignasego plant, which was later sold, were present only for 2 months

(\*\*) company operating until April 2018 (production then transferred to Forlì - Marcegaglia Specialties)

In a positive year, we would like to thank all employees for their commitment and professionalism in their work.





# Consolidated Financial Statements Marcegaglia Steel

**MARCEGAGLIA STEEL S.p.A.**

Registered Office: via Bresciani, 16 - Gazoldo degli Ippoliti, Mantova - Italy

Share capital: Euro 695,318,116 fully paid up

Tax code and Mantua Company Register No.: 02467550204,

VAT No.: 02467550204

## Independent auditor's report

To the Shareholders of Marcegaglia Steel S.p.A.

### Opinion

We have audited the consolidated financial statements of Marcegaglia Steel Group (the Group), which comprise the consolidated balance sheet as at December 31, 2018, the consolidated income statement and the consolidated cash flows statement for the year then ended and the explanatory notes.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2018, and of the consolidated result of its operations and consolidated cash flows for the year then ended in accordance with the Italian laws governing the financial statements.

### 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 section of this report titled *Auditor's responsibilities for the audit of the consolidated financial statements*. We are independent of Marcegaglia Steel S.p.A. (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of the directors and board of statutory auditors for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the Italian laws governing the financial statements and, according to the terms prescribed by law, for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and for the appropriateness of the use of the going concern assumption in the preparation of the consolidated financial statements, and for appropriate disclosure thereof. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless directors either intend to liquidate the parent company Marcegaglia Steel S.p.A. or to cease operations or has no realistic alternative but to do so.

The board of statutory auditors ("collegio sindacale") is responsible for overseeing, according to the terms prescribed by law, the Group's financial reporting process.

#### MAZARS ITALIA SpA

VIA AUGUSTO RIGHI, 6 - 37135 VERONA  
TEL: +39 045 4753200 - FAX: +39 045 4647314 - [www.mazars.it](http://www.mazars.it)

SpA - CAPITALE SOCIALE DELIBERATO, SOTTOSCRITTO E VERSATO € 120.000,00 – SEDE LEGALE: LARGO AUGUSTO, 8 - 20122 MILANO

REA MI-2076227 - COD. FISC. E P. IVA 11176691001 – ISCRIZIONE AL REGISTRO DEI REVISORI LEGALI N. 163788 CON D.M. DEL 14/07/2011 G.U. N. 57 DEL 19/07/2011

## **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain a 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 performed in accordance 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 in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of the audit in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

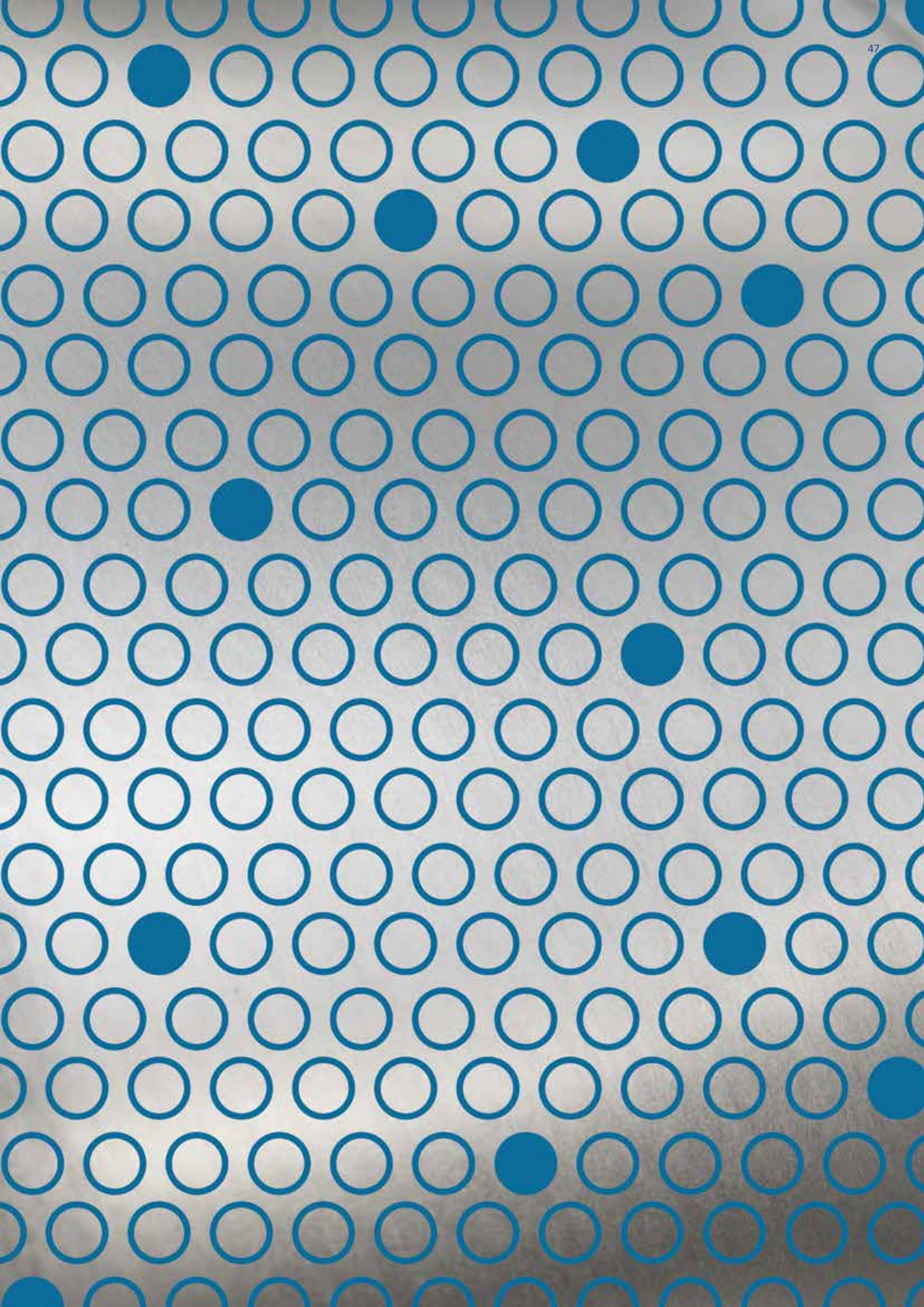
- we identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures in response to those risks; we obtained sufficient and appropriate audit evidence on which to base our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- we obtained an understanding of the internal control relevant to the audit in order to design the 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;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- we concluded on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, 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. Where a material uncertainty exists, we are required to draw attention, in our auditor's report, to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, subsequent events or conditions may cause the Group to cease to continue as a going concern;
- we evaluated 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 such a manner as to give a true and fair view;
- we obtained 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 on the consolidated financial statements.

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

Verona, April 30, 2019

Mazars Italia S.p.A.  
(signed on the original)  
Alfonso Iorio  
Partner

*This report has been translated into English language from the Italian original solely for the convenience of international readers.*



## MARCEGAGLIA STEEL S.P.A.

## CONSOLIDATED FINANCIAL STATEMENT AS OF 31 DECEMBER 2018

ASSETS currency Euro

12/31/2018

12/31/2017

A RECEIVABLES FROM SHAREHOLDERS FOR OUTSTANDING CONTRIBUTIONS			
1	not previously called	5,174,811	-
2	previously called	-	42,895
	<b>Total Receivables from shareholders for outstanding contributions A</b>	<b>5,174,811</b>	<b>42,895</b>
B FIXED ASSETS			
I	<i>Intangible fixed assets</i>		
1	Start-up and expansion costs	665,786	909,341
2	Development costs	-	-
3	Industrial patent rights and intellectual property rights	386,847	410,334
4	Concessions, licenses, trademarks and similar rights	137,447,875	157,457,441
5	Goodwill	19,531,143	27,574,774
6	Fixed assets in progress and advance payments	180,581	128,171
7	Other intangible assets	52,498	108,570
	<b>Total intangible fixed assets (B-I)</b>	<b>158,264,730</b>	<b>186,588,631</b>
II	<i>Property, plant and equipment</i>		
1	Land and buildings	656,806,372	684,070,675
2	Plant and machinery	710,119,401	790,133,525
3	Industrial and commercial equipment	22,866,832	31,196,508
4	Other assets	8,607,359	10,395,154
5	Fixed assets in progress and advance payments	30,963,070	16,757,810
	<b>Total Property, plant and equipment (B-II)</b>	<b>1,429,363,034</b>	<b>1,532,553,672</b>
III	<i>Financial fixed assets</i>		
1	Equity investments in:		
	- Non consolidated subsidiaries	10,029,815	3,337,928
	- Associates	954,622	954,622
	- Other companies	1,772,326	1,776,341
		<b>12,756,763</b>	<b>6,068,891</b>
2	Receivables		
	- d-bis) from others		
	- due within the following year	-	-
	- due after the following year	395,857	75,756
		<b>395,857</b>	<b>75,756</b>
3	Other securities	364,010	-
4	Financial derivatives reported as assets	-	-
	<b>Total Financial assets (B-III)</b>	<b>13,516,630</b>	<b>6,144,647</b>
	<b>Total Fixed assets B</b>	<b>1,601,144,394</b>	<b>1,725,286,950</b>
C CURRENT ASSETS			
I	<i>Inventory</i>		
1	Raw and ancillary materials and consumables	619,873,709	644,862,754
2	Work in progress and semi-finished products	431,830,907	379,110,255
3	Contract work in progress	295,889	289,705
4	Finished products and goods	461,281,677	402,474,394
5	Advance payments	25,640,108	19,377,235
	<b>Total Inventory (C-I)</b>	<b>1,538,922,290</b>	<b>1,446,114,343</b>
II	<i>Receivables</i>		
1	Trade receivables		
	- due within the following year	78,860,806	146,165,306
		<b>78,860,806</b>	<b>146,165,306</b>
2	From subsidiaries		
	- due within the following year	448,074	650,293
		<b>448,074</b>	<b>650,293</b>
3	From associated companies		
	- due within the following year	2,545,484	2,797,390
		<b>2,545,484</b>	<b>2,797,390</b>
4	From parent companies		
	- due within the following year	5,685,676	11,204,122
		<b>5,685,676</b>	<b>11,204,122</b>
5	From companies subject to control of parent companies		
	- due within the following year	276,306,535	313,252,203
		<b>276,306,535</b>	<b>313,252,203</b>
5-bis	Tax credits		
	- due within the following year	46,585,667	30,946,962
	- due after the following year	105,337	988,134
		<b>46,691,004</b>	<b>31,935,096</b>
5-ter	Deferred tax assets		
		<b>33,478,564</b>	<b>35,776,537</b>
5-quarter	From others		
	- due within the following year	39,531,057	45,740,769
	- due after the following year	1,086,683	961,232
		<b>40,617,740</b>	<b>46,702,001</b>
	<b>Total receivables (C-II)</b>	<b>484,633,883</b>	<b>588,482,948</b>
III	<i>Financial assets not held as fixed assets</i>		
4	Other equity investments	182,186	259,870
5	Financial derivatives reported as assets	74,048	-
6	Other securities	5,102,639	3,308,823
	<b>Total Financial assets not held as fixed assets (C-III)</b>	<b>5,358,873</b>	<b>3,568,693</b>
IV	<i>Cash and cash equivalents</i>		
1	Bank and postal deposits	61,803,198	5,571,778
2	Cheques	722,481	1,650,370
3	Cash on hand and cash equivalents	29,241	28,488
	<b>Total cash and cash equivalents (C-IV)</b>	<b>62,554,920</b>	<b>7,250,636</b>
	<b>Totale Current assets C</b>	<b>2,091,469,966</b>	<b>2,045,416,620</b>
D ACCRUED INCOME AND PREPAID EXPENSES			
	Accruals and deferrals	2,060,048	956,950
	<b>Total accrued income and prepaid expenses D</b>	<b>2,060,048</b>	<b>956,950</b>
	<b>TOTAL ASSETS</b>	<b>3,699,849,219</b>	<b>3,771,703,415</b>

## LIABILITIES currency Euro

12/31/2018

12/31/2017

<b>A SHAREHOLDERS' EQUITY</b>			
I	Share capital	695,318,116	695,318,116
II	Share premium reserve	-	-
III	Revaluation reserve	-	-
IV	Legal reserve	-	-
VI	Other reserves		
	- extraordinary reserve	-	-
	- consolidation reserve	23,192,949	(60,661,369)
	- reserve from conversion differences	(3,466,026 )	5,335,426
	- reserve for foreign exchange translation gains	-	-
	- merger surplus	-	-
	- reserve under the Italian law 10/91	-	-
	- reserve under the Italian law 130/83	-	-
	- reserve under the Italian law 193/84	-	-
	- reserve under the Italian law 19/87	-	-
	- reserve under the Italian law 30/84	-	-
	- others available reserves	-	-
	- difference from rounding off in euro	(1)	(5)
	<b>Total other reserves (VI)</b>	<b>19,726,922</b>	<b>(55,325,948)</b>
VII	Reserve for projected cash flow hedges	(2,859,065)	(194,940)
VIII	Profits (losses) carried forward	(53,129,136)	(27,702,957)
IX	Profit (loss) for the year	99,546,360	67,437,530
	<b>Total group shareholders' equity</b>	<b>758,603,197</b>	<b>679,531,801</b>
	Minority interests in capital and reserves	20,960,549	15,463,027
	Profit/(Loss) pertaining to minority interest	(2,411,984)	(1,753,701)
	<b>Total minority interest shareholders' equity</b>	<b>18,548,565</b>	<b>13,709,326</b>
	<b>Total Consolidated Shareholder's Equity A</b>	<b>777,151,762</b>	<b>693,241,127</b>
<b>B PROVISIONS FOR RISKS AND CHARGES</b>			
1	For post-retirement benefits and similar obligations	3,091,497	2,816,525
2	For taxes, including deferred taxes	252,720,943	278,159,693
3	Financial derivatives reported as liabilities	21,412,900	27,405,023
4	Other	156,000	1,649,721
5	Consolidated provision for future risks and charges	7,574,575	1,000,000
	<b>Total Provisions for future risks and charges B</b>	<b>284,955,915</b>	<b>311,030,962</b>
<b>C EMPLOYEE SEVERANCE PAY</b>			
	Total employee severance pay C	14,252,537	14,951,659
<b>D PAYABLES</b>			
3	to shareholders for loans		
	- due within the following year	10,795,400	5,081,300
		10,795,400	5,081,300
4	to banks		
	- due within the following year	306,923,090	542,384,793
	- due after the following year	436,393,610	375,573,849
		743,316,700	917,958,642
5	to other lenders		
	- due within the following year	866,096	8,398,123
	- due after the following year	663,231	1,404,860
		1,529,327	9,802,983
6	Advances		
	- due within the following year	1,108,248	1,557,757
		1,108,248	1,557,757
7	Trade payables		
	- due within the following year	1,624,517,245	1,522,837,001
		1,624,517,245	1,522,837,001
9	Payables to subsidiaries		
	- due within the following year	9,988,252	4,165,032
		9,988,252	4,165,032
10	Payables to associates		
	- due within the following year	1,476,082	1,862,207
		1,476,082	1,862,207
11	Payables to parent companies		
	- due within the following year	22,969,598	41,704,733
		22,969,598	41,704,733
11bis	Payables to companies subject to control of parent companies		
	- due within the following year	9,748,582	5,046,675
		9,748,582	5,046,675
12	Tax payables		
	- due within the following year	40,448,015	22,121,474
	- due after the following year	10,912	12,206
		40,458,927	22,133,680
13	Payables to welfare and social security organizations		
	- due within the following year	16,416,194	14,396,069
		16,416,194	14,396,069
14	Other payables		
	- due within the following year	139,113,092	203,624,220
	- due after the following year	243	547
		139,113,335	203,624,767
	<b>Total Payables D</b>	<b>2,621,437,890</b>	<b>2,750,170,846</b>
<b>E ACCRUED EXPENSES AND DEFERRED INCOME</b>			
	Accruals and deferrals	2,051,115	2,308,821
	<b>Total Accrued liabilities and deferred incomes E</b>	<b>2,051,115</b>	<b>2,308,821</b>
	<b>TOTAL LIABILITIES</b>	<b>3,699,849,219</b>	<b>3,771,703,415</b>

## MARCEGAGLIA STEEL S.P.A.

## CONSOLIDATED PROFIT AND LOSS ACCOUNT COVERING FINANCIAL YEAR 2018

currency Euro		year 2018	year 2017
<b>A</b>	<b>VALORE DELLA PRODUZIONE</b>		
1	Revenues from sales and services	5,060,969,169	4,763,906,216
2	Changes in inventories of work in progress, semi-finished and finished products	111,404,644	104,817,770
3	Changes in contract work in progress	47,050	(67,051)
4	Increase in fixed assets for internal work	1,329,607	84,340
5	Other revenues and income		
	- contributions during the year	1,077,921	2,967,892
	- other	65,593,678	13,018,825
	<b>Total other revenues and income (5)</b>	<b>66,671,599</b>	<b>15,986,717</b>
	<b>Total Value of production A</b>	<b>5,240,422,069</b>	<b>4,884,727,992</b>
<b>B</b>	<b>COST OF PRODUCTION</b>		
6	Raw and ancillary materials, consumables and goods	(4,016,302,693)	(3,654,204,983)
7	Services	(557,865,526)	(521,702,391)
8	Lease and rental expense	(7,120,867)	(5,089,312)
9	Personnel costs		
	a) salaries and wages	(169,757,797)	(169,487,157)
	b) social security contributions	(54,450,111)	(53,835,432)
	c) employee severance pay	(10,762,857)	(10,626,362)
	d) post-retirement benefits and similar obligations	(238,017)	(390,911)
	e) other personnel costs	(2,649,285)	(2,879,522)
	<b>Total personnel costs (9)</b>	<b>(237,858,067)</b>	<b>(237,219,384)</b>
10	Amortisation, depreciation and write-downs		
	a) amortisation	(24,403,988)	(26,640,878)
	b) depreciation	(143,235,868)	(143,178,209)
	c) other write downs of fixed assets	(4,372,658)	(18,950,831)
	d) write-downs of receivables included in current assets and cash and cash equivalents	(3,799,370)	(4,634,590)
	<b>Total amortisation, depreciation and write-downs (10)</b>	<b>(175,811,884)</b>	<b>(193,404,508)</b>
11	Changes in the inventory of raw and ancillary materials, consumables and goods	(23,539,409)	(60,186,579)
12	Provisions for risks	(31,000)	0
13	Other provisions	-	(194)
14	Other operating expenses	(13,871,890)	(29,574,489)
	<b>Total Cost of Production B</b>	<b>(5,032,401,336)</b>	<b>(4,701,381,840)</b>
	<b>Difference between Value of Production and Costs of Production A - B</b>	<b>208,020,733</b>	<b>183,346,152</b>
<b>C</b>	<b>FINANCIAL INCOMES AND CHARGES</b>		
15	Income from equity investments:		
	- in subsidiaries	0	0
	- in associates	0	1,979,750
	- in other companies	24,995,985	0
	<b>Total income from equity investments (15)</b>	<b>24,995,985</b>	<b>1,979,750</b>
16	Other financial incomes:		
	a) from receivables recorded as fixed assets		
	- from companies subject to control of the parent companies	0	0
	- from other companies	92	66
	<b>Total income from receivables recorded as fixed assets (a)</b>	<b>92</b>	<b>66</b>
	c) from securities reported as current assets other than equity investments	235,770	259,391
	d) income other than the above		
	- from subsidiaries	13,269	211,285
	- from associates	-	0
	- from parent companies	88,271	167,418
	- from companies subject to control of the parent companies	9,157,329	9,039,022
	- from others	3,183,360	2,896,761
	<b>Total income other than the above (d)</b>	<b>12,442,229</b>	<b>12,314,486</b>
	<b>Total other financial incomes (16)</b>	<b>12,678,091</b>	<b>12,573,943</b>
17	Interests and other financial charges		
	- paid to subsidiaries	(118,429)	(105,690)
	- paid to parent companies	(272,987)	(239,760)
	- paid to companies subject to control of parent company	(1,729)	0
	- paid to banks	(38,055,050)	(48,999,006)
	- other financial expenses	(51,955,502)	(64,977,242)
	<b>Total Interests and other financial charges (17)</b>	<b>(90,403,697)</b>	<b>(114,321,698)</b>
17-bis	Exchange rate gains and losses	(26,474,103)	11,217,747
	<b>Total Financial incomes and Charges C</b>	<b>(79,203,724)</b>	<b>(88,550,258)</b>
<b>D</b>	<b>VALUE ADJUSTMENTS OF FINANCIAL ASSETS</b>		
18	Revaluations		
	of equity investments	0	0
	of financial fixed assets other than equity investments	0	0
	of securities recognised in current assets	0	0
	of financial derivatives	23,696,552	12,356,124
	<b>Total revaluations (18)</b>	<b>23,696,552</b>	<b>12,356,124</b>
19	Write-downs		
	of equity investments	(7,574,575)	(1,000,006)
	of financial fixed assets other than equity investments	-	0
	of securities recognised in current assets	(99,485)	0
	of financial derivatives	(14,956,620)	(11,186,939)
	<b>Total write-downs (19)</b>	<b>(22,630,680)</b>	<b>(12,186,945)</b>
	<b>Total Value Adjustments of Financial Assets D</b>	<b>1,065,872</b>	<b>169,179</b>

currency Euro

year 2018

year 2017

PROFIT/(LOSS) BEFORE TAXES A-B+/-C+/-D			
Profit/(loss) before taxation A-B+/-C+/-D		129,882,881	94,965,073
20	Current, deferred and pre-paid income taxes for the year		
	- direct taxes for the year	(58,376,332)	(52,322,429)
	- direct taxes for previous years	-	2,519,128
	- deferred taxes	25,607,583	22,606,200
	- pre-paid taxes	(1,710,302)	(10,773,715)
	- charges and income related to the tax consolidation scheme	1,730,546	8,689,572
Total current, deferred and pre-paid income taxes for the year (20)		(32,748,505)	(29,281,244)
21	NET PROFIT/(LOSS)	97,134,376	65,683,829
PROFIT/(LOSS) PERTAINING TO MINORITY INTERESTS		(2,411,984)	(1,753,701)
PROFIT/(LOSS) PERTAINING TO THE GROUP		99,546,360	67,437,530

## MARCEGAGLIA STEEL S.P.A.

### CASH FLOW STATEMENT AS OF 31 DECEMBER 2018

currency Euro

12/31/2018

12/31/2017

<b>A CASH FLOWS FROM INCOME-GENERATING OPERATIONS (INDIRECT METHOD)</b>			
	Profit (loss) for the year	97,134,376	65,683,829
	Income Tax	32,748,505	29,281,244
	Interest expenses /(income)	52,729,621	99,773,948
	(Dividends)	0	-
	(Gains)/Losses resulting from the disposal of assets	-6,967,645	-1,623,422
<b>1</b>	<b>Profit (loss) for the year, before income taxes, interest, dividends and gains and losses from asset sales</b>	<b>175,644,857</b>	<b>193,115,599</b>
	Adjustments for non-cash items with no balancing entry in working capital		
	- provisions to funds	13,209,477	14,777,387
	- amortisation/Depreciation of fixed assets	167,639,856	169,819,087
	- write-downs due to permanent impairment	4,372,658	18,950,831
	- value adjustments of financial assets and financial liabilities on derivative financial instruments that do not involve cash transactions	-1,065,872	-169,179
	- other adjustments for non-cash items	-1,329,607	-84,340
	<b>Total Adjustments for non-cash items with no balancing entry in working capital</b>	<b>182,826,512</b>	<b>203,293,786</b>
<b>2</b>	<b>Cash flow before changes in net working capital</b>	<b>358,471,369</b>	<b>396,409,385</b>
	Changes in net working capital		
	- decrease/(increase) in inventories	-94,286,938	-63,700,776
	- decrease/(increase) in trade receivables	71,358,247	-49,619,077
	- increase/(decrease) in trade payables	103,167,396	52,343,420
	- decrease/(increase) in accrued incomes and prepaid expenses	-1,187,786	143,034
	- increase/(decrease) in accrued expenses and deferred incomes	-446,954	1,095,807
	- other changes in net working capital	-93,392,672	-32,441,060
	<b>Total changes in net working capital</b>	<b>-14,788,707</b>	<b>-92,178,652</b>
<b>3</b>	<b>Cash flow after changes in net working capital</b>	<b>343,682,662</b>	<b>304,230,733</b>
	Other adjustments		
	- interests received/(paid)	-53,172,886	-97,832,703
	- (income taxes paid)	-	-
	- dividends received	-	-
	- (utilisation of funds)	-15,740,987	-26,280,291
	- other collections/(payments)	-	-
	<b>Total other adjustments</b>	<b>-68,913,873</b>	<b>-124,112,994</b>
	<b>Cash flow from income-producing operations A</b>	<b>274,768,789</b>	<b>180,117,739</b>
<b>B CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
	Property, plant and equipment		
	- (investments)	-57,097,075	-43,174,887
	- divestitures	2,697,671	541,205
	Intangible fixed assets		
	- (investments)	-548,555	-367,755
	- divestitures	-	-
	Financial fixed assets		
	- (investments)	-7,104,632	-1,384,352
	- divestitures	110,201	2,380,945
	Current financial assets		
	- (investments)	-2,212,024	-
	- divestitures	-	564,399
	(Purchase or sale of subsidiaries or business divisions net of liquid assets)	193,378	-1,885,677
	Sale of subsidiaries or business divisions net of liquid assets	13,072,419	7,084,035
	<b>Cash flows from investment activities B</b>	<b>-50,888,617</b>	<b>-36,242,087</b>
<b>C CASH FLOWS FROM FINANCING ACTIVITIES</b>			
	Third party resources		
	- increase/(decrease) in short-term liabilities to banks	-207,739,134	-90,635,455
	- new loans	454,912,582	20,099,738
	- (repayments of loans)	-424,363,222	-89,312,484
	Capital and reserves		
	- paid-in capital increase	9,198,097	6,307,724
	- (reimbursement of paid-in capital increase)	-	-7,894
	- sale/(purchase) of own shares	-	-
	- (dividends and advances on dividends paid)	-	-
	<b>Cash flows from financing activities C</b>	<b>-167,991,667</b>	<b>-153,548,371</b>
	<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS A ± B ± C</b>	<b>55,888,495</b>	<b>-9,672,719</b>
	Exchange rate effect on cash and cash equivalents	-584,211	-398,191
	<b>Cash and cash equivalents at beginning of year</b>	<b>7,250,636</b>	<b>17,321,546</b>
	Bank and postal deposits	5,571,778	16,699,380
	Checks	1,650,370	588,713
	Cash on hand and cash equivalents	28,488	33,453
	of which are not freely usable	636,864	6,556,694
	<b>Cash and cash equivalents at year end</b>	<b>62,554,920</b>	<b>7,250,636</b>
	Bank and postal deposits	61,803,198	5,571,778
	Checks	722,481	1,650,370
	Cash on hand and cash equivalents	29,241	28,488
	of which not freely usable	13,425,006	636,864

## NOTES TO FINANCIAL STATEMENTS

### Premise for spin-off

During 2018, the reorganisation of the group, which had begun in 2015, continued.

To this end, it should be noted that by deed of demerger dated 26/10/2018 in the register of the Notary Public in Mantua, Dr M. Bertolucci, the companies Marcegaglia Carbon Steel spa and Marcegaglia Specialties spa, in compliance with previous shareholders' meeting resolutions, have implemented a partial proportional demerger of their assets and liabilities in favour of the newly incorporated companies named respectively Marcegaglia Ravenna spa and Marcegaglia Gazoldo Inox spa.

The effectiveness of the aforesaid act of partial demerger has been postponed to 00:00 of the first day of the month following the last of the registrations provided for in Art. 2506 quater of the Italian Civil Code, which coincided with 01 November 2018.

At that effective date, Marcegaglia Carbon Steel spa, Marcegaglia Specialties spa, Marcegaglia Ravenna spa and Marcegaglia Gazoldo Inox spa were therefore wholly (100%) owned by the company Marcegaglia Steel spa; for the sake of completeness, it should be noted that the newly incorporated companies Marcegaglia Ravenna spa and Marcegaglia Gazoldo Inox spa approved a share capital increase at the end of 2018 reserved for the entry of a shareholder in the amount of about 5%, thus remaining held by the company Marcegaglia Steel spa in the amount of about 95%.

The spin-off, in fact, with a view to increasing environmental protection and energy efficiency in the industrial production of the Marcegaglia group, takes place prior to the entry into the capital of Marcegaglia Ravenna spa and Marcegaglia Gazoldo Inox spa – with a minority stake – of a technology partner of primary international standing and with a significant track record in energy efficiency processes, with which the plan is to build a cogeneration plant. The partner will be responsible for the design and construction of the plant and will manage with its

own staff, through a specific contract, the plant itself.

It should be noted that the demerger operation is part of a more efficient group organisation and has the aim of rationalising and separating the activities of the demerged companies.

In particular, the two newly formed companies Marcegaglia Ravenna spa and Marcegaglia Gazoldo Inox spa process the raw materials into finished products on behalf of Marcegaglia Carbon Steel spa and Marcegaglia Specialties spa, respectively, in the production sites of Ravenna and Gazoldo degli Ippoliti.

The assets and liabilities were transferred with the spin-off operations at the book values in perfect continuity of values, as they did not differ significantly from the actual values.

In detail, the assets and liabilities involved in the demerger can be described qualitatively as follows:

- intangible fixed assets relating to licences for the application software necessary for the operation of the plant and machinery used in the Ravenna and Gazoldo degli Ippoliti plants;
- tangible fixed assets consisting of plant and machinery, industrial and commercial equipment (including internal handling equipment) and other assets (furniture and office machinery, vehicles supplied to the Ravenna and Gazoldo degli Ippoliti plants, trucks, furniture and furnishings), plant in progress and any advances to suppliers for the purchase of depreciable assets always destined for the Ravenna and Gazoldo degli Ippoliti plants;
- equity investments in the Gas Intensive and Metal Interconnector entities (from Marcegaglia Carbon Steel spa to Marcegaglia Ravenna spa);
- 50% of the equity investment held by Marcegaglia Carbon Steel spa and Marcegaglia Specialties spa in the Absolute scarl Consortium, currently equal to 25%, which are therefore split in favour of the newly formed companies for a share of 12.5% each;
- the warehouse of consumables/subsidiaries necessary for the various steel transformation processes and the function-

ality of the existing transferred plants in the Ravenna and Gazoldo degli Ippoliti plants;

- deferred tax assets recognised to take account of the write-down of a tangible asset in progress that does not qualify for immediate tax deduction (from Marcegaglia Carbon Steel to Marcegaglia Ravenna spa);
  - the provision for deferred taxes (IRES and IRAP) related to the tangible fixed assets transferred, which arose as a result of the misalignment of statutory and fiscal values as a result of the contribution received from the companies split up in 2015;
  - the liability for the severance indemnity (TFR), set aside in the specific provision, towards the employees transferred with the spin-off operation;
  - payables to employees, transferred as part of the spin-off operation, for holiday accruals, leave of absence, any additional monthly instalments and/or bonuses due on the basis of current contracts;
  - payables to suppliers and/or associated companies of goods and services related to the activities of the Ravenna and Gazoldo degli Ippoliti plants, excluding payables to suppliers of steel raw materials and suppliers of zinc and paints;
  - a portion of the debt deriving from the interest-bearing current account with the parent company Marcegaglia Steel spa.
- It should be noted that this spin-off operation is neutral from the point of view of the group consolidation.

### Consolidated financial statement preparation criteria and structure

The consolidated financial statements for the year ended 31 December 2018 have been prepared in accordance with the provisions of Legislative Decree 127 of 9 April 1991.

The structure and content of the consolidated balance sheet, income statement and statement of cash flows are those required for the separate financial statements of companies included in consolidation that have been suitably adjusted to consider the broader concept of "group". Therefore, in order to provide a clear, truthful and accurate representation of

the group's equity and financial positions as well as its operating result, the layouts for balance sheets and income statements set forth in Articles 2424 and 2425 of the Italian Civil Code provided for industrial and commercial companies were used, and adjusted – as provided by the Italian Accounting Standard [OIC] no. 17, paragraph 34 – by:

- the inclusion of a separate item called “Consolidation provision for future risks and charges” in balance sheet liabilities under item B “Provisions for risks and charges,” resulting from the process of consolidating equity investments;
- the inclusion of the line item “Consolidation reserve” in the shareholders' equity;
- the inclusion among shareholders' equity items of the item “Minority interests shareholders' equity” broken down into the items “Minority interests in capital and reserves”, and “Profit (loss) pertaining to minority interests”, which represent the minority interest in shareholders' equity and consolidated profit respectively;
- the indication, in consolidated shareholders' equity, of the sub-total related to all of the components pertaining to the group, followed by the components corresponding to minority shareholdings;
- the inclusion, as a part of item A.VI “Other reserves” of shareholders' equity, of the item “Reserve from conversion differences”, which represents the difference from the translation of financial statements of subsidiaries expressed in a foreign currency;
- the inclusion of the items “Profit/(Loss) pertaining to the group” and “Profit/(Loss) pertaining to minority interests” among income statement items, after item 21) “Net profit (loss)”, in order to clearly separate the portion of the consolidated operating result pertaining to minority shareholders.

The cash flow statement was prepared in accordance with the layout specified in accounting standards OIC 17, based on guidelines provided by Art. 2425-ter of the Italian Civil Code.

These Notes contain the information re-

quired by Art. 38 of Legislative Decree 127/91, as well as other information required by such Decree. Furthermore, a reconciliation was prepared between shareholders' equity and the statutory result of the parent company Marcegaglia Steel spa, and consolidated shareholders' equity and the consolidated operating result. These financial statements were prepared in euro units. Any differences arising from rounding amounts expressed in whole euros were allocated to a special shareholders' equity reserve, and, depending on their sign, in line item A5) “Other revenues and income” or B14) “Other operating expenses” in the Income Statement.

#### **Comparability with the previous financial year**

For each item of the balance sheet, income statement and cash flow statement, next to the amount for the year 2018, the amount for the same item for the previous year has been indicated.

#### **Classification conventions**

In preparing the financial statements as of 31 December 2018, the following classification conventions have been adopted:

- line items in the asset section of the balance sheet were classified on the basis of their related company purpose, while in the liability section, they were classified as a function of their nature;
- the profit and loss account was prepared taking into account three distinct classification criteria; namely:
  - the breakdown of the entire operating area into the three sub-areas identified by the layout required by law;
  - the nature of costs prevailing over their purpose;
  - the need to properly recognise interim results in the sequence of steps leading to the formation of net profit (loss) for the year.

The statement of cash flows is prepared in accordance with the format provided for by accounting standard OIC 17, which shows the amount and composition of cash and cash equivalents at the beginning and end of the year and the cash flows for the year deriving from operating, investing and financing activities, as

provided for by Art. 2425-ter of the Italian Civil Code.

#### **Reference to the Report on Operations**

Information about the nature of the company's activities and relations with subsidiaries, associated companies, parent companies and companies subject to the control of the latter is provided in the Report on Operations.

#### **Asset, liability and shareholders' equity items of the Balance Sheet that fall under more than one item of the layout required by law**

In order to understand the financial statements, it is unnecessary to specify in these Notes the items belonging to the balance sheet line items that are included in more than one line item of the statutory layout.

### **SCOPE OF CONSOLIDATION**

#### **Equity investments in subsidiaries**

#### **Subsidiaries included in consolidation using the line-by-line method**

Below is a list of the equity investments in subsidiaries as at 31 December 2018, consolidated using the line-by-line method pursuant to Art. 31 of Legislative Decree 127/91:

Compared to 2017, the scope of consolidation changed as follows:

- in 2018, as envisaged by the agreements in place since 2010 between Mariven S.r.l. and Simest, the subsidiary Mariven S.r.l. purchased from Simest its equity interest in Marcegaglia Russia, equal to 48.97% of the share capital for an amount of Euro 13,566,000. The percentage of control of Mariven S.r.l. over Marcegaglia RU has therefore increased from 51.03% to 100%;
- during 2018 the subsidiary Marcegaglia Carbon Steel acquired an 80% stake in the share capital of Marcegaglia Novero spa, a company located in Rivoli (TO) specialising in the processing of drawn tubes supplied mainly by the Boltiere plant owned by Marcegaglia Carbon Steel spa.

Name Registered office	Share capital	Direct share	Indirect share	Company
<b>Marcegaglia Steel S.p.A.</b> via Bresciani, 16 - Gazoldo degli Ippoliti, Mn	695,318,116 EUR			parent company
<b>Marcegaglia Carbon Steel S.p.A.</b> via Bresciani, 16 - Gazoldo degli Ippoliti, Mn	396,218,598 EUR	100%		
<b>Marcegaglia Specialties S.p.A.</b> via Bresciani, 16 - Gazoldo degli Ippoliti, Mn	131,100,000 EUR	100%		
<b>Marcegaglia Plates S.p.A.</b> via Bresciani, 16 - Gazoldo degli Ippoliti, Mn	35,000,000 EUR	100%		
<b>Marcegaglia Ravenna S.p.A.</b> via Bresciani, 16 - Gazoldo degli Ippoliti, Mn	105,307,498 EUR	94.96%		
<b>Marcegaglia Gazoldo Inox S.p.A.</b> via Bresciani, 16 - Gazoldo degli Ippoliti, Mn	31,592,250 EUR	94.96%		
<b>Marcegaglia Novero S.p.A.</b> via Acqui, 85 - 10098 Rivoli, To	3,120,000 EUR		80%	Marcegaglia Carbon Steel S.p.A.
<b>Marcegaglia do Brasil Ltda</b> Rodovia BR 101 km 11 Garuva (SC) (Brasile)	321,000,000 BRL		85.801835%	Marcegaglia Carbon Steel S.p.A.
<b>Marcegaglia Poland Sp.z.o.o.</b> Kaliska 72 int - Praszka (Polonia)	108,400,000 PLN		91.8819%	Marcegaglia Carbon Steel S.p.A.
<b>Marcegaglia UK Ltd</b> New Road, Netherton, Dudley (UK)	16,650,200 GBP		100%	Marcegaglia Carbon Steel S.p.A.
<b>Marcegaglia USA Inc.</b> 1001 East Waterfront Drive, Munhall, (Pa) (USA)	86,876,440 USD		100%	Marcegaglia Specialties S.p.A.
<b>Outsourcing Inox S.r.l.</b> via Bresciani, 16 - Gazoldo degli Ippoliti, Mn	10,000 EUR		100%	Marcegaglia Specialties S.p.A.
<b>Marcegaglia TR Paslanmaz Çelik Sanayi Ve Ticaret Anonim Şirketi</b> Kazimiye Mahallesi, Yakut Sokak, Nova Center 39/27, Çorlu, Tekirdağ (Turchia)	84,610,000 TRY		51.02%	Marcegaglia Specialties S.p.A.
<b>Mariven S.r.l.</b> via Bresciani, 16 - Gazoldo degli Ippoliti, Mn	100,000 EUR		65%	Marcegaglia Specialties S.p.A.
<b>Marcegaglia RU</b> Bolshaja Nizegorodskaja 92B Vladimir (Federazione Russa)	1,099,325,274 RUB		100%	Mariven S.r.l.

### Direct or indirect subsidiaries measured at cost:

Name Registered office	Share capital	Direct share	Indirect share	Company
<b>Marcegaglia Benelux n.v.</b> Dendermondestraat, 44-46 - Anversa (BEL)	EUR 100,000		99%	Marcegaglia Carbon Steel S.p.A.
<b>Marcegaglia Deutschland GmbH</b> Opitzstr 12, 40470 Dusseldorf - Germania	EUR 153,388		100%	Marcegaglia Carbon Steel S.p.A.
<b>Marcegaglia France Sarl</b> Le Bois des Cotes II Route Nationale 6 n.300 - Limonest	EUR 50,000		100%	Marcegaglia Carbon Steel S.p.A.
<b>Marcegaglia Iberica s.a.</b> Calle Solsona,3 - S.P de Magoda-B (ES)	EUR 120,220		51%	Marcegaglia Carbon Steel S.p.A.
<b>Marcegaglia India Private Limited</b> EC 58, Sector I, Sal Lake, Kolkata-700064, West Bengal India	INR 100,000		90%	Marcegaglia Carbon Steel S.p.A.
			10%	Marcegaglia Specialties S.p.A.
<b>Marcegaglia North Europe s.a.</b> 8, Um Woeller, L-4410 Soleuvre - Lussemburgo	EUR 31,000		100%	Marcegaglia Carbon Steel S.p.A.
<b>Novero Polska Sp.zo.o.</b> 00-867 Varsavia, Polonia, ul. Chlodna 51	PLN 5,000		80%	Marcegaglia Carbon Steel S.p.A.
<b>Marcegaglia Central America Sapi de CV</b> Av. Antea 1088 - Jurica, 76100 Santiago de Queretaro, Queretaro - Messico	MXN 100,000		51.23%	Marcegaglia Carbon Steel S.p.A.
<b>Marcegaglia Messico</b> Circuito Balvanera n.22, Complejo Industrial Balvanera, 76900 Corregidora - Queretaro - Messico	MXN 110,038,593		99%	Marcegaglia Central America Sapi de CV
<b>Marcegaglia Colombia</b> km 1.5 via Funza Siberia Parque Industrial San Diego Bodega	COP\$ 8,977,599,000		99.9%	Marcegaglia Central America Sapi de CV

Pursuant to Art. 28 of Legislative Decree 127/91, it is specified that the equity investments stated in the above table are measured “at cost” since their impact, even considered overall, is scarcely significant for the truthful and accurate representation of the group’s financial position and operating result.

With reference to the changes in 2018 of investments in subsidiaries excluded from the scope of consolidation, it should be noted that in 2018 the subsidiary Marcegaglia Carbon Steel acquired a stake equal to 80% of the share capital of Marcegaglia Novero Polska Sp.zo.o., fairly small start-ups closely related to Marcegaglia Novero spa.

On 20 September 2018, the company Marcegaglia Central America, controlled by Marcegaglia Carbon Steel, was also incorporated. Thereafter, on 17 October 2018, Marcegaglia Central America acquired a controlling interest in the entire share capital of two important South American industrial companies (a company resident in Mexico and a company in Colombia) whose business is the production of refrigeration tubes called Bundy Mexico and Bundy Colombia, renamed after the acquisition was completed, respectively in Marcegaglia Mexico and Marcegaglia Colombia. Lastly, on 21 December 2018, Marcegaglia Central America increased its share capital at the same time as Simest’s entry into the share capital. Marcegaglia Carbon Steel has thus seen its percentage of control reduced to 51.23%.

In consideration of the fact that the acquisition of the aforesaid South American companies took place during the last months of the 2018 financial year, it was not possible to obtain, within the required time, all the information necessary for the consolidation process, therefore in the 2018 financial year these companies were excluded from the consolidation area.

### Equity investments in associates

#### Direct or indirect associates measured at cost:

Pursuant to Art. 36, paragraph 2, of Legislative Decree 127/91, it is specified that such equity investments are measured “at cost” since their impact, even considered overall, is scarcely significant for the truthful and accurate representation of the group’s financial position and operating result.

Name Registered office	Share capital	Direct share	Indirect share	Company
SIM S.r.l. Zona Industriale S. Atto - Teramo	EUR 780,000		50%	Marcegaglia Carbon Steel S.p.A.
Consorzio Absolute scrl Pozzuolo del Friuli, Ud frazione Cargnacco, via Buttrio, n. 28	EUR 50,000		12.50%	Marcegaglia Carbon Steel S.p.A.
			12.50%	Marcegaglia Specialties S.p.A.
			12.50%	Marcegaglia Ravenna S.p.A.
			12.50%	Marcegaglia Gazoldo Inox S.p.A.

## CONSOLIDATION CRITERIA

### Consolidation using the line-by-line method

All of the companies in which Marcegaglia Steel spa has a direct or indirect majority stake have been consolidated using the line-by-line method, with the exception of the subsidiaries specified in the above section “DIRECT OR INDIRECT SUBSIDIARIES MEASURED AT COST” above.

Using the line-by-line consolidation method, the book values of equity investments are eliminated, and the assets, liabilities, income and costs of investee companies are fully absorbed.

Any portions of the shareholders’ equity and the operating result relating to the minority shareholders of consolidated subsidiaries are reported respectively in a specific item of consolidated shareholders’ equity and the consolidated income statement.

With regard to the inclusion of new equity investments in the scope of consolidation, any differences resulting from comparing the book values of equity investments and the stakes of shareholders’ equity of the investee companies are recognised in the line item “Goodwill” among intangible fixed assets if positive and if prerequisites are met, and in the line item “Consolidation reserve” under shareholders’ equity if negative.

Payables and receivables and transactions among companies included in the scope of consolidation have been eliminated.

Any adjustments for dividends distributed to the parent company were also taken into account.

### Equity investments measured using the equity method

According to this procedure, the consolidated financial statements only reflect the relevant portion of shareholders’ equity of the investee company, but not the amounts of individual items of the financial statements.

With regard to the inclusion of new equity investments in the scope of consolidation that are measured using the equity method, any differences resulting from comparing the book values of the equity investments and the stakes of shareholders’ equity of the investee companies are recorded in a shareholders’ equity item “Consolidation reserve”, to the extent of the portion formed up to the date of the first consolidation. The profit or loss generated after the date of the first consolidation is instead allocated, according to the accrual principle, to the consolidated income statement under “Value adjustments of financial assets” (revaluations/write-downs of equity investments) with a balancing entry in the item “Investments in subsidiaries/associates” in the balance sheet.

### Currency of account

For line-by-line consolidation of financial statements expressed in a foreign currency, the current exchange rate method was used since the foreign investee companies to which those financial statements refer are essentially independent of the parent company. According to this method, all assets and liabilities, with the exception of the entries in shareholders’ equity (which are converted at the historical exchange rates), are con-

verted using the exchange rate at the date of the financial statements, whereas items of the income statement are translated at the average exchange rate for the period. The resulting differences are allocated to a specific shareholders’ equity reserve, the “Reserve from conversion differences”.

The exchange rates applied are indicated in the following table:

Currency	Exchange rate at 31/12/2018	Avg. exchange rate for FY 2018
US Dollar (USD)	1.1450	1.1810
UK Pound Sterling (GBP)	0.89453	0.88471
Brazilian Real (BRL)	4.4440	4.3085
Polish Zloty (PLN)	4.3014	4.2615
Russian Rouble (RUB)	79.7153	74.0416
Turkish Lira (TRY)	6.0588	5.7077

### Reporting date of the consolidated financial statements

The financial statements of the parent company (Marcegaglia Steel spa) and the other consolidated companies closed the year on 31 December 2018.

### Financial statements used for consolidation

The financial statements prepared by the Boards of Directors of the Italian subsidiaries were used for the consolidation of such companies.

With respect to the consolidation of foreign subsidiaries included in the scope of consolidation, the financial statements used were specifically prepared by the respective boards of directors according to measurement criteria used by the parent company, in compliance with the “Manual of the Group’s Accounting Standards” prepared expressly for such purpose, and certified by local independent auditors.

## MEASUREMENT CRITERIA

### Intangible fixed assets

Intangible fixed assets are recorded in the financial statements at purchase or production cost and amortised according to their remaining useful life.

Start-up and expansion costs are amortised over a period of five years.

Development costs are amortised in accordance with their useful life. As an exception, if it is not possible to reliably estimate their useful life, they are amortised over a period of up to five years.

Goodwill is recognised only if:

- 1) it has been purchased, for up to the cost incurred;
- 2) it arises from the consolidation process, to the extent permitted by impairment testing.

In the exceptional cases where its useful life cannot be estimated reliably, goodwill is amortised over a maximum period of ten years.

### **Tangible fixed assets**

Tangible fixed assets are recorded in the financial statements at purchase or production cost increased by statutory monetary revaluations, and are reported net of accumulated depreciation. Note that with the exception of companies with registered office in countries with high inflation, revaluations are only maintained if required by law.

Depreciation was determined on the basis of their remaining useful life.

### **Leased assets**

Pursuant to the requirements of standard OIC 17, paragraph 105, transactions related to leased assets are recognised using the finance method (governed by IFRS 16), except for transactions of a small size that continue to be recorded using the equity method.

### **Financial fixed assets**

Equity investments in companies not consolidated using the line-by-line method are measured using the equity method or at historical cost.

Receivables are measured at nominal value.

### **Inventories**

Inventories are measured at the lower of purchase or production cost and market value. Purchase cost includes ancillary costs of transportation and customs clearance of raw materials; production costs include all of the costs directly allocated to the product (raw materials and ancil-

lary materials, direct labour, depreciation of the capital goods used in production), in addition to the portion of indirect industrial costs relating to the manufacturing period (maintenance costs, consumables, electric power, outsourced processes, etc.).

In line with that carried out in 2017, the value of final inventories of basic steel raw materials was determined using the incremental LIFO method, while the value of the final inventories of steel raw material of first and second-stage processing was determined using the weighted average cost method, by the three investee companies Marcegaglia Carbon Steel, Marcegaglia Specialties and Marcegaglia Plates.

Note that the impact of that change on the other consolidated companies was irrelevant, and thus, those companies continued to apply the weighted average cost method used in the past.

The estimated amount of the “LIFO reserve” deriving from the measurement of steel raw materials on the basis of incremental LIFO amounted to approximately Euro 133 million.

The final inventories of semi-finished products and finished products are valued at production cost, calculated by adding the processing costs to the raw material used in production, determined according to the average weighted cost method.

Inventories other than interchangeable assets are recognised among the inventories of semi-finished products and finished products and are measured at the lower of their purchase or production cost and their estimated sales market value.

The item “Raw and ancillary materials and consumables” also includes inventories of ancillary materials and consumables such as paints, lubricants, fuels, zinc and miscellaneous materials in general. These inventories are recorded in the financial statements at the lower of the value determined using the moving average criterion, and their replacement value based on market value.

Inventories of contract work in progress are measured, if applicable, using the percentage of completion method.

### **Receivables**

In general, receivables are recognised in the financial statements using the amortised cost criterion taking into account the time factor and estimated realisable value.

However, OIC 15, paragraph 33 specifies that this criterion need not be applied if the impact is insignificant, assuming that short-term receivables (i.e. those due within 12 months) are insignificant. Furthermore, Art. 12, paragraph 2, of Legislative Decree 139/2015 specifies that the new amortised cost measurement criterion need not be applied to components of items related to transactions that have not fully exhausted their impact on the financial statements.

Thus, in these consolidated financial statements, the amortised cost criterion is only applied to receivables due after the following year that arose after 1 January 2016, and in any case, only if the impact of applying this criterion is considered significant.

Receivables not measured using the amortised cost method (since the impact of applying this criterion is not considered significant) are recorded at nominal value adjusted, as necessary, for the appropriate provision for doubtful receivables to bring it into line with the estimated realisable value.

Receivables expressed in a foreign currency are originally converted into euros at the reported exchange rate on the date of the related transactions. Exchange differences generated from the collection of receivables in a foreign currency are recorded in the income statement under item 17-bis “Exchange-rate gains and losses”.

Receivables expressed in foreign currency in the financial statements are measured on the basis of the relative exchange rates at the end of the year (31/12/2018). Exchange rate differences emerging from such valuation are allocated to the income statement in line item 17-bis “Exchange-rate gains and losses”.

### **Equity investments and securities not held as fixed assets**

Equity investments not held as fixed as-

sets are recorded at cost and written down for any impairment.

Securities not held as fixed assets are recorded at cost or market value.

### **Cash and cash equivalents**

Cash and cash equivalents (bank and postal accounts, cash and cash on hand) are recorded at their actual balances.

### **Cash and shareholders' equity entries**

These items are measured at nominal value.

### **Provisions for risks and charges**

Provisions for risk and charges are allocated in the financial statements to cover losses or liabilities of a known type, that will certainly or probably arise but which, as of the end of the year, could not be determined, either in terms of amount or date of accrual.

Allocations reflect the best estimate possible on the basis of available information.

### **Employee severance pay**

Provisions are made in accordance with laws and labour agreements in effect, and reflect liabilities accrued to all employees on the reporting date.

### **Payables**

In general, payables are recorded in the financial statements according to the amortised cost criterion taking into account the time factor.

However, OIC 19, paragraph 42 specifies that this criterion need not be applied if the impact is insignificant, assuming that short-term payables (i.e. those due within 12 months) are insignificant.

Furthermore, Art. 12, paragraph 2, of Legislative Decree 139/2015 specifies that the new amortised cost measurement criterion need not be applied to components of items related to transactions that have not fully exhausted their impact on the financial statements. Thus, in these consolidated financial statements, the amortised cost criterion is only applied to payables due after the following year that arose after 1 January 2016, and in any case, only if the impact of applying this criterion is considered significant.

Payables not measured using the amortised cost method (since the impact of applying this criterion is not considered significant) are recorded at nominal value. In any case, this item includes liabilities that are certain and specific in terms of their amount and date incurred.

Payables expressed in a foreign currency are originally converted into euros at the reported exchange rate on the date of the related transactions. Exchange differences generated from the payment of payables in a foreign currency are recorded in the income statement under item 17-bis "Exchange-rate gains and losses". Payables expressed in foreign currency in the financial statements are measured on the basis of the relative exchange rates at the end of the year (31/12/2018). Exchange rate differences emerging from such valuation are allocated to the income statement in line item 17-bis "Exchange-rate gains and losses".

### **Accruals and deferrals**

These items include portions of costs and income shared by two or more financial years in accordance with the accrual principle.

### **Revenues and income**

Revenues from sales are recognised on an accrual basis, that is when both the following conditions are met:

- the goods have been manufactured; and
- title to the goods has been passed, which is when risks and benefits incidental to their ownership has been transferred. Thus, save as otherwise agreed regarding the transfer of risks and benefits:
  - a) in the case of movable assets, risks and benefits are transferred when the goods are shipped or delivered;
  - b) for goods that require notarisation (for instance properties), risks and benefits are transferred when the sale agreement is executed;
  - c) in the case of instalment sales with retention of title, the revenue is recognised upon delivery, regardless of the transfer of ownership, since Art. 1523 of the Italian Civil Code provides that the buyer acquires ownership of the thing with the

payment of the last instalment of the price, but assumes the risks from the time of delivery.

Revenues from services are recognised on an accrual basis, that is when the service has been rendered.

Financial income is recognised on an accrual basis, for the amount accrued in the period of reference.

### **Costs and expenses**

Costs related to the purchase of goods are recognised on an accrual basis, that is when both the following conditions are met:

- the goods have been manufactured; and
  - title to the goods has been passed, which is when risks and benefits incidental to their ownership has been transferred. Thus, save as otherwise agreed regarding the transfer of risks and benefits:
    - a) in the case of the purchase of movable assets, risks and benefits are transferred when the goods are shipped or delivered;
    - b) for goods that require notarisation (for instance properties), risks and benefits are transferred when the sale agreement is executed;
    - c) in the case of instalment sales with retention of title, the cost is recognised upon delivery, regardless of the transfer of ownership, since Art. 1523 of the Italian Civil Code provides that the buyer acquires ownership of the thing with the payment of the last instalment of the price, but assumes the risks from the time of delivery.
- Service costs are recognised on an accrual basis, that is when the service has been rendered.
- Financial expenses are recognised on an accrual basis, for the amount accrued in the period of reference.

### **Dividends**

Dividends are recorded in the year in which the right to receive them accrues, which typically coincides with the year they are approved by the competent body.

### **Income Tax**

Income taxes were determined on the ba-

sis of the cost for the year.

Deferred taxes are determined on the basis of temporary differences between the amount assigned to assets and liabilities by statute and by tax regulations.

Prepaid taxes were recorded in financial statement assets since there is a reasonable certainty of generating income in the future capable of absorbing these temporary differences.

### Financial derivatives

Financial derivatives are recorded at fair value even if embedded in other financial instruments. Changes in fair value are recorded in item D) 18) d) "Revaluations of financial derivatives" or D) 19) d) "Write-downs of financial derivatives" in the income statement, or, if the instrument hedges the volatility risk of expected cash flows from another financial instrument or scheduled transaction, they are recorded directly in item A) VII) "Shareholders' equity – Reserve for projected cash flow hedges" under balance sheet liabilities and shareholders' equity, with either a positive or negative sign. This reserve is allocated to the income statement to the extent, and based on timing, corresponding with the occurrence or movements of the cash flows of the hedged instrument or the occurrence of the transaction being hedged.

The items being hedged against the risk of fluctuating interest or exchange rates or market prices or against credit risk are measured in the same way as the hedging derivative. A hedge is deemed to exist if, from the outset, there is a strict and documented correlation between the characteristics of the instrument or transaction being hedged and those of the hedging instrument.

Profits arising from the fair value measurement of financial derivatives that are not used or not needed for hedging, may not be distributed. The shareholders' equity reserve arising from the fair value measurement of derivatives used to hedge expected cash flows from another financial instrument or scheduled transaction is not included in the calculation of shareholders' equity for the purposes indicated in Articles 2412, 2433, 2442,

2446 and 2447, and if positive, is not available and cannot be used to cover losses.

## NOTES TO THE FINANCIAL STATEMENTS – ASSETS

### Changes in receivables from shareholders for outstanding contributions

Receivables from shareholders for outstanding contributions	Amount at beginning of the year	Exchange rate difference on beginning balance	Changes during the year	Amount at end of the year
Portion previously called	42,895	-10,707	-32,188	-
Portion not previously called	-	-	5,174,811	5,174,811
<b>Total</b>	<b>42,895</b>	<b>-10,707</b>	<b>5,142,623</b>	<b>5,174,811</b>

During 2017, the investee company Marcegaglia TR resolved a share capital increase of TRY 3,565,700. The increase was proportionately subscribed by Marcegaglia Specialties and third party shareholders. During 2018, the remaining portion of third-party shareholders was paid in.

With regard to the part not yet called-up, the increase of Euro 5,174,811 in receivables from shareholders refers to the receivables of Marcegaglia Ravenna spa (Euro 3,980,623) and Marcegaglia Gazoldo Inox spa (Euro 1,194,187) from the minority shareholder Engie Servizi spa. As mentioned in the introduction, in fact, the newly formed companies resolved by extraordinary shareholders' meeting of 21/12/2018 to increase the share capital by Euro 5,307,498 and Euro 1,592,250, respectively, reserved for the entry of Engie Servizi spa. The new shareholder's entry is aimed at improving the energy efficiency of the two production sites of Ravenna and Gazoldo degli Ippoliti also through the construction of two cogeneration plants for the self-production of electricity.

## FIXED ASSETS

### Intangible fixed assets

#### Changes in intangible fixed assets

See ANNEX 1A for changes in intangible fixed assets.

The line item "Goodwill" reflects the positive initial difference from the cancellation of the equity investments in the indirect subsidiaries Marcegaglia USA Inc., Marcegaglia do Brasil Lda and Marcegaglia RU, which was generated from comparing the cost incurred for the purchase of these equity investments and the portion of the book value of the respective shareholders' equity held. We believe that this difference can be categorised as goodwill since it meets the requirements of Accounting Standard OIC 24 – Intangible Fixed Assets, paragraph 54 et seq.

	Initial recording value	Accumulated amortisation/write-down	Amount at beginning of the year	New posts	Amortisation	Write-downs	Amount at end of the year
Marcegaglia USA Inc.	21,614,263	14,907,110	6,707,153	-	856,232	-	5,850,921
Marcegaglia do Brasil Lda	38,194,797	22,512,591	15,682,206	-	2,001,984	-	13,680,222
Marcegaglia RU	10,228,799	5,216,240	5,012,559	-	639,901	4,372,658	-
Marcegaglia Turkey	777,849	604,993	172,856	-	172,856	-	-
<b>Total</b>	<b>70,815,708</b>	<b>43,240,934</b>	<b>27,574,774</b>	<b>-</b>	<b>3,670,973</b>	<b>4,372,658</b>	<b>19,531,143</b>

In 2018, for prudential purposes, the goodwill previously recorded following the first consolidation of the investee Marcegaglia Ru was written down in full in view of the negative economic results achieved and the budgets of the Russian subsidiary.

The goodwill previously recorded following the first-time consolidation of the investee companies Marcegaglia USA and Marcegaglia Do Brasil does not require any adjustment since the amount of such goodwill, net of amortisation for the year, is higher than the value of unrealised gains suitably adjusted at the exchange rate of 31/12/2018. That goodwill is amortised over ten years. A goodwill amortisation period of over five years, provided that there are sufficient grounds, seems in line with Italian GAAP (OIC 24 document). Lastly, based on OIC 25 for corporate actions that give rise to “goodwill” and considering the similar nature of the goodwill in question, no deferred taxes were recognised.

Intangibles reported in the consolidated accounts include the “Marcegaglia” trademark, both in its form as a name and in the graphic form “MM Marcegaglia” (with two upside down “M’s”), as recognised in the separate financial statements of the subsidiary Marcegaglia Specialties S.p.A., following the capital contribution resulting from the reorganisation of 2015. The trade name “Marcegaglia” was protected through the filing, by the transferor, Marcegaglia S.p.A., of a number of trademark applications to ensure, in relation to the products and services provided under that trademark, the exclusive use of the name or the expression filed in any form or character.

The graphic trademark “MM Marcegaglia”, used by the contributing company Marcegaglia S.p.A. since 1969 in accounting, administrative, advertising and promotional material, in exhibitions and fairs, in the press and on the products, has been in extremely widespread use, in order to generate that level of general awareness required by Italian law (and by some other countries) to give “rise” to a so-called common law/un-registered trademark, which allows the user to claim exclusive rights over the use of the mark used in relation to the products for which it was used. In 2015, however, as part of the referenced reorganisation, the contributing company Marcegaglia S.p.A. initiated the filing of a number of trademark applications concerning the graphic trademark.

The aforementioned trademarks were filed mainly for the following products:

- Class 6: common metals and their alloys, including steel, metal construction materials, transportable metal buildings; metal materials for railways; aluminium tubes; metal building panels; strips and sheets; bright bars drawn and steel sections; metal coverings; metal scaffolding; fences; minerals; common metals and their alloys; metal strips; non-electric cables and wires; metal structures; safes; metal fancy goods; metal security barriers for roads; steel pipes; steel strips; metal sheets; metal fences; metal gates; metal fasteners;
- Class 37: construction of metallurgical plants and facilities for the production of energy; painting work;
- Class 39: distribution of steel products; travel arrangements;
- Class 42: services in the steel industry and its applications, in particular designing, testing and commissioning of plants for the processing of steel; services in relation to environmental protection, ecological research, analysis and consulting;
- Class 43: hotel services.

On the basis of the Consolidated Business Plan prepared by the Board of Directors of the parent company Marcegaglia Steel S.p.A., and therefore of the projection of the group’s consolidated revenues, an impairment test was carried out on the brand value. It has therefore been verified that the prospective profitability of the group is able to guarantee the recovery of the residual value at 31/12/2018 of the brand itself.

With reference to the systematic allocation over time of the trademark registration cost, equal to the value appraised for the conferral by the expert pursuant to Art. 2465, paragraph 1 of the Italian Civil Code during the 2015 conferral, it was considered prudent to ascribe to the income statement a constant rate of depreciation over a

period of 10 years.

The company MRC Specialties charges royalties to the companies that use the trademark. On the basis of the Consolidated Business Plan prepared by the Board of Directors of the parent company Marcegaglia Steel S.p.A., and therefore of the projection of the group’s consolidated revenues, an impairment test was carried out on the brand value. The method used is that of the DCF (Discounted Cash Flow) which provides for the discounting back of the cash flows that will be collected through the charging of the royalties to the user companies. Considering a royalty rate of 0.81% (the same rate used by the expert when the brand was conferred) and various other parameters to take into account the variability of factors and costs for brand protection, as well as considering the tax effect, discounting the expected cash flows at a rate equal to the WACC (representing the weighted average cost of capital) resulted in a value of Euro 243 million, therefore higher than the book value of the brand itself (Euro 137.35 million), thus confirming its stability.

	Initial recording value	Accumulated amortisation	Amount at beginning of the year	Amortisation	Amount at end of the year
Marcegaglia trademark	201,000,000	43,550,000	157,450,000	20,100,000	137,350,000
<b>Total</b>	<b>201,000,000</b>	<b>43,550,000</b>	<b>157,450,000</b>	<b>20,100,000</b>	<b>137,350,000</b>

## START-UP AND EXPANSION COSTS AND DEVELOPMENT COSTS

Start-up and expansion costs	Gross amount	Accumulated amortisation	Net amount
Start-up costs capitalised by the subsidiary Marcegaglia Do Brasil Ltd	3,104,926	2,525,831	579,095
Other	247,830	161,139	86,691
<b>Total</b>	<b>3,352,756</b>	<b>2,686,970</b>	<b>665,786</b>

There are no capitalised development costs.

### Tangible fixed assets

#### Changes in tangible fixed assets

See ANNEX 1B for changes in tangible fixed assets (property, plant and equipment).

The items in question include, among others, the assets of the subsidiaries Marcegaglia Carbon Steel spa, Marcegaglia Specialties spa, Marcegaglia Plates spa, Marcegaglia Ravenna spa and Marcegaglia Gazoldo Inox spa for the values resulting from the expert's report pursuant to Art. 2465 of the Italian Civil Code drawn up on the occasion of the contributions made in 2015.

#### Value reductions to property, plant and equipment

There were no value reductions to property, plant and equipment for the period.

### Leases

#### Information on lease transactions

In their financial statements, the subsidiaries Marcegaglia Carbon Steel spa and Marcegaglia Specialties spa record lease transactions using the equity method in keeping with domestic accounting standards. In their financial statements, foreign subsidiaries already record the transactions concerned using the finance method. Thus, in accordance with accounting standard OIC 17, at the time of consolidation, the book values of

the subsidiaries Marcegaglia Carbon Steel spa and Marcegaglia Specialties spa were adjusted in order to record the leasing transactions using the finance method.

This resulted in the following balance sheet changes:

	Gross amount
Increase in the item "Plant and machinery"	10,951,802
Reduction in the item "Fixed assets in progress"	-
Increase in payables to other lenders due within the year	-
Increase in payables to other lenders due after the year	-
Reversal of balloon payment recorded under prepaid expenses	-
Increase in deferred tax assets within the year	-
Increase in deferred tax assets after the year	-
Increase in consolidation reserve	-5,015,948
Increase in provision for deferred tax	-3,055,553
Reversal of trade payables	-
<b>Balance sheet impact</b>	<b>2,880,301</b>

The effect on the income statement was as follows:

	Gross amount
Reversal of lease payments recorded in item B8	-7,259,209
Increase in depreciation, item B10 b)	3,215,655
Increase in financial charges, item C17	45,494
Other adjustments to expenses and/or income	3,404
Recording of deferred taxes	694,369
Reversal of prepaid taxes	419,986
<b>Impact on income statement</b>	<b>-2,880,301</b>

It should be noted that during 2018 both the above companies have already been redeeming the assets covered by the leasing contracts in progress for several years, having reached their expiry date.

These tangible fixed assets were subsequently the subject of the spin-off operation commented on in the introductory part of these Notes to the Financial Statements.

## Financial fixed assets

### Changes in financial fixed assets

See ANNEX 1C for changes in financial fixed assets.

### Breakdown of amount and details of financial fixed assets

Financial fixed assets	Book value	Fair value
Equity investments in parent companies	-	-
Equity inv. in companies subject to control of parent companies	-	-
Equity investments in other companies	1,772,326	1,772,326
Receivables from subsidiaries	-	-
Receivables from associates	-	-
Receivables from parent companies	-	-
Receivables from companies subject to control of parent companies	-	-
Receivables from others	395,857	395,857
Other securities	364,010	364,010
<b>Total</b>	<b>2,532,193</b>	<b>2,532,193</b>

## CURRENT ASSETS

### Inventories

	Amount at beginning of the year	Exchange rate difference on begin- ning balance	Provisions	Utilisation	Impact from change in scope of consolidation	Changes during the year	Amount at end of the year
Raw and ancillary materials and consumables, gross of write-down provision	644,869,207	-3,665,813	-	-	2,748,791	-24,078,475	619,873,709
Raw and ancillary materials and consumables, write-down provision	-6,453	187	-	6,266	-	-	-
<b>1. Raw and ancillary materials and consumables</b>	<b>644,862,754</b>	<b>-3,665,627</b>	<b>-</b>	<b>6,266</b>	<b>2,748,791</b>	<b>-24,078,475</b>	<b>619,873,709</b>
Work in process and semi-finished products, gross of write-down provision	379,110,255	-592,875	-	-	3,095,841	50,217,687	431,830,907
Work in process and semi-finished products, write-down provision	-	-	-	-	-	-	-
<b>2. Work in process and semi-finished goods</b>	<b>379,110,255</b>	<b>-592,875</b>	<b>-</b>	<b>-</b>	<b>3,095,841</b>	<b>50,217,686</b>	<b>431,830,907</b>
Contract work in progress, gross of write-down provision	289,705	-37,517	-	-	-	43,701	295,889
Contract work in progress, write-down provision	-	-	-	-	-	-	-
<b>3. Contract work in progress</b>	<b>289,705</b>	<b>-37,517</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,701</b>	<b>295,889</b>
Finished products and goods, gross of write-down provision	403,098,191	-3,359,547	-	-	1,021,497	60,727,471	461,487,611
Finished products and goods, write-down provision	-623,796	65,465	-	352,396	-	-	-205,935
<b>4. Finished products and goods</b>	<b>402,474,394</b>	<b>-3,294,021</b>	<b>-</b>	<b>352,396</b>	<b>1,021,497</b>	<b>60,727,410</b>	<b>461,281,677</b>
<b>5. Advance payments</b>	<b>19,377,235</b>	<b>-124,666</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,387,539</b>	<b>25,640,108</b>
<b>Total inventories</b>	<b>1,446,114,343</b>	<b>-7,714,706</b>	<b>-</b>	<b>358,662</b>	<b>6,866,129</b>	<b>93,297,861</b>	<b>1,538,922,290</b>

The provision for finished products and goods was recognised by the subsidiaries Marcegaglia Poland for Euro 7,630 and Marcegaglia Do Brasil for Euro 198,305.

### Change in tangible fixed assets (property, plant and equipment) held for sale

There is no property, plant and equipment held for sale.

## RECEIVABLES

### Changes in receivables recorded in current assets

	Amount at beginning of the year	Exchange rate difference on beginning balance	Impact from change in scope of consolidation	Changes during the year	Amount at end of the year
Receivables from customers recorded in current assets, gross of provision for doubtful debt	156,744,177	-3,014,299	7,140,130	-68,491,578	92,378,431
Provision for doubtful debt from customers	10,578,871	-461,927	370,341	3,030,340	13,517,625
<b>Receivables from customers recorded in current assets</b>	<b>146,165,306</b>	<b>-2,552,372</b>	<b>6,769,789</b>	<b>-71,521,918</b>	<b>78,860,806</b>
Receivables from subsidiaries recorded in current assets, gross of provision for doubtful debt	653,032	-	-	-204,958	448,074
Provision for doubtful debt from subsidiaries recorded in current assets	2,739	-	-	-2,739	-
<b>Receivables from subsidiaries recorded in current assets</b>	<b>650,293</b>	<b>-</b>	<b>-</b>	<b>-202,219</b>	<b>448,074</b>
<b>Receivables from associates recorded in current assets</b>	<b>2,797,390</b>	<b>-</b>	<b>-</b>	<b>-251,906</b>	<b>2,545,484</b>
<b>Receivables from parent companies recorded in current assets</b>	<b>11,204,122</b>	<b>-777</b>	<b>-</b>	<b>-5,517,669</b>	<b>5,685,676</b>
<b>Receivables from companies subject to control of parent companies recorded in current assets</b>	<b>313,252,203</b>	<b>-405,067</b>	<b>-</b>	<b>-36,540,601</b>	<b>276,306,535</b>
Tax credits recorded in current assets, gross of provision for doubtful debt	31,935,096	-1,336,174	1,107,179	14,984,903	46,691,004
Provision for doubtful debt on tax recorded in current assets	-	-	-	-	-
<b>Tax credits recorded in current assets</b>	<b>31,935,096</b>	<b>-1,336,174</b>	<b>1,107,179</b>	<b>14,984,903</b>	<b>46,691,004</b>
<b>Deferred tax assets recorded in current assets</b>	<b>35,776,537</b>	<b>-1,947,397</b>	<b>-</b>	<b>-350,576</b>	<b>33,478,564</b>
<b>Receivables from others recorded in current assets</b>	<b>46,702,001</b>	<b>-156,503</b>	<b>31,044</b>	<b>-5,958,802</b>	<b>40,617,740</b>
<b>Total receivables recorded in current assets</b>	<b>588,482,948</b>	<b>-6,398,290</b>	<b>7,908,012</b>	<b>-105,358,788</b>	<b>484,633,883</b>

	Amount at end of the year	Portion due within the year	Portion due after the year	of which, portion with remaining term over 5 years
Receivables from customers recorded in current assets, gross of provision for doubtful debt	92,378,431	92,378,431	-	-
Provision for doubtful debt from customers	13,517,625	13,517,625	-	-
<b>Receivables from customers recorded in current assets</b>	<b>78,860,806</b>	<b>78,860,806</b>	<b>-</b>	<b>-</b>
Receivables from subsidiaries recorded in current assets, gross of provision for doubtful debt	448,074	448,074	-	-
Provision for doubtful debt from subsidiaries recorded in current assets	-	-	-	-
<b>Receivables from subsidiaries recorded in current assets</b>	<b>448,074</b>	<b>448,074</b>	<b>-</b>	<b>-</b>
<b>Receivables from associates recorded in current assets</b>	<b>2,545,484</b>	<b>2,545,484</b>	<b>-</b>	<b>-</b>
<b>Receivables from parent companies recorded in current assets</b>	<b>5,685,676</b>	<b>5,685,676</b>	<b>-</b>	<b>-</b>
<b>Receivables from companies subject to control of parent companies recorded in current assets</b>	<b>276,306,535</b>	<b>276,306,535</b>	<b>-</b>	<b>-</b>
Tax credits recorded in current assets, gross of provision for doubtful debt	46,691,004	46,585,667	105,337	45,425
Provision for doubtful debt on tax recorded in current assets	-	-	-	-
<b>Tax credits recorded in current assets</b>	<b>46,691,004</b>	<b>46,585,667</b>	<b>105,337</b>	<b>45,425</b>
<b>Deferred tax assets recorded in current assets</b>	<b>33,478,564</b>	<b>5,758,398</b>	<b>27,720,166</b>	<b>10,656,589</b>
<b>Receivables from others recorded in current assets</b>	<b>40,617,740</b>	<b>39,531,057</b>	<b>1,086,683</b>	<b>-</b>
<b>Total receivables recorded in current assets</b>	<b>484,633,883</b>	<b>455,721,697</b>	<b>28,912,186</b>	<b>10,702,014</b>

### Detail of provision for doubtful debt

	Amount at beginning of the year	Exchange rate difference on beginning balance	Utilisation	Provisions	Impact from change in scope of consolidation	Exchange rate difference on changes during the year	Amount at end of the year
Provision for doubtful debt from customers	10,578,871	-461,927	-750,657	3,799,370	370,341	-18,373	13,517,625
Provision for doubtful debt from subsidiaries	2,739	-	-2,739	-	-	-	-
<b>Total provision for doubtful debt</b>	<b>10,581,610</b>	<b>-461,927</b>	<b>-753,396</b>	<b>3,799,370</b>	<b>370,341</b>	<b>-18,373</b>	<b>13,517,626</b>

The provisions for doubtful debt due from customers, made in 2018, can be broken down as follows: Marcegaglia Carbon Steel (Euro 2,322,729), Marcegaglia Specialties (Euro 105,438), Marcegaglia Plates (Euro 151,851), Marcegaglia Do Brasil (Euro 976,815), Marcegaglia Novero (Euro 45,719), Marcegaglia Poland (Euro 61,181) and Marcegaglia UK (Euro 135,638).

The utilisations are divided as follows: Marcegaglia USA (Euro 8,467), Marcegaglia Carbon Steel (Euro 73,121), Marcegaglia Specialties (Euro 104,500), Marcegaglia Plates (Euro 17,983), Marcegaglia Do Brasil (Euro 407,380) and Marcegaglia Poland (Euro 141,445).

The change of Euro 370,341 in the consolidation area refers to the first-time consolidation of Marcegaglia Novero spa, as explained in the section “Subsidiaries included in the consolidation on a line-by-line basis”.

### Detail of receivables from others

	Amount at beginning of the year	Changes during the year	Amount at end of the year	Portion due within the year	Portion due after the year	of which, portion with remaining term over 5 years
Receivables from factoring companies	33,039,727	-17,431,554	15,608,173	15,608,173	-	-
Advances to suppliers	3,040,919	-993,821	2,047,098	2,047,098	-	-
Other receivables	10,621,355	12,341,114	22,962,468	21,875,786	1,086,683	-
<b>Total receivables from others</b>	<b>46,702,001</b>	<b>-6,084,261</b>	<b>40,617,740</b>	<b>39,531,057</b>	<b>1,086,683</b>	<b>-</b>

**Detail of receivables from companies subject to control of parent companies**

	Amount at beginning of the year	Changes during the year	Amount at end of the year	of which, trade payables	of which, financial payables
Receivables from Oskar S.r.l.	1,629,414	738,447	2,367,861	2,367,861	-
Receivables from Pugnochiuso S.r.l.	2,918	-	2,918	2,918	-
Receivables from Elet.ca S.r.l.	12,783	3,930	16,713	16,713	-
Receivables from Sc.Mrc Romania S.r.l.	3,234,621	92,676	3,327,297	2,654,747	672,550
Receivables from Albarella S.p.A.	45,922,917	1,048,541	46,971,458	1,034,889	45,936,569
Receivables from Mrc Buildtech S.r.l.	99,084,231	-5,833,817	93,250,414	64,963,761	28,286,653
Receivables from Eta En. Terr. Amb. S.p.A.	50,934,504	-1,292,541	49,641,963	970,215	48,671,748
Receivables from Marfin S.r.l.	79,064,593	-46,253,683	32,810,910	1,037,787	31,773,123
Receivables from Imat S.p.A.	238,246	1,631,127	1,869,373	1,869,373	-
Receivables from Made HSE S.r.l.	23,778	-20,860	2,918	2,918	-
Receivables from Euroenergy group S.r.l.	22,158	-22,158	-	-	-
Receivables from Dalmine LS	767,215	-767,215	-	-	-
Receivables from Marcegaglia Investments	32,314,825	13,729,885	46,044,710	891,268	45,153,442
<b>Tot. receivables from companies subject to control of parent companies</b>	<b>313,252,203</b>	<b>-36,945,668</b>	<b>276,306,535</b>	<b>75,812,450</b>	<b>200,494,085</b>

**FINANCIAL ASSETS NOT HELD AS FIXED ASSETS****Changes in financial assets not held as fixed assets**

	Amount at beginning of the year	Exchange rate difference on beginning balance	Impact from change in scope of consolidation	Changes during the year	Amount at end of the year
Equity investments in subsidiaries not held as fixed assets	-	-	-	-	-
Equity investments in associates not held as fixed assets	-	-	-	-	-
Equity investments in parent companies not held as fixed assets	-	-	-	-	-
Equity investments in companies subject to control of parent companies not held as fixed assets	-	-	-	-	-
Other equity investments not held as fixed assets	259,870	-	-	-77,684	182,186
Financial derivatives reported as assets	-	-	-	74,048	74,048
Other securities not held as fixed assets	3,308,823	-350,762	-	2,144,578	5,102,639
<b>Total financial assets not held as fixed assets</b>	<b>3,568,693</b>	<b>-350,762</b>	<b>-</b>	<b>2,140,942</b>	<b>5,358,873</b>

Securities not held as fixed assets are recorded in the financial statements of the investee company Marcegaglia do Brasil and refer to bank certificates of deposit with immediate liquidity, which are measured at purchase cost plus accrued interest.

**Detail of equity investments in subsidiaries recorded under current assets**

There are no equity investments in subsidiaries recorded under current assets.

**Detail of equity investments in associates recorded under current assets**

There are no equity investments in associates recorded under current assets.

## CURRENT ASSETS: CASH AND CASH EQUIVALENTS

### Changes in cash and cash equivalents

	Amount at beginning of the year	Exchange rate difference on beginning balance	Impact from change in scope of consolidation	Changes during the year	Amount at end of the year
Bank and postal deposits	5,571,778	-100,682	192,749	56,139,353	61,803,198
Checks	1,650,370	-411,966	-	-515,923	722,481
Cash and cash on hand	28,488	-14	870	- 103	29,241
<b>Total cash and cash equivalents</b>	<b>7,250,636</b>	<b>-512,662</b>	<b>193,619</b>	<b>55,623,327</b>	<b>62,554,920</b>

The balance of bank and postal deposits at 31/12/2018 includes the balance of several current accounts pledged to securitisation companies (Euro 13,425,006) in relation to receivable sales without recourse made by the subsidiaries Marcegaglia Carbon Steel S.p.A., Marcegaglia Specialties S.p.A. and Marcegaglia Plates S.p.A.; the balance of available liquid funds is therefore Euro 49,129,914.

### ACCRUED INCOME AND PREPAID EXPENSES

	Amount at beginning of the year	Exchange rate difference on beginning balance	Impact from change in scope of consolidation	Changes during the year	Amount at end of the year
Other accrued income and prepaid expenses	956,950	-88,025	6,069	1,185,054	2,060,048
<b>Total accrued income and prepaid expenses</b>	<b>956,950</b>	<b>-88,025</b>	<b>6,069</b>	<b>1,185,054</b>	<b>2,060,048</b>

### Breakdown of the accrued income

Accrued income	Amount at beginning of the year	Changes during the year	Amount at end of the year
Interest income on securities and deposits	48,611	-38,257	10,354
Lease income	11,271	-11,271	-
<b>Total accrued income</b>	<b>59,883</b>	<b>-49,528</b>	<b>10,354</b>

### Breakdown of prepaid expenses

Prepaid expenses	Amount at beginning of the year	Changes during the year	Amount at end of the year
Interest expense	384,899	11,071	395,970
Insurance premiums	175,576	-55,360	120,216
Software/hardware license/maintenance fees	24,901	6,212	31,112
Telephone utilities	-	1,330	1,330
Ancillary costs of the Revolving Cash Facility	-	1,121,659	1,121,659
Other	311,692	67,714	379,406
<b>Total prepaid expenses</b>	<b>897,068</b>	<b>1,152,626</b>	<b>2,049,694</b>

On the occasion of the renegotiation of the loans disbursed by a banking syndicate in 2016, which took place during 2018, which will be described in detail in commenting on the amounts due to banks, on 28 September 2018 Marcegaglia Steel was granted a so-called Revolving Cash Facility line, for an amount of Euro 100,833,000, consisting of short-term cash advances, guaranteed with a mortgage guarantee, with multiple re-activation options over the years and with final maturity on 31/12/2022.

The ancillary costs relating to obtaining this short-term credit line were deferred when incurred in full in 2018 and are charged to the income statement under item C) 17 as Other Financial Charges pro-rata temporis until the maturity date of 31/12/2022.

These accessory costs, related to this particular line of credit, amounted to Euro 1,191,523, of which Euro 69,864 was charged to the 2018 income statement.

For the purposes of determining the value of accruals and deferrals within the next financial year, therefore, the value of Euro 2,060,048 is to be considered as short-term for the amount of Euro 938,389.

## CAPITALISED FINANCIAL CHARGES

During the year under review, no financial charges were capitalised.

## NOTES TO THE FINANCIAL STATEMENTS – LIABILITIES AND SHAREHOLDERS' EQUITY

## SHAREHOLDERS' EQUITY

## Changes in shareholders' equity items

Shareholders' equity items	Balance at beginning of period	Allocation of Parent Company profit, operating impact of 2017 consolidation entries and carry-forward of minority interest in profit (loss)	Adjustment of reserve for projected cash flow hedges	Changes in the scope of consolidation	Other changes in consolidated shareholders' equity	Net profit for the year	Balance at the end of the period
Share capital	695,318,116	-	-	-	-	-	695,318,116
Share premium reserve	-	-	-	-	-	-	-
Revaluation reserves	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-
Statutory reserves	-	-	-	-	-	-	-
Other reserves	-	-	-	-	-	-	-
- Extraordinary reserve	-	-	-	-	-	-	-
- Consolidation reserve	-60,661,369	92,863,709	-1,743	-7,567,917	-1,439,731	-	23,192,949
- Reserve from conversion differences	5,335,426	-	-	6,455	-8,807,907	-	-3,466,026
- Difference from rounding to the unit of Euro	-5	-	-	-	4	-	-1
Total other reserves	-55,325,948	92,863,709	-1,743	-7,561,462	-10,247,634	-	19,726,922
Reserve for projected cash flow hedges	-194,940	-	-2,664,125	-	-	-	-2,859,065
Profit (loss) carried forward	-27,702,957	-25,426,179	-	-	-	-	-53,129,136
Profit (loss) for the year pertaining to the group	67,437,530	-67,437,530	-	-	-	99,546,360	99,546,360
Negative treasury share reserve	-	-	-	-	-	-	-
Total group shareholders' equity	679,531,801	-	-2,665,868	-7,561,462	-10,247,634	99,546,360	758,603,197
Minority interests in capital and reserves	15,463,027	-1,753,701	-11,791	1,597,021	5,665,993	-	20,960,549
Profit (loss) for the year pertaining to minority interest	-1,753,701	1,753,701	-	-	-	-2,411,984	-2,411,984
Total minority interest shareholders' equity	13,709,326	-	-11,791	1,597,021	5,665,993	-2,411,984	18,548,565
TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY	693,241,127	-	-2,677,659	-5,964,441	-4,581,641	97,134,376	777,151,762

**Reconciliation between parent company shareholders' equity and net profit (loss) at 31/12/2018 and shareholders' equity and net profit reported in consolidated financial statements at 31/12/2018**

	FY 2018			FY 2017		
	Share capital and reserves	Profit (loss) for the period	Total	Share capital and reserves	Profit (loss) for the period	Total
Shareholders' equity reported in parent company's 2018 statutory financial statements	639,516,036	15,332,481	654,848,517	667,429,146	-25,426,179	642,002,967
Difference between shareholders' equity of consolidated companies and the book value of the relevant equity investments	-101,910,146	-	-101,910,146	-185,161,910	-	-185,161,910
Reserve from conversion differences resulting from the elimination of equity investments in foreign subsidiaries	-3,466,026	-	-3,466,026	5,335,426	-	5,335,426
Net profit (loss) for the year of fully consolidated companies net of minority interests	-	95,039,831	95,039,831	-	92,454,076	92,454,076
Derecognition of write-downs and revaluations of equity investments/receivables within the scope of consolidation	92,089,620	-3,973,069	88,116,551	69,882,540	22,207,080	92,089,620
Derecognition of intra-group capital gains/losses and derecognition of write-downs/revaluations of other equity items other than equity investments	-156,065	-1,312,647	-1,468,712	-233,328	77,263	-156,065
Goodwill arising from consolidation – group	26,437,095	-6,905,959	19,531,136	50,187,467	-23,766,099	26,421,368
Adjustments to bring financial statements in line with the accounting standards of the consolidated financial statements (*)	5,015,948	2,880,300	7,896,248	1,005,021	4,010,927	5,015,948
Other consolidation entries	1,530,376	-1,514,577	15,799	3,649,914	-2,119,538	1,530,376
Increase/decrease in reserve to round amounts to whole euros	-1	-	-1	-5	-	-5
Group consolidated shareholders' equity	659,056,837	99,546,360	758,603,197	612,094,271	67,437,530	679,531,801

(\*) The adjustments are made in order to measure finance leases according to the financial method as suggested by accounting standard OIC 17.

## Provisions for risks and charges

### Information on provisions for risks and charges

See ANNEX 2 for changes in provisions for risks and charges.

The tax provision, including deferred taxes, mainly includes deferred taxes allocated:

- as a result of the recognition of leased assets according to the financial method;
- as a result of the standardisation of measurement criteria;
- by the subsidiaries Marcegaglia Carbon Steel spa, Marcegaglia Specialties spa, Marcegaglia Plates spa, Marcegaglia Ravenna spa and Marcegaglia Gazoldo Inox spa to record deferred taxes on the higher amounts assigned to assets upon contributions as indicated in the appraisals prepared by the expert for this purpose pursuant to Art. 2465 of the Italian Civil Code.

The consolidation provision for future risks and charges includes a provision of Euro 7,574,575 relating to the commitments undertaken by the subsidiary Marcegaglia Carbon Steel for the repurchase in 2019 of the minority interest held by Simest in the subsidiary Marcegaglia do Brasil. In consideration of both the strong fluctuations in the Brazilian currency, which has depreciated sharply against the euro area in recent years, and the losses incurred by the Brazilian subsidiary in recent years, the acquisition of this minority shareholding at nominal value will generate the need to make write-downs to this acquisition value. For prudential purposes, the company's directors decided to set aside a reasonable estimate of this charge in the 2018 financial statements by setting up a specific provision for risks. This cost has been recorded in the Income Statement under the item "Write-down of equity investments".

In addition, the equity investment in Marcegaglia China, the book value of which was written off completely in previous years, was sold free of charge to the Chinese government in 2018. In 2018, the existing provision for risks of Euro 1 million was fully utilized as it was used in connection with this transaction. Marcegaglia Carbon Steel had to incur additional costs in 2018 for about Euro 3.8 million. The excess of costs over the existing provision, amounting to Euro 2.8 million, was recorded in the Income Statement under "Other operating expenses"; it should be noted that this cost is absolutely extraordinary compared to the ordinary management of the company.

### Employee severance pay

#### Information on employee severance pay

See ANNEX 2 for changes in employee severance pay.

## Payables

### Changes and due dates of payables

	Amount at beginning of the year	Exchange rate difference on beginning balance	Extraordinary transactions	Impact from change in scope of consolidation	Changes during the year	Amount at end of the year
Bonds	-	-	-	-	-	-
Convertible bonds	-	-	-	-	-	-
Payables to shareholders for loans	5,081,300	-	-	-	5,714,100	10,795,400
Payables to banks	917,958,642	-6,990,943	-	6,831,486	-174,482,486	743,316,700
Payables to other lenders	9,802,983	-225,320	-	-	-8,048,336	1,529,327
Advance payments	1,557,757	-27,729	-	-	-421,780	1,108,248
Trade payables	1,522,837,001	-3,781,151	-	2,889,060	102,572,335	1,624,517,245
Payables consisting of debt securities	-	-	-	-	-	-
Payables to subsidiaries	4,165,032	-	-	-	5,823,220	9,988,252
Payables to associates	1,862,207	-	-	-	-386,125	1,476,082
Payables to parent companies	41,704,733	-778	-	-	-18,734,357	22,969,598
Payables to companies subject to control of parent companies	5,046,675	-30,074	-	-	4,731,981	9,748,582
Tax payables	22,133,680	-171,365	-	350,136	18,146,476	40,458,927
Payables to welfare and social security organisations	14,396,069	-42,342	-93,643	71,999	2,084,111	16,416,194
Other payables	203,624,767	-313,496	-301,946	540,235	-64,436,225	139,113,335
<b>TOTAL PAYABLES</b>	<b>2,750,170,846</b>	<b>-11,583,198</b>	<b>-395,588</b>	<b>10,682,916</b>	<b>-127,437,087</b>	<b>2,621,437,890</b>

	Amount at end of the year	Portion due within the year	Portion due after the year	of which, portion with remaining term over 5 years
Bonds	-	-	-	-
Convertible bonds	-	-	-	-
Payables to shareholders for loans	10,795,400	10,795,400	-	-
Payables to banks	743,316,700	306,923,090	436,393,610	85,211,425
Payables to other lenders	1,529,327	866,096	663,231	-
Advance payments	1,108,248	1,108,248	-	-
Trade payables	1,624,517,245	1,624,517,245	-	-
Payables consisting of debt securities	-	-	-	-
Payables to subsidiaries	9,988,252	9,988,252	-	-
Payables to associates	1,476,082	1,476,082	-	-
Payables to parent companies	22,969,598	22,969,598	-	-
Payables to companies subject to control of parent companies	9,748,582	9,748,582	-	-
Tax payables	40,458,927	40,448,015	10,912	10,912
Payables to welfare and social security organisations	16,416,194	16,416,194	-	-
Other payables	139,113,335	139,113,092	243	-
<b>TOTAL PAYABLES</b>	<b>2,621,437,890</b>	<b>2,184,369,894</b>	<b>437,067,996</b>	<b>85,222,337</b>

During FY 2018, the parent company Marcegaglia Steel renegotiated the existing pooled bank loan agreements, achieving significant improvements in the economic conditions applied, a longer duration of the amortisation plans and a capital increase in the amounts granted.

In particular, on 28/09/2018 it obtained three new loans from the banking pool, which in the meantime saw its structure increase compared to the initial composition, with which Marcegaglia Steel spa repaid on 02/10/2018 the previous exposures with the pool relating to the old loans. From an accounting point of view, the early repayment of the old loan contracts in 2018 resulted in the release to the income statement of the total residual value at 01/01/2018 of the ancillary costs related to obtaining the old lines of credit that should have been transferred as other financial charges in the income statement over the years until 2022 (final maturity of the old pooled loans), in line with the application of the amortised cost.

In 2018, this charge was recorded under item C17 “Other financial charges” of the income statement, for a value of Euro 4,790,160.

The new funding obtained can be summarised as follows:

- 1) Facility A: a mortgage loan for Euro 350,953,000 with amortisation schedule expiring on 31/12/2024;
- 2) a revolving cash facility line for an amount of Euro 100,833,000, with final

due date on 31/12/2022;

- 3) Facility B: an unsecured loan for Euro 98,214,000 with amortisation schedule expiring on 31/12/2024.

The loans described under points 1) and 2) above are mortgage loans, and the relevant guarantees were issued by the subsidiaries Marcegaglia Carbon Steel spa and Marcegaglia Specialties spa as third-party providers of the mortgages and liens due to the fact that the parent company Marcegaglia Steel spa itself acts as a lender for them and funds operations through a cash pooling mechanism.

The following table shows the due dates and amortisation/depreciation schedules for the two amortisation tranches:

Facility A	Amortization	Facility B	Amortization
30/06/2019	14,038,120	30/06/2019	3,928,560
31/12/2019	17,547,650	31/12/2019	4,910,700
30/06/2020	31,585,770	30/06/2020	8,839,260
31/12/2020	31,585,770	31/12/2020	8,839,260
30/06/2021	31,585,770	30/06/2021	8,839,260
31/12/2021	31,585,770	31/12/2021	8,839,260
30/06/2022	31,585,770	30/06/2022	8,839,260
31/12/2022	31,585,770	31/12/2022	8,839,260
30/06/2023	31,585,770	30/06/2023	8,839,260
31/12/2023	31,585,770	31/12/2023	8,839,260
30/06/2024	31,585,770	30/06/2024	8,839,260
31/12/2024	35,095,300	31/12/2024	9,821,400
<b>350,953,000</b>		<b>98,214,000</b>	

The “Revolving Cash Facility” is a short-term credit line consisting of short-term cash advances, guaranteed by a mortga-

ge, with multiple re-ignition options over the years and with the final maturity on 31/12/2022.

The ancillary costs relating to obtaining this short-term credit line were deferred when incurred in full in 2018 and are charged to the income statement under item C) 17 as Other Financial Charges pro-rata temporis until the maturity date of 31/12/2022.

At the maturity of each instalment, i.e. on 30/06 and 31/12 of each year, interest calculated on the basis of a variable rate (Euribor + spread) is also paid.

At 31/12/2018, the remaining principal owed for the loans concerned was as follows:

	Amount at end of the year	Portion due within the year	Portion due after the year	of which, portion with remaining term over 5 years
Facility A	350,953,000	31,585,770	319,367,230	66,681,070
Facility B	98,214,000	8,839,260	89,374,740	18,660,660
<b>Total</b>	<b>449,167,000</b>	<b>40,425,030</b>	<b>408,741,970</b>	<b>85,341,730</b>

The loans in question were measured using the amortised cost criterion in keeping with the provisions of the December 2016 updated version of standard OIC 19. From a comparison of (i) the nominal value of the loans net of transaction costs and (ii) projected outflows to repay principal, the effective interest rate was calculated, on the basis of which the amortised cost amortisation plan was determined, and the accrued financial expense to be allocated to the income statement was determined.

Transaction costs include the substitute tax withheld by the bank syndicate when the loans were disbursed, up-front fees, coordination fees, as well as the legal and notary costs specifically incurred for the negotiation, preparation and execution of the loan agreement. Below is a reconciliation between the nominal value of the loans and the amount of the loans recorded in the financial statements based on the amortised cost criterion.

Facility A	Initial debt	Changes in the year	Debt at end of year	Financial charge for the year due to application of amortised cost criterion
Principal owed (nominal value)	350,953,000	-	350,953,000	-
Transaction costs (amortised cost criterion)	-3,939,738	-90,832	-4,030,570	-90,832
<b>Total recorded in financial statements</b>	<b>347,013,262</b>	<b>-90,832</b>	<b>346,922,430</b>	<b>-90,832</b>
Facility B	Initial debt	Changes in the year	Debt at end of year	Financial charge for the year due to application of amortised cost criterion
Principal owed (nominal value)	98,214,000	-	98,214,000	-
Transaction costs (amortised cost criterion)	-1,180,705	-22,152	-1,202,857	-22,152
<b>Total recorded in financial statements</b>	<b>97,033,295</b>	<b>-22,152</b>	<b>97,011,143</b>	<b>-22,152</b>
Total Facility A + Facility B	Initial debt	Changes in the year	Debt at end of year	Financial charge for the year due to application of amortised cost criterion
Principal owed (nominal value)	449,167,000	-	449,167,000	-
Transaction costs (amortised cost criterion)	-5,120,443	-112,983	-5,233,426	-112,983
<b>Total recorded in financial statements</b>	<b>444,046,557</b>	<b>-112,983</b>	<b>443,933,574</b>	<b>-112,983</b>

The application of the amortised cost method has therefore led to the recording in the income statement of lower financial charges of Euro 112,983 (item C17), corresponding to the reversal of the portion of interest expense pertaining to the period (in fact, the nominal rate for the 3 months of 2018 is lower than the effective rate) added algebraically to the portion of transaction costs pertaining to the period.

Below is a summary of the amounts recorded in the financial statements with reference to the two loans in question, with the allocation of the portion due within and beyond the year on the basis of the amortisation plan to be valued at amortised cost:

	Initial debt	Changes during the year	Amount at end of the year	Portion due within the year	Portion due after the year	of which, portion with remaining term over 5 years	Measurement criterion
Facility A	347,013,262	-90,832	346,922,430	30,465,174	316,457,256	66,509,666	Amortised cost
Facility B	97,033,295	-22,152	97,011,143	8,505,857	88,505,286	18,608,921	Amortised cost
<b>Total</b>	<b>444,046,557</b>	<b>-112,983</b>	<b>443,933,574</b>	<b>38,971,031</b>	<b>404,962,543</b>	<b>85,118,587</b>	

Payables with a term over five years are summarised in the following table:

	Company	Amount maturing over 5 years	Measurement criterion
Banca Imi	Marcegaglia Steel	85,118,587	Amortised cost
Mediocredito Centrale	Marcegaglia Novero	92,838	Nominal value
Tax payables	Marcegaglia do Brasil	10,912	Nominal value
<b>Total</b>		<b>85,222,337</b>	

#### Detail of “Other payables”

	Amount at beginning of the year	Changes during the year	Amount at end of the year	Portion due within the year	Portion due after the year	of which, portion with remaining term over 5 years
Payables to employees	20,512,222	1,056,384	21,568,606	21,568,606	-	-
Payables to factoring companies	177,356,790	-64,597,547	112,759,243	112,759,243	-	-
Other payables	5,755,754	-970,269	4,785,485	4,785,243	243	-
<b>Total other payables</b>	<b>203,624,767</b>	<b>-64,511,432</b>	<b>139,113,335</b>	<b>139,113,092</b>	<b>243</b>	<b>-</b>

#### Detail of “Payables to companies subject to control of parent companies”

	Amount at beginning of the year	Changes during the year	Amount at end of the year	of which, trade payables	of which, financial payables
Payable to Marfin S.r.l. (ex Marcegaglia)	846,670	7,561,390	8,408,060	8,408,060	-
Payable to Oskar S.r.l.	48,311	70,169	118,480	118,480	-
Payable to Made HSE S.r.l.	2,764,421	-1,996,353	768,068	768,068	-
Payable to Marcegaglia Buildtech S.r.l.	1,035,131	-843,975	191,156	191,156	-
Payable to Marcegaglia Investments	3,000	-3,000	-	-	-
Payable to Sc. Marcegaglia Romania S.r.l.	54,622	-42,702	11,920	11,920	-
Payable to Imat S.p.A.	60,327	97	60,424	60,424	-
Payable to Abaco Servizi S.r.l.	230,120	-46,434	183,686	183,686	-
Payables to others	4,073	2,715	6,788	6,788	-
<b>Total payables to companies subject to control of parent companies</b>	<b>5,046,675</b>	<b>4,701,907</b>	<b>9,748,582</b>	<b>9,748,582</b>	<b>-</b>

#### Debt secured by company assets

	Debt secured by collateral				Unsecured debt	Total
	Mortgage on property assets	Lien	Special liens	Total debt secured by collateral		
Bonds	-	-	-	-	-	-
Convertible bonds	-	-	-	-	-	-
Payables to shareholders for loans	-	-	-	-	10,795,400	10,795,400
Payables to banks	477,120,267	50,427,633	-	527,547,900	215,768,800	743,316,700
Payables to other lenders	-	1,529,327	-	1,529,327	-	1,529,327
Advance payments	-	-	-	-	1,108,248	1,108,248
Trade payables	-	-	-	-	1,624,517,245	1,624,517,245
Payables consisting of debt securities	-	-	-	-	-	-
Payables to subsidiaries	-	-	-	-	9,988,252	9,988,252
Payables to associates	-	-	-	-	1,476,082	1,476,082
Payables to parent companies	-	-	-	-	22,969,598	22,969,598
Payables to companies subject to control of parent companies	-	-	-	-	9,748,582	9,748,582
Tax payables	-	-	-	-	40,458,927	40,458,927
Payables to welfare and social security organisations	-	-	-	-	16,416,194	16,416,194
Other payables	-	-	-	-	139,113,335	139,113,335
<b>Total payables</b>	<b>477,120,267</b>	<b>51,956,960</b>	<b>-</b>	<b>529,077,227</b>	<b>2,092,360,663</b>	<b>2,621,437,890</b>

## Detail of debt secured by mortgages:

Secured creditor	Borrower	Remaining secured debt at 31/12/2018	
BANCO DO BRASIL	Marcegaglia do Brasil limitada	4,670,130	Mortgage on properties of the subsidiary Marcegaglia do Brasil Lda
Bank Pekao	Marcegaglia Poland Sp.z.o.o.	5,636,400	Mortgage on properties of the subsidiary Marcegaglia Poland
BANK ZACHODNI	Marcegaglia Poland Sp.z.o.o.	13,578,307	Mortgage on properties of the subsidiary Marcegaglia Poland
BANCA IMI (POOL) Facility A	Marcegaglia Steel	346,922,430	Mortgage on the properties owned by both the subsidiary Marcegaglia Specialties spa and the subsidiary Marcegaglia Carbon Steel, as well as special lien on the assets present in the same plants, supplemented also by lien on the movable assets held by the two newly incorporated companies Marcegaglia Ravenna spa and Marcegaglia Gazoldo Inox spa for the Ravenna and Gazoldo degli Ippoliti sites (see below for a comment).
BANCA IMI (POOL) Revolving cash facility	Marcegaglia Steel	100,833,000	Mortgage on the properties owned by both the subsidiary Marcegaglia Specialties spa and the subsidiary Marcegaglia Carbon Steel, as well as special lien on the assets present in the same plants, supplemented also by lien on the movable assets held by the two newly incorporated companies Marcegaglia Ravenna spa and Marcegaglia Gazoldo Inox spa for the Ravenna and Gazoldo degli Ippoliti sites (see below for a comment).
INTESA	Marcegaglia Carbon Steel	5,480,000	First and second grade mortgage on properties located in Boltiere and special lien on assets at the same plant.
<b>Total</b>		<b>477,120,267</b>	

As already described in the paragraph on “Changes and due dates of payables”, during FY 2018, the company renegotiated the existing pooled bank loan agreements, achieving significant improvements in the economic conditions applied, a longer duration of the amortisation plans and a capital increase in the amounts granted.

In particular, on 28/09/2018 the company Marcegaglia Steel spa obtained three new loans from the banking pool, which in the meantime saw its structure increase compared to the initial composition, with which Marcegaglia Steel spa repaid on 02/10/2018 the previous exposures with the pool relating to the old loans.

The new funding obtained can be summarised as follows:

- 1) facility A: a mortgage loan for Euro 350,953,000 with amortisation schedule expiring on 31/12/2024;
- 2) a revolving cash facility line for an amount of Euro 100,833,000, with final due date on 31/12/2022;
- 3) facility B: an unsecured loan for Euro 98,214,000 with amortisation schedule expiring on 31/12/2024.

The loans described under points 1) and 2) above are mortgage loans, and the relevant guarantees were issued by the subsidiaries Marcegaglia Carbon Steel spa and Marcegaglia Specialties spa as third-party providers of the mortgages and liens due to the fact that Marcegaglia Steel spa itself acts as a lender for them and funds operations through a cash pooling mechanism.

Since the demerger operation, commented on in the previous paragraphs, had already been approved but not yet completed when the loan agreement was signed, the deed of incorporation of the privilege signed by Marcegaglia Carbon Steel spa and Marcegaglia Specialties spa provided that, at the time the demerger became effective, the privilege over the movable assets located in the Ravenna (owned by Marcegaglia Carbon Steel) and Gazoldo degli Ippoliti (owned by Marcegaglia Specialties) plants, would have followed the fate of the assets themselves and would therefore have been transferred to the companies benefiting from the demerger (hence Marcegaglia Ravenna spa and Marcegaglia Gazoldo Inox spa) without prejudice to the guaranteed creditors. As a result, on 05/11/2018, the four preferential companies (Marcegaglia Carbon Steel spa, Marcegaglia Specialties spa, Marcegaglia Ravenna spa and Marcegaglia Gazoldo Inox spa) signed a special privilege acknowledgement agreement where they substantially acknowledged the effectiveness of the demerger and the consequent transfer of part of the privilege from Marcegaglia Carbon Steel spa and Marcegaglia Specialties spa, respectively, to Marcegaglia Ravenna spa and Marcegaglia Gazoldo Inox, in proportion to the part of the movable property received by the latter as a result of the spin-off.

The plants owned by Marcegaglia Carbon Steel spa, on which mortgages and liens have been placed in favour of the new bank syndicate, are as follows :

- Casalmaggiore (CR)
- Ravenna
- Lomagna (LC)
- Gazoldo degli Ippoliti (MN)
- Corsico (MI)
- Lainate (MI)

The plants owned by Marcegaglia Specialties spa, on which mortgages and liens have been placed in favour of the new bank syndicate, are as follows:

- Gazoldo degli Ippoliti (MN)
- Contino di Volta Mantovana (MN)
- Forlì/Forlimpopoli

The total value of the guarantees provided – first-degree mortgage on the properties listed above and lien on movable property included in the aforesaid plants – amounts to Euro 632,500,400.

## Detail of debt secured by liens:

Secured creditor	Borrower	Remaining secured debt at 31/12/2018	
BANCA IMI	Marcegaglia Carbon Steel	431,171	Lien on escrow account
BANCA IMI	Marcegaglia Specialties	29,335	Lien on escrow account
BANCA IMI	Marcegaglia Plates	16,497	Lien on escrow account
CREDIT AGRICOLE	Marcegaglia Carbon Steel	1,635,797	Lien on escrow account
CREDIT AGRICOLE	Marcegaglia Specialties	259,683	Lien on escrow account
UNICREDIT	Marcegaglia Carbon Steel	8,825,294	Lien on escrow account
UNICREDIT	Marcegaglia Specialties	1,744,875	Lien on escrow account
UNICREDIT	Marcegaglia Plates	482,353	Lien on escrow account
Brazilian banks	Marcegaglia Do Brasil limitada	2,848,542	Lien on portfolio securities
Brazilian banks	Marcegaglia Do Brasil limitada	419,431	Lien on property assets
Brazilian banks	Marcegaglia Do Brasil limitada	3,159,554	Lien on receivables
Polish banks	Marcegaglia Poland Sp.z.o.o.	6,382,510	Lien on property assets
Polish banks	Marcegaglia Poland Sp.z.o.o.	20,044,501	Lien on inventories
Turkish banks	Marcegaglia Turkey	1,091,859	Lien on property assets
Vtb	Marcegaglia Russia	3,056,230	Lien on property assets
Total payables to banks secured by lien		50,427,633	
Polish banks and leasing firms	Marcegaglia Poland Sp.z.o.o.	945,406	Lien on property assets
Turkiye Finans Katilim Bankasi A.S.	Marcegaglia Turkey	583,921	Lien on property assets
Total payables to other lenders secured by lien		1,529,327	
Total payables to others secured by lien		-	
Total		51,956,960	

## ACCRUED EXPENSES AND DEFERRED INCOME

	Amount at beginning of the year	Exchange rate difference on beginning balance	Impact from change in scope of consolidation	Changes during the year	Amount at end of the year
Other accrued expenses and deferred income	2,308,821	-67,374	256,074	-446,406	2,051,115
Total accrued expenses and deferred income	2,308,821	-67,374	256,074	-446,406	2,051,115

## Breakdown of accrued expenses

Accrued expenses	Amount at beginning of the year	Changes during the year	Amount at end of the year
Interest expense	1,861,789	-212,265	1,649,523
Other	430,989	-32,251	398,738
Total accrued expenses	2,292,778	-244,516	2,048,262

## Breakdown of deferred income

Deferred income	Amount at beginning of the year	Changes during the year	Amount at end of the year
Other	16,043	-13,190	2,853
Total deferred income	16,043	-13,190	2,853

## INCOME STATEMENT

### VALUE OF PRODUCTION

#### Breakdown of income from sales and services by geographical area

Geographic area	Current value	%
Italy	2,066,850,530	40.84%
EU	2,571,816,371	50.82%
Other Europe	202,648,796	4.00%
North America	72,999,036	1.44%
South Central America	108,514,221	2.14%
Middle East	2,336,078	0.05%
Far East - Oceania	22,317,976	0.44%
Africa	13,486,161	0.27%
<b>Total</b>	<b>5,060,969,169</b>	<b>100%</b>

## FINANCIAL INCOME AND CHARGES

#### Breakdown of income from equity investments

Income other than dividends	
From third parties	24,995,985
<b>Total</b>	<b>24,995,985</b>

Income from equity investments of Euro 24,995,985 relates to the capital gain deriving from the sale of the equity investment held by the subsidiary Marcegaglia Carbon Steel in the company AM Investco Italy srl, a company through which, together with the Arcelor Mittal Group, an offer was made on 30/06/16

for the acquisition of ILVA spa.

On 5 June 2017, AM Investco Italy srl was awarded the auction for the acquisition of ILVA spa. Given the conditions precedent imposed by the European Antitrust Authority in order to obtain the necessary authorizations for the transaction and considering that the exit of Marcegaglia Carbon Steel from the company was one of them, on 9 November 2018, the subsidiary Marcegaglia Carbon Steel sold its entire stake of Euro 1,500.00 in AM Inve-

stco Italy srl to Arcelor Mittal SA for the price of Euro 25,000,000.00.

This valuation originates in the negotiation of the parties and takes into account the loss of the expected and hoped-for future benefits that would have been a direct consequence of the award to which Marcegaglia Carbon Steel had to waive as a result of the necessary authorisations.

#### Breakdown of other financial income

	Other financial income
From receivables recorded as fixed assets - subsidiaries	-
From receivables recorded as fixed assets - associates	-
From receivables recorded as fixed assets - parent companies	-
From receivables recorded as fixed assets - companies subject to control of parent companies	-
From receivables recorded as fixed assets - other companies	92
From securities recognised among fixed assets other than equity investments	-
From securities recorded in current assets other than equity investments	235,770
Income from other sources - subsidiaries	13,269
Income from other sources - associates	-
Income from other sources - parent companies	88,271
Income from other sources - companies subject to control of parent companies	9,157,329
Income from other sources - other	3,183,360
<b>Total</b>	<b>12,678,091</b>

**Detail of “Income from other sources - other”**

	Income from other sources - other
Interest income from banks	6,172
Other interest income	575,288
Financial income on derivatives	10,365
Financial discounts from suppliers	2,579,341
Other financial income	12,194
<b>Total</b>	<b>3,183,360</b>

**Breakdown of interest and other financial charges by type of payable**

	Interest and other financial charges
Interest due to subsidiaries	118,429
Interest due to associates	-
Interest due to parent companies	272,987
Interest due to companies subject to control of parent companies	-
Other financial charges from companies subject to the control of the parent company	1,729
Interest due to banks	38,055,050
Other financial charges	51,955,502
<b>Total</b>	<b>90,403,697</b>
of which, financial charges resulting from the application of the amortised cost criterion	4,677,177
<b>Total financial charges net of financial expenses resulting from the application of the amortised cost criterion</b>	<b>85,726,520</b>

**Detail of item “Other”**

	Other financial charges
Interest due to securitisation and factoring companies	43,471,705
Financial charges on derivatives	7,094,791
Other interest and financial charges	1,389,006
<b>Total other financial charges</b>	<b>51,955,502</b>

**VALUE ADJUSTMENTS OF FINANCIAL ASSETS****Detail of revaluations and write-downs**

	Revaluations	Write-downs
Provision for risks for the purchase of the minority interest in Marcegaglia do Brasil held by Simest	-	7,574,575
<b>of equity investments recorded as financial fixed assets</b>	<b>-</b>	<b>7,574,575</b>
Write-down of Banco Popolare securities	-	99,485
<b>of securities recorded in current assets other than equity investments</b>	<b>-</b>	<b>99,485</b>
<b>of financial derivatives</b>	<b>23,696,552</b>	<b>14,956,620</b>
<b>Total</b>	<b>23,696,552</b>	<b>22,630,680</b>

The item write-downs of equity investments recorded under financial fixed assets of Euro 7,574,575 refers to the charge relating to the creation of a provision for risks by the subsidiary Marcegaglia Carbon Steel in consideration of the commitments undertaken for the purchase in 2019 of the minority shareholding held by Simest in the subsidiary Marcegaglia do Brasil. Please refer to the previous section “Provisions for risks and charges” for a more detailed comment.

## REVENUES AND/OR COSTS OF AN EXCEPTIONAL NATURE OR SIZE

### Amount and nature of individual revenue and/or cost items of an exceptional size or percentage

Revenue item	Amount	Nature
Other extraordinary revenues and income	19,607,243	Extraordinary contingent assets
<b>Total</b>	<b>19,607,243</b>	

Cost item	Amount	Nature
Other operating expenses	2,847,242	Extraordinary costs related to the disposal of the investment in Marcegaglia China
<b>Total</b>	<b>2,847,242</b>	

Cost item	Amount	Nature
Income from equity investments	24,995,985	Gain on the sale of the investment in AM Investco
<b>Total</b>	<b>24,995,985</b>	

In 2017, the parent company Marcegaglia Steel was served, as the co-obligor, with a notice of settlement of registration tax in relation to the contribution of business units in 2015 by Marcegaglia S.p.A. to the three newly-incorporated companies Marcegaglia Carbon Steel S.p.A., Marcegaglia Specialties S.p.A. and Marcegaglia Plates S.p.A., and the subsequent sale of the equity interests in those companies by Marcegaglia S.p.A. to Marcegaglia Steel S.p.A. The liquidation notice was promptly challenged and on 9 April 2018 the 1st instance Tax Commission of Mantua issued sentence No. 51/2018 in which it upheld the company's appeal.

On 25 July 2018, the entire sum of Euro 19,607,243 plus interest was collected, which in 2017, as a matter of extreme prudence, had been paid and recorded as an extraordinary expense under item B14 of the Income Statement.

In 2018, this reimbursement, which obviously retains the same exceptional characteristics in terms of both nature and amount of the 2017 payment, was classified under item A5 Other revenues and income in the Income Statement.

The other amounts indicated of an exceptional nature relate, with reference to the item Income from equity investments, to the capital gain realised by the subsidiary Marcegaglia Carbon Steel following the sale of the shareholding in the company AM Investco, as already mentioned in the previous paragraphs analysing the income from equity investments, and with reference to the item Other operating expenses, to the extraordinary costs linked to the disposal of the shareholding in the company Marcegaglia China commented on in the section of these Notes dedicated to the Risk Provisions.

## Income statement highlighting revenues, income, costs and expenses of an exceptional nature

	Amounts of an ordinary nature	Amounts of an exceptional nature	Total amounts
Revenues from sales and services	5,060,969,169	-	5,060,969,169
Change in inventories of work in process, semi-finished and finished products	111,404,644	-	111,404,644
Changes in contract work in progress	47,050	-	47,050
Increase in fixed assets for internal work	1,329,607	-	1,329,607
Other revenues and income	47,064,356	19,607,243	66,671,599
<b>Value of production</b>	<b>5,220,814,826</b>	<b>19,607,243</b>	<b>5,240,422,069</b>
Raw and ancillary materials, consumables and goods	-4,016,302,693	-	-4,016,302,693
Services	-557,865,526	-	-557,865,526
Lease and rental expense	-7,120,867	-	-7,120,867
Staff costs	-237,858,067	-	-237,858,067
Changes in inventories of raw and ancillary materials, consumables and goods	-23,539,409	-	-23,539,409
Provisions for risks	-31,000	-	-31,000
Other provisions	-	-	-
Other operating expenses	-11,024,648	-2,847,242	-13,871,890
Production costs net of amortisation, depreciation and write-downs	-4,853,742,210	-2,847,242	-4,856,589,452
Amortisation, depreciation and write-downs	-175,811,884	-	-175,811,884
<b>Cost of production</b>	<b>-5,029,554,094</b>	<b>-2,847,242</b>	<b>-5,032,401,336</b>
<b>Difference between value and cost of production</b>	<b>191,260,732</b>	<b>16,760,001</b>	<b>208,020,733</b>
<b>EBITDA</b>	<b>367,072,616</b>	<b>16,760,001</b>	<b>383,832,617</b>
Income from equity investments	-	24,995,985	24,995,985
Other financial income	12,678,091	-	12,678,091
Interest and other financial charges	-90,403,697	-	-90,403,697
Exchange-rate gains and losses from realisation	-14,520,135	-	-14,520,135
Exchange-rate gains and losses from valuation	-11,953,968	-	-11,953,968
<b>Financial income and charges</b>	<b>-104,199,709</b>	<b>24,995,985</b>	<b>-79,203,724</b>
Revaluations	23,696,552	-	23,696,552
Write-downs	-22,630,680	-	-22,630,680
<b>Value adjustments of financial assets</b>	<b>1,065,872</b>	<b>-</b>	<b>1,065,872</b>
<b>Profit (loss) before taxes</b>	<b>88,126,895</b>	<b>41,755,986</b>	<b>129,882,881</b>
Current, deferred and prepaid income taxes for the year	-32,748,505	-	-32,748,505
<b>Profit (loss) for the year</b>	<b>55,378,390</b>	<b>41,755,986</b>	<b>97,134,376</b>

## DEFERRED AND PREPAID TAXES

The value of deferred and prepaid taxes included in the income statement is disclosed directly in the financial statements, through the breakdown of line item 22 "Income taxes" in its components (taxes for the year, taxes related to previous years and deferred and prepaid taxes).

In respect of the parent company and Italian subsidiaries, prepaid and deferred taxes were calculated considering a tax rate for IRES [corporate income tax] of 24% and a tax rate for IRAP [regional tax on productive activity] of 3.9% on temporary differences. Foreign subsidiaries instead applied tax rates in effect in their respective countries.

## OTHER INFORMATION

### Employment figures

	Spot number at year end	Average number
Executives	45	51
Employees	1,069	1,260
Workers	3,889	4,508
<b>Total employees</b>	<b>5,003</b>	<b>5,819</b>

### Directors' and statutory auditors' remuneration

	Directors	Auditors
Fees	4,160,000	193,943

### Fees of the statutory auditor or independent auditing firm

	Amount
Fees for statutory audit of annual accounts	400,051
Fees for other audit services performed	78,606
Fees for tax consultancy services	35,511
Fees for other non-auditing services	56,781
<b>Total</b>	<b>570,949</b>

The appointment of the statutory audit of the annual financial statements pursuant to and for the purposes of Art. 14 of Legislative Decree no. 39 of 27/01/2010 was entrusted, for a period of 3 financial years to the auditing company MAZARS ITALIA spa by the Shareholders' Meeting of 25/06/2018.

The fees shown above relate to the audit of financial statements and accounting controls, as well as the other services mentioned above, carried out in 2018 by the independent auditors.

## Commitments, guarantees and contingent liabilities not reported in the balance sheet

	Amount
<b>Commitments</b>	<b>202,028,989</b>
post-retirement benefits and similar obligations	-
to subsidiaries	-
to associates	-
to parent companies	-
to companies subject to control of parent companies	2,053,660
<b>Guarantees</b>	<b>545,578,413</b>
of which collateral	-
<b>Contingent liabilities</b>	<b>-</b>

### Detail

	31/12/2018	31/12/2017
<b>RISKS TAKEN BY THE COMPANY</b>		
<b>Sureties</b>		
- to subsidiaries	3,088,852	
- to associates	1,000,000	1,000,000
- to companies subject to control of parent companies	312,105	1,173,762
- to other companies	39,530,583	30,306,669
<b>Total endorsements</b>	-	-
- to other companies	501,646,873	450,829,454
<b>Total collateral</b>	-	-
<b>Total risks taken by the company</b>	-	-
- commitments entered into with parent companies		
- commitments entered into with companies subject to parent companies' control	2,053,660	2,527,582
- other commitments	199,975,329	120,028,512
<b>Total other contingent liabilities</b>		
<b>Total</b>	<b>747,607,402</b>	<b>605,865,979</b>

Commitments taken with companies subject to parent companies' control refer to expiring lease payments pursuant to the lease agreement for the plant in Osteria Grande (Marcegaglia Carbon Steel spa) entered into with Oskar srl, owner of the site.

In 2018, the company signed a new agreement (in addition to the 2017 agreement) for the forward purchase of raw materials, with final maturity in 2021.

The commitments entered into in 2017 provide for a purchase for a value of about 119 million, in monthly tranches starting from July 2019 until January 2020; while the commitments entered into in 2018 provide for a purchase for a value of about 81 million, in monthly tranches starting from July 2021 until November 2021.

Both these commitments are included in the table above under Other commitments. The fixed euro/tonne purchase price is currently not higher than market values, therefore it was not necessary to make any provision.

This forward purchase cannot be considered as a derivative contract within the meaning of paragraph 3 of Art. 2426 of the Italian Civil Code and was set up to meet the company's procurement needs.

## Consolidated Financial Statements

	Smallest grouping	Largest grouping
Name of the company preparing the consolidated financial statements	MARCEGAGLIA HOLDING Spa	FINMAR SRL
City (if in Italy) or foreign country	Gazoldo degli Ippoliti (MN)	Gazoldo degli Ippoliti (MN)
Tax code (for Italian companies)	02466980204	02466170202
Place of deposit of the consolidated financial statements	Mantua Companies House	Mantua Companies House

These consolidated financial statements are included in the consolidated financial statements of the company Marcegaglia Holding spa, which must be filed with Companies House pursuant to Art. 32 of Legislative Decree 127/91. In turn, the consolidated financial statements of Marcegaglia Holding spa are included in the consolidated financial statements of Finmar srl, the ultimate parent company of the Marcegaglia Group, which is also subject to filing with Companies House pursuant to the same regulation.

## Related party transactions not concluded at arm's length

There are no transactions for significant amounts with related parties of an ordinary nature, carried out at conditions that are not consistent with arm's length conditions.

The Report on Operations shows the values contained in the financial statements relating to activities with entities outside the Marcegaglia Steel group.

## Agreements not recorded on the balance sheet

Neither the parent company Marcegaglia Steel spa, nor any other company included in the consolidation, has carried out any transactions falling within the scope of Article 38, paragraph 1, letter o-sexies, of the Legislative Decree. 127/91.

## Information on the fair value of financial instruments

On the occasion of the renegotiation of the existing banking facilities with the banking pool, as mentioned in the comments on the item "Payables to banks" in the previous paragraphs, the IRS derivative contracts in the portfolio of the parent company Marcegaglia Steel were completely revised in order to correlate them exactly with the two new long-term facilities obtained for a total capital amount of Euro 449,167,000.

Therefore, at the same time as the previous syndicated loans were repaid, on 02/10/2018, Marcegaglia Steel also closed all the related interest rate swaps and entered into new contracts that were defined and structured in such a way as to be

perfectly correlated, in accordance with the current OIC 32, with the two new long-term loans obtained.

These new hedges have been seen as counter-parties almost all the banks in the new pool (pool that has expanded its structure compared to the previous one), so as to ensure a total share (100%) of coverage of the nominal amount of the two new loans.

The negative fair value of the “old” derivatives, in agreement with the banks of the new pool, was included in the new IRS contracts, structured, as already mentioned, in perfect coverage with the repayment schedule of the new loans.

From an accounting point of view, the above resulted in the elimination of the negative fair value of the IRSs extinguished, equal to Euro 11.980 million, with a balancing entry under item D) 18) revaluation of derivative financial instruments for Euro 11.794 million and the elimination of the negative value of the specific equity reserve A) VII) “Reserve for projected cash flow hedges” for Euro 0.186 million.

This initial negative fair value (consisting of the aforementioned mark to market transferred and the implicit commissions applied by the banks) was recorded, at the time the new contracts were entered into, under the item Derivative financial instruments payable in the balance sheet, with a balancing entry under item D) 19) write-down of derivative financial instruments in the income statement for approximately Euro 13.477 million, as recommended by the current accounting standard OIC 32.

When preparing the financial statements at 31/12/2018, the fair value of these IRS derivative contracts in the portfolio was recalculated, determining both the fair value of the ineffective portion and the effective portion.

The positive change in the ineffective fair value portion of approximately Euro 0.857 million was recorded under item D) 18) revaluation of derivative financial instruments in the income statement, while the negative change in the fair value of the effective portion was recorded, in line with the indications of the Italian

Civil Code and OIC 32, as a counter-entry in the specific reserve in shareholders' equity A VII Reserve for projected cash flow hedges. In particular, at 31/12/2018 the total fair value of the effective portions of all the derivatives hedging the two above facilities worsened, from a total negative fair value of zero at the time of stipulation, to a negative fair value of Euro 2,672,942.

This value is part of the negative balance of the reserve A VII Reserve for projected cash flow hedges at 31/12/2018.

The company Marcegaglia Steel spa also holds currency derivatives in its portfolio at 31/12/2018. In particular, these are forward purchases of USD, technically known as “flexible forwards”, with the aim of mitigating the company's exchange rate risk in relation to the various payments in foreign currency made by Marcegaglia Steel spa during the year on behalf of its subsidiaries Marcegaglia Carbon Steel spa, Marcegaglia Specialties spa and Marcegaglia Plates spa, within the framework of existing cash pooling agreements. Those currency derivatives cannot technically be considered for hedging purposes, as they do not have the characteristics set out in Art. 2426, paragraph 11-bis et seq. of the Italian Civil Code and in OIC no. 32. Therefore, their fair value changes were included in item D) 18) d) “Revaluations of financial derivatives” or D) 19) d) “Write-downs of financial derivatives”, depending on their sign.

In November 2018 the hedging IRS held by the subsidiary Mariven Srl expired (negative fair value at 31/12/2017 of Euro 13,375), equal to the underlying loan contract. The zeroing of the fair value reduced the reserve A VII Reserve for projected cash flow hedges (group share for Euro 8,928 and minority share for Euro 4,807).

Given the essential stability of the underlying interest rates and conditions, as a result of payment of the differentials during FY 2018, the IRS derivative held by Marcegaglia Carbon Steel spa, again not for hedging purposes pursuant to OIC no. 32, improved its negative fair value for Euro 2,815,694, in an essentially symmetrical fashion. This resulted in the recognition of a positive income component of the same amount recognised under item D) 18) d) of the Income Statement.

Marcegaglia Poland holds an IRS portfolio to hedge mortgages pursuant to Article 2426, paragraph 11bis et seq. of the Italian Civil Code and OIC no. 32 with a negative fair value of Euro 202,455. In addition, at the end of 2018 there were non-hedging USD forward purchase contracts with a positive fair value of Euro 74,048 and non-hedging USD forward purchase contracts with a negative fair value of Euro 12,143.

At 31/12/2017, Marcegaglia UK held non-hedging USD forward purchase contracts, which matured naturally during the year and generated a revaluation of derivative financial instruments under item D) 18) d) in the Income Statement for Euro 54,729.

For a better understanding of the impacts on balance sheet and on profit and loss, the following details are provided:

	Opening balance as at 31/12/2017	Exchange rate difference on opening balances	INCREASES			DECREASES			Exchange rate difference on movements during the year	Closing balance as at 31/12/2018
			Item D) 18) d) Write-backs of financial derivatives instruments	Group portion	Minority interests	Item D) 19) d) Write-downs of financial derivatives instruments	Group portion	Minority interests		
Marcegaglia Poland Sp.z.o.o.	-	-	74,741	-	-	-	-	-	-693	74,048
<b>Financial assets not held as fixed assets – financial derivatives held as assets</b>	-	-	<b>74,741</b>	-	-	-	-	-	<b>-693</b>	<b>74,048</b>
Mariven	-13,735	-	-	8,928	4,807	-	-	-	-	-
Marcegaglia Carbon Steel	-7,253,261	-	2,815,695	-	-	-	-	-	-	-4,437,566
Marcegaglia Steel	-19,945,379	-	20,616,050	186,012	-	-14,944,477	-2,672,942	-	-	-16,760,736
Marcegaglia Poland Sp.z.o.o.	-138,075	3,993	135,337	-	-	-12,143	-187,865	-16,599	754	-214,598
Marcegaglia UK	-54,573	445	54,729	-	-	-	-	-	-601	-
<b>Provisions for risks and charges – financial derivatives held as liabilities</b>	<b>-27,405,023</b>	<b>4,438</b>	<b>23,621,811</b>	<b>194,940</b>	<b>4,807</b>	<b>-14,956,620</b>	<b>-2,860,807</b>	<b>-16,599</b>	<b>153</b>	<b>-21,412,900</b>

Changes in reserve for hedges:

	Opening balance as at 31/12/2017		Exchange rate difference on opening balances	Increases		Decreases		Exchange rate difference on movements during the year	Closing balance as at 31/12/2018	
	group portion	minority interests		group portion	minority interests	group portion	minority interests		group portion	minority interests
Mariven	-8,928	-4,807	-	8,928	4,807	-	-	-	-	-
Marcegaglia Steel	-186,012	-	-	186,012	-	-2,672,942	-	-	-2,672,942	-
Marcegaglia Poland Sp.z.o.o.	-	-	-	-	-	-187,865	-16,599	1,742	-186,123	-16,599
<b>Total reserve for projected cash flow hedges</b>	<b>-194,940</b>	<b>-4,807</b>	<b>-</b>	<b>194,940</b>	<b>4,807</b>	<b>-2,860,807</b>	<b>-16,599</b>	<b>1,742</b>	<b>-2,859,065</b>	<b>-16,599</b>

Detail of impact on income statement

	31/12/2018
Positive fair value of currency derivatives held at 31/12/2018 <b>Marcegaglia Poland</b>	74,741
Write-off of provisions for financial instruments payable on currencies existing at the beginning of the year for contracts expiring in 2018 <b>Marcegaglia Steel</b>	7,965,690
Write-off of provisions for financial instruments payable on currencies existing at the beginning of the year for contracts expiring in 2018 <b>Marcegaglia Poland</b>	135,337
Write-off of provisions for financial instruments payable on currencies existing at the beginning of the year for contracts expiring in 2018 <b>Marcegaglia UK</b>	54,729
<b>Revaluation of currency derivatives (not held for hedging purposes)</b>	<b>8,230,497</b>
Write-off of provisions for risks on IRS hedging of bank facilities extinguished on 02/10/2018 <b>Marcegaglia Steel</b>	11,793,677
Fair value adjustment of negative IRS hedging (ineffective portion) in portfolio at 31/12/2018 <b>Marcegaglia Steel</b>	856,683
<b>Write-back of IRS hedging derivatives</b>	<b>12,650,360</b>
Change in fair value of non-hedging IRS <b>Marcegaglia Carbon Steel</b>	2,815,695
<b>Write-back of IRS non-hedging derivatives</b>	<b>2,815,695</b>
<b>Total item D) 18d – Revaluation of financial derivatives</b>	<b>23,696,552</b>
	31/12/2018
Negative fair value of currency derivatives not held as hedges at 31/12/2018 <b>Marcegaglia Poland</b>	12,143
Negative fair value of currency derivatives not held as hedges at 31/12/2018 <b>Marcegaglia Steel</b>	1,467,806
<b>Write-downs of currency derivatives (not held for hedging purposes)</b>	<b>1,479,949</b>
Initial negative fair value of IRS hedging (ineffective portion) on new banking facilities <b>Marcegaglia Steel</b>	13,476,671
<b>Write-down of hedging IRS derivatives – FV first-time recognition</b>	<b>13,476,671</b>
<b>Total item D) 19d – Write-downs of financial derivatives</b>	<b>14,956,620</b>

The following table provides details on derivative contracts held at 31/12/2018 by companies included in the scope of consolidation:

Financial derivative	Group companies being part of the derivative contract	Fair value at year end	Notional amount	Nature	Maturity	Balance Sheet Assets – C) III) Financial assets not held as fixed assets	Balance Sheet Liabilities – B) Provisions for risks and charges
Flexible forward on USD	Marcegaglia Steel spa	-1,395,550	USD 40,000,000	not for hedging pursuant to OIC 32	04/01/2019 29/03/2019	-	-1,395,550
Flexible forward on USD	Marcegaglia Steel spa	-72,257	USD 20,000,000	not for hedging pursuant to OIC 32	27/03/2019 26/04/2019	-	-72,257
Interests rate swap	Marcegaglia Steel spa	-15,292,929	EUR 449,166,999	for hedging	31/12/2024	-	-15,292,929
Interests rate swap	Marcegaglia Carbon Steel spa	-4,437,566	EUR 50,000,000	not for hedging pursuant to OIC 32	11/05/2020	-	-4,437,566
Flexible forward on USD	Marcegaglia Poland	74,048	USD 5,519,200	not for hedging pursuant to OIC 32	03/01/2019	74,048	-
Flexible forward on USD	Marcegaglia Poland	-12,143	USD 4,000,000	not for hedging pursuant to OIC 32	03/01/2019 07/01/2019	-	-12,143
Interests rate swap	Marcegaglia Poland	-202,455	EUR 24,737,329	for hedging	31/12/2020 31/03/2021 30/09/2022	-	-202,455
<b>Total</b>		<b>-21,338,852</b>				<b>74,048</b>	<b>-21,412,900</b>

IRS derivative contracts held by Marcegaglia Steel spa have simple structures (Plain Vanilla IRS) in which the Bank pays a variable rate equal to the 6-month Euribor rate and the Client pays a fixed rate (clearly different for each contract).

The valuation technique used to estimate the value of contracts for the bond component (Fixed Rate and Floating Rate) is the Discounting Cash Flow Analysis:

I. the value of each bond leg is estimated through the algebraic sum of the present value of the future cash flows discounted on the basis of the Spot Market Rates at the valuation dates.

II. in the case of future cash flows linked to the trend of a variable rate, Forward Rates determined on the basis of market rates at the valuation dates are also used.

The valuation model used to estimate the value of the optional Floor component, on the other hand, falls within the category of “Option Pricing Models”. “Option pricing models” are used to evaluate optional content components, i.e. those components in which future cash flow values are subject to random elements. In that case it is necessary:

- I. to assign a probability to each possible future value of the indexing parameters;
- II. to determine cash flows;
- III. to weigh these flows according to their probability of realisation.

In particular, the model used to estimate the standard optional content components of each contract (i.e. not purely exotic content) is the “Black Model”, i.e. the model proposed by Fischer Black for interest rate derivatives.

The above model requires the following market parameters as Input Variables:

Forward Rates determined on the basis of market rates at the valuation dates;

the volatility of interest rates at the valuation dates, i.e. the variability of rates measured on the basis of the volatility implicit in the market prices of interest rate options.

The data provider used to retrieve all input data for interest rates (Spot, Forward and Volatility rates) is Bloomberg L.P., the most widely used financial provider/software in the financial community.

**Information pursuant to Art. 1, paragr. 125 of Italian Law no. 124 of 04 August 2017**

In accordance with the information to be provided in the Notes to the Financial Statements for the year 2018 regarding various types of grants received by public administrations and their associated entities, pursuant to Law no. 124 of 04/08/17, Art. 1, paragraphs 125-129, the following table is provided below:

Receiving company	Lender	Amount received (€)	Cause/Type contribution	Establishment	Regulatory ref.
Marcegaglia Carbon Steel	GSE spa	895,148,42	Incentive tariff for energy production from renewable sources	Casalmaggiore/Ravenna/Lomagna	MD 19/02/17-MD 05/05/11
Marcegaglia Carbon Steel	Customs and Monopolies Agency-CR	47,818,10	Reimbursement of excise duties on diesel fuel for vehicles not registered	Casalmaggiore	Legislative Decree 504/95 point 9 as subsequently amended and supplemented
Marcegaglia Carbon Steel	Customs and Monopolies Agency-AL	8,972,06	Reimbursement of excise duties on diesel fuel for vehicles not registered	Dusino S. Michele	Legislative Decree 504/95 point 9 as subsequently amended and supplemented
Marcegaglia Carbon Steel	Customs and Monopolies Agency-RA	197,651,23	Reimbursement of excise duties on diesel fuel for vehicles not registered	Ravenna	Legislative Decree 504/95 point 9 as subsequently amended and supplemented
Marcegaglia Carbon Steel	Customs and Monopolies Agency-RA	299,791,94	Reimbursement of excise duties on diesel fuel for vehicles not registered	Ravenna	Legislative Decree 504/95 point 9 as subsequently amended and supplemented
Marcegaglia Carbon Steel	Customs and Monopolies Agency-BG	1,733,75	Reimbursement of excise duties on diesel fuel for vehicles not registered	Boltiere	Legislative Decree 504/95 point 9 as subsequently amended and supplemented
Marcegaglia Carbon Steel	Customs and Monopolies Agency-MN	23,434,73	Reimbursement of excise duties on diesel fuel for registered vehicles - carbon tax year 2017	Gazoldo/Tezze sul Brenta/Lainate	L.448/98 Art.8 as subsequently amended and supplemented
Marcegaglia Carbon Steel	Customs and Monopolies Agency-PD	3,931,22	Exemption from excise duties on electricity	Albignasego	Legislative Decree 504/95 Art.52 paragraph 2 lett.e
Marcegaglia Carbon Steel	Customs and Monopolies Agency-BG	57,552,97	Exemption from excise duties on electricity	Boltiere	Legislative Decree 504/95 Art.52 paragraph 2 lett.e
Marcegaglia Carbon Steel	Customs and Monopolies Agency-AL	38,991,16	Exemption from excise duties on electricity	Dusino S. Michele	Legislative Decree 504/95 Art.52 paragraph 2 lett.e
Marcegaglia Carbon Steel	Customs and Monopolies Agency-CO	62,940,31	Exemption from excise duties on electricity	Lomagna	Legislative Decree 504/95 Art.52 paragraph 2 lett.e
Marcegaglia Carbon Steel	Customs and Monopolies Agency-PD	803,76	Exemption of gas excise duties	Albignasego	Legislative Decree 504/95 Art.21 paragraph 13
Marcegaglia Carbon Steel	Customs and Monopolies Agency-BG	22,478,80	Exemption of gas excise duties	Boltiere	Legislative Decree 504/95 Art.21 paragraph 13
Marcegaglia Carbon Steel	Customs and Monopolies Agency-CR	47,064,53	Exemption of gas excise duties	Casalmaggiore	Legislative Decree 504/95 Art.21 paragraph 13
Marcegaglia Carbon Steel	Customs and Monopolies Agency-MN	37,735,52	Exemption of gas excise duties	Gazoldo	Legislative Decree 504/95 Art.21 paragraph 13
Marcegaglia Carbon Steel	Customs and Monopolies Agency-RA	820,328,49	Exemption of gas excise duties	Ravenna	Legislative Decree 504/95 Art.21 paragraph 13
Marcegaglia Carbon Steel	European Community	76,260,00	1st tranche project contribution New Tech 4 Steel	Ravenna	NewTech4Steel RFCS-02-2017
Marcegaglia Carbon Steel	Revenue Agency - Treasury	1,147,137,51	Tax credit for R&D activities	Gazoldo/Ravenna/Casalmaggiore/Boltiere	Legislative Decree 145 of 23/12/13 Art.3
Marcegaglia Carbon Steel	Emilia Romagna Region	142,500,00	Regional Law contribution 10 of 30/06/14 (balance)	Ravenna	Regional Law Emilia R. no.10 of 30/06/14
Marcegaglia Carbon Steel	Revenue Agency - Treasury	122,179,39	Superamortisation year 2017	Various	Law 208 of 28/12/15
	<b>Total</b>	<b>4,054,453,89</b>			
Marcegaglia Specialties	Customs and Monopolies Agency-MN	38,610,10	Reimbursement of excise duties on diesel fuel for vehicles not registered	Volta Mantovana	Legislative Decree 504/95 point 9 as subsequently amended and supplemented
Marcegaglia Specialties	Customs and Monopolies Agency-MN	136,956,33	Exemption of gas excise duties	Gazoldo	Legislative Decree 504/95 Art.21 paragraph 13
Marcegaglia Specialties	Customs and Monopolies Agency-MN	23,648,38	Exemption from excise duties on electricity	Volta Mantovana	Legislative Decree 504/95 Art.52 paragraph 4 lett.e
Marcegaglia Specialties	Revenue Agency - Treasury	4,258,739,00	Detaxation of income for use of indirect patent box	Volta Mantovana Gazoldo	L. 190/2014
Marcegaglia Specialties	Revenue Agency - Treasury	47,861,85	Superamortisation	Various	Law 208 of 28/12/15
Marcegaglia Specialties	Revenue Agency - Treasury	62,405,94	Tax credit for R&D activities	Gazoldo/Volta Mantovana/Forlì	Legislative Decree 145 of 23/12/13 Art.3
	<b>Total</b>	<b>4,568,221,60</b>			
Marcegaglia Plates	Customs and Monopolies Agency-UD	31,510,61	Exemption from excise duties on electricity	S. Giorgio di Nogaro	Legislative Decree 504/95 Art. 52 paragraph 2 lett.e
Marcegaglia Plates	Customs and Monopolies Agency-UD	136,915,21	Exemption of gas excise duties	S. Giorgio di Nogaro	Legislative Decree 504/95 Art.21 paragraph 2 lett.13
Marcegaglia Plates	Revenue Agency - Treasury	6,706,80	Superamortisation	S. Giorgio di Nogaro	Law 208 of 28/12/15
Marcegaglia Plates	Revenue Agency - Treasury	72,431,33	Tax credit for R&D activities	S. Giorgio di Nogaro	Legislative Decree 145 of 23/12/13 Art.3
	<b>Total</b>	<b>247,563,95</b>			
Marcegaglia Ravenna	Customs and Monopolies Agency-RA	154,174,41	Exemption of gas excise duties	Ravenna	Legislative Decree 504/95 Art.21 paragraph 2 lett.13
	<b>Total</b>	<b>154,174,41</b>			
Marcegaglia Gazoldo Inox	Customs and Monopolies Agency-MN	26,957,76	Exemption of gas excise duties	Gazoldo	Legislative Decree 504/95 Art.21 paragraph 2 lett.13
	<b>Total</b>	<b>26,957,76</b>			

**SIGNIFICANT SUBSEQUENT EVENTS**

After the end of the year 2018 with purchase volumes and prices in decline (for all products, and in particular stainless ones), 2019 started with great uncertainty about the strength of demand and the possible further decline in prices.

However, due to the low level of stocks, apparent demand has essentially “held up” in the first quarter, despite the fact that final consumption of steel remains “fragile”.

On 31 January 2019, the European Commission published the definitive safeguard measures, deciding to apply maximum quotas per product and country of origin to imports of almost all steel products.

For hot rolled coils, as requested and argued by Marcegaglia Steel and other first transformation operators, a “global” quota (not for each country) has been defined at levels in line with imports in recent years.

The overall effect of these measures should be to stabilise traditional trade flows and eliminate import “peaks” seen in particular in 2017 and 2018, such as galvanised coils from China or welded tubes from Turkey with a benefit for processors and Marcegaglia. The following tables show the main trends for the first quarter of 2019.

Company	Revenues (thousands of Euro)		
	Jan-Mar 19	Jan-Mar 18	Δ %
Marcegaglia Carbon Steel	716,384	725,522	-1.3
Marcegaglia Specialties	353,807	310,450	14.0
Marcegaglia Plates	59,121	55,636	6.3
<b>Marcegaglia Steel Italy</b>	<b>1,129,312</b>	<b>1,091,607</b>	<b>3.5</b>
Marcegaglia do Brasil Ltda	25,613	26,093	-1.8
Marcegaglia Poland Sp z o.o.	65,784	68,095	-3.4
Marcegaglia UK	17,415	17,338	0.4
Marcegaglia RU	10,655	8,198	30.0
Marcegaglia TR	6,089	5,627	8.2
<b>Marcegaglia Steel Abroad</b>	<b>125,555</b>	<b>125,350</b>	<b>0.2</b>
<b>Marcegaglia Steel Total</b>	<b>1,254,867</b>	<b>1,216,958</b>	<b>3.1</b>

Company	Quantity (ton)			MARK UP (thousands of Euro)		
	Jan-Mar 19	Jan-Mar 18	Δ %	Jan-Mar 19	Jan-Mar 18	%
Marcegaglia Carbon Steel	992,528	988,465	0.4	192,595	199,379	-3.4
Marcegaglia Specialties	187,534	160,091	17.1	76,215	83,746	-9.0
Marcegaglia Plates	95,362	91,905	3.8	15,692	15,022	4.5
<b>Marcegaglia Steel Italy</b>	<b>1,275,425</b>	<b>1,240,461</b>	<b>2.8</b>	<b>284,501</b>	<b>298,147</b>	<b>-4.6</b>
Marcegaglia do Brasil Ltda	23,128	24,564	-5.8	8,516	8,480	0.4
Marcegaglia Poland Sp z o.o.	85,155	88,520	-3.8	9,051	10,568	-14.4
Marcegaglia UK	21,797	21,326	2.2	3,572	4,258	-16.1
Marcegaglia RU	4,388	3,410	28.7	1,152	1,001	15.1
Marcegaglia TR	2,521	2,369	6.4	579	690	-16.0
<b>Marcegaglia Steel Abroad</b>	<b>136,988</b>	<b>140,190</b>	<b>-2.3</b>	<b>22,870</b>	<b>24,996</b>	<b>-8.5</b>
<b>Marcegaglia Steel Total</b>	<b>1,412,413</b>	<b>1,380,651</b>	<b>2.3%</b>	<b>307,371</b>	<b>323,143</b>	<b>-4.9</b>

With reference to the two newly formed companies Marcegaglia Ravenna spa and Marcegaglia Gazoldo Inox spa, with regard to investment activities in energy efficiency, the companies are continuing the authorization and technical process aimed at the construction and management of a high-efficiency cogeneration plant with the technological partner Engie Servizi, for the combined production of electricity and heat from natural gas to be used in the Gazoldo and Ravenna plants. In particular, by May 2019 the complete project of the analysis of environmental and management impacts will be presented to the “Ministry for the Environment and the Protection of

Land and Sea”, with a view to developing the detailed authorisation process (current plant start-up forecast at the end of 2020).

The thermal and electrical energy generated will mainly be self-consumed.

This investment will make it possible to completely eliminate the use of methane gas currently used in the plant’s current steam generators and will make it possible to significantly reduce overall energy costs, continuing the path taken by the Group in terms of energy efficiency and EU environmental improvement.

All the main equipment making up the cogeneration plant will be equipped with the latest technologies available on the market and the best technical solutions applicable in terms of environmental impact.

## REFERENCE TO THE REPORT ON OPERATIONS ACCOMPANYING THE CONSOLIDATED FINANCIAL STATEMENTS

Information about the nature of the company’s business and its relations with subsidiaries (not included in the line-by-line consolidation process), associated companies, parent companies and companies subject to the control of the latter, is provided in the Report on Operations accompanying these consolidated financial statements.

## ANNEXES FORMING AN INTEGRAL PART OF THESE NOTES

**Annexes 1a-1b-1c:** Tables of the changes in tangible and intangible fixed assets and financial fixed assets

**Annexe 2:** Statement of changes in provisions for risk and charges and employee severance pay

*Gazoldo degli Ippoliti, 30/04/2019*

The Chairman  
of the Board of Directors

**Antonio Marcegaglia**

## Annex 1a - INTANGIBLE FIXED ASSETS TABLE

		Opening balances	Exchange differences at the begin- ning of the year	Increases	Decreases	Reposting	Exchange differences of the year	Variation of consolida- tion area	Extraordi- nary operations	Closing balances
Start-up and expansion costs	Historical cost	3,720,934	-368,177	0	0	0	0	0	0	3,352,757
	Revaluations	0	0	0	0	0	0	0	0	0
	Write-downs	0	0	0	0	0	0	0	0	0
	Depreciation fund	2,811,593	-286,226	165,127	0	0	-3,523	0	0	2,686,971
	<b>Total</b>	<b>909,341</b>	<b>-81,951</b>	<b>-165,127</b>	<b>0</b>	<b>0</b>	<b>3,523</b>	<b>0</b>	<b>0</b>	<b>665,786</b>
Development costs	Historical cost	0	0	0	0	0	0	0	0	0
	Revaluations	0	0	0	0	0	0	0	0	0
	Write-downs	0	0	0	0	0	0	0	0	0
	Depreciation fund	0	0	0	0	0	0	0	0	0
	<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Industrial patent rights and intellectual property rights	Historical cost	1,563,741	-107,855	360,281	0	0	-35	0	0	1,816,132
	Revaluations	0	0	0	0	0	0	0	0	0
	Write-downs	0	0	0	0	0	0	0	0	0
	Depreciation fund	1,153,407	-90,896	370,021	0	0	-3,247	0	0	1,429,285
	<b>Total</b>	<b>410,334</b>	<b>-16,959</b>	<b>-9,740</b>	<b>0</b>	<b>0</b>	<b>3,212</b>	<b>0</b>	<b>0</b>	<b>386,847</b>
Concessions, licences, trademarks and similar rights	Historical cost	201,056,265	-1,588	0	0	108,007	-1,002	0	0	201,161,682
	Revaluations	0	0	0	0	0	0	0	0	0
	Write-downs	0	0	0	0	0	0	0	0	0
	Depreciation fund	43,598,824	-1,400	20,116,535	0	0	-152	0	0	63,713,807
	<b>Total</b>	<b>157,457,441</b>	<b>-188</b>	<b>-20,116,535</b>	<b>0</b>	<b>108,007</b>	<b>-850</b>	<b>0</b>	<b>0</b>	<b>137,447,875</b>
Goodwill	Historical cost	70,902,136	0	0	0	0	0	0	0	70,902,136
	Revaluations	0	0	0	0	0	0	0	0	0
	Write-downs	30,502,246	0	4,372,658	0	0	0	0	0	34,874,904
	Depreciation fund	12,825,116	0	3,670,973	0	0	0	0	0	16,496,089
	<b>Total</b>	<b>27,574,774</b>	<b>0</b>	<b>-8,043,631</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>19,531,143</b>
Intangible fixed assets in progress	Historical cost	128,171	0	2,811,595	2,650,310	-108,007	-868	0	0	180,581
	Revaluations	0	0	0	0	0	0	0	0	0
	Write-downs	0	0	0	0	0	0	0	0	0
	<b>Total</b>	<b>128,171</b>	<b>0</b>	<b>2,811,595</b>	<b>2,650,310</b>	<b>-108,007</b>	<b>-868</b>	<b>0</b>	<b>0</b>	<b>180,581</b>
Advances on intangible fixed assets	Historical cost	0	0	0	0	0	0	0	0	0
	Revaluations	0	0	0	0	0	0	0	0	0
	Write-downs	0	0	0	0	0	0	0	0	0
	<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Other intangibles	Historical cost	1,321,921	-26,689	26,989	822,000	0	10,969	0	0	511,190
	Revaluations	0	0	0	0	0	0	0	0	0
	Write-downs	1	0	0	0	0	0	0	0	1
	Depreciation fund	1,213,350	-25,964	81,332	822,000	0	11,973	0	0	458,691
	<b>Total</b>	<b>108,570</b>	<b>-725</b>	<b>-54,343</b>	<b>0</b>	<b>0</b>	<b>-1,004</b>	<b>0</b>	<b>0</b>	<b>52,498</b>
i - Intangible fixed assets	Historical cost	278,693,168	-504,309	3,198,865	3,472,310	0	9,064	0	0	277,924,478
	Revaluations	0	0	0	0	0	0	0	0	0
	Write-downs	30,502,247	0	4,372,658	0	0	0	0	0	34,874,905
	Depreciation fund	61,602,290	-404,486	24,403,988	822,000	0	5,051	0	0	84,784,843
	<b>Total</b>	<b>186,588,631</b>	<b>-99,823</b>	<b>-25,577,781</b>	<b>2,650,310</b>	<b>0</b>	<b>4,013</b>	<b>0</b>	<b>0</b>	<b>158,264,730</b>

For a detailed commentary of the write-downs of goodwill, please refer to the text of the section "Intangible fixed assets".

## Annex 1b - TANGIBLE FIXED ASSETS TABLE

		Opening balances	Exchange differences at the beginning of the year	Increases	Decreases	Reposting	Exchange differences of the year	Variation of consolidation area	Extraordinary operations	Closing balances
Land and buildings	Historical cost	774,323,306	-8,785,431	7,360,824	6,217	223,184	-290,903	0	-9,219,093	763,605,670
	Revaluations	9,245,353	-980,082	0	0	0	0	0	0	8,265,271
	Write-downs	4,639,341	0	0	0	0	0	0	0	4,639,341
	Depreciation fund	94,858,643	-3,280,337	25,512,059	0	0	-301,109	0	-6,364,028	110,425,228
	<b>Total</b>	<b>684,070,675</b>	<b>-6,485,176</b>	<b>-18,151,235</b>	<b>6,217</b>	<b>223,184</b>	<b>10,206</b>	<b>0</b>	<b>-2,855,065</b>	<b>656,806,372</b>
Plant and machinery	Historical cost	1,100,114,078	-11,609,548	24,301,008	3,823,509	3,224,865	-24,182	14,757,468	-143,867	1,126,796,313
	Revaluations	10,131,938	-1,074,068	0	0	0	0	0	0	9,057,870
	Write-downs	7,470	0	0	0	0	0	0	0	7,470
	Depreciation fund	320,105,021	-7,623,341	103,424,445	2,001,073	0	-204,288	12,048,468	-21,920	425,727,312
	<b>Total</b>	<b>790,133,525</b>	<b>-5,060,275</b>	<b>-79,123,437</b>	<b>1,822,436</b>	<b>3,224,865</b>	<b>180,106</b>	<b>2,709,000</b>	<b>-121,947</b>	<b>710,119,401</b>
Industrial and commercial equipment	Historical cost	61,829,044	213,487	5,750,146	1,127,858	105,162	-271,552	849,610	-8,482,574	58,865,465
	Revaluations	0	0	0	0	0	0	0	0	0
	Write-downs	305	-39	0	0	0	0	0	0	266
	Depreciation fund	30,632,231	144,553	11,744,496	948,435	0	-195,136	829,952	-6,209,294	35,998,367
	<b>Total</b>	<b>31,196,508</b>	<b>68,973</b>	<b>-5,994,350</b>	<b>179,423</b>	<b>105,162</b>	<b>-76,416</b>	<b>19,658</b>	<b>-2,273,280</b>	<b>22,866,832</b>
Other assets	Historical cost	23,116,345	-589,593	1,270,585	520,406	91,939	-68,824	1,125,700	-2,144,598	22,281,148
	Revaluations	0	0	0	0	0	0	0	0	0
	Write-downs	1,674	-217	0	0	0	0	0	0	1,457
	Depreciation fund	12,719,517	-223,883	2,554,868	390,997	0	-78,259	1,068,396	-1,977,310	13,672,332
	<b>Total</b>	<b>10,395,154</b>	<b>-365,493</b>	<b>-1,284,283</b>	<b>129,409</b>	<b>91,939</b>	<b>9,435</b>	<b>57,304</b>	<b>-167,288</b>	<b>8,607,359</b>
Tangible fixed assets in progress	Historical cost	19,758,408	-113,972	11,807,324	581,087	-3,645,150	-18,391	211,354	-373,970	27,044,516
	Revaluations	0	0	0	0	0	0	0	0	0
	Write-downs	5,868,231	-7,489	0	0	0	0	0	0	5,860,742
	Depreciation fund	0	0	0	0	0	0	0	0	0
	<b>Total</b>	<b>13,890,177</b>	<b>-106,483</b>	<b>11,807,324</b>	<b>581,087</b>	<b>-3,645,150</b>	<b>-18,391</b>	<b>211,354</b>	<b>-373,970</b>	<b>21,183,774</b>
Advances on tangible fixed assets	Historical cost	2,867,633	-356	8,255,282	1,343,334	0	71	0	0	9,779,296
	Revaluations	0	0	0	0	0	0	0	0	0
	Write-downs	0	0	0	0	0	0	0	0	0
	Depreciation fund	0	0	0	0	0	0	0	0	0
	<b>Total</b>	<b>2,867,633</b>	<b>-356</b>	<b>8,255,282</b>	<b>1,343,334</b>	<b>0</b>	<b>71</b>	<b>0</b>	<b>0</b>	<b>9,779,296</b>
ii - Tangible fixed assets	Historical cost	1,982,008,814	-20,885,413	58,745,169	7,402,411	0	-673,781	16,944,132	-20,364,102	2,008,372,408
	Revaluations	19,377,291	-2,054,150	0	0	0	0	0	0	17,323,141
	Write-downs	10,517,021	-7,745	0	0	0	0	0	0	10,509,276
	Depreciation fund	458,315,412	-10,983,008	143,235,868	3,340,505	0	-778,792	13,946,816	-14,572,552	585,823,239
	<b>Total</b>	<b>1,532,553,672</b>	<b>-11,948,810</b>	<b>-84,490,699</b>	<b>4,061,906</b>	<b>0</b>	<b>105,011</b>	<b>2,997,316</b>	<b>-5,791,550</b>	<b>1,429,363,034</b>

Extraordinary operations mainly refer to the asset disposal by the subsidiary Marcegaglia USA, which, at the end of June sold a business unit relating to galvanized steel production, completing the disposal strategy which began in 2017.

To a lesser extent, the amount of extraordinary operations also refers to the sale of the business unit comprised mainly of plant and machinery and personnel of the production site in Albignasego (Marcegaglia Carbon Steel).

Variation of consolidation area refer to the first consolidation of Marcegaglia Novero spa (for a detailed commentary please refer to the text of the section "subsidiaries included in the consolidated using the line by line method").

Increases in land and buildings refer mainly to Marcegaglia Specialties (euro 4.174.083).

Increases in plants and machinery refer mainly to Marcegaglia Carbon Steel (euro 16.907.836) and Marcegaglia Specialties (euro 6.208.129).

Increases in tangible fixed assets in progress refer mainly to Marcegaglia Carbon Steel (euro 6.168.668) and Marcegaglia Specialties (euro 3.583.701).

## Annex 1C - FINANCIAL FIXED ASSETS TABLE

		Opening balances	Exchange differences at the beginning of the year	Acquisitions and Subscrip- tions	Share capital increase/Fu- ture account capital increase	Increases	Decreases	Variation in conso- lidation area	Reposting	Extraor- dinary operations	Exchange differences of the year	Balance at end of year
<b>1) Investments</b>												
investments	Historical cost	108,431,975	0	20,000	6,671,223	0	0	0	664	0	0	115,123,862
in subsidiaries	Write-downs provision	105,094,047	0	0	0	0	0	0	0	0	0	105,094,047
measured at cost	Revaluation reserve	0	0	0	0	0	0	0	0	0	0	0
investments	Historical cost	0	0	0	0	0	0	0	0	0	0	0
in subsidiaries	Write-downs provision	0	0	0	0	0	0	0	0	0	0	0
measured	<b>Revaluation reserve</b>	0	0	0	0	0	0	0	0	0	0	0
at equity method												
<b>investments</b>	<b>Total</b>	<b>3,337,928</b>	<b>0</b>	<b>20,000</b>	<b>6,671,223</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>664</b>	<b>0</b>	<b>0</b>	<b>10,029,815</b>
<b>in subsidiaries</b>												
investments	Historical cost	954,622	0	0	0	0	0	0	0	0	0	954,622
in associates	Write-downs provision	0	0	0	0	0	0	0	0	0	0	0
measured at cost	Revaluation reserve	0	0	0	0	0	0	0	0	0	0	0
investments	Historical cost	0	0	0	0	0	0	0	0	0	0	0
in associates	Write-downs provision	0	0	0	0	0	0	0	0	0	0	0
measured	Revaluation reserve	0	0	0	0	0	0	0	0	0	0	0
at equity method												
<b>investments</b>	<b>Total</b>	<b>954,622</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>954,622</b>
<b>in associates</b>												
investments	Historical cost	0	0	664	0	0	0	0	-664	0	0	0
in companies	Write-downs provision	0	0	0	0	0	0	0	0	0	0	0
subject	Revaluation reserve	0	0	0	0	0	0	0	0	0	0	0
to control of parent												
companies												
<b>investments</b>	<b>Total</b>	<b>0</b>	<b>0</b>	<b>664</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-664</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>in companies</b>												
investments in	Historical cost	1,776,341	0	0	0	0	4,015	0	0	0	0	1,772,326
other companies	Write-downs provision	0	0	0	0	0	0	0	0	0	0	0
<b>other companies</b>	<b>Total</b>	<b>1,776,341</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,015</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,772,326</b>
<b>total</b>	<b>Historical cost</b>	<b>111,162,938</b>	<b>0</b>	<b>20,664</b>	<b>6,671,223</b>	<b>0</b>	<b>4,015</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>117,850,810</b>
	<b>Write-downs provision</b>	<b>105,094,047</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>105,094,047</b>
	<b>Revaluation reserve</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>total investments</b>	<b>Total</b>	<b>6,068,891</b>	<b>0</b>	<b>20,664</b>	<b>6,671,223</b>	<b>0</b>	<b>4,015</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12,756,763</b>
<b>2) Receivables included in financial fixed assets</b>												
<i>receivables due after 12 months</i>												
receivables from	Gross value	0	0	0	0	0			0	0	0	0
non-consolidated	write-down povision	0	0	0	0	0			0	0	0	0
subsidiaries												
<b>non-consolidated</b>	<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>subsidiaries</b>												
receivables from	Gross value	75,756	0	0	0	412,745	92,645	0	0	0	0	395,857
others	write-down povision	0	0	0	0	0	0	0	0	0	0	0
<b>others</b>	<b>Total</b>	<b>75,756</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>412,745</b>	<b>92,645</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>395,857</b>
<b>totale</b>	<b>Gross value</b>	<b>75,756</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>412,745</b>	<b>92,645</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>395,857</b>
	<b>write-down povision</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Tot. receivables due</b>	<b>Total</b>	<b>75,756</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>412,745</b>	<b>92,645</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>395,857</b>
<b>after 12 months</b>												
<b>3) other securities</b>												
		<b>0</b>	<b>0</b>			<b>0</b>	<b>13,541</b>	<b>377,551</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>364,010</b>
<b>total financial fixed assets</b>		<b>6,144,647</b>	<b>0</b>	<b>20,664</b>	<b>6,671,223</b>	<b>412,745</b>	<b>110,201</b>	<b>377,551</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13,516,630</b>

The new subscription refer to the acquisition of a majority equity investments (80%) by the subsidiary Marcegaglia Carbon Steel in Novero s.p.a. (Euro 3.417.500) and Novero Polska sp.zo.o. (Euro 20.000).

The capital increase refer to payments made by the subsidiary Marcegaglia Carbon Steel into the newly formed company Marcegaglia Central America (Euro 6.585.753) and Marcegaglia India (Euro 85.471).

For a detailed commentary related to the new company Marcegaglia Central America please see the text of the section "direct or indirect subsidiaries measured at cost".

Variation of consolidation area refers to the first consolidation of Marcegaglia Novero spa (please see the text of the section "subsidiaries included in consolidated using the line by line method").

**Annex 2 - PROVISION FOR CONTINGENTS AND COMMITMENTS TABLE**

	Opening balances	Exchange difference at beginning of year	Provisions	Utilisation	Repo- sting	Other movements	Exchange differences of the year	Variations of consolidation area	Extraor- dinary operations	Closing balances
for post retirements benefits and similar obligations	2,816,525	31,529	482,155	245,724	0	0	7,012	0	0	3,091,497
<b>1) for post retirements benefits and similar obligations</b>	<b>2,816,525</b>	<b>31,529</b>	<b>482,155</b>	<b>245,724</b>	<b>0</b>	<b>0</b>	<b>7,012</b>	<b>0</b>	<b>0</b>	<b>3,091,497</b>
for taxes, including deferred taxes	278,159,693	-273,002	4,436,214	29,611,206	0	0	9,244	0	0	252,720,943
<b>2) for taxes, including deferred taxes</b>	<b>278,159,693</b>	<b>-273,002</b>	<b>4,436,214</b>	<b>29,611,206</b>	<b>0</b>	<b>0</b>	<b>9,244</b>	<b>0</b>	<b>0</b>	<b>252,720,943</b>
financial derivatives reported as liabilities	27,405,023	-4,439	17,834,026	23,821,557	0	0	-153	0	0	21,412,900
<b>3) financial derivatives reported as liabilities</b>	<b>27,405,023</b>	<b>-4,439</b>	<b>17,834,026</b>	<b>23,821,557</b>	<b>0</b>	<b>0</b>	<b>-153</b>	<b>0</b>	<b>0</b>	<b>21,412,900</b>
others	1,649,721	-46,505	35,000	1,577,156	0	0	6,940	88,000	0	156,000
<b>4) others</b>	<b>1,649,721</b>	<b>-46,505</b>	<b>35,000</b>	<b>1,577,156</b>	<b>0</b>	<b>0</b>	<b>6,940</b>	<b>88,000</b>	<b>0</b>	<b>156,000</b>
from consolidation for future risks and charges	1,000,000	0	7,574,575	1,000,000	0	0	0	0	0	7,574,575
<b>5) from consolidation for future risks and charges</b>	<b>1,000,000</b>	<b>0</b>	<b>7,574,575</b>	<b>1,000,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,574,575</b>

Utilisations of deferred tax, as previously mentioned in the paragraph "Provisions for risks and charges", mainly refers to the reabsorption of deferred tax that arose, on conferral, through the process of amortisation and depreciation of the higher value assigned based on the useful lives the various assets indicated by the expert in the valuation. During the year 2018 the utilisation of the provision in connection with the higher amortisation and depreciation in the financial statements than the amortisation and depreciation for tax purposes was 12,4 million (Marcegaglia Carbon Steel), 9,6 million (Marcegaglia Specialties), 1 million (Marcegaglia Plates), Euro 850.620 (Marcegaglia Ravenna) and Euro 222.753 Marcegaglia Gazoldo Inox.

For a detailed commentary of the movements of derivative financial instruments held as liabilities please refer to the text of the notes to the financial statements.

Variation of consolidation area refers to the first consolidation of Marcegaglia Novero s.p.a. (for a detailed commentary see the text of the section "subsidiaries included in consolidated using the line by line method").

Provision for 7.574.575 Euro refers to the estimate of the cost that Marcegaglia Carbon Steel should be pay during the next year to purchase from Simest the minority equity investment in the share capital of the subsidiary Marcegaglia Do Brasil. Utilisation for 1 million Euro is related to the disposal of equity investments in the share capital of Marcegaglia China.

	Opening balances	Exchange differences at the beginning of the year	Provisions	Utilisation	Repoting	Other movements	Exchange differences of the year	Variations of consolidation area	Extraordi- nary operations	Closing balances
<b>B) PROVISIONS FOR RISKS AND CHARGES</b>	<b>311,030,962</b>	<b>-292,417</b>	<b>30,361,970</b>	<b>56,255,643</b>	<b>0</b>	<b>0</b>	<b>23,043</b>	<b>88,000</b>	<b>0</b>	<b>284,955,915</b>
<b>C) EMPLOYEES SEVERANCE PAY</b>	<b>14,951,659</b>	<b>0</b>	<b>10,762,857</b>	<b>11,500,313</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>375,510</b>	<b>-337,176</b>	<b>14,252,537</b>

Extraordinary operations refer to the sale of business unit comprised mainly of plants and machinery and personnel of the production site in Albignasego (Marcegaglia Carbon Steel).

Variation of consolidation area refers to the first consolidation of Marcegaglia Novero s.p.a. (for a detailed commentary see the text of the section "subsidiaries included in consolidated using the line by line method").



# Financial Statements 2018

## Marcegaglia Carbon Steel

**MARCEGAGLIA CARBON STEEL S.p.A.**

Registered office:: via Bresciani, 16 - Gazoldo degli Ippoliti, Mantova - Italy

Share capital: Euro 396,218,598 fully paid up

Fiscal Code and VAT No.: 02466220205

Registered with the Mantua Chamber of Commerce

and Administrative Economic Index [REA] under No. 255216

## **Independent auditor's report in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010**

To the Shareholders of Marcegaglia Carbon Steel S.p.A.

### **Report on the audit of the financial statements**

#### **Opinion**

We have audited the financial statements of Marcegaglia Carbon Steel S.p.A. (the Company), which comprise the balance sheet as at December 31, 2018, the income statement and the cash flows statement for the year then ended and the explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2018, and of the result of its operations and cash flows for the year then ended in accordance with the Italian laws governing the financial statements.

#### **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 section of this report titled *Auditor's responsibilities for the audit of the financial statements*. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Responsibilities of the directors and board of statutory auditors for the financial statements**

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the Italian laws governing the financial statements and, according to the terms prescribed by law, for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and for the appropriateness of the use of the going concern assumption in the preparation of the financial statements, and for appropriate disclosure thereof. In preparing the financial statements, the directors use the going concern basis of accounting unless directors either intend to liquidate the Company or to cease operations or has no realistic alternative but to do so.

The board of statutory auditors ("collegio sindacale") is responsible for overseeing, according to the terms prescribed by law, the Company's financial reporting process.

#### **MAZARS ITALIA SpA**

VIA AUGUSTO RIGHI, 6 - 37135 VERONA  
TEL: +39 045 4753200 - FAX: +39 045 4647314 - [www.mazars.it](http://www.mazars.it)

SpA - CAPITALE SOCIALE DELIBERATO, SOTTOSCRITTO E VERSATO € 120.000,00 – SEDE LEGALE: LARGO AUGUSTO, 8 - 20122 MILANO

REA MI-2076227 - COD. FISC. E P. IVA 11176691001 – ISCRIZIONE AL REGISTRO DEI REVISORI LEGALI N. 163788 CON D.M. DEL 14/07/2011 G.U. N. 57 DEL 19/07/2011

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain a reasonable assurance about whether the 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 performed in accordance 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 in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of the audit in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures in response to those risks; we obtained sufficient and appropriate audit evidence on which to base 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 omissions, misrepresentations or the override of internal control;
- we obtained an understanding of the internal control relevant to the audit in order to design the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- we concluded on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Where a material uncertainty exists, we are required to draw attention, in our auditor's report, to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, subsequent events or conditions may cause the Company to cease to continue as a going concern;
- we evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in such a manner as to give a true and fair view.

We communicated to those charged with governance, identified at an appropriate level as required by ISA Italia, among other matters, the 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 compliance with other laws and regulations**

### **Opinion in accordance with article 14, paragraph 2, letter e), of Legislative Decree No. 39/10**

The directors of Marcegaglia Carbon Steel S.p.A. are responsible for preparing a directors' report of Marcegaglia Carbon Steel S.p.A. as at December 31, 2018, including its consistency with the relevant financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the directors' report with the financial statements of Marcegaglia Carbon Steel S.p.A. as at December 31, 2018 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

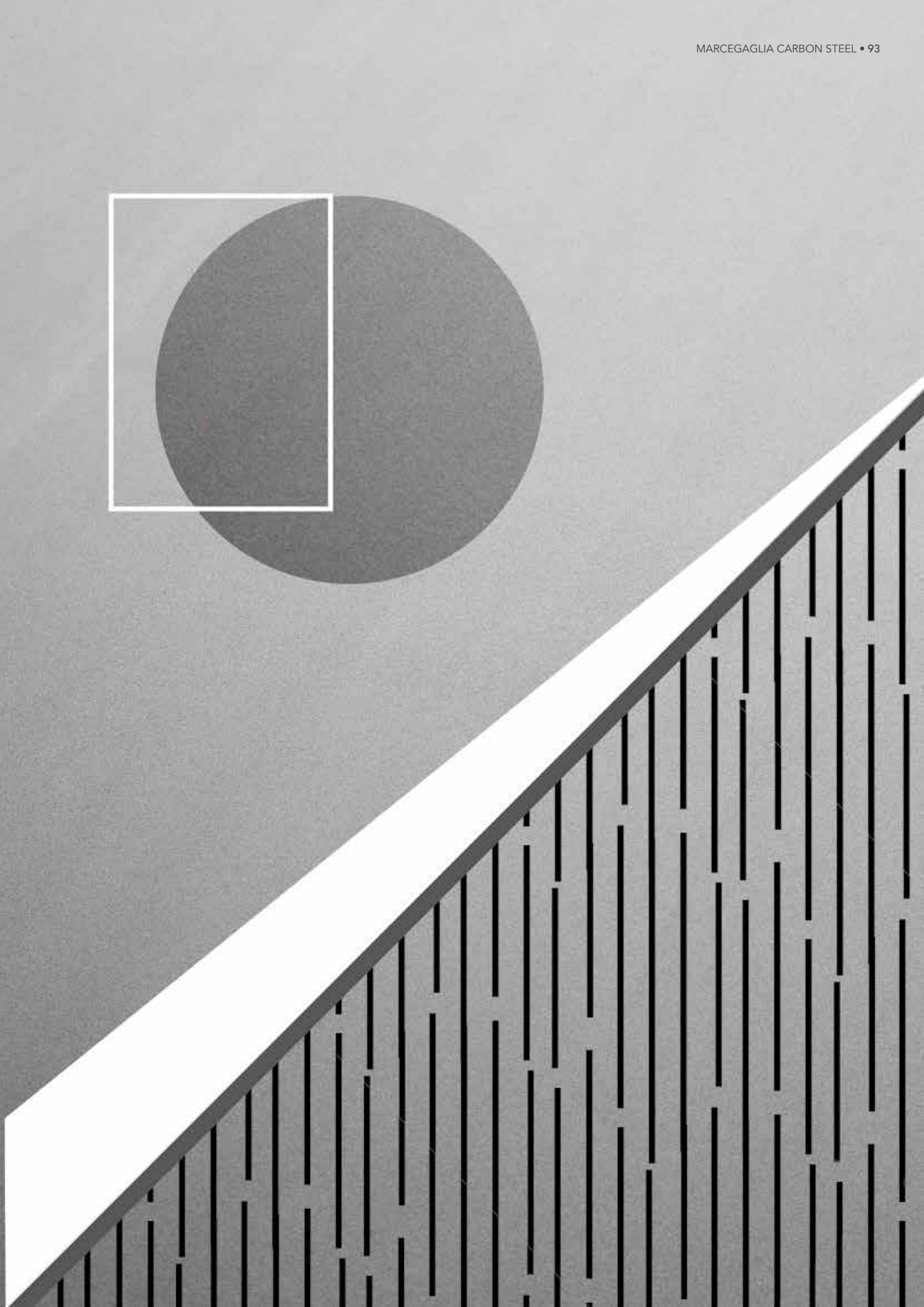
In our opinion, the directors' report is consistent with the financial statements of Marcegaglia Carbon Steel S.p.A. as at December 31, 2018 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued based on our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Verona, April 30, 2019

Mazars Italia S.p.A.  
(signed on the original)  
Alfonso Iorio  
Partner

*This report has been translated into English language from the Italian original solely for the convenience of international readers.*



# MARCEGAGLIA CARBON STEEL S.P.A.

## BALANCE SHEET AS OF 31 DECEMBER 2018

ASSETS values in EUR

31 Dec. 2018

31 Dec. 2017

<b>B FIXED ASSETS</b>			
<b>I</b>	<b>Intangible fixed asset</b>		
1	Start-up and expansion costs	41,559	64,228
3	Industrial patent rights and intellectual property rights	186,880	179,896
4	Concessions, licences, trademarks and similar rights	760	950
6	Fixed assets in progress and advance payments	169,260	128,171
7	Other	34,011	89,157
	<b>Total intangible fixed assets (B-I)</b>	<b>432,470</b>	<b>462,402</b>
<b>II</b>	<b>Property, plant and equipment</b>		
1	Land and buildings	447,225,635	459,569,396
2	Plant and machinery	189,242,558	503,175,788
3	Industrial and commercial equipment	11,918,815	20,349,520
4	Other assets	1,410,538	2,636,292
5	Fixed assets in progress and advance payments	7,432,577	23,284,903
	<b>Total property, plant and equipment (B-II)</b>	<b>657,230,123</b>	<b>1,009,015,899</b>
<b>III</b>	<b>Financial fixed assets</b>		
1	Equity investments in:		
	a) Subsidiaries	130,293,284	128,471,230
	b) Associates	935,872	942,122
	d-bis) Other companies	379,750	1,776,331
		<b>131,608,906</b>	<b>131,189,683</b>
2	Receivables		
	d-bis) from others		
	- due after the following year	35,574	51,494
		<b>35,574</b>	<b>51,494</b>
	<b>Total financial assets (B-III)</b>	<b>131,644,480</b>	<b>131,241,177</b>
	<b>Total Fixed Assets B</b>	<b>789,307,073</b>	<b>1,140,719,478</b>
<b>C CURRENT ASSETS</b>			
<b>I</b>	<b>Inventories</b>		
1	Raw and ancillary materials and consumables	248,497,744	337,027,316
2	Work in progress and semi-finished products	273,370,195	256,625,617
4	Finished products and goods	218,991,479	202,514,605
5	Advance payments	23,442,197	17,206,988
	<b>Total inventories (C-I)</b>	<b>764,301,615</b>	<b>813,374,526</b>
<b>II</b>	<b>Receivables</b>		
1	from customer		
	- due within the following year	30,193,085	105,846,940
		<b>30,193,085</b>	<b>105,846,940</b>
2	from subsidiaries		
	- due within the following year	39,863,987	28,748,653
		<b>39,863,987</b>	<b>28,748,653</b>
3	from associates		
	- due within the following year	1,925,834	2,589,443
		<b>1,925,834</b>	<b>2,589,443</b>
4	from parent companies		
	- due within the following year	1,974,306	675,259
		<b>1,974,306</b>	<b>675,259</b>
5	from companies subject to control of parent companies		
	- due within the following year	102,088,599	106,004,685
		<b>102,088,599</b>	<b>106,004,685</b>
5-bis	Tax credit		
	- due within the following year	28,693,906	12,360,092
		<b>28,693,906</b>	<b>12,360,092</b>
5-ter	Deferred tax assets		
		6,598,527	8,672,813
		<b>6,598,527</b>	<b>8,672,813</b>
5-quater	from others		
	- due within the following year	18,410,854	25,180,020
		<b>18,410,854</b>	<b>25,180,020</b>
	<b>Total receivables (C-II)</b>	<b>229,749,098</b>	<b>290,077,905</b>
<b>IV</b>	<b>Cash and cash equivalents</b>		
1	Bank and postal deposits	18,143,675	636,100
3	Cash on hand and cash equivalents	14,628	18,713
	<b>Total cash and cash equivalents (C-IV)</b>	<b>18,158,303</b>	<b>654,813</b>
	<b>Totale Current Assets C</b>	<b>1,012,209,016</b>	<b>1,104,107,244</b>
<b>D ACCRUED INCOME AND PREPAID EXPENSES</b>			
	Accrued income and prepaid expenses	86,495	436,342
	<b>Total Accrued income and prepaid expenses D</b>	<b>86,495</b>	<b>436,342</b>
	<b>TOTAL ASSETS</b>	<b>1,801,602,584</b>	<b>2,245,263,064</b>

## LIABILITIES values in EUR

31 Dec. 2018

31 Dec. 2017

<b>A SHAREHOLDERS' EQUITY</b>			
I	Share capital	396,218,598	496,118,598
II	Share premium reserve	6,859,343	6,859,343
IV	Legal reserve	1,896,179	0
VI	Other reserves, represented by:		
	- Contributions on future capital increase	20,000	20,000
	- Reserve for unrealized exchange gains	8,728,952	0
	- Difference from rounding to the unit of Euro	3	3
	<b>Total other reserves (VI)</b>	<b>8,748,955</b>	<b>20,003</b>
VIII	Profit/(loss) carried forward	(100,265,478)	(127,563,929)
IX	Profit/(loss) for the year	1,713,036	37,923,583
	<b>Total equity A</b>	<b>315,170,633</b>	<b>413,357,598</b>
<b>B RESERVES FOR RISKS AND EXPENSES</b>			
1	for post-retirement benefits and similar obligations	1,821,829	1,837,503
2	for taxes, including deferred taxes	104,832,778	165,474,478
3	financial derivatives reported as liabilities	4,437,566	7,253,261
4	other	7,611,575	1,650,881
	<b>Total Reserves for Risks and Expenses B</b>	<b>118,703,748</b>	<b>176,216,123</b>
<b>C EMPLOYEE SEVERANCE PAY</b>			
	Employee severance pay C	8,872,121	11,272,892
<b>D PAYABLES</b>			
4	Payables to banks		
	- due within the following year	19,322,447	36,310,246
	- due after the following year	5,400,000	12,680,000
		<b>24,722,447</b>	<b>48,990,246</b>
6	Advance payments		
	- due within the following year	320,000	707,001
		<b>320,000</b>	<b>707,001</b>
7	Trade payables		
	- due within the following year	1,007,173,554	1,061,246,649
		<b>1,007,173,554</b>	<b>1,061,246,649</b>
9	Payables to subsidiaries		
	- due within the following year	9,580,256	13,152,486
		<b>9,580,256</b>	<b>13,152,486</b>
10	Payables to associates		
	- due within the following year	1,471,310	1,848,884
		<b>1,471,310</b>	<b>1,848,884</b>
11	Payables to parent companies		
	- due within the following year	173,234,876	333,282,956
		<b>173,234,876</b>	<b>333,282,956</b>
11-bis	Payables to companies subject to control of parent companies		
	- due within the following year	22,008,301	22,071,045
		<b>22,008,301</b>	<b>22,071,045</b>
12	Tax payables		
	- due within the following year	25,080,524	11,216,178
		<b>25,080,524</b>	<b>11,216,178</b>
13	payables to welfare and social security organizations		
	- due within the following year	7,742,406	10,638,780
		<b>7,742,406</b>	<b>10,638,780</b>
14	Other payables		
	- due within the following year	87,391,135	140,729,607
		<b>87,391,135</b>	<b>140,729,607</b>
	<b>Total Payables D</b>	<b>1,358,724,809</b>	<b>1,643,883,832</b>
<b>E ACCRUED EXPENSES AND DEFERRED INCOME</b>			
	Accrued expenses and deferred income	131,273	532,619
	<b>Total Accrued expenses and deferred income E</b>	<b>131,273</b>	<b>532,619</b>
	<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1,801,602,584</b>	<b>2,245,263,064</b>

# MARCEGAGLIA CARBON STEEL S.P.A.

## PROFIT AND LOSS ACCOUNT AS OF 31 DECEMBER 2018

values in EUR		2018	2017
<b>A</b>	<b>VALUE OF PRODUCTION</b>		
1	Revenues from sales and services	3,143,860,498	2,966,255,090
2	Changes in inventories of work in progress, semi-finished and finished products	33,358,117	72,447,374
4	Increase in fixed assets for internal work	2,650,310	0
5	Other revenues and income		
-	- Operating grants	1,008,464	2,729,116
-	- Other	21,865,062	13,525,890
	<b>Total other revenues and income (5)</b>	<b>22,873,526</b>	<b>16,255,006</b>
	<b>Total Value of production A</b>	<b>3,202,742,451</b>	<b>3,054,957,470</b>
<b>B</b>	<b>PRODUCTION COSTS</b>		
6	Raw and ancillary materials, consumables and goods	(2,419,528,953)	(2,252,871,255)
7	Services	(407,481,938)	(366,460,375)
8	Lease and rental expense	(31,708,270)	(33,712,069)
9	Personnel costs		
a)	a) wages and salaries	(106,930,006)	(113,168,684)
b)	b) social security contributions	(35,367,664)	(36,770,220)
c)	c) employee severance pay	(7,665,829)	(8,063,081)
e)	e) other personnel costs	(575,744)	(986,716)
	<b>Total personnel costs (9)</b>	<b>(150,539,243)</b>	<b>(158,988,701)</b>
10	Amortisation, depreciation and write-downs		
a)	a) amortisation of intangible assets	(240,478)	(379,147)
b)	b) depreciation of property, plant and equipment	(82,864,509)	(87,124,763)
d)	d) write-downs of receivables included in current assets and cash and cash equival.	(2,322,729)	(2,835,752)
	<b>Total amortisation, depreciation and write-downs (10)</b>	<b>(85,427,716)</b>	<b>(90,339,662)</b>
11	Changes in the inventory of raw and ancillary mater., consumables and goods	(48,502,346)	(60,947,787)
14	Sundry operating costs	(9,160,940)	(5,505,384)
	<b>Total Production Costs B</b>	<b>(3,152,349,406)</b>	<b>(2,968,825,233)</b>
	<b>Difference between Value and Cost of Production A - B</b>	<b>50,393,045</b>	<b>86,132,237</b>
<b>C</b>	<b>FINANCIAL INCOME AND EXPENSES</b>		
15	Income from equity investments		
-	- from associates	0	1,979,750
-	- from other companies	24,995,985	0
	<b>Total income from equity investments (15)</b>	<b>24,995,985</b>	<b>1,979,750</b>
16	Other financial income:		
a)	a) from receivables recorded as fixed assets		
-	- from other companies	92	0
	<b>Total financial income from receivables recorded as fixed assets (a)</b>	<b>92</b>	<b>0</b>
d)	d) income other than the above:		
-	- from subsidiaries	1,010,939	2,046,246
-	- from companies subject to the control of parent companies	1,100,051	23,237
-	- from others	365,327	102,817
	<b>Total income other than the above (d)</b>	<b>2,476,317</b>	<b>2,172,300</b>
	<b>Total other financial income (16)</b>	<b>2,476,409</b>	<b>2,172,300</b>
17	Interests and other financial charges:		
-	- paid to subsidiaries	318,513	379,306
-	- paid to parent companies	18,017,552	18,146,110
-	- paid to companies subject to the control of parent companies	87,240	0
-	- other financial expenses	30,399,002	40,152,553
	<b>Total interests and other financial charges (17)</b>	<b>48,822,307</b>	<b>58,677,969</b>
17-bis	Exchange-rate gains and losses	(11,045,187)	14,918,689
	<b>Total Financial Income and Expenses C</b>	<b>(32,395,100)</b>	<b>(39,607,230)</b>
<b>D</b>	<b>VALUE ADJUSTMENTS OF FINANCIAL ASSETS</b>		
18	Revaluations		
d)	d) of financial derivatives	2,815,694	7,267,844
	<b>Total revaluations (18)</b>	<b>2,815,694</b>	<b>7,267,844</b>
19	Write-downs		
a)	a) of equity investments	16,418,592	1,000,006
	<b>Total write-downs (19)</b>	<b>16,418,592</b>	<b>1,000,006</b>
	<b>Total Value Adjustments of Financial Assets D</b>	<b>(13,602,898)</b>	<b>6,267,838</b>
	<b>PROFIT (LOSS) BEFORE TAXES (A-B+/-C+/-D)</b>		
	<b>Profit (Loss) Before Taxes A-B+/-C+/-D</b>	<b>4,395,047</b>	<b>52,792,845</b>
20	Current, deferred and pre-paid income taxes for the year		
-	- direct taxes for the year	14,682,803	16,709,401
-	- direct taxes for previous years	0	10,544
-	- deferred taxes	(12,000,792)	(770,683)
-	- Income (costs) from participation in tax consolidation scheme	0	1,080,000
	<b>Total current, deferred and pre-paid income taxes for the year (20)</b>	<b>2,682,011</b>	<b>14,869,262</b>
	<b>PROFIT (LOSS) FOR THE YEAR</b>	<b>1,713,036</b>	<b>37,923,583</b>

## STATEMENT OF CASH FLOWS AS OF 31 DECEMBER 2018

values in EUR

31 Dec 2018

31 Dec 2017

<b>A CASH FLOWS FROM INCOME-GENERATING OPERATIONS (INDIRECT METHOD)</b>		
Profit (loss) for the year	1,713,036	37,923,583
Income Tax	2,682,011	14,869,262
Interest expenses/(income)	21,349,913	54,525,919
(Gains)/Losses resulting from the disposal of assets	359,668	(1,854,921)
<b>1 Profit (loss) for the year, before income taxes, interest, dividends and gains/losses from asset sales</b>	<b>26,104,628</b>	<b>105,463,843</b>
Adjustments for non-cash items with no balancing entry in net working capital		
- Provisions to funds	7,812,255	8,733,413
- Amortisation/Depreciation of fixed assets	83,104,987	87,503,910
- Value adjustments of financial assets and liabilities on derivative financial instruments that do not involve cash transactions	13,602,898	(6,267,838)
- Other adjustments for non-cash items	(2,650,310)	-
<b>Total adjustments for non-cash items with no balancing entry in working capital</b>	<b>101,869,830</b>	<b>89,969,485</b>
<b>2 Cash flow before changes in net working capital</b>	<b>127,974,458</b>	<b>195,433,328</b>
Changes in net working capital		
- Decrease/(Increase) in inventories	8,274,052	(28,706,575)
- Decrease/(Increase) in trade receivables	75,653,855	(66,233,440)
- Increase/(Decrease) in trade payables	7,050,911	77,620,116
- Decrease/(Increase) in accrued income and prepaid expenses	(86,427)	554,022
- Increase/(Decrease) in accrued expenses and deferred income	(401,346)	180,915
- Other changes in net working capital	(106,524,807)	(65,700,869)
<b>Total changes in net working capital</b>	<b>(16,033,762)</b>	<b>(82,285,831)</b>
<b>3 Cash flow after changes in net working capital</b>	<b>111,940,696</b>	<b>113,147,497</b>
Other adjustments		
- Interest received/(paid)	(21,349,915)	(54,525,919)
- (Utilisation of funds)	(9,630,041)	(21,762,455)
<b>Total other adjustments</b>	<b>(30,979,956)</b>	<b>(76,288,374)</b>
<b>Cash flow from income-generating operations A</b>	<b>80,960,740</b>	<b>36,859,123</b>
<b>B CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		
Property, plant and equipment		
- (Investments)	(29,165,405)	(28,515,861)
- Divestitures	859,719	334,775
Intangible fixed assets		
- (Investments)	(237,387)	(234,319)
Financial fixed assets		
- (Investments)	(10,742,796)	(1,463,247)
- Divestitures	96,660	4,931,038
- (Purchase of subsidiaries or business divisions net of liquid assets)	(241)	-
<b>Cash flows from investment activities B</b>	<b>(39,189,450)</b>	<b>(24,947,614)</b>
<b>C CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Third party resources		
- Increase/(Decrease) in short-term liabilities to banks	(15,455,196)	(15,927,792)
- New loans	-	9,000,000
- (Repayments of loans)	(8,812,604)	(8,545,206)
<b>Cash flows from financing activities C</b>	<b>(24,267,800)</b>	<b>(15,472,998)</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS A ± B ± C</b>	<b>17,503,490</b>	<b>(3,561,489)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>654,813</b>	<b>4,216,302</b>
Bank and postal deposits	636,100	4,201,281
Cash on hand and cash equivalents	18,713	15,021
of which not freely usable	442,035	4,168,701
<b>Cash and cash equivalents at year end</b>	<b>18,158,303</b>	<b>654,813</b>
Bank and postal deposits	18,143,675	636,100
Cash on hand and cash equivalents	14,628	18,713
of which not freely usable	10,892,262	442,035

## NOTES

### BACKGROUND

After the important reorganization of the Marcegaglia group, which began and ended in 2015, the company is part of the Flat and Welded Tubes division of the Marcegaglia group, which includes the carbon steel processing activities for the production of flat products and welded tubes of the Marcegaglia group.

### Financial statement preparation criteria and structure

The financial statements for the financial year ended on 31 December 2018 were prepared in accordance with Articles 2423 et seq. of the Italian Civil Code, as supplemented with the accounting principles issued by Organismo Italiano di Contabilità (OIC), the Italian accounting standard setter.

In particular, the company complied with the general provisions for structuring financial statements (Art. 2423 of the Italian Civil Code), its drafting standards (Art. 2423-bis) and measurement criteria established for single line items (Art. 2426) without applying any of the exceptions specified in Art. 2423, paragraph 4, of the Italian Civil Code.

It should be noted that the company Marcegaglia Carbon Steel spa in financial year 2018, continuing the work already done in financial year 2017, again with a view to providing a better representation in the financial statements of the facts and operations of the company, for the valuation of the inventories of “basic” steel raw materials (black coils, slabs and rough tubes) has used the LIFO criterion in steps (last in, first out), instead of the weighted average cost criterion, which instead continues to remain the criterion applied to the valuation of non-basic steel raw materials, semi-finished and finished products.

The reason for this choice, with a view to prudent valuation, lies in the structural changes that characterise the steel sector – at a global level and in particular in Europe – and which lead to increased price volatility.

Unlike raw materials and the basic steel products derived from them, in fact, the products of first and second processing are characterised by lower volatility, as they are more destined for end users, often through longer-term contracts, and with a higher service component, also in relation to greater fragmentation of demand and the needs of the reference customers.

The Balance Sheet and Income Statement are prepared in accordance with the mandatory layouts required by the Italian Civil Code. The provisions of Art. 2423-ter of the Italian Civil Code were followed with respect to the structure of the Balance Sheet and Income Statement. No further divisions or groupings were carried out for any of the line items preceded by Arabic numerals. No new line items were inserted, and no modifications were made to those specified in the above layouts since they were deemed to be sufficient for the purposes of providing a clear, truthful and accurate representation of the Company's balance sheet and financial position and operating results for the year.

The financial statements for the year ended 31 December 2018 have been drawn up in euros. Any differences arising from rounding amounts expressed in whole euros were allocated to a special shareholders' equity reserve, and, depending on their sign, in line item A5) “Other revenues and income” or B14) “Sundry operating costs” in the Income Statement.

It should be noted that by deed of demerger dated 26/10/2018 in the notary's register in Mantua, Dr. M. Bertolucci, the company Marcegaglia Carbon Steel spa, in compliance with previous shareholders' meeting resolutions, carried out a partial proportional demerger of its assets and liabilities in favour of a newly-formed company called Marcegaglia Ravenna spa. The effectiveness of the aforesaid act of partial demerger has been postponed to 00:00 of the first day of the month following the last of the registrations provided for in art. 2506 quater of the Civil Code, which coincided with 1 November 2018.

At that effective date, Marcegaglia Carbon Steel spa and Marcegaglia Ravenna spa were therefore wholly (100%) owned

by the company Marcegaglia Steel spa; for the sake of completeness, it should be noted that at the end of 2018 Marcegaglia Ravenna spa then approved a share capital increase reserved for the entry of a shareholder in the amount of approximately 5%, thus remaining held by the company Marcegaglia Steel spa in the amount of approximately 95%.

Assets and liabilities have been transferred at book values in perfect continuity of values, as they do not differ significantly from the actual values.

In detail, the assets and liabilities involved in the demerger can be described qualitatively as follows:

- intangible fixed assets relating to licences for the application software necessary for the operation of the plant and machinery used in the Ravenna plant;
- tangible fixed assets consisting of plant and machinery, industrial and commercial equipment (including internal handling equipment) and other assets (furniture and office machinery, vehicles supplied to the Ravenna plant, trucks, furniture and fittings), plant in progress and any advances to suppliers for the purchase of depreciable assets always destined for the said Ravenna plant;
- the shareholdings in the Gas Intensive and Metal Interconnector entities;
- 50% of the investment held by Marcegaglia Carbon Steel S.p.A. in Consorzio Absolute scarl, equal to 25%, which was therefore demerged in favour of the beneficiary company for a share of 12.5%;
- the warehouse for consumables/subsidiaries (other than zinc and paints) necessary for the various steel transformation processes and the functionality of the existing plants transferred to the Ravenna plant;
- deferred tax assets recognised to take account of the write-down of a tangible asset in progress that does not qualify for immediate tax deduction;
- the provision for deferred taxes (IRES and IRAP) related to the tangible fixed assets transferred arising from the misalignment of statutory and fiscal values as a result of the contribution received from the company demerged in 2015 (Marce-

gaglia spa now Marfin srl);

- the liability for the severance indemnity (TFR), set aside in the specific provision, towards the employees transferred with the spin-off operation;
- payables to employees, transferred as part of the spin-off operation, for holiday accruals, leave of absence, any additional monthly instalments and/or bonuses due on the basis of current contracts;
- payables to suppliers and/or associated companies of goods and services related to the activities of the Ravenna plant, excluding payables to suppliers of raw materials for steelmaking and suppliers of zinc and paints;
- a portion of the debt deriving from the interest-bearing current account with the parent company Marcegaglia Steel spa.

The table below shows the demerger values of these assets and liabilities at the effective date.

**ASSET** values in EUR

<b>B FIXED ASSETS</b>	
<b>I Intangible fixed assets</b>	
1 Start-up and expansion costs	0,00
3 Industrial patent rights and intellectual property rights	26,839.82
4 Concessions, licences, trademarks and similar rights	0,00
6 Fixed assets in progress and advance payments	0,00
7 Other	0,00
<b>Total intangible fixed assets (B-I)</b>	<b>26,839.82</b>
<b>II Tangible fixed assets</b>	
1 Land and buildings	0,00
2 Plants and machinery	291,249,257.84
3 Industrial and commercial equipment	3,743,864.81
4 Other assets	915,744.47
5 Fixed assets in progress and advance payments	2,876,204.53
<b>Total tangible fixed assets (B-II)</b>	<b>298,785,071.65</b>
<b>III Financial fixed assets</b>	
1 Equity investments in:	
a) subsidiary undertakings	0.00
b) associates	6,250.00
d-bis) other companies	1,392,566.00
	<b>1,398,816.00</b>
2 Receivables	
d-bis) others	
- after the following year	0.00
	<b>0.00</b>
<b>Total financial fixed assets (B-III)</b>	<b>1,398,816.00</b>
<b>Total fixed assets B</b>	<b>300,210,727.47</b>
<b>C CURRENT ASSETS</b>	
<b>I Inventory</b>	
1 Raw and ancillary materials and consumables	40,027,226.04
2 Work in progress and semi-finished products	0.00
4 Finished products and goods for resale	136,663.81
5 Advance payments	634,967.09
<b>Total inventories (C-I)</b>	<b>40,798,856.94</b>
<b>II Receivables</b>	
a) receivables due within the following year	
1) customers	0.00
2) subsidiaries	0.00
3) associates	0.00
4) parent companies	0.00
5) companies under control of parent companies	0.00
5-bis) tax credits	0.00
5-ter) deferred tax assets	1,242,194.00
5-quater) from others	0.00
	<b>1,242,194.00</b>
b) due beyond the next financial year	
5-ter) deferred tax assets	0.00
	<b>0.00</b>
<b>Total receivables (C-II)</b>	<b>1,242,194.00</b>
<b>IV Cash and cash equivalents</b>	
1 Bank and postal deposits	0.00
3 Cash-in-hand and cash equivalents	0.00
<b>Total cash and cash equivalents (C-IV)</b>	<b>0.00</b>
<b>Total current assets C</b>	<b>42,041,050.94</b>
<b>D ACCRUED INCOME AND PREPAID EXPENSES</b>	
Accruals and deferrals	436,273.94
<b>Total accrued income and prepaid expenses D</b>	<b>436,273.94</b>
<b>TOTAL ASSETS</b>	<b>342,688,052.35</b>

**LIABILITIES** values in EUR

<b>A</b>	<b>EQUITY</b>	
	Total equity A	<b>-99,900,000.00</b>
<b>B</b>	<b>PROVISIONS FOR RISKS AND CHARGES</b>	
1	For post-retirement benefits and sim. obligations	0.00
2	Taxes	-47,808,816.00
3	Financial derivatives reported as liabilities	0.00
4	Other	0.00
	Total provisions for risks and charges B	<b>-47,808,816.00</b>
<b>C</b>	<b>EMPLOYEE SEVERANCE PAY</b>	
	Employee severance pay C	<b>-1,875,363.88</b>
<b>D</b>	<b>PAYABLES</b>	
a)	due within the year	
4)	Due to banks	0.00
6)	Advance payments	0.00
7)	Trade payables	-61,124,005.24
9)	Payables to subsidiaries	0.00
10)	Payables to associates	0.00
11)	Payables to parents	-125,262,591.51
11-bis)	Payables to affiliates	-137,294.00
12)	Tax payables	0.00
13)	Payables to welfare and social security organizations	-2,374,595.24
14)	Other payables	-4,205,386.48
		<b>-193,103,872.47</b>
b)	due after the year	
4)	Due to banks	0.00
		<b>0.00</b>
	Total payables D	<b>-193,103,872.47</b>
<b>E</b>	<b>ACCRUED EXPENSES AND DEFERRED INCOME</b>	
	Accruals and deferrals	0.00
	Total accrued expenses and deferred income E	<b>0.00</b>
	<b>TOTAL LIABILITIES</b>	<b>-342,688,052.35</b>

Following the attribution of the compendium assigned to the associated company Marcegaglia Ravenna spa in compliance with the above, the share capital of the company Marcegaglia Carbon Steel spa has been reduced by an amount of Euro 99,900,000.00, consequently the share capital of the company Marcegaglia Carbon Steel spa is now equal to Euro 396,218,598.00.

In the tables shown in the following paragraphs relating to changes in the various items in the 2018 financial statements, the effect of the above demerger transaction, if significant, will be indicated, where present, in the column "Other changes".

### Comparability with the previous financial year

For each item of the balance sheet, income statement and cash flow statement, next to the amount for the year 2018, the amount for the same item for the previous year has been indicated.

### Classification conventions

In preparing the financial statements as of 31 December 2018, the following classification conventions have been adopted:

- a. line items in the asset section of the balance sheet were classified on the basis of their related company purpose, while in the liability section, they were classified as a function of their nature;
- b. the income statement was prepared taking into account three distinct classification criteria; namely:
  - the breakdown of the entire operating area into the three sub-areas identified by the layout required by law;
  - the nature of costs prevailing over their purpose;
  - the need to properly recognise interim results in the sequence of steps leading to the formation of net profit (loss) for the year.

The statement of cash flows is prepared in accordance with the format provided for by accounting standard OIC10, which shows the amount and composition of cash and cash equivalents at the beginning and end of the year and the cash flows for the

year deriving from operating, investing and financing activities, as provided for by art. 2425-ter of the Italian Civil Code.

### Reference to the Report on Operations

Information about the nature of the company's activities and relations with subsidiaries, associated companies, parent companies and companies subject to the control of the latter is provided in the Report on Operations.

### Asset, liability and shareholders' equity items of the Balance Sheet that fall under more than one item of the layout required by law

In order to understand the financial statements, it is unnecessary to specify in these Notes the items belonging to the balance sheet line items that are included in more than one line item of the statutory layout.

### CRITERIA APPLIED IN MEASURING FINANCIAL STATEMENT ITEMS, IN VALUE ADJUSTMENTS AND IN THE CONVERSION OF AMOUNTS NOT ORIGINALLY EXPRESSED IN THE CURRENCY USED AS LEGAL TENDER IN THE COUNTRY (ART. 2427, PARAGRAPH 1, POINT 1)

The financial statement items were stated on the basis of general principles of prudence and the accrual principle under the assumption the Company is a going concern. Line items were recognised and presented taking into account the substance of the transaction and agreement. Only profits realised as at the year end date are reported. In addition, account was taken of revenues and expenses attributable to the period under review regardless of the collection or disbursement date, as well as the risk and losses for the same period, also if known at a later date. Dissimilar elements included in individual line items were measured separately.

The measurement criteria used for individual financial statement entries comply with the provisions of Art. 2426 of

the Italian Civil Code.

### Intangible fixed assets

Intangible fixed assets are recorded in the financial statements at purchase or production cost and amortised according to their remaining useful life.

Start-up and expansion costs are amortised over a period of five years. Any development costs are amortised in accordance with their useful life. As an exception, if it is not possible to reliably estimate their useful life, they are amortised over a period of up to five years.

Goodwill is recognised only if:

- 1) it has been purchased, for up to the cost incurred,
- 2) it arises from the consolidation process, to the extent permitted by impairment testing.

In the exceptional cases where its useful life cannot be estimated reliably, goodwill is amortised over a maximum period of ten years.

If there is impairment, intangible fixed assets are written down and recorded in the financial statements at such lower value; if in the future the reasons for the adjustment no longer apply, the write-down is also cancelled and the original cost is restored with the exception of value adjustments of goodwill.

The following is a breakdown of the intangible assets recorded in the balance sheet and their amortisation criteria.

Line items of the Financial Statements	Purchase or production cost	Depreciation rate	Depreciation for the year
Start-up and expansion costs (B.I.1)	113,343	20.00%	22,669
Development costs (B.I.2)			
Licensed software (B.I.3)	465,296	33.33%	162,473
Know-how (B.I.4)	1,900	10.00%	190
Goodwill (B.I.5)			
Intangible assets in progress (B.I.6)	169,260		
Other multi-year costs (B.I.7)	3,622,952	20% / 17% / 13%	55,146

### Tangible fixed assets

Tangible fixed assets are recorded at purchase or production cost increased by statutory monetary revaluations, and are reported in the financial statements net of accumulated depreciation. Revaluations are only maintained if required by law. If there is impairment, tangible fixed assets are written down using special adjusting provisions and recorded in the financial statements at such lower value; if in the future the reasons for the adjustment no longer apply, the write-down is also cancelled and the original cost is restored.

Maintenance costs that increase the useful life of assets to which they are related are allocated to such assets and depreciated based on their remaining useful lives. All ordinary maintenance costs are instead entirely charged to the income statement. Depreciation was determined on the basis of their remaining useful life.

The following is a breakdown of the tangible fixed assets recorded in the balance sheet, the relative depreciation criteria and the amount of depreciation recorded in the 2018 financial year.

The rates shown in the table below refer to assets acquired after the contribution transaction that took place in 2015.

Line items of the Financial Statements	Purchase or production cost	Depreciation rate	Depreciation for the year
Land (B.II.1)	4,708,433	=	-
Buildings (B.II.1)	478,106,709	2.5-3.5%	13,976,520
Light constructions (B.II.1)	14,009,319	10.00%	1,269,126
Large plants and machinery (B.II.2)	193,776,690	8-12%	43,352,806
General and specific plant assets (B.II.2)	78,178,391	8.00%	15,140,211
Miscellaneous equipment (B.II.3)	26,220,466	15.00%	7,033,384
Internal handling equipment (B.II.3)	4,576,892	15.00%	1,031,399
Furniture and ordinary office equipment (B.II.4)	194,701	12.00%	10,472
Electronic machinery (B.II.4)	1,260,736	20.00%	443,651
Automobiles (B.II.4)	1,774,213	25.00%	479,732
Trucks and trailers (B.II.4)	509,313	20.00%	25,884
Ordinary furniture and furnishings (B.II.4)	359,597	10.00%	101,324
Fixed assets in progress and advance payments (B.II.5)	7,869,317	=	-

With regard to the tangible assets contributed as a result of the extraordinary transaction in 2015, depreciation was determined on the basis of the remaining useful life of each individual asset indicated by the expert asked to perform the special appraisal pursuant to Art. 2465 of the Italian Civil Code.

The average rates applied by category of homogeneous assets in relation to these particular assets are detailed in the following table.

Line items of the Financial Statements	Depreciation rate
<b>Buildings (B II 1)</b>	2.93%
<b>Light constructions (B II 1)</b>	9.09%
<b>Large plants and specific machinery (B II 2)</b>	10%
<b>Annealing furnaces (B II 2)</b>	16.67%
<b>General plant and machinery (B II 2)</b>	9.09%
<b>Purification plants (B II 2)</b>	12.50%
<b>Miscellaneous equipment (B II 3)</b>	25%
<b>Internal handling equipment (B II 3)</b>	16.67%
<b>Office furniture and equipment (B II 4)</b>	50%
<b>Electronic office equipment (B II 4)</b>	25%
<b>Automobiles (B II 4)</b>	33.3%
<b>Trucks and trailers (B II 4)</b>	50%
<b>Furniture and furnishings (B II 4)</b>	12.50%

### Leased assets

Lease transactions are recognised using the equity method. Thus, these assets are recorded in balance sheet assets starting in the year the redemption right is exercised.

### Equity investments and investment securities

Equity investments and securities are measured at acquisition or subscription cost.

If there is impairment, financial fixed assets are written down using special adjusting provisions and recorded in the financial statements at such lower value; if in the future the reasons for the adjustment no longer apply, the original cost is restored.

Equity investments denominated in foreign currencies are recorded at the exchange rate in effect at the time of purchase or subscription or at the reporting date, if lower, provided such reduction is considered permanent.

### Inventories

Inventories are measured at the lower of purchase or production cost and market value. Purchase cost includes ancillary costs of transportation and customs clearance of raw materials; production costs include all of the costs directly allocated to the product (raw materials and ancillary materials, direct labour, depreciation of the capital goods used in production), in addition to the portion of indirect industrial costs relating to the manufacturing period (maintenance costs, consumables, electric power, outsourced processes, etc.).

The value of the final inventories of the basic steel raw materials (black coils, slabs and blanks) was determined using the LIFO step-by-step method.

In this regard, it should be noted that valuing the basic steel raw materials (black coils, slabs and rough tubes) at their weighted average cost instead of LIFO in steps, would have had a positive impact, in terms of the economic result for 2018 and shareholders' equity at 31/12/2018 (without considering the related IRES and IRAP taxation), of approximately Euro 101 million.

The value of final inventories of first and second transformation raw materials, on the other hand, was determined using the weighted average cost method, in continuity with what was done in previous years.

The adoption of different methods for determining cost within the same category of final inventories is in line with what is allowed by accounting standard OIC 13.

The final inventories of semi-finished products and finished products are valued at production cost, calculated by adding the processing costs to the cost of the raw material used in production, determined according to the average weighted cost method.

Inventories other than interchangeable assets are recognised among the inventories of finished products and are measured at purchase cost or production cost since this cost is deemed not to exceed the estimated sales market value.

The item "Raw and ancillary materials and consumables" also includes inventories of ancillary materials and consumables such as paints, lubricants, fuels, zinc and miscellaneous materials in general. These inventories are recorded in the financial statements at the lower of the value determined using the moving average criterion, and their replacement value based on market value.

Inventories of contract work in progress are measured, if applicable, using the percentage of completion method.

### Receivables

In general, receivables (both held as fixed and current assets) are booked using the amortised cost criterion taking into account the time factor and estimated realisable value.

However, OIC 15, paragraph 33 specifies that this criterion need not be applied if the impact is insignificant, assuming that short-term receivables (i.e. those due within 12 months) are insignificant.

Furthermore, Art. 12, paragraph 2, of Legislative Decree 139/2015 specifies that the new amortised cost measurement criterion need not be applied to components of items related to transactions that have not fully exhausted their impact on the financial statements.

Thus, in these financial statements, the amortised cost criterion is only applied to receivables due after the following year that arose after 1 January 2016, and in any case, only if the impact of applying this criterion is considered significant.

Receivables not measured using the amortised cost method (since the impact of applying this criterion is not considered significant) are recorded at nominal value adjusted, as necessary, for the appropriate provision for doubtful receivables to bring it into line with the estimated realisable value.

Receivables expressed in a foreign currency are originally converted into euros

at the reported exchange rate on the date of the related transactions. Exchange differences generated from the collection of receivables in a foreign currency are recorded in the income statement under item 17-bis “Exchange-rate gains and losses”.

Receivables expressed in foreign currency in the financial statements are measured on the basis of the relative exchange rates at the end of the year (31/12/2018). Exchange rate differences emerging from such valuation are allocated to the income statement in line item 17-bis “Exchange-rate gains and losses”.

#### **Equity investments and securities not held as fixed assets**

Equity investments not held as fixed assets are recorded at cost and written down for any impairment.

Securities not held as fixed assets are recorded at cost or market value.

#### **Cash and cash equivalents**

Cash and cash equivalents (bank and postal accounts, cash and cash on hand) are recorded at their actual balances.

#### **Cash and shareholders' equity entries**

These items are measured at nominal value.

#### **Provisions for risks**

Provisions for risks and charges are allocated in the financial statements to cover losses or liabilities of a known type, that will certainly or probably arise but which, as of the end of the year, could not be determined, either in terms of amount or date of accrual.

Allocations reflect the best estimate possible on the basis of available information.

#### **Employee severance pay**

This item is allocated in accordance with laws and labour contracts currently in effect and reflects the accrued amount owed to all employees on the reporting date net of the amount paid to a supplemental pension or to the “Fund for the Payment of Severance Pay to Employees in the Private Sector as referenced in Art. 2120 of the Italian Civil Code”, the so-called INPS Treasury Fund.

#### **Payables**

In general, payables are recorded in the financial statements according to the amortised cost criterion taking into account the time factor.

However, OIC 19, paragraph 42 specifies that this criterion need not be applied if the impact is insignificant, assuming that short-term payables (i.e. those due within 12 months) are insignificant.

Furthermore, Art. 12, paragraph 2, of Legislative Decree 139/2015 specifies that the new amortised cost measurement criterion need not be applied to components of items related to transactions that have not fully exhausted their impact on the financial statements.

Thus, in these consolidated financial statements, the amortised cost criterion is only applied to payables due after the following year that arose after 1 January 2016, and in any case, only if the impact of applying this criterion is considered significant.

Payables not measured using the amortised cost method (since the impact of applying this criterion is not considered significant) are recorded at nominal value.

In any case, this item includes liabilities that are certain and specific in terms of their amount and date incurred.

Payables expressed in a foreign currency are originally converted into euros at the reported exchange rate on the date of the related transactions. Exchange differences generated from the payment of payables in a foreign currency are recorded in the income statement under item 17-bis “Exchange-rate gains and losses”.

Payables expressed in foreign currency in the financial statements are measured on the basis of the relative exchange rates at the end of the year (31/12/2018). Exchange rate differences emerging from such valuation are allocated to the income statement in line item 17-bis “Exchange-rate gains and losses”.

#### **Accruals and deferrals**

These items were determined on the basis of the accrual principle applied to the related costs and revenues.

#### **Revenues**

Revenues from sales are recognised on an accrual basis, that is when both the following conditions are met:

- the goods have been manufactured; and
- title to the goods has been passed, which is when risks and benefits incidental to their ownership has been transferred. Thus, save as otherwise agreed regarding the transfer of risks and benefits:
  - a) in the case of movable assets, risks and benefits are transferred when the goods are shipped or delivered;
  - b) for goods that require notarisation (for instance properties), risks and benefits are transferred when the sale agreement is executed;
  - c) in the case of instalment sales with retention of title, the revenue is recognised upon delivery, regardless of the transfer of ownership, since Art. 1523 of the Italian Civil Code provides that the buyer acquires ownership of the thing with the payment of the last instalment of the price, but assumes the risks from the time of delivery.

Revenues from services are recognised on an accrual basis, that is when the service has been rendered.

Financial income is recognised on an accrual basis, for the amount accrued in the period of reference.

#### **Costs and expenses**

Costs related to the purchase of goods are recognised on an accrual basis, that is when both the following conditions are met:

- the goods have been manufactured; and

• title to the goods has been passed, which is when risks and benefits incidental to their ownership has been transferred. Thus, save as otherwise agreed regarding the transfer of risks and benefits:

a) in the case of movable assets, risks and benefits are transferred when the goods are shipped or delivered;

b) for goods that require notarisation (for instance properties), risks and benefits are transferred when the sale agreement is executed;

c) in the case of instalment sales with retention of title, the cost is recognised upon delivery, regardless of the transfer of ownership, since Art. 1523 of the Italian Civil Code provides that the buyer acquires ownership of the thing with the payment of the last instalment of the price, but assumes the risks from the time of delivery.

Service costs are recognised on an accrual basis, that is when the service has been rendered.

Financial expenses are recognised on an accrual basis, for the amount accrued in the period of reference.

### Dividends

Dividends are recorded in the year in which the right to receive them accrues, which typically coincides with the year they are approved by the competent body.

### Income Tax

These were determined on the basis of the cost for the year.

Deferred taxes are determined on the basis of temporary differences between the amount assigned to assets and liabilities by statute and by tax regulations.

Prepaid taxes were recorded in financial statement assets since there is a reasonable certainty of generating income in the future capable of absorbing these temporary differences.

## NOTES TO THE FINANCIAL STATEMENTS - ASSETS

### FIXED ASSETS

#### INTANGIBLE FIXED ASSETS

##### CHANGES IN INTANGIBLE FIXED ASSETS

	Start-up and expansion costs	Industrial patent rights and intellectual property rights	Concessions, licences, trademarks and similar rights	Intangible assets in progress and advance payments	Other intangible fixed assets	Total intangible fixed assets
<b>Amount at beginning of the year</b>						
Cost	113,343	443,389	1,900	128,171	4,565,937	5,252,740
Amortisation/depreciation (Provision for amortisation/depreciation)	49,115	264,093	950	-	4,476,780	4,790,938
<b>Book value</b>	<b>64,228</b>	<b>179,896</b>	<b>950</b>	<b>128,171</b>	<b>89,157</b>	<b>462,402</b>
<b>Changes during the year</b>						
Increases for acquisitions	-	196,297	-	2,691,399	-	2,887,696
Decreases for sales and cancellations (of book value)	-	-	-	2,650,310	-	2,650,310
Period amortisation/depreciation	22,669	162,473	190	-	55,146	240,478
Other changes	-	(26,840)	-	-	-	(26,840)
<b>Total changes</b>	<b>(22,669)</b>	<b>6,984</b>	<b>(190)</b>	<b>41,089</b>	<b>(55,146)</b>	<b>(29,932)</b>
<b>Amount at end of the year</b>						
Cost	113,343	465,295	1,900	169,260	3,622,952	4,372,750
Amortisation/depreciation (Provision for amortisation/depreciation)	71,784	278,415	1,140	-	3,588,941	3,940,280
<b>Book value</b>	<b>41,559</b>	<b>186,880</b>	<b>760</b>	<b>169,260</b>	<b>34,011</b>	<b>432,470</b>

### Start-up and expansion costs, research, development and advertising costs

The start-up and expansion costs recognised pertain to company organisation costs, share capital increase costs, and costs of the contribution executed at the end of October 2015. There are no research and development costs or capitalised advertising costs.

Start-up and expansion costs	Gross amount	Accumulated amortisation	Net amount
Company organisation costs	113,343	71,784	41,559
<b>Total</b>	<b>113,343</b>	<b>71,784</b>	<b>41,559</b>

### Financial charges capitalized

During FY 2018, no financial charges were capitalised.

## TANGIBLE FIXED ASSETS

### CHANGES IN TANGIBLE FIXED ASSETS

	Land and buildings	Plants and machinery	Industrial and commercial equipment	Other tangible fixed assets	Assets under construction and payments on account	Total tangible fixed assets
<b>Amount at beginning of the year</b>						
Cost	493,924,119	636,711,656	36,993,920	5,685,294	28,173,950	1,201,488,939
Amortisation/depreciation (Provision for amortisation/depreciation)	32,590,669	133,535,868	16,644,400	3,049,002	-	185,819,939
Write-downs	1,764,054	-	-	-	4,889,047	6,653,101
<b>Book value</b>	<b>459,569,396</b>	<b>503,175,788</b>	<b>20,349,520</b>	<b>2,636,292</b>	<b>23,284,903</b>	<b>1,009,015,899</b>
<b>Changes during the year</b>						
Increases for acquisitions	2,903,327	17,368,723	3,474,429	760,585	8,514,888	33,021,952
Reclassification (of book value)	4,291	20,215,906	64,128	447	(20,284,772)	-
Decreases for sales and cancellations (of book value)	5,732	1,775,584	160,615	9,979	1,206,237	3,158,147
Period amortisation/depreciation	15,245,647	58,493,017	8,064,783	1,061,062	-	82,864,509
Other changes	-	(291,249,258)	(3,743,864)	(915,745)	(2,876,205)	(298,785,072)
<b>Total changes</b>	<b>(12,343,761)</b>	<b>(313,933,230)</b>	<b>(8,430,705)</b>	<b>(1,225,754)</b>	<b>(15,852,326)</b>	<b>(351,785,776)</b>
<b>Amount at end of the year</b>						
Cost	496,824,462	271,955,080	30,797,358	4,098,561	7,869,318	811,544,779
Amortisation/depreciation (Provision for amortisation/depreciation)	47,834,773	82,712,522	18,878,543	2,688,023	-	152,113,861
Write-downs	1,764,054	-	-	-	436,741	2,200,795
<b>Book value</b>	<b>447,225,635</b>	<b>189,242,558</b>	<b>11,918,815</b>	<b>1,410,538</b>	<b>7,432,577</b>	<b>657,230,123</b>

### Value reductions to tangible fixed assets

No fixed assets were written down during the year.

### Financial charges capitalized

During FY 2018, no financial charges were capitalised.

## LEASES

In August 2018, the company began to repurchase the asset covered by the leasing contract that had been in force for several years, having reached its expiry date.

The asset held under a finance lease agreement is a coil galvanising line at the Ravenna plant.

This tangible asset, like all other tangible assets relating to the Ravenna plant, was

the subject of the spin-off operation commented on in the introductory part of these Notes to the Financial Statements.

Key data for this agreement and the impact that would occur on the Balance Sheet and profit (loss) for the year (before taxes) if the financial method for recording lease agreements were used from the start, are summarised in the following table:

- Fiscal Year of beginning of use by the company Marcegaglia Carbon Steel: 01/11/2015
- Market value of the asset Euro 28,578,100.

	Amount
Amortisation/depreciation that would have pertained to the year	1,831,929
Financial expenses pertaining to the year at effective interest rate	10,569

## FINANCIAL FIXED ASSETS

### CHANGES IN EQUITY INVESTMENTS, OTHER SECURITIES AND FINANCIAL DERIVATIVES REPORTED AS LONG-TERM ASSETS

	Equity investments in subsidiaries	Equity investments in associates	Equity investments in other companies	Total equity investments
<b>Amount at beginning of the year</b>				
Cost	210,241,625	942,122	1,776,331	212,960,078
Write-downs	81,770,395	-	-	81,770,395
<b>Book value</b>	<b>128,471,230</b>	<b>942,122</b>	<b>1,776,331</b>	<b>131,189,683</b>
<b>Changes during the year</b>				
Increases for acquisitions	3,994,848	-	-	3,994,848
Decreases for sales and cancellations (of book value)	-	-	4,015	4,015
Write-downs during the year	8,844,017	-	-	8,844,017
Other changes	6,671,223	(6,250)	(1,392,566)	5,272,407
<b>Total changes</b>	<b>1,822,054</b>	<b>(6,250)</b>	<b>(1,396,581)</b>	<b>419,223</b>
<b>Amount at end of the year</b>				
Cost	220,907,696	935,872	379,750	222,223,318
Write-downs	90,614,412	-	-	90,614,412
<b>Book value</b>	<b>130,293,284</b>	<b>935,872</b>	<b>379,750</b>	<b>131,608,906</b>

The increases for acquisitions shown in investments in subsidiaries relate to the acquisition of an 80% stake in the companies Marcegaglia Novero spa and Marcegaglia Novero Polska Sp zoo (the latter in fact represents a start-up of very modest size closely related to Marcegaglia Novero spa).

Marcegaglia Novero spa is a company located in Rivoli (TO) specializing in the processing of drawn tube supplied mainly by the Boltiere plant owned by Marcegaglia Carbon Steel spa.

It should be noted that the changes in the item "other changes" in equity investments in subsidiaries relate to the following operations:

	Amount
Capital contributions to the subsidiary Marcegaglia India	85,470
Payments of share capital and conversion of receivables in the newly established subsidiary Marcegaglia Central America (head office in Mexico)	6,585,753
<b>Total other changes</b>	<b>6,671,223</b>

It should be noted that the newly formed Marcegaglia Central America, through the capital endowment obtained from the parent company Marcegaglia Carbon Steel

spa, as detailed above, at the end of 2018 acquired the entire share capital of two important South American industrial companies (a company resident in Mexico and a company in Colombia) having as their activity the production of refrigeration tubes called Bundy Mexico and Bundy Colombia, renamed then, after completion of the acquisition, in Marcegaglia Mexico and Marcegaglia Colombia.

In view of the sharp fluctuations in the Brazilian currency, which has depreciated sharply against the euro area in recent years, and the losses incurred by the Brazilian subsidiary in recent years, the carrying value of the investment held at 31/12/18 in the subsidiary Marcegaglia do Brasil was also written down, aligning this value with the portion of shareholders' equity held at the same date, adjusted to take account of unrealised gains present in the subsidiary's assets. As a result of the above, a write-down of equity investments was recorded for an amount of Euro 8,844,017.

## CHANGES AND MATURITY OF RECEIVABLES HELD AS FIXED ASSETS

	Amount at beginning of the year	Changes during the year	Amount at end of the year	Portion due after the year
Receivables from others held as fixed assets	51,494	(15,920)	35,574	35,574
<b>Total long-term receivables</b>	<b>51,494</b>	<b>(15,920)</b>	<b>35,574</b>	<b>35,574</b>

## DETAILS OF EQUITY INVESTMENTS IN SUBSIDIARIES

Name	City (if in Italy) or foreign country	Tax code (for Italian companies)	Capital in euros	Profit (loss) for the last year in euros	Net equity in euros	Share held in euros	% share held	Book value or corresponding receivable
Marcegaglia Benelux	Belgium		100,000	(2,936)	88,753	87,866	99.00%	107,109
Marcegaglia France Sarl	France		50,000	350,719	899,036	899,036	100.00%	512,474
Marcegaglia Poland Sp.z.o.o.	Poland		25,201,097	1,044,151	69,926,663	64,249,947	91.88%	41,218,221
Marcegaglia do Brasil Ltda	Brazil		72,232,223	(482,730)	46,454,343	39,858,679	85.80%	51,887,895
Marcegaglia UK	United Kingdom		18,613,350	681,320	26,628,314	26,628,314	100.00%	23,183,302
Marcegaglia Central America	Mexico		4,446	(52,973)	12,398,677	6,351,842	51.23%	6,585,753
Marcegaglia Iberica	Spain		120,220	63,629	652,496	332,773	51.00%	325,307
Marcegaglia India Ltd	India		1,254	(18,818)	(53,216)	(47,894)	90.00%	86,805
Marcegaglia North Europe	Luxembourg		31,000	17,582	(44,527)	(44,527)	100.00%	31,000
Marcegaglia Deutschland GmbH	Germany		153,388	449,559	3,100,033	3,100,033	100.00%	2,360,570
Marcegaglia Novero spa	Italy	02693570018	3,120,000	620,034	5,076,084	4,060,867	80.00%	3,974,848
Marcegaglia Novero Polska Sp zoo	Poland		1,162	(57,429)	(55,734)	(44,587)	80.00%	20,000
<b>Total</b>								<b>130,293,284</b>

For the conversion into euro of the shareholders' equity and the result for the period expressed in a currency other than the euro, the exchange rate at the end of the financial year and the average exchange rate for the financial year were used respectively.

The financial year of the company Marcegaglia India Ltd runs from 1 April to 31 March of the following year. The figures shown for Marcegaglia India Ltd refer to the last approved financial statements for the year ended 31 March 2018.

With reference to Marcegaglia Benelux and Marcegaglia France, the last available financial statements are the financial statements at 31/12/2017.

With reference to Marcegaglia Novero Polska and Marcegaglia Iberica, the figures indicated still refer to the provisional 2018 financial statements.

With reference to Marcegaglia do Brasil, the higher book value of the investment compared to the portion of shareholders' equity held is justified by latent capital gains present in the assets of the subsidiary.

## DETAILS ON FIXED EQUITY INVESTMENTS IN AFFILIATED COMPANIES

Name	City (if in Italy) or foreign country	Tax code (for Italian companies)	Capital in euros	Profit (loss) for the last year in euros	Net equity in euros	Share held in euros	% share held	Book value or corresponding receivable
SIM S.r.l.	Italy	00696290675	780,000	63,347	1,971,575	985,788	50.00%	929,622
Consorzio Absolute scarl	Italy	02844650305	50,000	-	50,000	6,250	25.00%	6,250
<b>Total</b>								<b>935,872</b>

\* The financial year of the company SIM S.p.A. runs from 1 October to 30 September of the following year. The figures shown refer to the last approved financial statements for the period ended 30 September 2018.

## BREAKDOWN OF RECEIVABLES HELD AS FIXED ASSETS BY GEOGRAPHICAL AREA

Geographic area	Receivables from others held as fixed assets	Total long-term receivables
Italy	35,574	35,574
<b>Total</b>	<b>35,574</b>	<b>35,574</b>

## VALUE OF FINANCIAL FIXED ASSETS

	Book value	Fair value
Equity investments in other companies	379,750	379,750
<b>Receivables from others</b>	<b>35,574</b>	<b>35,574</b>

## BREAKDOWN OF THE VALUE OF EQUITY INVESTMENTS HELD AS FIXED ASSETS IN OTHER COMPANIES

	Book value	Fair value
Fontana spa	379,750	379,750
<b>Total</b>	<b>379,750</b>	<b>379,750</b>

## BREAKDOWN OF AMOUNT OF RECEIVABLES FROM OTHERS HELD AS FINANCIAL ASSETS

	Book value	Fair value
ENEL security deposits	587	587
Sundry security deposits	20,542	20,542
Employee advances on expenses	14,445	14,445
<b>Total</b>	<b>35,574</b>	<b>35,574</b>

## CURRENT ASSETS

## INVENTORIES

Current Assets	Amount at beginning of the year	Changes during the year	Amount at end of the year
Raw and ancillary materials and consumables	337,027,316	(88,529,572)	248,497,744
Work in process and semi-finished goods	256,625,617	16,744,578	273,370,195
Finished products and goods	202,514,605	16,476,874	218,991,479
Advance payments	17,206,988	6,235,209	23,442,197
<b>Total inventories</b>	<b>813,374,526</b>	<b>(49,072,911)</b>	<b>764,301,615</b>

It should be noted that the column “changes during the year” also includes the effect of the spin-off transaction that took place in October 2018 with effect from 01/11/18 in favour of the associated company Marcegaglia Ravenna spa, for the following amounts.

Item description	Amount
<b>Raw and ancillary materials and consumables</b>	40,027,226
<b>Finished products and goods</b>	136,664
<b>Advance payments</b>	634,967

## RECEIVABLES RECORDED IN CURRENT ASSETS

## CHANGES AND MATURITY OF RECEIVABLES RECORDED IN CURRENT ASSETS

Current Assets	Amount at beginning of the year	Changes during the year	Amount at end of the year	Portion due within the year
Receivables from customers recorded in current assets	105,846,940	(75,653,855)	30,193,085	30,193,085
Receivables from subsidiaries recorded in current assets	28,748,653	11,115,334	39,863,987	39,863,987
Receivables from associates recorded in current assets	2,589,443	(663,609)	1,925,834	1,925,834
Receivables from parent companies recorded in current assets	675,259	1,299,047	1,974,306	1,974,306
Receivables from companies subject to control of parent companies recorded in current assets	106,004,685	(3,916,086)	102,088,599	102,088,599
Tax credits recorded in current assets	12,360,092	16,333,814	28,693,906	28,693,906
Deferred tax assets recorded in current assets	8,672,813	(2,074,286)	6,598,527	
Receivables from others recorded in current assets	25,180,020	(6,769,166)	18,410,854	18,410,854
<b>Total receivables recorded in current assets</b>	<b>290,077,905</b>	<b>(60,328,807)</b>	<b>229,749,098</b>	<b>223,150,571</b>

Receivables are recorded at their estimated realisable value through the allocation of specific adjustment provisions, the movements of which are shown below.

	Amount at beginning of the year	Utilisation	Provisions	Amount at end of the year
Provision for doubtful debt from customers	3,678,785	73,121	2,322,729	5,928,393
Provision for doubtful debt from subsidiaries	-	-	-	-
Provision for doubtful debt from affiliates	-	-	-	-
Provision for doubtful debt from parent companies	-	-	-	-
Provision for doubtful debt from companies subject to control of parent companies	-	-	-	-
Provision for doubtful tax credits	-	-	-	-
Provision for doubtful debt from others	-	-	-	-
<b>Total provision for doubtful debt</b>	<b>3,678,785</b>	<b>73,121</b>	<b>2,322,729</b>	<b>5,928,393</b>

In addition to what has already been shown in the balance sheet, it should be noted that receivables from subsidiaries, associated companies, parent companies and companies subject to the control of the parent companies relate to the balance deriving from commercial transactions between the company Marcegaglia Carbon Steel spa and the various counterparties, whose monetary settlement has not yet taken place, as well as the balance of intercompany current accounts to which the settlements of commercial and/or financial transactions are transferred.

The following table details receivables from companies subject to the control of the parent companies; refer to the Report on Operations for further information on changes in receivables from subsidiaries, associated companies and parent companies.

	Amount at beginning of the year	Changes during the year	Amount at end of the year	Portion due within the year
Oskar Srl	1,554,442	-163,278	1,391,164	1,391,164
Albarella	-	4,392	4,392	4,392
Marcegaglia Ravenna	-	66,347	66,347	66,347
Marcegaglia Gazoldo Inox	-	482,234	482,234	482,234
Marcegaglia Romania	3,133,214	68,737	3,201,951	3,201,951
Marfin Srl	-	4,831	4,831	4,831
Marcegaglia Buildtech Srl	92,378,590	-295,815	92,082,775	92,082,775
Marcegaglia USA	1,303,877	61,835	1,365,712	1,365,712
Marcegaglia Specialties Spa	3,500,773	-255,209	3,245,564	3,245,564
Marcegaglia Plates Spa	6,448	2,244	8,692	8,692
I.M.A.T. Spa	17,416	197,890	215,306	215,306
Marcegaglia Turchia	3,341,490	-3,341,490	-	-
BVB Srl in liquidazione	-	-	-	-
Marcegaglia Investments Srl	1,220	-1,220	-	-
Euroenergy Group Srl	-	-	-	-
Made Hse Srl	-	-	-	-
Marcegaglia RU	-	19,631	19,631	19,631
Outsourcing Inox Srl	-	-	-	-
Dalmine Logistic Solutions Srl	767,215	-767,215	-	-
<b>Total receivables from companies subject to control of parent companies</b>	<b>106,004,685</b>	<b>-3,916,086</b>	<b>102,088,599</b>	<b>102,088,599</b>

Continuing to comment on the changes in receivables recorded under current assets, we point out the significant increase in tax receivables. This change essentially refers to VAT receivables arising in December 2018, which will be transferred from Marcegaglia Carbon Steel spa to the parent company Marcegaglia Holding spa, which manages the Group VAT procedure, in January 2019 when VAT was paid in December 2018.

Deferred-tax assets relate almost entirely to the lower statutory values of inventories compared with the tax values that emerged when they were transferred in 2015 (in

accordance with the indications contained in the report prepared pursuant to Art. 2465 paragraph 1 of the Italian Civil Code), differences in the valuation of exchange rates and certain statutory write-downs of certain assets. In relation to the expected recovery of these amounts, reference should be made to

the specific schedules relating to deferred tax assets and liabilities.

Finally, the breakdown and changes in receivables from others are analysed in the following table:

	Amount at beginning of the year	Changes during the year	Amount at end of the year	Portion due within the year
Receivables from factoring companies	21,526,693	-12,241,386	9,285,307	9,285,307
Advances to suppliers	478,894	-139,227	339,667	339,667
Social security receivables	190,063	1,478,335	1,668,398	1,668,398
Advances to employees	23,376	-1,771	21,605	21,605
Receivables from credit institutions for customer collections	167	457	624	624
Other receivables	2,960,827	4,134,426	7,095,253	7,095,253
<b>Total receivables from others</b>	<b>25,180,020</b>	<b>-6,769,166</b>	<b>18,410,854</b>	<b>18,410,854</b>

#### BREAKDOWN OF THE RECEIVABLES RECORDED IN THE CURRENT ASSETS BY GEOGRAPHICAL AREA

	Italy	EU	Other Europe	America	Africa - Middle East	Asia - Oceania	Total
Receivables from customers recorded in current assets	19,578,533	-	5,412,059	942,826	1,613,025	2,646,642	<b>30,193,085</b>
Receivables due from subsidiaries recorded in current assets	3,546,810	13,455	551,424	35,667,510	-	84,788	<b>39,863,987</b>
Receivables due from affiliated companies recorded in current assets	1,925,834	-	-	-	-	-	<b>1,925,834</b>
Receivables due from holding companies recorded in current assets	1,974,306	-	-	-	-	-	<b>1,974,306</b>
Receivables from companies subject to control of parent companies recorded in current assets	97,628,803	-	3,094,084	1,365,712	-	-	<b>102,088,599</b>
Tax credits recorded in current assets	28,692,101	1,089	716	-	-	-	<b>28,693,906</b>
Deferred tax assets recorded in current assets	6,598,527	-	-	-	-	-	<b>6,598,527</b>
Receivables from others recorded in current assets	18,254,124	154,880	1,850	-	-	-	<b>18,410,854</b>
<b>Total receivables recorded in current assets</b>	<b>178,199,038</b>	<b>169,424</b>	<b>9,060,133</b>	<b>37,976,048</b>	<b>1,613,025</b>	<b>2,731,430</b>	<b>229,749,098</b>

#### CASH AND CASH EQUIVALENTS

	Amount at beginning of the year	Changes during the year	Amount at end of the year
Bank and postal deposits	636,100	17,507,575	18,143,675
Cash and securities	18,713	(4,085)	14,628
<b>Total cash and cash equivalents</b>	<b>654,813</b>	<b>17,503,490</b>	<b>18,158,303</b>

#### ACCRUED INCOME AND PREPAID EXPENSES

	Amount at beginning of the year	Changes during the year	Amount at end of the year
Accrued income	14,687	(4,413)	10,274
Prepaid expenses	421,655	(345,434)	76,221
<b>Total accrued income and prepaid expenses</b>	<b>436,342</b>	<b>(349,847)</b>	<b>86,495</b>

The change for the year includes the amounts resulting from the spin-off operation already described above.

The composition of accrued income and prepaid expenses is shown in the following tables:

Accrued income	Amount at beginning of the year	Changes during the year	Amount at end of the year
Simest interest account contributions	14,687	-4,413	10,274
<b>Total accrued income</b>	<b>14,687</b>	<b>-4,413</b>	<b>10,274</b>

Prepaid expenses	Amount at beginning of the year	Changes during the year	Amount at end of the year
Leasing instalments and balloon charges for subsequent years	340,564	-340,564	-
Motor vehicle tax	12,864	1,485	14,349,0
Machinery and plant maintenance fees	18,370	-1,536	16,834,0
Hardware maintenance fees	6,627	9,821	16,448,3
Supervision	10,057	-9,818	239,0
Miscellaneous policies	3,506	3,081	6,587,0
Real estate leases	5,806	113	5,919,0
Subscription fees	9,583	-5,343	4,240,0
Other	14,278	-2,673	11,605
<b>Total prepaid expenses</b>	<b>421,655</b>	<b>-345,434</b>	<b>76,221</b>

## NOTES TO THE FINANCIAL STATEMENTS – LIABILITIES AND EQUITY

### SHAREHOLDERS' EQUITY

#### CHANGES IN SHAREHOLDERS' EQUITY ITEMS

	Amount at beginning of the year	Use of previous year result Other uses	Other changes Decreases	Profit (loss) for the year	Amount at end of the year
Share capital	496,118,598	-	99,900,000		
Share premium reserve	6,859,343	-	-		6,859,343
Legal reserve	0	1,896,179	-		1,896,179
Other reserves					
Contributions on future capital increase	20,000	-	-		20,000
Reserve for unrealized exchange gains	0	8,728,952	-		8,728,952
Sundry other reserves	3	-	-		3
Total other reserves	20,003	8,728,952	-		8,748,955
Profit (loss) carried forward	(127,563,929)	27,298,452	1		(100,265,478)
Profit (loss) for the year	37,923,583	(37,923,583)	-	1,713,036	1,713,036
<b>Total shareholders' equity</b>	<b>413,357,598</b>	<b>-</b>	<b>99,900,001</b>	<b>1,713,036</b>	<b>315,170,633</b>

#### BREAKDOWN OF SUNDRY OTHER RESERVES

Description	Amount
Diff. from rounding to unit	3
<b>Total</b>	<b>3</b>

#### ORIGIN, POSSIBLE USE AND DISTRIBUTION OF THE VARIOUS OTHER RESERVES

Description	Amount
Diff. from rounding to unit	3
<b>Total</b>	<b>3</b>

#### AVAILABILITY AND USE OF SHAREHOLDERS' EQUITY

	Amount	Origin/nature	Possible use	Available portion
Share capital	396,218,598	contribution of members		-
Share premium reserve	6,859,343		A-B-C	6,859,343
Legal reserve	1,896,179		B	-
Other reserves				
Contributions on future capital increase	20,000	shareholder payments	A-B-C	20,000
Reserve for unrealized exchange gains	8,728,952		B	-
Sundry other reserves	3			-
Total other reserves	8,748,955			20,000
Profit/(loss) carried forward	(100,265,478)			-
<b>Total</b>	<b>313,457,597</b>			<b>6,879,343</b>
<b>Non-distributable portion</b>				<b>6,879,343</b>

Legend: A capital increase - B loss cover - C distribution to members - D other statutory restrictions - E other

## PROVISIONS FOR RISKS AND CHARGES

	Provision for post-retirement benefits and similar obligations	Tax provision, including deferred taxes	Financial derivatives reported as liabilities	Other funds	Total provisions for risks and charges
<b>Amount at beginning of the year</b>	1,837,503	165,474,478	7,253,261	1,650,881	176,216,123
<b>Changes during the year</b>					
<i>Provisions for the year</i>	142,426	2,157,873	-	7,578,575	9,878,874
<i>Usage for the year</i>	158,100	14,990,757	2,815,695	1,617,881	19,582,433
<i>Other changes</i>	-	(47,808,816)	-	-	(47,808,816)
<b>Total changes</b>	(15,674)	(60,641,700)	(2,815,695)	5,960,694	(57,512,375)
<b>Amount at end of the year</b>	<b>1,821,829</b>	<b>104,832,778</b>	<b>4,437,566</b>	<b>7,611,575</b>	<b>118,703,748</b>

For a more detailed understanding of the Provisions for risks and charges, details are given below.

Item B.1 of the liabilities “Provisions for pensions and similar obligations” inclu-

des the allocations and related uses of provisions for the termination of agency contracts.

Provisions are quantified in accordance with the provisions of Art. 1751 of the Italian Civil Code and of the collective agreements of the sector.

Description	Amount at beginning of the year	Usage for the year	Provisions for the year	Other changes	Amount at end of the year
<b>Agents' severance indemnity provision</b>	1,614,368	135,178	118,893	-	1,598,083
<b>Indemnity fund for termination of agency agreement</b>	223,135	22,922	23,533	-	223,746
<b>Total</b>	<b>1,837,503</b>	<b>158,100</b>	<b>142,426</b>	<b>-</b>	<b>1,821,829</b>

Description	Amount at beginning of the year	Usage for the year	Provisions for the year	Other changes	Amount at end of the year
<b>Provision for deferred taxes</b>	165,474,478	14,990,757	2,157,873	-47,808,816	104,832,778
<b>Total</b>	<b>165,474,478</b>	<b>14,990,757</b>	<b>2,157,873</b>	<b>-47,808,816</b>	<b>104,832,778</b>

The provision for deferred taxes derives mainly from the contribution made in 2015 and relates to deferred taxation connected with the higher values of the tangible fixed assets transferred compared to the values fiscally significant for the transferor. As is well known, in fact, the contribution from the fiscal point of view is not a realisable operation, therefore any higher market values compared to the book values of the transferor attributed to the various assets do not have fiscal relevance.

The determination of these market values along with the related deferred taxes was supported by the valuation prepared by the expert as referenced in Art. 2465, paragraph 1, of the Italian Civil Code. These deferred taxes shall be reabsorbed through the process of depreciation of these higher values on the basis of the useful lives of the various assets indicated by the expert in the valuation. During FY 2018, the utilisation of the defer-

red tax provision in connection with the higher depreciation amount in the financial statement than depreciation for tax purposes, was approximately Euro 12.4 million. The remainder of utilisations and all provisions is in relation to deferred taxes related to the impact of foreign exchange translation gains reported in the income statement. As a result of the spin-off transaction mentioned above, the provision for deferred taxes has also decreased by Euro 47,808,816 (column other changes), as an amount relating to deferred taxes on the higher values of assets transferred to the subsidiary Marcegaglia Ravenna spa.

With reference to the provisions relating to Financial Derivative Liabilities, the table below shows the movements in 2018.

Description	Amount at begin- ning of the year	Usage for the year	Provisions for the year	Other changes	Amount at end of the year
<b>Financial derivatives reported as liabilities</b>	7,253,261	2,815,695	-	-	4,437,566
<b>Total</b>	<b>7,253,261</b>	<b>2,815,695</b>	<b>-</b>	<b>-</b>	<b>4,437,566</b>

The use of the provision for Financial Derivative Liabilities derives from the adjustment of the fair value at 31/12/18 compared to the fair value at 31/12/17 of the Interests Rate Swap in the company's portfolio.

The counterpart to this adjustment was the recognition of a positive income component recognised in item D18) letter d of the income statement because the derivative in question, as already highlighted in the Notes to the Financial Statements relating to the previous year, does not meet all the requirements to be considered as a hedge

pursuant to OIC 32 in relation to derivatives.

In particular, the derivative held in the portfolio, given the substantial invariance of the underlying rates and conditions, as a result of the payment of differentials during the year 2018, improved its negative fair value, substantially in a specular manner.

The breakdown of movements in other provisions for risks and charges is shown in the table below:

Description	Amount at beginning of the year	Usage for the year	Provisions for the year	Other changes	Amount at end of the year
Litigation risk provision	650,881	617,881	4,000	-	37,000
Provision for risk of sale Marcegaglia China	1,000,000	1,000,000	-	-	-
Provision for risks on the repurchase of Simest's equity investment in Mrc do Brasil	-	-	7,574,575	-	7,574,575
<b>Total</b>	<b>1,650,881</b>	<b>1,617,881</b>	<b>7,578,575</b>	<b>-</b>	<b>7,611,575</b>

The equity investment in the company Marcegaglia China, the book value of which was in fact completely written off in previous years, was sold free of charge to the Chinese government in 2018.

During 2018, the existing provision for risks for the disposal of the investment in Marcegaglia China, amounting to Euro 1 million, was fully utilised as Marcegaglia Carbon Steel spa had to incur additional costs of about Euro 3.8 million in 2018 to accompany this transaction. The excess of costs over the existing provision, amounting to Euro 2.8 million, was recorded in the Income Statement under "Other operating expenses"; it should be noted that this cost is absolutely extraordinary compared to the ordinary management of the company.

In 2018, a provision for risks was created for Euro 7,574,575 in consideration of the commitments made for the repurchase in June 2019 of the minority interest held by Simest in the subsidiary Marcegaglia do Brasil. In consideration of both the strong fluctuations in the Brazilian currency, which has depreciated sharply against the euro area in recent years, and the losses incurred by the Brazilian subsidiary in recent years, the acquisition of this minority shareholding at nominal value will generate the need to make write-downs to this acquisition value. For prudential purposes, the company's directors decided to set aside a reasonable estimate of this charge in the 2018 financial statements by setting up a specific provision for risks. This cost was recorded in the Income Statement under the item write-down of equity investments, together with the write-down of the book value of the equity investment in the subsidiary Marcegaglia do Brasil relating to the equity investment already held at 31/12/18.

## EMPLOYEE SEVERANCE PAY

The following table shows the changes in the provision for employee severance indemnities in relation to the 2018 financial year and also considers the amounts allocated to supplementary pension schemes. On the basis of the information provided by the Italian Accounting Organization in its appendix of 26 September 2007 to the Operating Guide no. 1 relating to the transition to IAS, the severance indemnity fund shown in the financial statements is shown net of the amount paid to the supplementary pension fund or paid to the "Fund for the payment to private sector employees of severance indemnity pursuant to Art. 2120 of the Italian Civil Code", the so-called INPS treasury fund, pursuant to Legislative Decree 252/2005, Law 296/2006 Art.1 paragraphs 755 et seq. and 765 and Art.1 and 3 of the Ministerial Decree of 30/01/2007.

The portions of severance indemnity

accrued in 2018 and not yet paid to the complementary pension funds or to the INPS treasury fund are shown under item "D) 13) Payables to welfare and social security organisations".

	Employee severance pay
Amount at beginning of the year	11,272,892
Changes during the year	
Provisions for the year	7,665,829
Usage for the year	7,854,060
Other changes	(2,212,540)
Total changes	(2,400,771)
Amount at end of the year	<b>8,872,121</b>

It should be noted that the amount shown in the line "other changes" includes Euro 1,875,364 for the decrease in the Employee Severance Indemnity Provision for the spin-off transaction in favour of the company Marcegaglia Ravenna spa and Euro 337,176 for the decrease in the Employee Severance Indemnity Provision for the sale of the business unit relating to the Albignasego plant during the first few months of 2018 to parties outside the group.

## BREAKDOWN OF THE ITEM "UTILIZATIONS DURING THE YEAR"

Uses for disbursements and advances made during the year and for payments made for substitute tax against the revaluation accrued during the year	Payments made to the supplementary pension scheme	Payments made to the INPS Treasury Fund net of recoveries made during the year	Recovery of INPS contribution pursuant to Law 297/82	Transfers of severance indemnity fund for direct transfers	Total uses
670,377	2,930,043	3,871,010	506,712	-124,082	7,854,060

## PAYABLES

The change for the year includes the amounts resulting from the spin-off operation already described above.

### CHANGES AND DUE DATES OF PAYABLES

	Amount at beginning of the year	Changes during the year	Amount at end of the year	Portion due within the year	Portion due after the year
Payables to banks	48,990,246	(24,267,799)	24,722,447	19,322,447	5,400,000
Advance payments	707,001	(387,001)	320,000	320,000	-
Trade payables	1,061,246,649	(54,073,095)	1,007,173,554	1,007,173,554	-
Payables to subsidiaries	13,152,486	(3,572,230)	9,580,256	9,580,256	-
Payables to associates	1,848,884	(377,574)	1,471,310	1,471,310	-
Payables to parent companies	333,282,956	(160,048,080)	173,234,876	173,234,876	-
Payables to companies subject to control of parent companies	22,071,045	(62,744)	22,008,301	22,008,301	-
Tax payables	11,216,178	13,864,346	25,080,524	25,080,524	-
Payables to welfare and social security organisations	10,638,780	(2,896,374)	7,742,406	7,742,406	-
Other payables	140,729,607	(53,338,472)	87,391,135	87,391,135	-
<b>Total payables</b>	<b>1,643,883,832</b>	<b>(285,159,023)</b>	<b>1,358,724,809</b>	<b>1,353,324,809</b>	<b>5,400,000</b>

### BREAKDOWN OF PAYABLES BY GEOGRAPHICAL AREA

	Italy	EU	Other Europe	America	Africa - Middle East	Asia - Oceania	Total
Payables to banks	24,722,447	-	-	-	-	-	24,722,447
Advance payments	-	320,000	-	-	-	-	320,000
Trade payables	476,642,219	9,224,988	421,848,455	405,536	60,420,432	38,631,924	1,007,173,554
Payables to subsidiaries	660,476	3,598,112	5,321,668	-	-	-	9,580,256
Payables to associates	1,471,310	-	-	-	-	-	1,471,310
Payables to parent companies	173,234,876	-	-	-	-	-	173,234,876
Payables to companies subject to control of parent companies	22,008,301	-	-	-	-	-	22,008,301
Tax payables	23,905,667	198,640	976,217	-	-	-	25,080,524
Payables to welfare and social security organisations	7,742,406	-	-	-	-	-	7,742,406
Other payables	87,376,571	14,564	-	-	-	-	87,391,135
<b>Payables</b>	<b>817,764,273</b>	<b>13,356,304</b>	<b>428,146,340</b>	<b>405,536</b>	<b>60,420,432</b>	<b>38,631,924</b>	<b>1,358,724,809</b>

## DEBT SECURED BY COMPANY ASSETS

	Debt secured by collateral			Unsecured debt	Total
	Debt secured by mortgages	Debt secured by liens	Total debt secured by collateral		
Payables to banks	5,480,000	10,892,262	16,372,262	8,350,185	24,722,447
Advance payments	-	-	-	320,000	320,000
Trade payables	-	-	-	1,007,173,554	1,007,173,554
Payables to subsidiaries	-	-	-	9,580,256	9,580,256
Payables to associates	-	-	-	1,471,310	1,471,310
Payables to parent companies	-	-	-	173,234,876	173,234,876
Payables to companies subject to control of parent companies	-	-	-	22,008,301	22,008,301
Tax payables	-	-	-	25,080,524	25,080,524
Payables to welfare and social security organisations	-	-	-	7,742,406	7,742,406
Other payables	-	-	-	87,391,135	87,391,135
<b>Total payables</b>	<b>5,480,000</b>	<b>10,892,262</b>	<b>16,372,262</b>	<b>1,342,352,547</b>	<b>1,358,724,809</b>

With reference to the collateral on the company's assets to guarantee the bank debt, the following is specified:

Credit institution/entity secured by collateral	1st and 2nd mortgages on properties located in Boltiere (BG)	Lien on assets in the plant in Boltiere (BG)	Total
Intesa Sanpaolo	30,000,000	45,000,000	<b>75,000,000</b>
<b>total</b>	<b>30,000,000</b>	<b>45,000,000</b>	<b>75,000,000</b>

For the purposes of an overview, the following table shows in detail the medium/long-term bank debt.

Bank	total debt at 31/12/2018	Portion of debt due within 31/12/2019 and reclassified under short-term payables to banks	Total portion of debt due after 31/12/2019	of which, portion of debt due after 31/12/2019 but before 31/12/2023	of which, portion of debt due after 5 years from year end, i.e. after 31/12/2023	Debt maturity
Intesa Sanpaolo	2,800,000	2,800,000	0	0	0	17/12/2019
Intesa Sanpaolo	2,680,000	2,680,000	0	0	0	17/12/2019
Interbanca	7,200,000	1,800,000	5,400,000	5,400,000	0	31/07/2022
<b>total</b>	<b>12,680,000</b>	<b>7,280,000</b>	<b>5,400,000</b>	<b>5,400,000</b>	<b>0</b>	

The following table gives details of payables to companies subject to the control of the parent companies; refer to the Report on Operations for further information on changes in payables to subsidiaries, associated companies and parent companies.

	Amount at beginning of the year	Changes during the year	Amount at end of the year	Portion due within the year	Portion due after the year	of which, portion with remaining term over 5 years
Oskar Srl	-	118,480	118,480	118,480	-	-
Made Hse Srl	1,859,999	-1,573,119	286,880	286,880	-	-
Marfin Srl	1,478,020	5,670,069	7,148,089	7,148,089	-	-
Marcegaglia Specialties Spa	17,849,451	-3,798,498	14,050,953	14,050,953	-	-
Marcegaglia Plates Spa	41,474	-12,829	28,645	28,645	-	-
Marcegaglia Romania	46,820	-46,820	-	-	-	-
Marcegaglia Ravenna	-	319,470	319,470	319,470	-	-
Marcegaglia Gazoldo Inox	-	2,724	2,724	2,724	-	-
Marcegaglia Buildtech Srl	636,891	-636,891	-	-	-	-
Marcegaglia Investments Srl	3,000	- 3,000	-	-	-	-
Abaco Servizi Srl	155,390	-108,085	47,305	47,305	-	-
Outsourcing Inox	-	2,872	2,872	2,872	-	-
Other	-	2,883	2,883	2,883	-	-
<b>Total payables to companies subject to control of parent companies</b>	<b>22,071,045</b>	<b>-62,744</b>	<b>22,008,301</b>	<b>22,008,301</b>	<b>-</b>	<b>-</b>

Detail of other payables	Amount at beginning of the year	Changes during the year	Amount at end of the year	Portion due within the year	Portion due after the year	of which, portion with remaining term over 5 years
Payables to factoring companies	124,531,301	-49,968,613	74,562,688	74,562,688	-	-
Payables to staff	15,297,537	-3,945,714	11,351,823	11,351,823	-	-
Security deposits	-	-	-	-	-	-
Sundry payables	900,769	575,855	1,476,624	1,476,624	-	-
<b>Total other payables</b>	<b>140,729,607</b>	<b>-53,338,472</b>	<b>87,391,135</b>	<b>87,391,135</b>	<b>-</b>	<b>-</b>

## ACCRUED EXPENSES AND DEFERRED INCOME

	Amount at beginning of the year	Changes during the year	Amount at end of the year
Accrued expenses	527,525	(396,252)	131,273
Deferred income	5,094	(5,094)	-
<b>Total accrued expenses and deferred income</b>	<b>532,619</b>	<b>(401,346)</b>	<b>131,273</b>

The change for the year includes the amounts resulting from the spin-off operation already described above.

The composition of accrued expenses and deferred income is shown in the following tables:

Accrued expenses	Amount at beginning of the year	Changes during the year	Amount at end of the year
Share of interest expense	527,525	-396,252	131,273
<b>Total accrued expenses</b>	<b>527,525</b>	<b>-396,252</b>	<b>131,273</b>
Deferred income	Amount at beginning of the year	Changes during the year	Amount at end of the year
Fees for miscellaneous services for the following financial year	5,094	-5,094	0
<b>Total deferred income</b>	<b>5,094</b>	<b>-5,094</b>	<b>0</b>

## NOTES TO THE FINANCIAL STATEMENTS - INCOME STATEMENT

### VALUE OF PRODUCTION

#### BREAKDOWN OF INCOME FROM SALES AND SERVICES BY BUSINESS CATEGORIES

Business category	Current value
Tubes	799,179,432
Flats	1,903,739,919
Other steel products	440,941,147
<b>Total</b>	<b>3,143,860,498</b>

#### BREAKDOWN OF INCOME FROM SALES AND SERVICES BY GEOGRAPHICAL AREA

Geographic area	Current value
Italy	1,646,657,512
EU	1,324,731,870
Other Europe	85,639,830
North America	52,840,392
South - Central America	5,802,434
Middle East	828,511
Far East - Oceania	20,481,945
Africa	6,878,004
<b>Total</b>	<b>3,143,860,498</b>

### FINANCIAL INCOME AND CHARGES

#### Breakdown of income from equity investments

	Income other than dividends
From third parties	24,995,985
<b>Total</b>	<b>24,995,985</b>

Income from equity investments of Euro 24,995,985 relates to the capital gain from the sale of the equity investment held in the company AM Investco Italy srl, a company through which, together with the Arcelor Mittal Group, an offer was made on 30/06/16 for the acquisition of ILVA spa.

On 5 June 2017, AM Investco Italy srl was awarded the auction for the acquisition of ILVA spa.

Given the conditions precedent imposed by the European Antitrust Authority in order to obtain the necessary authorizations for the transaction and considering that the exit of Marcegaglia Carbon Steel

from the company was one of them, on 9 November 2018, the subsidiary Marcegaglia Carbon Steel sold its entire stake of Euro 1,500.00 in AM Investco Italy srl to Arcelor Mittal SA for the price of Euro 25,000,000.00.

This valuation originates in the negotiation of the parties and takes into account the loss of the expected and hoped-for future benefits that would have been a direct consequence of the award to which Marcegaglia Carbon Steel had to waive as a result of the necessary authorisations.

#### Breakdown of interest and other financial charges by type of payable

	Interest and other financial charges
Payables to banks	535,505
Other	29,863,497
<b>Total</b>	<b>30,399,002</b>

Item "C17) other ordinary financial charges" in the income statement can be broken down as follows:

	Other
Interest due on assignment of receivables for securitisation and factoring transactions	18,023,457
Financial charges on derivatives	2,975,692
Interest due to suppliers	462,671
Other interest and financial charges	8,401,677
<b>Total other financial charges</b>	<b>29,863,497</b>

### VALUE ADJUSTMENTS OF FINANCIAL ASSETS AND LIABILITIES

Item D18) d) Revaluation of Financial Derivative Instruments equal to Euro 2,815,694 refers, as already commented in the analysis of the equity movement of the item Financial Derivative Liabilities, to the adjustment of the fair value of the only derivative (IRS) remaining in the company's portfolio at 31/12/18.

This derivative cannot be considered as a hedge within the meaning of the current OIC 32.

Item D19) a) Write-downs of equity investments amounting to Euro 16,418,592 refers for Euro 7,574,575 to the charge relating to the creation of a risk provision for Euro 7,574,575 in consideration of the commitments undertaken for the purchase in June 2019 of the minority shareholding held by Simest in the subsidiary Marcegaglia do Brasil.

As already commented in the analysis of the change in provisions for risks and charges, in view of the strong fluctuations in the Brazilian currency, which has depreciated sharply against the euro area in recent years, and the losses incurred by the Brazilian subsidiary in recent years, the acquisition of this minority shareholding at nominal value will generate the need to make write-downs to this acquisition value. For prudential purposes, the company's directors decided to set aside a reasonable estimate of this charge in the 2018 financial statements by setting up a specific provision for risks.

In 2018, in line with the above, the book value of the investment held at 31/12/18 in the subsidiary Marcegaglia do Brasil was also written down, aligning this value with the portion of shareholders' equity held at the same date, adjusted to take account of unrealised gains present in the subsidiary's assets. As a result of the above, an additional cost of Euro 8,844,017 was recognized for the writedown of equity investments.

## AMOUNT AND NATURE OF INDIVIDUAL ITEMS OF REVENUE/COST OF EXCEPTIONAL AMOUNT OR INCIDENCE

A summary table of the company's entire income statement is provided below, showing the items of an exceptional nature.

	Amounts of an ordinary nature	Amounts of an exceptional nature	Total amounts
Revenues from sales and services	3,143,860,498	-	<b>3,143,860,498</b>
Change in inventories of work in progress, semi-finished and finished products	33,358,117	-	<b>33,358,117</b>
Increase in fixed assets for internal work	2,650,310	-	<b>2,650,310</b>
Other revenues and income	22,873,526	-	<b>22,873,526</b>
<b>Value of production</b>	<b>3,202,742,451</b>	-	<b>3,202,742,451</b>
Raw and ancillary materials, consumables and goods	-2,419,528,953	-	<b>-2,419,528,953</b>
Services	-407,481,938	-	<b>-407,481,938</b>
Lease and rental expense	-31,708,270	-	<b>-31,708,270</b>
Staff costs	-150,539,243	-	<b>-150,539,243</b>
Amortisation, depreciation and write-downs	-85,427,716	-	<b>-85,427,716</b>
Changes in inventories of raw and ancillary materials, consumables and goods	-48,502,346	-	<b>-48,502,346</b>
Provisions for risks	-	-	-
Other provisions	-	-	-
Other operating expenses	-6,313,698	-2,847,242	<b>-9,160,940</b>
<b>Cost of production</b>	<b>-3,149,502,164</b>	<b>-2,847,242</b>	<b>-3,152,349,406</b>
<b>Difference between value and cost of production</b>	<b>53,240,287</b>	<b>-2,847,242</b>	<b>50,393,045</b>
Income from equity investments	-	24,995,985	<b>24,995,985</b>
Other financial income	2,476,409	-	<b>2,476,409</b>
Interest and other financial charges	-48,822,307	-	<b>-48,822,307</b>
Exchange-rate gains and losses	-11,045,187	-	<b>-11,045,187</b>
<b>Financial income and charges</b>	<b>-57,391,085</b>	<b>24,995,985</b>	<b>-32,395,100</b>
Revaluations	2,815,694	-	<b>2,815,694</b>
Write-downs	-16,418,592	-	<b>-16,418,592</b>
<b>Value adjustments of financial assets</b>	<b>-13,602,898</b>	-	<b>-13,602,898</b>
<b>Profit (loss) before taxes</b>	<b>-17,753,696</b>	<b>22,148,743</b>	<b>4,395,047</b>
Current, deferred and prepaid income taxes for the year	-2,682,011	-	<b>-2,682,011</b>
<b>Profit (loss) for the year</b>	<b>-20,435,707</b>	<b>22,148,743</b>	<b>1,713,036</b>

The amounts indicated of an exceptional nature relate, with reference to the item Income from Equity Investments, to the capital gain realised following the sale of the shareholding in the company AM Investco, as already mentioned in the previous paragraphs analysing the income from equity investments, and with reference to the item Other operating charges, to the extraordinary costs linked to the disposal of the shareholding in the company Marcegaglia China commented on in the section of these Notes dedicated to the Risk Provisions.

## CURRENT, DEFERRED AND PREPAID INCOME TAXES FOR THE YEAR

The deferred taxes recognised in the financial statements as at 31/12/2018 are summarised in the following tables.

Prepaid taxes were recorded for all temporary differences found between taxable profit and profit before taxes under the assumption that there would be sufficient taxable profit to "absorb" the temporary differences specified below in the time frame under review.

For each of the components indicated below, deferred tax assets and liabilities have been allocated with an IRES rate of 24%, while the IRAP rate has been considered at 3.9%.

## RECOGNITION OF DEFERRED AND PREPAID TAX AND THE CONSEQUENT EFFECTS

	IRES	IRAP
<b>A) Temporary differences</b>		
Total deductible temporary differences	25,137,512	14,500,576
Total taxable temporary differences	379,904,156	350,148,188
Net temporary differences	354,766,644	335,647,612
<b>B) Tax effects</b>		
Opening provision for deferred (advanced) tax	135,888,197	20,913,470
Period deferred (advanced) tax	(50,744,203)	(7,823,213)
Closing provision for deferred (advanced) tax	85,143,994	13,090,257

## DETAILS OF DEDUCTIBLE TEMPORARY DIFFERENCES

Description	Amount at end of last year	Period change	Closing amount	IRES rate	IRES tax effect	IRAP rate	IRAP tax effect
Write-down of assets from conferment (IRES)	6,072,425	(4,458,307)	1,614,118	24.00%	387,388	-	-
Exchange-rate losses from valuation	7,971,623	2,089,543	10,061,166	24.00%	2,414,680	-	-
Write-down of inventories	17,448,606	(4,389,610)	13,058,996	24.00%	3,134,159	3.90%	509,301
Membership fees	59,346	137,163	196,509	24.00%	47,162	-	-
Agents' severance indemnity provision	176,854	(9,986)	166,868	24.00%	40,048	-	-
Tecoma late payment interest	2,854	-	2,854	24.00%	685	-	-
Provisions for risks for ires purposes	525,881	(488,880)	37,001	24.00%	8,880	-	-
Provision for risks for irap purposes	468,552	(468,552)	-	-	-	-	-
Write-down of assets from contribution (IRAP)	5,954,373	(4,512,793)	1,441,580	-	-	3.90%	56,222

## DETAILS OF TAXABLE TEMPORARY DIFFERENCES

Description	Amount at end of last year	Period change	Closing amount	IRES rate	IRES tax effect	IRAP rate	IRAP tax effect
Write-back of assets from contribution (IRES)	570,577,930	(199,664,912)	370,913,018	24.00%	89,019,124	-	-
Exchange-rate gains from valuation	10,848,624	(1,857,486)	8,991,138	24.00%	2,157,873	-	-
Write-back of leased plant	17,030,451	(17,030,451)	-	-	-	-	-
IFIL contribution	1,400	(1,400)	-	-	-	-	-
Write-back of assets from contribution (IRAP)	543,083,884	(192,935,696)	350,148,188	-	-	3.90%	13,655,779

## BREAKDOWN OF DEFERRED AND PREPAID TAXES OVER TIME

Description	Year 2019	Year 2020	Year 2021	Year 2022	Beyond 2022 year or unforeseeable	Total
<b>A) Taxable temporary differences</b>						
<i>Ires</i>						
exchange-rate gains from valuation	8,991,138					<b>8,991,138</b>
write-back of assets	27,022,418	23,892,878	24,412,340	26,537,687	269,047,696	<b>370,913,018</b>
<i>total</i>	<b>36,013,556</b>	<b>23,892,878</b>	<b>24,412,340</b>	<b>26,537,687</b>	<b>269,047,696</b>	<b>379,904,156</b>
<i>Irap</i>						
write-back of assets	31,274,585	28,166,762	27,669,882	25,487,910	237,549,048	<b>350,148,188</b>
<i>total</i>	<b>31,274,585</b>	<b>28,166,762</b>	<b>27,669,882</b>	<b>25,487,910</b>	<b>237,549,048</b>	<b>350,148,188</b>
<b>Total deferred tax</b>	<b>9,862,962</b>	<b>6,832,795</b>	<b>6,938,086</b>	<b>7,363,073</b>	<b>73,835,862</b>	<b>104,832,778</b>
<b>B) Deductible temporary differences</b>						
<i>Ires</i>						
interest on late payments	2,854					<b>2,854</b>
membership fees	196,509					<b>196,509</b>
provision for risks	33,000					<b>33,000</b>
provision for risks	4,000					<b>4,000</b>
write-down of assets	6,001	6,001			1,602,116	<b>1,614,117</b>
write-down of inventories					13,058,997	<b>13,058,997</b>
agents' severance indemnity provision					166,868	<b>166,868</b>
exchange-rate loss	10,061,166					<b>10,061,166</b>
Tax losses						
<i>total</i>	<b>10,303,529</b>	<b>6,001</b>	<b>-</b>	<b>-</b>	<b>14,827,981</b>	<b>25,137,511</b>
<i>Irap</i>						
write-down of inventories					13,058,997	<b>13,058,997</b>
write-down of assets	60,486	60,486			1,320,609	<b>1,441,580</b>
<i>total</i>	<b>60,486</b>	<b>60,486</b>	<b>-</b>	<b>-</b>	<b>14,379,605</b>	<b>14,500,577</b>
<b>Total prepaid tax</b>	<b>2,475,206</b>	<b>3,799</b>	<b>-</b>	<b>-</b>	<b>4,119,522</b>	<b>6,598,527</b>

**Information on the national consolidated tax return**

The option to adopt the consolidated tax regime on a national basis was communicated in September 2016 by the parent company Marcegaglia Holding S.p.A. using the 2016 Single Form and is valid for the three-year period 2016/2017/2018.

For the company Marcegaglia Carbon Steel spa, participation in the tax consolidation procedure resulted in the contribution to the Group's total income of taxable income of Euro 42,909,683 and the recording in item 20 of the Income Statement of a tax charge for IRES of Euro 10,298,324, calculated considering the current rate of 24%.

In conclusion, and in compliance with the provisions of OIC Document no. 25, two tables are provided which show the reconciliation of the expected tax burden, respectively for IRES and IRAP purposes, with the actual tax burden.

## RECONCILIATION BETWEEN THE EFFECTIVE TAX CHARGE AND THE THEORETICAL TAX CHARGE (IRES)

2018		
<b>Statutory Profit (+) / Loss (-) for the year before tax</b>	<b>4,395,047</b>	
Theoretical tax 24% on statutory profit before tax		1,054,811
<b>Effect of changes in increase (+) / decrease (-) compared to the ordinary rate</b>		<b>IRES effect</b>
Increase temporary differences	10,065,166	2,415,641
Decrease in temporary differences	-8,991,138	-2,157,873
Resorption of temporary decreases	-8,658,837	-2,078,121
Resorption of temporary increases	54,159,005	12,998,161
Permanent increases	23,413,085	5,619,140
Permanent decreases	-31,472,644	-7,553,435
<b>Total increases and decreases</b>	<b>38,514,637</b>	<b>9,243,513</b>
<b>previous years' tax losses that can be carried forward</b>		<b>0</b>
<b>Period fiscal profit</b>	<b>42,909,683</b>	<b>10,298,324</b>

## RECONCILIATION BETWEEN THE EFFECTIVE TAX CHARGE AND THE THEORETICAL TAX CHARGE (IRAP)

2018		
<b>Difference between value and cost of production</b>	<b>50,393,047</b>	
<b>Costs not relevant for IRAP</b>	<b>152,861,971</b>	
<b>Theoretical IRAP taxable income</b>	<b>203,255,019</b>	
Theoretical tax 3.9% on theoretical IRAP taxable income		7,926,946
<b>Effect of changes in increase (+) / decrease (-) compared to the ordinary rate</b>		<b>IRAP effect</b>
Increase temporary differences	-	-
Resorption of temporary increases	52,179,092	2,034,985
Resorption of temporary decreases	-4,858,162	-189,468
Permanent increases	7,453,174	290,674
Permanent decreases	-587,418,00	-22,909
<b>Gross production value IRAP</b>	<b>257,441,705</b>	<b>10,040,228</b>
<b>IRAP deductions</b>	<b>-145,019,172</b>	<b>-5,655,749</b>
<b>IRAP taxable income</b>	<b>112,422,533</b>	<b>4,384,479</b>

## NOTES TO THE FINANCIAL STATEMENTS - FURTHER INFORMATION

### EMPLOYMENT FIGURES

Category	Average number
Executives	19
Middle managers	31
Employees	522
Workers	2,032
<b>Total employees</b>	<b>2,604</b>

The following table also shows the detailed data on the number of employees as at 31 December 2018:

Category	Spot number at year end
Executives	16
Middle managers	24
Employees	358
Workers	1,543
Other employees	0
<b>Total employees</b>	<b>1,941</b>

### FEES, ADVANCES AND RECEIVABLES GRANTED TO DIRECTORS AND STATUTORY AUDITORS AND COMMITMENTS UNDERTAKEN ON THEIR BEHALF

	Directors	Auditors
<b>Fees</b>	<b>1,840,000</b>	<b>43,680</b>

### STATUTORY AUDITOR OR INDEPENDENT AUDITORS' FEES

The appointment of the statutory audit of the annual financial statements pursuant to and for the purposes of Art. 14 of Legislative Decree no. 39 of 27/01/2010 was entrusted, for a period of 3 financial years and therefore until the approval of the financial statements for the year 2020, to the auditing company MAZARS ITALIA spa by the ordinary Shareholders' Meeting of 25/06/2018. The fee, net of the reimbursement of travel expenses, for the statutory audit for 2017 (carried out in 2018) is Euro 59,730, which includes the fee of Euro 9,180 for the audit.

In addition, MAZARS ITALIA SPA was appointed as limited auditor of the half-yearly financial statements as at 30/06/2018 for a fee of Euro 16,500.

	Value
<b>Statutory audit of annual accounts</b>	<b>66,898</b>
<b>Other auditing services performed</b>	<b>18,480</b>
<b>Tax consulting services</b>	<b>5,000</b>
<b>Other non-auditing services</b>	<b>24,838</b>
<b>Total statutory auditor or independent auditors' fees</b>	<b>115,216</b>

### CATEGORIES OF SHARES ISSUED BY THE COMPANY

The company was incorporated as a limited liability company on 29/05/2015 with a share capital of Euro 10,000 divided into shares pursuant to Art. 2468 of the Italian Civil Code.

On 28/10/2015, a capital increase of Euro 438,990,000 was approved, bringing the share capital to Euro 439,000,000, still divided into shares pursuant to Article 2468 of the Italian Civil Code.

The Extraordinary Shareholders' Meeting of 27/11/2015 resolved to transform the company from a limited liability company to a joint-stock company, through the issue of 439,000,000 ordinary shares with a value of Euro 1.00 each.

Subsequently, the Extraordinary Shareholders' Meeting of 18/12/2015 resolved to increase the share capital for cash from Euro 439,000,000 to Euro 496,118,598 and so for a total of Euro 57,118,598 through the issue of new ordinary shares to be offered as an option to the Sole Shareholder with a value of Euro 1.00 each.

By partial proportional demerger deed dated 26/10/2018, Marcegaglia Carbon Steel reduced its share capital by Euro 99,900,000, through the cancellation of 99,900,000 ordinary shares.

As a result of this extraordinary transaction, the company's new share capital amounts to Euro 396,218,598, divided into 396,218,598 shares with a unit value of Euro 1.00.

Description	Initial amount, number	Initial amount, face value	Final amount, number	Final amount, face value
Ordinary shares	496,118,598	496,118,598	396,218,598	396,218,598
<b>Total</b>	<b>496,118,598</b>	<b>496,118,598</b>	<b>396,218,598</b>	<b>396,218,598</b>

## SECURITIES ISSUED BY THE COMPANY

None exist.

## DETAILS OF OTHER FINANCIAL INSTRUMENTS ISSUED BY THE COMPANY

The Company has not issued any financial instruments.

## COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES NOT REPORTED IN THE BALANCE SHEET

	Amount
<b>Commitments</b>	201,809,540
<i>to companies subject to control of parent companies</i>	2,053,660
<b>Guarantees</b>	1,533,908,981
<b>of which collateral</b>	497,777,815

The table below provides details on existing commitments and guarantees at 31/12/2018.

	31/12/2018	31/12/2017
<b>RISKS TAKEN BY THE COMPANY</b>		
<b>Sureties</b>		
- to subsidiaries	4,500,450	5,951,308
- to associates	500,000	500,000
- to parent companies	1,028,365,158	1,030,303,051
- to other companies	2,765,558	1,754,071
<b>Total sureties</b>	<b>1,036,131,166</b>	<b>1,038,508,430</b>
<b>Collateral</b>		
- to parent companies	497,777,815	471,250,000
<b>Total collateral</b>	<b>497,777,815</b>	<b>471,250,000</b>
<b>Total guarantees</b>	<b>1,533,908,981</b>	<b>1,509,758,430</b>
<b>COMMITMENTS ENTERED INTO BY THE COMPANY</b>		
- other commitments	201,809,540	122,503,706
<b>Total commitments entered into by the Company</b>	<b>201,809,540</b>	<b>122,503,706</b>
<b>Total</b>	<b>1,735,718,521</b>	<b>1,632,262,136</b>

With reference to the collateral on the company's assets to guarantee the parent companies, the following is specified:

During the 2018 financial year, the parent company Marcegaglia Steel spa renegotiated with the banking pool the loans existing at the beginning of the 2018 financial year, obtaining both significant improvement conditions and an increase in the amount of the loans themselves.

In particular, on 28/09/2018 the company Marcegaglia Steel spa obtained three new loans from the banking pool, which in the meantime saw its structure increase compared to the initial composition, with which Marcegaglia Steel spa repaid on 02/10/2018 the previous exposures with the pool relating to the old loans.

The following were then formalised:

- 1) a mortgage loan of Euro 350,953,000 with amortisation schedule expiring on 31/12/2024;
- 2) a revolving cash facility line for an amount of Euro 100,833,000, with final due date on 31/12/2022;
- 3) an unsecured loan of Euro 98,214,000 with amortisation schedule expiring on 31/12/2024.

The loans described under points 1) and 2) above are mortgage loans, and the relevant guarantees were issued by the company and the associate Marcegaglia Specialties spa as third-party providers of the mortgages and liens due to the fact that Marcegaglia Steel spa itself acts as a lender for them and funds operations through a cash pooling mechanism.

The plants owned by Marcegaglia Carbon Steel spa, on which mortgages and liens have been placed in favour of the new bank syndicate, are as follows:

- Casalmaggiore (CR)
- Ravenna
- Lomagna (LC)
- Gazoldo degli Ippoliti (MN)
- Corsico (MI)
- Lainate (MI)

The total value of collateral provided is Euro 632,500,400. The collateral consists of a first mortgage on the property indicated above and a lien on personal property included in these plants toge-

ther with the same collateral recorded on the properties owned by the affiliate Marcegaglia Specialties spa (in this specific case, Gazoldo degli Ippoliti (MN), Contino di Volta Mantovana (MN) and Forlì/Forlimpopoli, which are mortgaged for the same purpose).

With reference to the mortgage, the maximum amount conventionally guaranteed by Marcegaglia Carbon Steel spa is equal to Euro 497,777,815.

With reference to the value of the related liens, as a result of the spin-off in favour of the associated company Marcegaglia Ravenna spa, it should be noted that the maximum amount conventionally guaranteed by Marcegaglia Carbon Steel spa is equal to Euro 173,259,743.

In 2018, the company signed a new agreement (in addition to the 2017 agreement) for the forward purchase of raw materials, with final maturity in 2021.

The commitments entered into already in 2017 provide for a purchase for a value of about 119 million, in monthly tranches starting from July 2019 until January 2020; while the commitments entered into in 2018 provide for a purchase for a value of about 81 million, in monthly tranches starting from July 2021 until November 2021.

Both these commitments are included in the table above under other commitments.

The fixed euro/tonne purchase price is currently not higher than market values, therefore it was not necessary to make any provision.

This forward purchase cannot be considered as a derivative contract within the meaning of paragraph 3 of Art. 2426 of the Italian Civil Code and was set up to meet the company's procurement needs.

racterized by an effective and efficient horizontal and vertical integration.

The Report on Operations highlights the values contained in the financial statements relating to activities with group entities, specifying that these are transactions carried out at market conditions, similar to those that would have been agreed between independent parties.

#### INFORMATION ON SIGNIFICANT EVENTS AFTER YEAR-END

After the end of the year 2018 with purchase volumes and prices in decline (for all products, and in particular stainless ones), 2019 started with great uncertainty about the strength of demand and the possible further decline in prices.

However, due to the low level of stocks, apparent demand has essentially "held" in the first quarter, despite the fact that final consumption of steel remains "fragile".

On 31 January 2019, the European Commission published the definitive safeguard measures, deciding to apply maximum quotas per product and country of origin to imports of almost all steel products.

For hot rolled coils, as requested and argued by Marcegaglia Steel and other first transformation operators, a "global" quota (not for each country) has been defined at levels in line with imports in recent years.

The overall effect of these measures should be to stabilise traditional trade flows and eliminate import "peaks" in particular in 2017 and 2018 such as galvanised coils from China or welded tubes from Turkey with a benefit for processors and Marcegaglia.

The following tables show the main trends for the first quarter of 2019.

Company	Revenues (thousands of Euro)		
	Jan-Mar 19	Jan-Mar 18	Δ %
MARCEGAGLIA CARBON STEEL	716,384	725,522	-1.3
<b>MARCEGAGLIA CARBON STEEL ITALIA</b>	<b>716,384</b>	<b>725,522</b>	<b>-1.3</b>
MARCEGAGLIA DO BRASIL Ltda	25,613	26,093	-1.8
MARCEGAGLIA POLAND Sp z o.o.	65,784	68,095	-3.4
MARCEGAGLIA UK	17,415	17,338	0.4
<b>MARCEGAGLIA CARBON STEEL EXPORT</b>	<b>108,811</b>	<b>111,526</b>	<b>-2.4</b>
<b>MARCEGAGLIA CARBON STEEL TOTAL</b>	<b>825,195</b>	<b>837,048</b>	<b>-1.4</b>

Company	Quantity (tonnes)			MARK UP (thousands of Euro)		
	Jan-Mar '19	Jan-Mar '18	Δ %	Jan-Mar '19	Jan-Mar '18	Δ %
MARCEGAGLIA CARBON STEEL	992,528	988,465	0.4	192,595	199,379	-3.4
<b>MARCEGAGLIA CARBON STEEL ITALIA</b>	<b>992,528</b>	<b>988,465</b>	<b>0.4</b>	<b>192,595</b>	<b>199,379</b>	<b>-3.4</b>
MARCEGAGLIA DO BRASIL Ltda	23,128	24,564	-5.8	8,516	8,480	0.4
MARCEGAGLIA POLAND Sp z o.o.	85,155	88,520	-3.8	9,051	10,568	-14.4
MARCEGAGLIA UK	21,797	21,326	2.2	3,572	4,258	-16.1
<b>MARCEGAGLIA CARBON STEEL EXPORT</b>	<b>130,080</b>	<b>134,411</b>	<b>-3.2</b>	<b>21,139</b>	<b>23,306</b>	<b>-9.3</b>
<b>MARCEGAGLIA CARBON STEEL TOTAL</b>	<b>1,122,607</b>	<b>1,122,876</b>	<b>0.0</b>	<b>213,734</b>	<b>222,684</b>	<b>-4.0</b>

#### INFORMATION ON RELATED PARTY TRANSACTIONS

The activity of Marcegaglia Carbon Steel S.p.A. is mainly aimed at developing relationships with parties not bound by direct or indirect ownership constraints, without however neglecting the appropriate synergies that derive from commercial and financial relationships between the companies of a group cha-

# COMPANIES DRAFTING THE FINANCIAL STATEMENTS OF THE LARGER/ SMALLER BUSINESSES OF WHICH THEY ARE A PART, AS A SUBSIDIARY

	Largest grouping	Smallest grouping
Company name	Finmar srl	Marcegaglia Holding spa
City (if in Italy) or foreign country	Gazoldo degli Ippoliti (MN)	Gazoldo degli Ippoliti (MN)
Tax code (for Italian companies)	02466170202	02466980204
Place of deposit of the consolidated financial statements	Mantua	Mantua

## INFORMATION ON FINANCIAL DERIVATIVES PURSUANT TO ART. 2427-BIS OF THE ITALIAN CIVIL CODE

In accordance with the provisions of Art. 2427 bis of the Italian Civil Code, the following table shows the derivative contract in place at 31/12/18 and the changes in value between 2017 and 2018.

Financial derivative	Nature	Fair value at year end of previous year	Value changes recorded directly in profit and loss account for the period (+ write-backs/- write-downs)	Fair value at year end	Value changes allocated to shareholders' equity reserves
Cariparma interest rate swap	Not for hedging pursuant to OIC 32	-7,253,261	+2,815,694	-4,437,566	0
<b>Total</b>		<b>-7,253,261</b>	<b>+2,815,694</b>	<b>-4,437,566</b>	<b>0</b>

The positive change in fair value was recorded under item D) 18) d) of the income statement

## SUMMARY STATEMENT OF THE FINANCIAL STATEMENTS OF THE COMPANY THAT EXERCISES MANAGEMENT AND COORDINATION ACTIVITIES

The company is subject to the direction and coordination of the parent company FINMAR SRL, which holds 13% of the share capital but 51.31% of the voting rights of the company Marcegaglia Holding spa, which holds 100% of the share capital of the company Marcegaglia Steel spa, which in turn holds 100% of the share capital of the company. Below is the information required by Art. 2497-bis, paragraph 4, of the Italian Civil Code.

## SUMMARY OF THE BALANCE SHEET OF THE COMPANY THAT EXERCISES MANAGEMENT AND COORDINATION ACTIVITIES

	Last financial year	Previous year
Date of last approved financial statements	31/12/2017	31/12/2016
B) Fixed assets	116,204,872	118,222,828
C) Current assets	71,568	33,727
<b>Total assets</b>	<b>116,276,440</b>	<b>118,256,555</b>
A) Shareholders' equity		
Share capital	40,000	40,000
Reserves	27,176,968	28,888,180
Profit (loss) for the year	(2,058,532)	(1,781,212)
Total shareholders' equity	25,158,436	27,146,968
B) Provisions for risks and charges	5,965	5,136
D) Payables	91,112,005	91,104,417
E) Accrued charges and deferred income	34	34
<b>Total liabilities</b>	<b>116,276,440</b>	<b>118,256,555</b>

## SUMMARY OF THE INCOME STATEMENT OF THE COMPANY THAT EXERCISES MANAGEMENT AND COORDINATION ACTIVITIES

	Last financial year	Previous year
Date of last approved financial statements	31/12/2017	31/12/2016
B) Production costs	43,523	49,694
C) Financial income and expense	3,357	16,446
D) Write-downs of financial assets	(2,017,537)	(1,744,193)
Income taxes for the year	829	3,771
Profit (loss) for the year	(2,058,532)	(1,781,212)

## INFORMATION PURSUANT TO ART. 1, PARAGRAPH 125 OF ITALIAN LAW NO. 124 OF 04 AUGUST 2017

In accordance with the information to be provided in the Notes to the Financial Statements for the year 2018 regarding various types of grants received by public administrations and their associated entities, pursuant to Law no. 124 of 04/08/17, Art. 1, paragraphs 125-129, the following table is provided below:

Lender	Amount received (Euro)	Cause/Type contribution	Establishment	Regulatory ref.
GSE spa	895,148.42	Incentive tariff for energy production from renewable sources	Casalmaggiore / Ravenna / Lomagna	MD 19/02/17-MD 05/05/11
Customs and Monopolies Agency-CR	47,818.10	Reimbursement of excise duties on diesel fuel for vehicles not registered	Casalmaggiore	Legislative Decree 504/95 point 9 as subsequently amended and supplemented
Customs and Monopolies Agency-AL	8,972.06	Reimbursement of excise duties on diesel fuel for vehicles not registered	Dusino S. Michele	Legislative Decree 504/95 point 9 as subsequently amended and supplemented
Customs and Monopolies Agency-RA	197,651.23	Reimbursement of excise duties on diesel fuel for vehicles not registered	Ravenna	Legislative Decree 504/95 point 9 as subsequently amended and supplemented
Customs and Monopolies Agency-RA	299,791.94	Reimbursement of excise duties on diesel fuel for vehicles not registered	Ravenna	Legislative Decree 504/95 point 9 as subsequently amended and supplemented
Customs and Monopolies Agency-BG	1,733.75	Reimbursement of excise duties on diesel fuel for vehicles not registered	Boltiere	Legislative Decree 504/95 point 9 as subsequently amended and supplemented
Customs and Monopolies Agency-MN	23,434.73	Reimbursement of excise duties on diesel fuel for carbon vehicles tax year 2017	Gazoldo degli Ippoliti / Tezze Sul Brenta / Lainate	L.448/98 Art.8 as subsequently amended and supplemented
Customs and Monopolies Agency-PD	3,931.22	Exemption from excise duties on electricity	Albignasego	Legislative Decree 504/95 Art.52 paragraph 2 lett.e
Customs and Monopolies Agency-BG	57,552.97	Exemption from excise duties on electricity	Boltiere	Legislative Decree 504/95 Art.52 paragraph 2 lett.e
Customs and Monopolies Agency-AL	38,991.16	Exemption from excise duties on electricity	Dusino S. Michele	Legislative Decree 504/95 Art.52 paragraph 2 lett.e
Customs and Monopolies Agency-CO	62,940.31	Exemption from excise duties on electricity	Lomagna	Legislative Decree 504/95 Art.52 paragraph 2 lett.e
Customs and Monopolies Agency-PD	803.76	Exemption of gas excise duties	Albignasego	Legislative Decree 504/95 Art.21 paragraph 13
Customs and Monopolies Agency-BG	22,478.80	Exemption of gas excise duties	Boltiere	Legislative Decree 504/95 Art.21 paragraph 13
Customs and Monopolies Agency-CR	47,064.53	Exemption of gas excise duties	Casalmaggiore	Legislative Decree 504/95 Art.21 paragraph 13
Customs and Monopolies Agency-MN	37,735.52	Exemption of gas excise duties	Gazoldo degli Ippoliti	Legislative Decree 504/95 Art.21 paragraph 13
Customs and Monopolies Agency-RA	820,328.49	Exemption of gas excise duties	Ravenna	Legislative Decree 504/95 Art.21 paragraph 13
European Community	76,260.00	1st tranche project contribution New Tech 4 Steel	Ravenna	NewTech4Steel RFCS-02-2017
Revenue Agency - Treasury	1,147,137.51	Tax credit for R&D activities	Gazoldo degli Ippoliti / Ravenna / Casalmaggiore / Boltiere	Legislative Decree 145 of 23/12/13 Art.3
Emilia Romagna Region	142,500.00	Regional Law contribution 10 of 30/06/14 (Balance)	Ravenna	Regional Law Emilia R. no.10 of 30/06/14
Revenue Agency-Tax authority	122,179.39	Superamortisation year 2017	other	Law 208 of 28/12/15
<b>Total</b>	<b>4,054,453.89</b>			

**PROPOSAL FOR THE ALLOCATION OF PROFITS OR COVERAGE OF LOSSES**

We propose to allocate the result for the year 2018, equal to Euro 1,713,036.15 for 5% of its amount, equal to Euro 85,651.81 to the legal reserve and for Euro 1,627,384.34 to reduce losses carried forward.

It is proposed to allocate the existing exchange rate valuation reserve, equal to Euro 8,728,952.42, created pursuant to Article 2426, paragraph 8 bis of the Italian Civil Code when allocating the 2017 result, to reduce losses carried forward, since the conditions for its maintenance in the financial statements no longer exist.

## **NOTES**

### **final part**

**Significant changes in currency exchange rates**

Using the exchange rates at 18/04/2019, the net effect of the items “valuation foreign exchange gains” and “valuation foreign exchange losses” (17 bis in the income statement) would worsen by approximately Euro 2.5 million.

**Fixed assets acquired before 17 April 1991** (Article 45, paragraph 2, of Legislative Decree no. 127 of 9 April 1991)

We certify that for fixed assets acquired or produced before 17 April 1991 the original cost has already been determined and represented in the accounts.

**STATEMENT OF FINANCIAL STATEMENT COMPLIANCE**

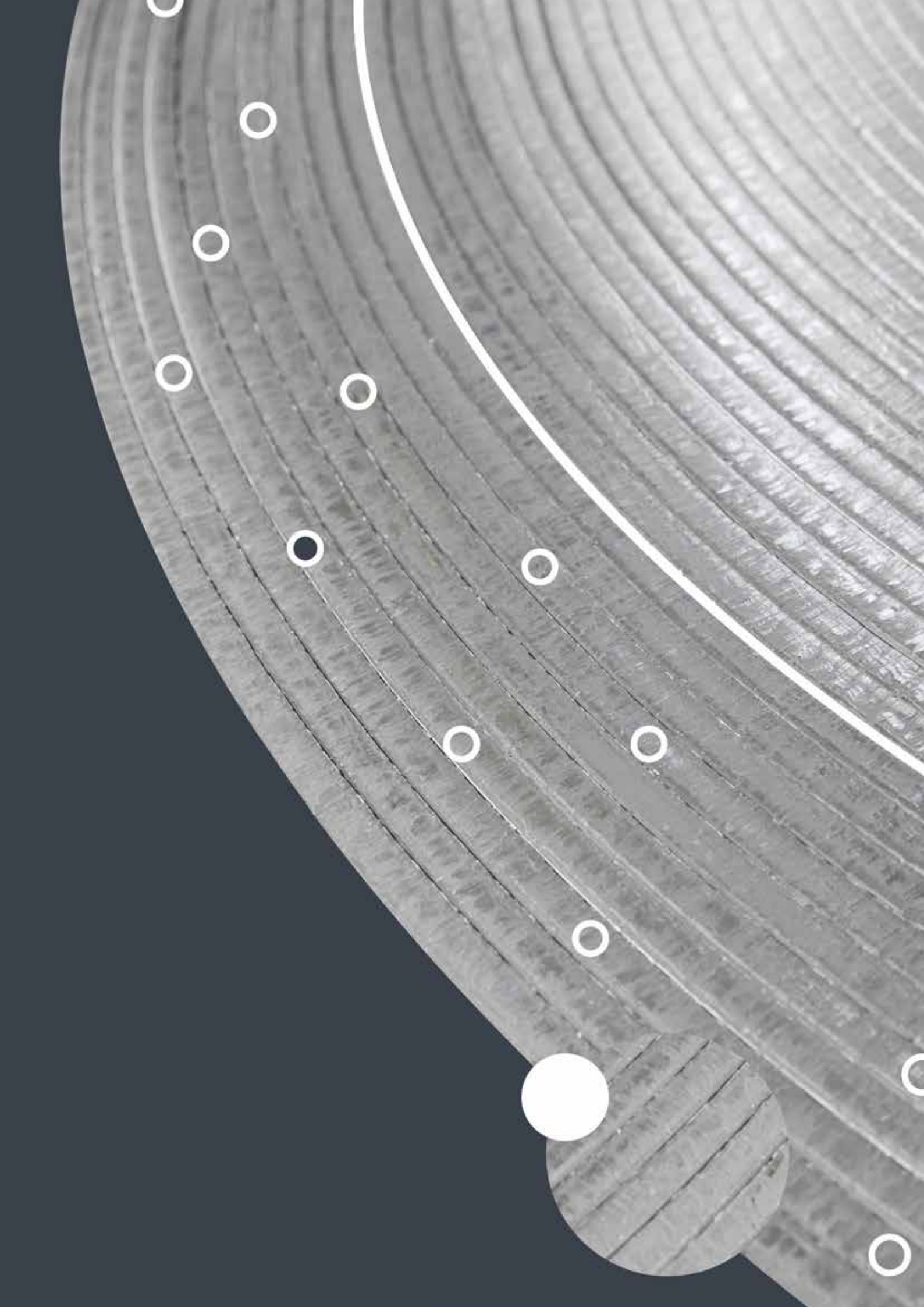
It should be noted that the valuation criteria set out herein comply with statutory law. These Notes to the Financial Statements, as well as the entire financial statements of which they are an integral part, give a true and fair view of the company's financial position and results of operations for the year.

The exposure of the values required by Art. 2427 of the Italian Civil Code has been prepared in accordance with the principle of clarity.

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*Gazoldo degli Ippoliti, 30 April 2019*

Chairman  
of the Board of Directors  
**Antonio Marcegaglia**







# Financial Statements 2018

## Marcegaglia Ravenna



**MARCEGAGLIA RAVENNA S.p.A.**

Registered Office: via Bresciani, 16 - Gazoldo degli Ippoliti, Mantova - Italy

Share capital: Euro 105,307,498

VAT number and Tax code No.: 02559130204

REA number: 000000262806

## **Independent auditor's report in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010**

To the Shareholders of Marcegaglia Ravenna S.p.A.

### **Report on the audit of the financial statements**

#### **Opinion**

We have audited the financial statements of Marcegaglia Ravenna S.p.A. (the Company), which comprise the balance sheet as at December 31, 2018, the income statement for the year then ended and the explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2018 and of the result of its operations for the year then ended, in accordance with the Italian laws governing the financial statements.

#### **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 section of this report titled *Auditor's responsibilities for the audit of the financial statements*. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Other aspects**

##### *Comparability with the previous financial year*

As indicated by the directors in the notes to the financial statements, the Company was formed on 16 July 2018. Therefore, the financial statements for the year ended at 31 December 2018, relating to the first year of operation of the Company, do not indicate the previous year's figures.

#### **Responsibilities of the directors and board of statutory auditors for the financial statements**

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the Italian laws governing the financial statements and, according to the terms prescribed by law, for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

##### **MAZARS ITALIA SpA**

VIA AUGUSTO RIGHI, 6 - 37135 VERONA  
TEL: +39 045 4753200 - FAX: +39 045 4647314 - [www.mazars.it](http://www.mazars.it)

SPA - CAPITALE SOCIALE DELIBERATO, SOTTOSCRITTO E VERSATO € 120.000,00 – SEDE LEGALE: LARGO AUGUSTO, 8 - 20122 MILANO

REA MI-2076227 - COD. FISC. E P. IVA 11176691001 – ISCRIZIONE AL REGISTRO DEI REVISORI LEGALI N. 163788 CON D.M. DEL 14/07/2011 G.U. N. 57 DEL 19/07/2011

The directors are responsible for assessing the Company's ability to continue as a going concern and for the appropriateness of the use of the going concern assumption in the preparation of the financial statements, and for appropriate disclosure thereof. In preparing the financial statements, the directors use the going concern basis of accounting unless directors either intend to liquidate the Company or to cease operations or has no realistic alternative but to do so.

The board of statutory auditors ("collegio sindacale") is responsible for overseeing, according to the terms prescribed by law, the Company's financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain a reasonable assurance about whether the 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 performed in accordance 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 in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of the audit in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures in response to those risks; we obtained sufficient and appropriate audit evidence on which to base 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 omissions, misrepresentations or the override of internal control;
- we obtained an understanding of the internal control relevant to the audit in order to design the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- we concluded on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Where a material uncertainty exists, we are required to draw attention, in our auditor's report, to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, subsequent events or conditions may cause the Company to cease to continue as a going concern;
- we evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in such a manner as to give a true and fair view.

We communicated to those charged with governance, identified at an appropriate level as required by ISA Italia, among other matters, the 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 compliance with other laws and regulations**

### **Opinion in accordance with article 14, paragraph 2, letter e), of Legislative Decree No. 39/10**

The directors of Marcegaglia Ravenna S.p.A. are responsible for preparing a directors' report of Marcegaglia Ravenna S.p.A. as at December 31, 2018, including its consistency with the relevant financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the directors' report with the financial statements of Marcegaglia Ravenna S.p.A. as at December 31, 2018 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the directors' report is consistent with the financial statements of Marcegaglia Ravenna S.p.A. as at December 31, 2018 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued based on our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Verona, April 30, 2019

Mazars Italia S.p.A.  
(signed on the original)  
Alfonso Iorio  
Partner

*This report has been translated into English language from the Italian original solely for the convenience of international readers.*



# MARCEGAGLIA RAVENNA S.P.A.

## BALANCE SHEET AS OF 31 DECEMBER 2018

ASSETS values in EUR

31/12/2018

31/12/2017

<b>A RECEIVABLES FROM SHAREHOLDERS FOR OUTSTANDING CONTRIBUTIONS</b>			
1	previously called	3,980,624	0
	Total Receivables from shareholders for outstanding contributions <b>A</b>	<b>3,980,624</b>	<b>0</b>
<b>B FIXED ASSETS</b>			
<b>I Intangible fixed asset</b>			
1	Start-up and expansion costs	0	0
3	Industrial patent rights and intellectual property rights	21,332	0
4	Concessions, licences, trademarks and similar rights	0	0
6	Fixed assets in progress and advance payments	0	0
7	Other	0	0
	<b>Total intangible fixed assets (B-I)</b>	<b>21,332</b>	<b>0</b>
<b>II Property, plant and equipment</b>			
1	Land and buildings	0	0
2	Plant and machinery	285,746,704	0
3	Industrial and commercial equipment	3,641,072	0
4	Other assets	890,609	0
5	Fixed assets in progress and advance payments	10,850,990	0
	<b>Total property, plant and equipment (B-II)</b>	<b>301,129,375</b>	<b>0</b>
<b>III Financial fixed assets</b>			
1	Equity investments in:		
	a) Subsidiaries	0	0
	b) Associates	6,250	0
	d-bis) Other companies	1,392,566	0
		<b>1,398,816</b>	<b>0</b>
2	Receivables		
	d-bis) from others		
	- due after the following year	4,620	0
		<b>4,620</b>	<b>0</b>
	<b>Total financial assets (B-III)</b>	<b>1,403,436</b>	<b>0</b>
	<b>Total Fixed Assets B</b>	<b>302,554,143</b>	<b>0</b>
<b>C CURRENT ASSETS</b>			
<b>I Inventories</b>			
1	Raw and ancillary materials and consumables	38,592,153	0
2	Work in progress and semi-finished products	0	0
4	Finished products and goods	0	0
5	Advance payments	635,805	0
	<b>Total inventories (C-I)</b>	<b>39,227,958</b>	<b>0</b>
<b>II Receivables</b>			
1	from customer		
	- due within the following year	3,510,648	0
		<b>3,510,648</b>	<b>0</b>
2	from subsidiaries		
	- due within the following year	0	0
		<b>0</b>	<b>0</b>
3	from associates		
	- due within the following year	313,637	0
		<b>313,637</b>	<b>0</b>
4	from parent companies		
	- due within the following year	984,871	0
		<b>984,871</b>	<b>0</b>
5	from companies subject to control of parent companies		
	- due within the following year	462,409	0
		<b>462,409</b>	<b>0</b>
5-bis	Tax credit		
	- due within the following year	1,954,669	0
		<b>1,954,669</b>	<b>0</b>
5-ter	Deferred tax assets	1,242,407	0
		<b>1,242,407</b>	<b>0</b>
5-quater	from others		
	- due within the following year	319,870	0
		<b>319,870</b>	<b>0</b>
	<b>Total receivables (C-II)</b>	<b>8,788,511</b>	<b>0</b>
<b>IV Cash and cash equivalents</b>			
1	Bank and postal deposits	0	0
3	Cash on hand and cash equivalents	2,149	0
	<b>Total cash and cash equivalents (C-IV)</b>	<b>2,149</b>	<b>0</b>
	<b>Totale Current Assets C</b>	<b>48,018,618</b>	<b>0</b>
<b>D ACCRUED INCOME AND PREPAID EXPENSES</b>			
	Accrued income and prepaid expenses	1,793	0
	<b>Total Accrued income and prepaid expenses D</b>	<b>1,793</b>	<b>0</b>
	<b>TOTAL ASSETS</b>	<b>354,555,178</b>	<b>0</b>

## LIABILITIES values in EUR

31/12/2018

31/12/2017

<b>A PATRIMONIO NETTO</b>			
I	Share capital	105,307,498	0
II	Share premium reserve	0	0
IV	Legal reserve	0	0
VI	Other reserves, represented by:		
	- Contributions on future capital increase	0	0
	- Reserve for unrealized exchange gains	0	0
	- Difference from rounding to the unit of Euro	1	0
	<b>Total other reserves (VI)</b>	<b>1</b>	<b>0</b>
VIII	Profit/(loss) carried forward	0	0
IX	Profit/(loss) for the year	(5,393,752)	0
	<b>Total equity A</b>	<b>99,913,747</b>	<b>0</b>
<b>B RESERVES FOR RISKS AND EXPENSES</b>			
1	for post-retirement benefits and similar obligations	0	0
2	for taxes, including deferred taxes	46,958,412	0
3	financial derivatives reported as liabilities	0	0
4	other	0	0
	<b>Total Reserves for Risks and Expenses B</b>	<b>46,958,412</b>	<b>0</b>
<b>C EMPLOYEE SEVERANCE PAY</b>			
	Employee severance pay C	1,758,643	0
<b>D PAYABLES</b>			
4	Payables to banks		
	- due within the following year	510	0
		<b>510</b>	<b>0</b>
6	Advance payments		
	- due within the following year	0	0
		<b>0</b>	<b>0</b>
7	Trade payables		
	- due within the following year	69,982,357	0
		<b>69,982,357</b>	<b>0</b>
9	Payables to subsidiaries		
	- due within the following year	0	0
		<b>0</b>	<b>0</b>
10	Payables to associates		
	- due within the following year	367	0
		<b>367</b>	<b>0</b>
11	Payables to parent companies		
	- due within the following year	124,404,935	0
		<b>124,404,935</b>	<b>0</b>
11-bis	Payables to companies subject to control of parent companies		
	- due within the following year	602,877	0
		<b>602,877</b>	<b>0</b>
12	Tax payables		
	- due within the following year	1,812,514	0
		<b>1,812,514</b>	<b>0</b>
13	payables to welfare and social security organizations		
	- due within the following year	4,203,848	0
		<b>4,203,848</b>	<b>0</b>
14	Other payables		
	- due within the following year	4,916,968	0
		<b>4,916,968</b>	<b>0</b>
	<b>Total Payables D</b>	<b>205,924,376</b>	<b>0</b>
<b>E ACCRUED EXPENSES AND DEFERRED INCOME</b>			
	Accrued expenses and deferred income	0	0
	<b>Total Accrued expenses and deferred income E</b>	<b>0</b>	<b>0</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>354,555,178</b>	<b>0</b>

**MARCEGAGLIA RAVENNA S.P.A.****PROFIT AND LOSS ACCOUNT AS OF 31 DECEMBER 2018**

values in EUR		2018	2017
<b>A</b>	<b>VALUE OF PRODUCTION</b>		
1	Revenues from sales and services	36,071,075	0
2	Changes in inventories of work in progress, semi-finished and finished products	(136,664)	0
4	Increase in fixed assets for internal work	0	0
5	Other revenues and income		
	- Operating grants	11,928	0
	- Other	121,180	0
	<b>Total other revenues and income (5)</b>	<b>133,108</b>	<b>0</b>
	<b>Total Value of production A</b>	<b>36,067,519</b>	<b>0</b>
<b>B</b>	<b>PRODUCTION COSTS</b>		
6	Raw and ancillary materials, consumables and goods	5,933,748	0
7	Services	16,129,782	0
8	Lease and rental expense	1,526,659	0
9	Personnel costs		
	a) wages and salaries	7,946,201	0
	b) social security contributions	2,193,575	0
	c) employee severance pay	395,468	0
	e) other personnel costs	16,285	0
	<b>Total personnel costs (9)</b>	<b>10,551,529</b>	<b>0</b>
10	Amortisation, depreciation and write-downs		
	a) amortisation of intangible assets	5,507	0
	b) depreciation of property, plant and equipment	6,700,529	0
	d) write-downs of receivables included in current assets and cash and cash equival.	0	0
	<b>Total amortisation, depreciation and write-downs (10)</b>	<b>6,706,036</b>	<b>0</b>
11	Changes in the inventory of raw and ancillary mater., consumables and goods	1,435,073	0
14	Sundry operating costs	138,106	0
	<b>Total Production Costs B</b>	<b>42,420,933</b>	<b>0</b>
	Difference between Value and Cost of Production A - B	<b>(6,353,414)</b>	<b>0</b>
<b>C</b>	<b>FINANCIAL INCOME AND EXPENSES</b>		
15	Income from equity investments		
	- from associates	0	0
	- from other companies	0	0
	<b>Total income from equity investments (15)</b>	<b>0</b>	<b>0</b>
16	Other financial income:		
	a) from receivables recorded as fixed assets		
	- from other companies	0	0
	<b>Total financial income from receivables recorded as fixed assets (a)</b>	<b>0</b>	<b>0</b>
	d) income other than the above:		
	- from parent companies	328	0
	- from companies subject to the control of parent companies	86,663	0
	- from others	5	0
	<b>Total income other than the above (d)</b>	<b>86,996</b>	<b>0</b>
	<b>Total other financial income (16)</b>	<b>86,996</b>	<b>0</b>
17	Interests and other financial charges:		
	- paid to subsidiaries	0	0
	- paid to parent companies	942,871	0
	- paid to companies subject to the control of parent companies	2,831	0
	- other financial expenses	21	0
	<b>Total interests and other financial charges (17)</b>	<b>945,723</b>	<b>0</b>
17-bis	Exchange-rate gains and losses	(265)	0
	<b>Total Financial Income and Expenses C</b>	<b>(858,992)</b>	<b>0</b>
	<b>PROFIT (LOSS) BEFORE TAXES (A-B+/-C+/-D)</b>		
	Profit (Loss) Before Taxes A-B+/-C+/-D	<b>(7,212,406)</b>	<b>0</b>
20	Current, deferred and pre-paid income taxes for the year		
	- direct taxes for the year	16,504	0
	- direct taxes for previous years	0	0
	- deferred taxes	(850,617)	0
	- Income (costs) from participation in tax consolidation scheme	984,541	0
	<b>Total current, deferred and pre-paid income taxes for the year (20)</b>	<b>(1,818,654)</b>	<b>0</b>
	<b>PROFIT (LOSS) FOR THE YEAR</b>	<b>(5,393,752)</b>	<b>0</b>

## NOTES

### BACKGROUND

By deed of demerger dated 26/10/2018 in the notary's register in Mantua, Dr. M. Bertolucci, the company Marcegaglia Carbon Steel spa, in compliance with previous shareholders' meeting resolutions, carried out a partial proportional demerger of its assets and liabilities in favour of a newly-formed company called Marcegaglia Ravenna spa.

The effectiveness of the aforesaid act of partial demerger has been postponed to 00:00 of the first day of the month following the last of the registrations provided for in Art. 2506 quater of the Civil Code, which coincided with 1 November 2018.

At that effective date, Marcegaglia Ravenna spa was therefore wholly (100%) owned by the company Marcegaglia Steel spa; for the sake of completeness, it should be noted that at the end of 2018 Marcegaglia Ravenna spa then approved a share capital increase reserved for the entry of a shareholder in the amount of approximately 5%, thus remaining held by the company Marcegaglia Steel spa in the amount of approximately 95%.

The spin-off, in fact, with a view to increasing environmental protection and energy efficiency in the industrial production of the Marcegaglia Group, takes place prior to the entry into the capital of the beneficiary company – with a minority stake – of a technology partner of primary international standing and with a significant track record in energy efficiency processes, with which the plan is to build a cogeneration plant. The partner will be responsible for the design and construction of the plant and will manage with its own staff, through a specific contract, the plant itself.

It should also be noted that the demerger operation is part of a more efficient group organisation and has the aim of rationalising and separating the activities of the demerged company.

In particular, Marcegaglia Ravenna S.p.A. which, as a result of the spin-off, becomes the owner of the plants in the Ravenna

production site and of the reference personnel, is responsible for the transformation of raw materials into finished products on behalf of Marcegaglia Carbon Steel S.p.A., in the same production site. Assets and liabilities have been transferred at book values in perfect continuity of values, as they do not differ significantly from the actual values.

In detail, the assets and liabilities involved in the demerger can be described qualitatively as follows:

- intangible fixed assets relating to licences for the application software necessary for the operation of the plant and machinery used in the Ravenna plant;
- tangible fixed assets consisting of plant and machinery, industrial and commercial equipment (including internal handling equipment) and other assets (furniture and office machinery, vehicles supplied to the Ravenna plant, trucks, furniture and fittings), plant in progress and any advances to suppliers for the purchase of depreciable assets always destined for the said Ravenna plant;
- the shareholdings in the Gas Intensive and Metal Interconnector entities;
- 50% of the investment held by Marcegaglia Carbon Steel S.p.A. in Consorzio Absolute scarl, presently equal to 25%, which was therefore demerged in favour of the beneficiary company for a share of 12.5%;
- the warehouse for consumables/subsidiaries (other than zinc and paints) necessary for the various steel transformation processes and the functionality of the existing plants transferred to the Ravenna plant;
- deferred tax assets recognised to take account of the write-down of a tangible asset in progress that does not qualify for immediate tax deduction;
- the provision for deferred taxes (IRES and IRAP) related to the tangible fixed assets transferred arising from the misalignment of statutory and fiscal values as a result of the contribution received from the company demerged in 2015 (Marcegaglia spa now Marfin srl);
- the liability for the severance indemnity

(TFR), set aside in the specific provision, towards the employees transferred with the spin-off operation;

- payables to employees, transferred as part of the spin-off operation, for holiday accruals, leave of absence, any additional monthly instalments and/or bonuses due on the basis of current contracts;
- payables to suppliers and/or associated companies of goods and services related to the activities of the Ravenna plant, excluding payables to suppliers of raw materials for steelmaking and suppliers of zinc and paints;
- a portion of the debt deriving from the interest-bearing current account with the parent company Marcegaglia Steel spa.

The table below shows the demerger values of these assets and liabilities at the effective date.

**ASSETS** values in EUR

<b>B FIXED ASSETS</b>	
<b>I Intangible fixed assets</b>	
1 Start-up and expansion costs	0.00
3 Industrial patent rights and intellectual property rights	26,839.82
4 Concessions, licences, trademarks and similar rights	0.00
6 Fixed assets in progress and advance payments	0.00
7 Other	0.00
<b>Total intangible fixed assets (B-I)</b>	<b>26,839.82</b>
<b>II Tangible fixed assets</b>	
1 Land and buildings	0.00
2 Plants and machinery	291,249,257.84
3 Industrial and commercial equipment	3,743,864.81
4 Other assets	915,744.47
5 Fixed assets in progress and advance payments	2,876,204.53
<b>Total tangible fixed assets (B-II)</b>	<b>298,785,071.65</b>
<b>III Financial fixed assets</b>	
1 Equity investments in:	
a) subsidiary undertakings	0.00
b) associates	6,250.00
d-bis) other companies	1,392,566.00
	<b>1,398,816.00</b>
2 Receivables	
d-bis) others	
- due after the following year	0.00
	<b>0.00</b>
<b>Total financial fixed assets (B-III)</b>	<b>1,398,816.00</b>
<b>Total fixed assets B</b>	<b>300,210,727.47</b>
<b>C CURRENT ASSETS</b>	
<b>I Inventories</b>	
1 Raw and ancillary materials and consumables	40,027,226.04
2 Work in process and semi-finished products	0.00
4 Finished products and goods	136,663.81
5 Advance payments	634,967.09
<b>Total inventories (C-I)</b>	<b>40,798,856.94</b>
<b>II Receivables</b>	
a) due within the following year	
1) customers	0.00
2) subsidiaries	0.00
3) associates	0.00
4) parent companies	0.00
5) companies under control of parent companies	0.00
5-bis) tax credits	0.00
5-ter) deferred tax assets	1,242,194.00
5-quater) from others	0.00
	<b>1,242,194.00</b>
b) due after the following year	
5-ter) deferred tax assets	0.00
	<b>0.00</b>
<b>Total receivables (C-II)</b>	<b>1,242,194.00</b>
<b>IV Cash and cash equivalents</b>	
1 Bank and postal deposits	0.00
3 Cash and cash on hand	0.00
<b>Total cash and cash equivalents (C-IV)</b>	<b>0.00</b>
<b>Total current assets C</b>	<b>42,041,050.94</b>
<b>D ACCRUED INCOME AND PREPAID EXPENSES</b>	
Accruals and deferrals	436,273.94
<b>Total accrued income and prepaid expenses D</b>	<b>436,273.94</b>
<b>TOTAL ASSETS</b>	<b>342,688,052.35</b>

**LIABILITIES** values in EUR

<b>A</b>	<b>EQUITY</b>	
	Total equity A	-99,900,000.00
<b>B</b>	<b>PROVISIONS FOR RISKS AND CHARGES</b>	
1	For post-retirement benefits and sim. obligations	0.00
2	Taxes	-47,808,816.00
3	Financial derivatives reported as liabilities	0.00
4	Other	0.00
	Total provisions for risks and charges B	-47,808,816.00
<b>C</b>	<b>EMPLOYEE SEVERANCE PAY</b>	
	Employee severance pay C	-1,875,363.88
<b>D</b>	<b>PAYABLES</b>	
a)	due within the year	
4)	Due to banks	0.00
6)	Advance payments	0.00
7)	Trade payables	-61,124,005.24
9)	Payables to subsidiaries	0.00
10)	Payables to associates	0.00
11)	Payables to parent companies	-125,262,591.51
11-bis)	Payables to affiliates	-137,294.00
12)	Tax payables	0.00
13)	Payables to welfare and social security organisations	-2,374,595.24
14)	Other payables	-4,205,386.48
		-193,103,872.47
b)	due after the year	
4)	Due to banks	0.00
		0.00
	Total Payables D	-193,103,872.47
<b>E</b>	<b>ACCRUED EXPENSES AND DEFERRED INCOME</b>	
	Accruals and deferrals	0.00
	Total accrued expenses and deferred income E	0.00
	<b>TOTAL LIABILITIES</b>	<b>-342,688,052.35</b>

In the tables shown in the following paragraphs relating to changes in the various items in the 2018 financial statements, the effect of the above demerger transaction, if significant, will be indicated, where present, in the column “Other changes”.

**Financial statement preparation criteria and structure**

The financial statements for the financial year ended on 31 December 2018 were prepared in accordance with Articles 2423 et seq. of the Italian Civil Code, as supplemented with the accounting principles issued by Organismo Italiano di Contabilità (OIC), the Italian accounting standard setter.

In particular, the company complied with the general provisions for structuring financial statements (Art. 2423 of the Italian Civil Code), its drafting standards (Art. 2423-bis) and measurement criteria established for single line items (Art. 2426) without applying any of the exceptions specified in Art. 2423, paragraph 4, of the Italian Civil Code.

The Balance Sheet and Income Statement are prepared in accordance with the mandatory layouts required by the Italian Civil Code. The provisions of Art. 2423-ter of the Italian Civil Code were followed with respect to the structure of the Balance Sheet and Income Statement. No further divisions or groupings were carried out for any of the line items preceded by Arabic numerals. No new line items were inserted, and no modifications were made to those specified in the above layouts since they were deemed to be sufficient for the purposes of providing a clear, truthful and accurate representation of the Company's balance sheet and financial position and operating results for the year. The financial statements for the year ended 31 December 2018 have been drawn up in euros. Any differences arising from rounding amounts expressed in whole euros were allocated to a special shareholders' equity reserve, and, depending on their sign, in line item A5) “Other revenues and income” or B14) “Other operating expenses” in the Income Statement.

**Comparability with the previous financial year**

The company was incorporated on 16 July 2018. Therefore, the financial statements as at 31 December 2018, relating to the company's first year of operation, do not contain the data relating to the previous year.

**Classification conventions**

In preparing the financial statements as of 31 December 2018, the following classification conventions have been adopted:

a. line items in the asset section of the balance sheet were classified on the basis of their related company purpose, while in the liability section, they were classified as a function of their nature;

b. the income statement was prepared taking into account three distinct classification criteria; namely:

- the breakdown of the entire operating area into the three sub-areas identified by the layout required by law;
- the nature of costs prevailing over their purpose;
- the need to properly recognise interim results in the sequence of steps leading to the formation of net profit (loss) for the year.

The statement of cash flows was not prepared as this is the first year of the company's life.

**Reference to the Report on Operations**

Information about the nature of the company's activities and relations with subsidiaries, associated companies, parent companies and companies subject to the control of the latter is provided in the Report on Operations.

**Asset, liability and shareholders' equity items of the Balance Sheet that fall under more than one item of the layout required by law**

In order to understand the financial statements, it is unnecessary to specify in these Notes the items belonging to the balance sheet line items that are included in more than one line item of the statutory layout.

**CRITERIA APPLIED IN MEASURING FINANCIAL STATEMENT ITEMS, IN VALUE ADJUSTMENTS AND IN THE CONVERSION OF AMOUNTS NOT ORIGINALLY EXPRESSED IN THE CURRENCY USED AS LEGAL TENDER IN THE COUNTRY (ART. 2427, PARAGRAPH 1, POINT 1)**

The financial statement items were stated on the basis of general principles of prudence and the accrual principle under the assumption the Company is a going concern. Line items were recognised and presented taking into account the substance of the transaction and agreement. Only profits realised as at the year end date are reported. In addition, account was taken of revenues and expenses attributable to the period under review regardless of the collection or disbursement date, as well as the risk and losses for the same period, also if known at a later date. Dissimilar elements included in individual line items were measured separately.

The measurement criteria used for individual financial statement entries comply with the provisions of Art. 2426 of the Italian Civil Code.

### Intangible fixed assets

Intangible fixed assets are recorded in the financial statements at purchase or production cost and amortised according their remaining useful life.

Start-up and expansion costs are amortised over a period of five years. Any development costs are amortised in accordance with their useful life. As an exception, if it is not possible to reliably estimate their useful life, they are amortised over a period of up to five years.

Goodwill is recognised only if:

- 1) it has been purchased, for up to the cost incurred,
- 2) it arises from the consolidation process, to the extent permitted by impairment testing.

In the exceptional cases where its useful life cannot be estimated reliably, goodwill is amortised over a maximum period of ten years.

If there is impairment, intangible fixed assets are written down and recorded in the financial statements at such lower value; if in the future the reasons for the adjustment no longer apply, the write-down is also cancelled and the original cost is restored with the exception of value adjustments of goodwill.

The following is a breakdown of the intangible fixed assets recorded in the balance sheet and their amortisation criteria.

Line items of the Financial Statements	Purchase or production cost	Depreciation rate	Depreciation for the year
Start-up and expansion costs (B.I.1)	-	-	-
Development costs (B.I.2)	-	-	-
Licensed software (B.I.3)	174,990	33.33%	5,507
Know-how (B.I.4)	-	-	-
Goodwill (B.I.5)	-	-	-
Intangible assets in progress (B.I.6)	-	-	-
Other multi-year costs (B.I.7)	120,985	20%/17%/13%	-

### Tangible fixed assets

Tangible fixed assets are recorded at purchase or production cost increased by statutory monetary revaluations, and are reported in the financial statements net of accumulated depreciation. Revaluations are only maintained if required by law. If there is impairment, tangible fixed assets are written down using special adjusting provisions and recorded in the financial statements at such lower value; if in the future the reasons for the adjustment no longer apply, the write-down is also cancelled and the original cost is restored.

Maintenance costs that increase the useful life of assets to which they are related are allocated to such assets and depreciated based on their remaining useful lives. All ordinary maintenance costs are instead entirely charged to the income statement.

Depreciation was determined on the basis of their remaining useful life.

The following is a breakdown of the tangible fixed assets recorded in the balance sheet, the relative depreciation criteria and the amount of depreciation recorded in the 2018 financial year.

Line items of the Financial Statements	Purchase or production cost	Depreciation rate	Depreciation for the year
Land (B.II.1)	-	-	-
Buildings (B.II.1)	-	-	-
Light constructions (B.II.1)	-	-	-
Large plants and machinery (B.II.2)	321,685,876	8-12%	5,129,190
General and specific plant assets (B.II.2)	79,095,134	8.00%	1,181,733
Miscellaneous equipment (B.II.3)	7,690,246	15.00%	283,310
Internal handling equipment (B.II.3)	1,983,968	15.00%	53,170
Furniture and ordinary office equipment (B.II.4)	370,992	12.00%	1,361
Electronic machinery (B.II.4)	851,009	20.00%	33,517
Motor vehicles (B.II.4)	277,260	25.00%	4,125
Trucks and trailers (B.II.4)	200,986	20.00%	1,927
Ordinary furniture and furnishings (B.II.4)	625,660	10.00%	12,196
Fixed assets in progress and advance payments (B.II.5)	15,303,297	=	-

With regard to the tangible assets contributed as a result of the extraordinary transaction in 2015 to Marcegaglia Carbon Steel and subsequently demerged in the favour of Marcegaglia Ravenna, depreciation was determined on the basis of the remaining useful life of each individual asset indicated by the expert asked to perform the special appraisal pursuant to Art. 2465 of the Italian Civil Code. The average rates applied by category of homogeneous assets in relation to these particular assets are detailed in the following table:

Line items of the Financial Statements	Depreciation rate
Buildings (B II 1)	2.93%
Light constructions (B II 1)	9.09%
Large plants and specific machinery (B II 2)	10%
Annealing furnaces (B II 2)	16.67%
General plant and machinery (B II 2)	9.09%
Purification plants (B II 2)	12.50%
Miscellaneous equipment (B II 3)	25%
Internal handling equipment (B II 3)	16.67%
Office furniture and equipment (B II 4)	50%
Electronic office equipment (B II 4)	25%
Motor vehicles (B II 4)	33.3%
Trucks and trailers (B II 4)	50%
Furniture and furnishings (B II 4)	12.50%

### Leased assets

Lease transactions are recognised using the equity method. Thus, these assets are recorded in balance sheet assets starting in the year the redemption right is exercised.

### Equity investments and investment securities

Equity investments and securities are measured at acquisition or subscription cost.

If there is impairment, financial fixed assets are written down using special adjusting provisions and recorded in the financial statements at such lower value; if in the future the reasons for the adjustment no longer apply, the original cost is restored.

Equity investments denominated in foreign currencies are recorded at the exchange rate in effect at the time of purchase or subscription or at the reporting date, if lower, provided such reduction is considered permanent.

### Inventories

Inventories are measured at the lower of purchase or production cost and market value. Purchase cost includes ancillary costs of transportation and customs clearance of raw materials; production costs include all of the costs directly allocated to the product (raw materials and ancillary materials, direct labour, depreciation of the capital goods used in production), in addition to the portion of indirect industrial costs relating to the manufacturing period (maintenance costs, consumables, electric power, outsourced processes, etc.).

Inventories other than interchangeable assets are recognised among the inventories of finished products and are measured at purchase cost or production cost since this cost is deemed not to exceed the estimated sales market value.

The item “Raw and ancillary materials and consumables” also includes inventories of ancillary materials and consumables such as spare parts, lubricants, fuels and miscellaneous materials in general. These inventories are recorded in the financial statements at the lower of the value determined using the moving average criterion, and their replacement value based on market value.

Inventories of contract work in progress are measured, if applicable, using the percentage of completion method.

### Receivables

In general, receivables (both held as fixed and current assets) are booked using the amortised cost criterion taking into account the time factor and estimated realisable value.

However, OIC 15, paragraph 33 specifies that this criterion need not be applied if the impact is insignificant, assuming that short-term receivables (i.e. those due within 12 months) are insignificant.

Furthermore, Art. 12, paragraph 2, of Legislative Decree 139/2015 specifies that the new amortised cost measurement criterion need not be applied to components of items related to transactions that have not fully exhausted their impact on the financial statements.

Thus, in these financial statements, the

amortised cost criterion is only applied to receivables due after the following year that arose after 1 January 2016, and in any case, only if the impact of applying this criterion is considered significant.

Receivables not measured using the amortised cost method (since the impact of applying this criterion is not considered significant) are recorded at nominal value adjusted, as necessary, for the appropriate provision for doubtful receivables to bring it into line with the estimated realisable value.

Receivables expressed in a foreign currency are originally converted into euros at the reported exchange rate on the date of the related transactions. Exchange differences generated from the collection of receivables in a foreign currency are recorded in the income statement under item 17-bis "Exchange-rate gains and losses".

Receivables expressed in foreign currency in the financial statements are measured on the basis of the relative exchange rates at the end of the year (31/12/2018). Exchange rate differences emerging from such valuation are allocated to the income statement in line item 17-bis "Exchange-rate gains and losses".

### **Equity investments and securities not held as fixed assets**

Equity investments not held as fixed assets are recorded at cost and written down for any impairment.

Securities not held as fixed assets are recorded at cost or market value.

### **Cash and cash equivalents**

Cash and cash equivalents (bank and postal accounts, cash and cash on hand) are recorded at their actual balances.

### **Cash and shareholders' equity entries**

These items are measured at nominal value.

### **Provisions for risks**

Provisions for risks and charges are allocated in the financial statements to cover losses or liabilities of a known type, that will certainly or probably arise but which, as of the end of the year, could not be de-

termined, either in terms of amount or date of accrual.

Allocations reflect the best estimate possible on the basis of available information.

### **Employee severance pay**

This item is allocated in accordance with laws and labour contracts currently in effect and reflects the accrued amount owed to all employees on the reporting date net of the amount paid to a supplemental pension or to the "Fund for the payment of severance pay to employees in the private sector as referenced in Art. 2120 of the Italian Civil Code", the so-called INPS Treasury Fund.

### **Payables**

In general, payables are recorded in the financial statements according to the amortised cost criterion taking into account the time factor.

However, OIC 19, paragraph 42 specifies that this criterion need not be applied if the impact is insignificant, assuming that short-term payables (i.e. those due within 12 months) are insignificant.

Furthermore, Art. 12, paragraph 2, of Legislative Decree 139/2015 specifies that the new amortised cost measurement criterion need not be applied to components of items related to transactions that have not fully exhausted their impact on the financial statements.

Thus, in these consolidated financial statements, the amortised cost criterion is only applied to payables due after the following year that arose after 1 January 2016, and in any case, only if the impact of applying this criterion is considered significant.

Payables not measured using the amortised cost method (since the impact of applying this criterion is not considered significant) are recorded at nominal value.

In any case, this item includes liabilities that are certain and specific in terms of their amount and date incurred.

Payables expressed in a foreign currency are originally converted into euros at the reported exchange rate on the date of the related transactions. Exchange differences generated from the payment of payables in a foreign currency are recorded in

the income statement under item 17-bis "Exchange-rate gains and losses".

Payables expressed in foreign currency in the financial statements are measured on the basis of the relative exchange rates at the end of the year (31/12/2018). Exchange rate differences emerging from such valuation are allocated to the income statement in line item 17-bis "Exchange-rate gains and losses".

### **Accruals and deferrals**

These items were determined on the basis of the accrual principle applied to the related costs and revenues.

### **Revenues**

Revenues from sales are recognised on an accrual basis, that is when both the following conditions are met:

- the goods have been manufactured; and
- title to the goods has been passed, which is when risks and benefits incidental to their ownership has been transferred.

Thus, save as otherwise agreed regarding the transfer of risks and benefits:

a) in the case of movable assets, risks and benefits are transferred when the goods are shipped or delivered;

b) for goods that require notarisation (for instance properties), risks and benefits are transferred when the sale agreement is executed;

c) in the case of instalment sales with retention of title, the revenue is recognised upon delivery, regardless of the transfer of ownership, since Art. 1523 of the Italian Civil Code provides that the buyer acquires ownership of the thing with the payment of the last instalment of the price, but assumes the risks from the time of delivery

Revenues from services are recognised on an accrual basis, that is when the service has been rendered.

Financial income is recognised on an accrual basis, for the amount accrued in the period of reference.

### **Costs and expenses**

Costs related to the purchase of goods are recognised on an accrual basis, that is when both the following conditions are met:

- the goods have been manufactured; and

- title to the goods has been passed, which is when risks and benefits incidental to their ownership has been transferred. Thus, save as otherwise agreed regarding the transfer of risks and benefits:

a) in the case of movable assets, risks and benefits are transferred when the goods are shipped or delivered;

b) for goods that require notarisation (for instance properties), risks and benefits are transferred when the sale agreement is executed;

c) in the case of instalment sales with retention of title, the cost is recognised upon delivery, regardless of the transfer of ownership, since Art. 1523 of the Italian Civil Code provides that the buyer acquires ownership of the thing with the payment of the last instalment of the price, but assumes the risks from the time of delivery.

Service costs are recognised on an accrual basis, that is when the service has been rendered.

Financial expenses are recognised on an accrual basis, for the amount accrued in the period of reference.

### Dividends

Dividends are recorded in the year in which the right to receive them accrues, which typically coincides with the year they are approved by the competent body.

### Income Tax

Income taxes were determined on the basis of the cost for the year.

Deferred taxes are determined on the basis of temporary differences between the amount assigned to assets and liabilities by statute and by tax regulations.

Prepaid taxes were recorded in financial statement assets since there is a reasonable certainty of generating income in the future capable of absorbing these temporary differences.

## NOTES TO THE FINANCIAL STATEMENTS - ASSETS

### RECEIVABLES FROM SHAREHOLDERS FOR OUTSTANDING CONTRIBUTIONS

	Amount at beginning of the year	Changes during the year	Amount at end of the year
Receivables for payments due and not called up	0	3,980,624	3,980,624
<b>Total receivables for payments due</b>	<b>0</b>	<b>3,980,624</b>	<b>3,980,624</b>

Changes in receivables from shareholders for payments still due refer to receivables from the minority shareholder Engie Servizi spa. As mentioned in the introduction, in fact, the company Marcegaglia Ravenna spa resolved by extraordinary shareholders' meeting of 21/12/2018 to increase the share capital by Euro 5,307,498, reserved for the entry of Engie Servizi spa.

### FIXED ASSETS

#### INTANGIBLE FIXED ASSETS

##### CHANGES IN INTANGIBLE FIXED ASSETS

	Industrial patent rights and intellectual property rights	Total intangible fixed assets
<b>Amount at beginning of the year</b>		
Book value	0	0
<b>Changes during the year</b>		
Period amortisation/depreciation	5,507	5,507
Other changes	26,839	26,839
<b>Total changes</b>	<b>21,332</b>	<b>21,332</b>
<b>Amount at end of the year</b>		
Cost	26,839	26,839
Amortisation/depreciation (Provision for amortisation/depreciation)	5,507	5,507
<b>Book value</b>	<b>21,332</b>	<b>21,332</b>

### Start-up and expansion costs, research, development and advertising costs

There are no start-up and expansion costs, nor research and development costs, nor indeed capitalised advertising costs.

### Financial charges capitalised

No financial charges were capitalised during the year.

## TANGIBLE FIXED ASSETS

## CHANGES IN TANGIBLE FIXED ASSETS

	Plants and machinery	Industrial and commercial equipment	Other tangible fixed assets	Assets under construction and payments on account	Total tangible fixed assets
<b>Amount at beginning of the year</b>					
Book value	0	0	0	0	0
<b>Changes during the year</b>					
Increases for acquisitions	808,370	233,687	27,990	8,135,910	9,205,957
Decreases for sales and cancellations (of book value)	-	-	-	161,125	161,125
Period amortisation/depreciation	6,310,924	336,480	53,125	-	6,700,529
Other changes	291,249,258	3,743,865	915,744	2,876,205	298,785,072
<b>Total changes</b>	<b>285,746,704</b>	<b>3,641,072</b>	<b>890,609</b>	<b>10,850,990</b>	<b>301,129,375</b>
<b>Amount at end of the year</b>					
Cost	292,057,628	3,977,552	943,734	10,850,990	307,829,904
Amortisation/depreciation (Provision for amortisation/depreciation)	6,310,924	336,480	53,125	-	6,700,529
<b>Book value</b>	<b>285,746,704</b>	<b>3,641,072</b>	<b>890,609</b>	<b>10,850,990</b>	<b>301,129,375</b>

## Value reductions to tangible fixed assets

No fixed assets were written down during the year.

## Financial charges capitalised

No financial charges were capitalised during the year.

## FINANCIAL FIXED ASSETS

## CHANGES IN EQUITY INVESTMENTS, OTHER SECURITIES AND FINANCIAL DERIVATIVES REPORTED AS LONG-TERM ASSETS

	Equity investments in associates	Equity investments in other companies	Total equity investments
<b>Amount at beginning of the year</b>			
Book value	0	0	0
<b>Changes during the year</b>			
Other changes	6,250	1,392,566	1,398,816
<b>Total changes</b>	<b>6,250</b>	<b>1,392,566</b>	<b>1,398,816</b>
<b>Amount at end of the year</b>			
Cost	6,250	1,392,566	1,398,816
<b>Book value</b>	<b>6,250</b>	<b>1,392,566</b>	<b>1,398,816</b>

## CHANGES AND MATURITY OF RECEIVABLES HELD AS FIXED ASSETS

	Amount at beginning of the year	Changes during the year	Amount at end of the year	Portion due after the year
Receivables from others held as fixed assets	0	4,620	4,620	4,620
<b>Total receivables held as fixed assets</b>	<b>0</b>	<b>4,620</b>	<b>4,620</b>	<b>4,620</b>

## DETAILS ON EQUITY INVESTMENTS IN ASSOCIATES

Name	City (if in Italy) or foreign country	Tax code (for Italian companies)	Capital in euros	Net equity in euros	Share held in euros	% share held	Book value or corresponding receivable
Consorzio Absolute	Italy	02844650305	50,000	50,000	6,250	12.50%	6,250
<b>Total</b>							<b>6,250</b>

## BREAKDOWN OF RECEIVABLES HELD AS FIXED ASSETS BY GEOGRAPHICAL AREA

Geographic area	Receivables from others held as fixed assets	Total receivables held as fixed assets
Italy	4,620	4,620
<b>Total</b>	<b>4,620</b>	<b>4,620</b>

## VALUE OF FINANCIAL FIXED ASSETS

	Book value	Fair value
Equity investments in other companies	1,392,566	1,392,566
<b>Receivables from others</b>	<b>4,620</b>	<b>4,620</b>

## BREAKDOWN OF THE VALUE OF EQUITY INVESTMENTS IN OTHER COMPANIES

	Book value	Fair value
Gas Intensive consortium company	1,000	1,000
Metal Interconnector	1,391,566	1,391,566
<b>Total</b>	<b>1,392,566</b>	<b>1,392,566</b>

## BREAKDOWN OF AMOUNT OF RECEIVABLES FROM OTHERS HELD AS FIXED ASSETS

	Book value	Fair value
Security deposits for leases	4,620	4,620
<b>Total</b>	<b>4,620</b>	<b>4,620</b>

## CURRENT ASSETS

The changes in assets other than fixed assets during the year ended 31 December 2018 are shown below.

## INVENTORIES

	Amount at beginning of the year	Changes during the year	Amount at end of the year
Raw and ancillary materials and consumables	0	38,592,153	38,592,153
Advance payments	0	635,805	635,805
<b>Total inventories</b>	<b>0</b>	<b>39,227,958</b>	<b>39,227,958</b>

It should be noted that the column “Changes during the year” also includes the effect of the spin-off transaction that took place in October 2018 with effect from 01/11/2018, as already described in the initial part, for the following amounts:

	Amount
Raw and ancillary materials and consumables	40,027,226
Finished products and goods	136,664
Advance payments	634,967

## RECEIVABLES RECORDED IN CURRENT ASSETS

### CHANGES AND MATURITY OF RECEIVABLES RECORDED IN CURRENT ASSETS

Current assets	Amount at beginning of the year	Changes during the year	Amount at end of the year	Portion due within the year
Receivables from customers recorded in current assets	0	3,510,648	3,510,648	3,510,648
Receivables from associates recorded in current assets	0	313,637	313,637	313,637
Receivables from parent companies recorded in current assets	0	984,871	984,871	984,871
Receivables from companies subject to control of parent companies recorded in current assets	0	462,409	462,409	462,409
Tax credits recorded in current assets	0	1,954,669	1,954,669	1,954,669
Deferred tax assets recorded in current assets	0	1,242,407	1,242,407	
Receivables from others recorded in current assets	0	319,870	319,870	319,870
<b>Total receivables recorded in current assets</b>	<b>0</b>	<b>8,788,511</b>	<b>8,788,511</b>	<b>7,546,104</b>

The changes for the year include the amounts resulting from the spin-off operation already described in the initial part.

It should be noted that receivables from associated companies, parent companies and companies subject to the control of the parent companies relate to the balance deriving from commercial transactions between the company Marcegaglia Ravenna spa and the various counterparties, whose monetary settlement has not yet taken place, as well as the balance of intercompany current accounts, specifically set up and/or deriving from said contribution, to which the settlements of commercial and/or financial transactions are transferred.

The following table details receivables from companies subject to the control of the parent companies; refer to the Report on Operations for further information on changes in receivables from subsidiaries, associated companies and parent companies.

	Amount at beginning of the year	Changes during the year	Amount at end of the year	Portion due within the year
Marcegaglia Carbon Steel Spa	-	322,146	322,146	322,146
Marcegaglia Specialties Spa	-	140,263	140,263	140,263
<b>Total receivables from companies subject to control of parent companies</b>	<b>-</b>	<b>462,409</b>	<b>462,409</b>	<b>462,409</b>

Finally, details and changes in receivables from others are provided below.

	Amount at beginning of the year	Changes during the year	Amount at end of the year	Portion due within the year
Receivables from factoring companies	-	-	-	-
Advances to suppliers	-	284,855	284,855	284,855
Social security receivables	-	21,083	21,083	21,083
Advances to employees	-	2,000	2,000	2,000
Receivables from credit institutions for customer collections	-	4	4	4
Other receivables	-	11,928	11,928	11,928
<b>Total receivables from others</b>	<b>-</b>	<b>319,870</b>	<b>319,870</b>	<b>319,870</b>

## BREAKDOWN OF THE RECEIVABLES RECORDED IN THE CURRENT ASSETS BY GEOGRAPHICAL AREA

	Italy	EU	Other Europe	America	Total
Receivables from customers recorded in current assets	2,968,917	393,205	148,526	-	3,510,648
Receivables from associates recorded in current assets	313,637	-	-	-	313,637
Receivables from parent companies recorded in current assets	984,871	-	-	-	984,871
Receivables from companies subject to control of parent companies recorded in current assets	462,409	-	-	-	462,409
Tax credits recorded in current assets	1,954,669	-	-	-	1,954,669
Deferred tax assets recorded in current assets	1,242,407	-	-	-	1,242,407
Receivables from others recorded in current assets	151,525	144,924	-	23,421	319,870
<b>Total receivables recorded in current assets</b>	<b>8,078,435</b>	<b>538,129</b>	<b>148,526</b>	<b>23,421</b>	<b>8,788,511</b>

## CASH AND CASH EQUIVALENTS

	Amount at beginning of the year	Changes during the year	Amount at end of the year
Cash and securities	0	2,149	2,149
<b>Total cash and cash equivalents</b>	<b>0</b>	<b>2,149</b>	<b>2,149</b>

It should be noted that the column “Changes during the year” also includes the effect of the spin-off transaction that took place in October 2018 with effect from 01/11/2018. For the amounts, reference should be made to the demerger financial statements in the introduction.

## ACCRUED INCOME AND PREPAID EXPENSES

	Amount at beginning of the year	Changes during the year	Amount at end of the year
Prepaid expenses	-	1,793	1,793
<b>Total accrued income and prepaid expenses</b>	<b>0</b>	<b>1,793</b>	<b>1,793</b>

It should be noted that the column “Changes during the year” also includes the effect of the spin-off transaction that took place in October 2018 with effect from 01/11/2018. For the amounts, reference should be made to the demerger financial statements already provided in the introduction.

The breakdown of prepaid expenses is shown in the following table:

Prepaid expenses	Amount at beginning of the year	Changes during the year	Amount at end of the year
Lease contracts for civil buildings	-	1,083	1,083
Newspaper subscriptions	-	224	224
Motor vehicle tax	-	440	440
Chamber of commerce secretarial fees	-	46	46
<b>Total prepaid expenses</b>	<b>-</b>	<b>1,793</b>	<b>1,793</b>

## NOTES TO THE FINANCIAL STATEMENTS LIABILITIES AND SHAREHOLDERS' EQUITY

### SHAREHOLDERS' EQUITY

#### CHANGES IN SHAREHOLDERS' EQUITY ITEMS

	Amount at beginning of the year	Other changes Increases	Profit (loss) for the year	Amount at end of the year
<b>Share capital</b>	0	105,307,498		<b>105,307,498</b>
<b>Other reserves</b>				
<i>Sundry other reserves</i>	0	1		1
Total other reserves	0	1		1
<b>Profit (loss) for the year</b>	0	-	(5,393,752)	<b>(5,393,752)</b>
<b>Total shareholders' equity</b>	<b>0</b>	<b>105,307,499</b>	<b>(5,393,752)</b>	<b>99,913,747</b>

#### BREAKDOWN OF SUNDRY OTHER RESERVES

Description	Amount
Difference from rounding off to the unit	1
<b>Total</b>	<b>1</b>

#### AVAILABILITY AND USE OF SHAREHOLDERS' EQUITY

	Amount	Origin/nature	Possible use
<b>Share capital</b>	105,307,498	contribution of shareholders	A-B-C
<b>Other reserves</b>			
<i>Sundry other reserves</i>	1	rounding off to the unit of euro	
Total other reserves	1		
<b>Total</b>	<b>105,307,499</b>		

Key: A capital increase - B loss cover - C distribution to shareholders - D other statutory restrictions - E other

#### ORIGIN, POSSIBLE USE AND DISTRIBUTION OF THE SUNDRY OTHER RESERVES

Description	Amount
Difference from rounding to unit of euro	1
<b>Total</b>	<b>1</b>

#### PROVISIONS FOR RISKS AND CHARGES

	Tax provision, including deferred taxes	Total provisions for risks and charges
<b>Amount at beginning of the year</b>	0	0
<b>Changes during the year</b>		
<i>Provisions for the year</i>	216	216
<i>Usage for the year</i>	850,620	850,620
<i>Other changes</i>	47,808,816	47,808,816
<b>Total changes</b>	<b>46,958,412</b>	<b>46,958,412</b>
<b>Amount at end of the year</b>	<b>46,958,412</b>	<b>46,958,412</b>

As a result of the spin-off transaction mentioned above, the provision for deferred taxes has increased by Euro 47,808,816, as an amount relating to deferred taxes on the higher values of assets transferred by the associate Marcegaglia Carbon Steel spa. These higher values and the related tax effect derive from the contribution transac-

tion carried out in 2015, as documented in the expert's report prepared by the expert referred to in Art. 2465, paragraph 1, of the Italian Civil Code.

During FY 2018, the utilisation of the deferred tax provision in connection with the higher depreciation amount in the financial statement than depreciation for tax purposes, was Euro 850,620. The remainder of utilisations and all provisions is in relation to deferred taxes related to the impact of exchange-rate gains from valuation.

#### EMPLOYEE SEVERANCE PAY

The following table shows the changes in the provision for employee severance indemnities in relation to the 2018 financial year and also considers the amounts allocated to supplementary pension schemes. On the basis of the information provided by the Italian Accounting Organization in its appendix of 26 September 2007 to the Operating Guide no. 1 relating to the transition to IAS, the severance indemnity provision shown in the financial statements is shown net of the amount paid to the supplementary pension fund or paid to the "Fund for the payment of severance pay to employees in the private sector as referenced in Art. 2120 of the Italian Civil Code", the so-called INPS treasury fund, pursuant to Legislative Decree 252/2005, Law 296/2006 Art.1 paragraphs 755 et seq. and 765 and Arts.1 and 3 of the Ministerial Decree of 30/01/2007. The portions of severance indemnity accrued in 2018 and not yet paid to the complementary pension funds or to the INPS treasury fund are shown under item "D) 13) Payables to welfare and social security organisations".

	Employee severance pay
<b>Amount at beginning of the year</b>	0
<b>Changes during the year</b>	
<i>Provisions for the year</i>	395,468
<i>Usage for the year</i>	512,189
<i>Other changes</i>	1,875,364
<b>Total changes</b>	<b>1,758,643</b>
<b>Amount at end of the year</b>	<b>1,758,643</b>

## BREAKDOWN OF THE ITEM “USAGE FOR THE YEAR”

Uses for disbursements and advances made during the year and for payments made for substitute tax against the revaluation accrued during the year	Payments made to the supplementary pension scheme	Payments made to the INPS Treasury Fund net of recoveries made during the year	Recovery of INPS contribution pursuant to Law 297/82	Total uses
1,684	271,121	206,347	33,037	512,189

## PAYABLES

## CHANGES AND DUE DATES OF PAYABLES

	Amount at beginning of the year	Changes during the year	Amount at end of the year	Portion due within the year
Payables to banks	0	510	510	510
Trade payables	0	69,982,357	69,982,357	69,982,357
Payables to associates	0	367	367	367
Payables to parent companies	0	124,404,935	124,404,935	124,404,935
Payables to companies subject to control of parent companies	0	602,877	602,877	602,877
Tax payables	0	1,812,514	1,812,514	1,812,514
Payables to welfare and social security organisations	0	4,203,848	4,203,848	4,203,848
Other payables	0	4,916,968	4,916,968	4,916,968
<b>Total payables</b>	<b>0</b>	<b>205,924,376</b>	<b>205,924,376</b>	<b>205,924,376</b>

It should be noted that the column “Changes during the year” also includes the effect of the spin-off transaction that took place in October 2018 with effect from 01/11/2018. For the amounts, reference should be made to the demerger financial statements in the introduction to these Notes.

## BREAKDOWN OF PAYABLES BY GEOGRAPHICAL AREA

	Italy	EU	Other Europe	America	Total
Payables to banks	510	-	-	-	510
Trade payables	66,508,643	2,513,002	949,111	11,601	69,982,357
Payables to associates	367	-	-	-	367
Payables to parent companies	124,404,935	-	-	-	124,404,935
Payables to companies subject to control of parent companies	602,877	-	-	-	602,877
Tax payables	1,812,514	-	-	-	1,812,514
Payables to welfare and social security organisations	4,203,848	-	-	-	4,203,848
Other payables	4,916,968	-	-	-	4,916,968
<b>Payables</b>	<b>202,450,662</b>	<b>2,513,002</b>	<b>949,111</b>	<b>11,601</b>	<b>205,924,376</b>

## DEBT SECURED BY COMPANY ASSETS

	Unsecured debt	Total
Payables to banks	510	510
Trade payables	69,982,357	69,982,357
Payables to associates	367	367
Payables to parent companies	124,404,935	124,404,935
Payables to companies subject to control of parent companies	602,877	602,877
Tax payables	1,812,514	1,812,514
Payables to welfare and social security organisations	4,203,848	4,203,848
Other payables	4,916,968	4,916,968
<b>Total payables</b>	<b>205,924,376</b>	<b>205,924,376</b>

The following table gives details of payables to companies subject to the control of the parent companies; refer to the Report on Operations for further information on changes in payables to subsidiaries, associated companies and parent companies.

	Amount at beginning of the year	Changes during the year	Amount at end of the year	Portion due within the year
Marcegaglia Carbon Steel Spa	-	67,119.00	67,119.00	67,119.00
Made Hse Srl	-	119,146.00	119,146.00	119,146.00
Marfin Srl	-	349,498.00	349,498.00	349,498.00
Abaco Servizi Srl	-	67,114.00	67,114.00	67,114.00
<b>Total payables to companies subject to control of parent companies</b>	<b>-</b>	<b>602,877.00</b>	<b>602,877.00</b>	<b>602,877.00</b>

	Amount at beginning of the year	Changes during the year	Amount at end of the year	Portion due within the year
Payables to staff	-	4,787,732	4,787,732	4,787,732
Sundry payables	-	129,236	129,236	129,236
<b>Total other payables</b>	<b>-</b>	<b>4,916,968</b>	<b>4,916,968</b>	<b>4,916,968</b>

## NOTES TO THE FINANCIAL STATEMENTS INCOME STATEMENT

### VALUE OF PRODUCTION

#### BREAKDOWN OF INCOME FROM SALES AND SERVICES BY BUSINESS CATEGORIES

Business category	Current value
Scrap	8,732,134
Infragr. steel products transformation service	27,338,941
<b>Total</b>	<b>36,071,075</b>

#### BREAKDOWN OF INCOME FROM SALES AND SERVICES BY GEOGRAPHICAL AREA

Geographic area	Current value
Italy	34,859,864
EU	1,211,211
<b>Total</b>	<b>36,071,075</b>

### FINANCIAL INCOME AND CHARGES

#### Breakdown of interest and other financial charges by type of payable

	Interest and other financial charges
Payables to banks	21
<b>Total</b>	<b>21</b>

#### CURRENT, DEFERRED AND PREPAID INCOME TAXES FOR THE YEAR

The deferred taxes recognised in the financial statements as at 31/12/2018 are summarised in the following tables.

Prepaid taxes were recorded for all temporary differences found between taxable profit and profit before taxes under the assumption that there would be sufficient taxable profit to “absorb” the temporary differences specified below in the time frame under review.

For each of the components indicated below, deferred tax assets and liabilities have been allocated with an IRES rate of 24%, while the IRAP rate has been considered at 3.9%.

## RECOGNITION OF DEFERRED AND PREPAID TAX AND THE CONSEQUENT EFFECTS

	IRES	IRAP
<b>A) Temporary differences</b>		
Total deductible temporary differences	4,453,194	4,452,307
Total taxable temporary differences	170,627,103	154,048,923
Net temporary differences	166,173,909	149,596,616
<b>B) Tax effects</b>		
Opening provision for deferred (prepaid) tax	40,588,926	5,977,696
Period deferred (prepaid) tax	(707,188)	(143,428)
Closing provision for deferred (prepaid) tax	39,881,738	5,834,268

## DETAILS OF DEDUCTIBLE TEMPORARY DIFFERENCES

Description	Amount at end of last year	Period change	Closing amount	IRES rate	IRES tax effect	IRAP rate	IRAP tax effect
Write-down of assets from contribution	4,452,307	-	4,452,307	24.00%	1,068,554	3.90%	173,640
Exchange-rate losses from valuation	-	887	887	24.00%	213	-	-

## DETAILS OF TAXABLE TEMPORARY DIFFERENCES

Description	Amount at end of last year	Period change	Closing amount	IRES rate	IRES tax effect	IRAP rate	IRAP tax effect
Write-back of assets from contribution	173,572,832	(2,946,631)	170,626,201	24.00%	40,950,288	-	-
Exchange-rate gains from valuation	-	902	902	24.00%	216	-	-
Write-back of assets from contribution (IRAP)	157,726,569	(3,677,646)	154,048,923	-	-	3.90%	6,007,908

## BREAKDOWN OF DEFERRED AND PREPAID TAXES OVER TIME

Description	Year 2019	Year 2020	Year 2021	Year 2022	Beyond year 2022 or unforeseeable	Total
<b>A) Taxable temporary differences</b>						
<i>Ires</i>						
write-back of demerged assets	18,508,673	18,496,009	19,350,333	20,585,350	93,685,836	170,626,201
exchange-rate gains	902					902
<i>total</i>	18,509,575	18,496,009	19,350,333	20,585,350	93,685,836	170,627,103
<i>Irap</i>						
write-back of demerged assets	22,543,181	21,523,642	21,338,862	20,414,965	68,228,272	154,048,923
<i>total</i>	22,543,181	21,523,642	21,338,862	20,414,965	68,228,272	154,048,923
<b>Total deferred tax</b>	5,321,481	5,278,464	5,476,296	5,736,668	25,145,504	46,958,413
<b>B) Deductible temporary differences</b>						
<i>Ires</i>						
write-down of assets (SET)					4,452,307	4,452,307
exchange-rate loss	887					887
<i>total</i>	887	-	-	-	4,452,307	4,453,194
<i>Irap</i>						
write-down of assets (SET)					4,452,307	4,452,307
<i>total</i>	-	-	-	-	4,452,307	4,452,307
<b>Total prepaid tax</b>	213	-	-	-	1,242,194	1,242,407

### Information on the national consolidated tax return

The option to adopt the consolidated tax regime on a national basis was communicated in October 2018 by the parent company Marcegaglia Holding S.p.A. using the 2018 Income Form and is valid for the three-year period 2018/2019/2020.

For the company Marcegaglia Ravenna spa, participation in the tax consolidation procedure resulted in the contribution to the Group's total income of a tax loss of Euro 3,725,783 and the recording in item 20 of the Income Statement of tax income of Euro 894,188, calculated considering the current rate of 24%.

In addition, the company transferred to the consolidating company non-deductible interest expense of Euro 752,941, which resulted in the recognition by the consolidating company of a gain of Euro 90,353, again recorded in item 20 of the Income Statement.

In conclusion, and in compliance with the provisions of OIC Document no. 25, two tables are provided which show the reconciliation of the expected tax burden, respectively for IRES and IRAP purposes, with the actual tax burden.

### RECONCILIATION BETWEEN THE EFFECTIVE TAX CHARGE AND THE THEORETICAL TAX CHARGE (IRES)

2018		
<b>Statutory Profit (+) / Loss (-) for the year before tax</b>	<b>-7,212,406</b>	
Theoretical tax 24% on statutory profit before tax		-1,730,977
<b>Effect of changes in increase (+) / decrease (-) compared to the ordinary rate</b>		<b>Effetto IRES</b>
Increase temporary differences	887	213
Decrease in temporary differences	-902	-216
Resorption of temporary decreases	0	0
Resorption of temporary increases	2,946,631	707,191
Permanent increases	771,270	185,105
Permanent decreases	-231,263	-55,503
<b>Total increases and decreases</b>	<b>3,486,623</b>	<b>836,790</b>
<b>Previous years' tax losses that can be carried forward</b>		<b>0</b>
<b>Period fiscal profit</b>	<b>-3,725,783</b>	<b>-894,187</b>

### RECONCILIATION BETWEEN THE EFFECTIVE TAX CHARGE AND THE THEORETICAL TAX CHARGE (IRAP)

2018		
<b>Difference between value and cost of production</b>	<b>-6,353,415</b>	
<b>Costs not relevant for IRAP</b>	<b>10,551,529</b>	
<b>Theoretical IRAP taxable income</b>	<b>4,198,114</b>	
Theoretical tax 3.9% on theoretical IRAP taxable income		163,726
<b>Effect of changes in increase (+) / decrease (-) compared to the ordinary rate</b>		<b>Effetto IRAP</b>
Increase temporary differences	-	-
Resorption of temporary increases	3,677,646	143,428
Resorption of temporary decreases	0	0
Permanent increases	471	18
Permanent decreases	-	-
<b>Gross production value IRAP</b>	<b>7,876,231</b>	<b>307,172</b>
<b>IRAP deductions</b>	<b>-7,453,059</b>	<b>-290,669,00</b>
<b>IRAP taxable income</b>	<b>423,172</b>	<b>16,503</b>

## NOTES TO THE FINANCIAL STATEMENTS - FURTHER INFORMATION

### EMPLOYMENT FIGURES

The average number refers to only two months of activity of the newly formed company.

Average number	
<b>Executives</b>	<b>4</b>
<b>Middle managers</b>	<b>12</b>
<b>Employees</b>	<b>198</b>
<b>Workers</b>	<b>593</b>
<b>Total employees</b>	<b>807</b>

The following table also shows the detailed data on the number of employees as at 31 December 2018:

Spot number at year end	
<b>Executives</b>	<b>4</b>
<b>Middle managers</b>	<b>12</b>
<b>Employees</b>	<b>198</b>
<b>Workers</b>	<b>593</b>
<b>Other employees</b>	<b>0</b>
<b>Total employees</b>	<b>807</b>

### FEEs, ADVANCES AND RECEIVABLES GRANTED TO DIRECTORS AND STATUTORY AUDITORS AND COMMITMENTS UNDERTAKEN ON THEIR BEHALF

	<b>Auditors</b>
<b>Fees</b>	<b>3,640</b>

### STATUTORY AUDITOR OR INDEPENDENT AUDITORS' FEES

The appointment of the statutory audit of the annual financial statements pursuant to and for the purposes of Art. 14 of Legislative Decree no. 39 of 27/01/2010 was entrusted, for a period of 3 financial years and therefore until the approval of the financial statements for the year 2020, to the auditing company MAZARS ITALIA spa by the deed of incorporation of the company dated 16/07/2018. The fee, net of the reimbursement of travel expenses, for the statutory audit for 2018, is Euro 5,000, which includes the fee for the audit of the accounts.

## CATEGORIES OF SHARES ISSUED BY THE COMPANY

The company was incorporated as a joint stock company on 16/07/2018 with a share capital of Euro 100,000 divided into shares pursuant to Art. 2468 of the Italian Civil Code.

With the partial proportional spin-off deed of 26 October 2018, the share capital increased by Euro 99,900,000 due to the spin-off operation already described in the initial part of the Notes.

Subsequently, the Extraordinary Shareholders' Meeting of 21/12/2018 resolved to increase the share capital for cash from Euro 100,000,000 to Euro 105,307,498 and so for a total of Euro 5,307,498 through the issue of new ordinary shares, with a value of Euro 1.00 each. The capital increase, as already mentioned, was reserved for Engie Servizi Spa.

Description	Shares subscribed during the year, number	Shares subscribed during the year, face value	Final amount, number	Final amount, face value
Ordinary	105,307,498	105,307,498	105,307,498	105,307,498
Total	105,307,498	105,307,498	105,307,498	105,307,498

## SECURITIES ISSUED BY THE COMPANY

None exist.

## DETAILS OF OTHER FINANCIAL INSTRUMENTS ISSUED BY THE COMPANY

The Company has not issued any financial instruments.

## COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES NOT REPORTED IN THE BALANCE SHEET

	Amount
<b>Commitments</b>	49,117,717
<i>to companies subject to control of parent companies</i>	49,000,000
<b>Guarantees</b>	483,468,057
<b>of which collateral</b>	301,748,057

### Detail

	31/12/2018	31/12/2017
<b>RISKS TAKEN BY THE COMPANY</b>		
<b>Sureties</b>		
- to parent companies	181,720,000	0
<b>Total sureties</b>	<b>181,720,000</b>	<b>0</b>
<b>Collateral</b>		
- to parent companies	301,748,057	0
<b>Total collateral</b>	<b>301,748,057</b>	<b>0</b>
<b>Totale garanzie</b>	<b>483,468,057</b>	<b>0</b>
<b>COMMITMENTS ENTERED INTO BY THE COMPANY</b>		
- other commitments	49,117,717	0
<b>Total commitments entered into by the Company</b>	<b>49,117,717</b>	<b>0</b>
<b>Total</b>	<b>532,585,774</b>	<b>0</b>

With reference to the collateral on the company's assets to guarantee the parent companies, the following is specified:

During the 2018 financial year, the parent company Marcegaglia Steel spa renegotiated with the banking pool the loans existing at the beginning of the 2018 financial year, obtaining both significant improvement conditions and an increase in the amount of the loans themselves.

In particular, on 28/09/2018 the company Marcegaglia Steel spa obtained three new loans from the banking pool, which in the meantime saw its structure increase compared to the initial composition, with which Marcegaglia Steel spa repaid on 02/10/2018 the previous exposures with the pool relating to the old loans.

The following were then formalised:

- 1) a mortgage loan of Euro 350,953,000 with amortisation schedule expiring on 31/12/2024;
- 2) a revolving cash facility line for an amount of Euro 100,833,000, with final due date on 31/12/2022;
- 3) an unsecured loan of Euro 98,214,000 with amortisation schedule expiring on 31/12/2024.

The loans described under points 1) and 2) above are mortgage loans, and the relevant guarantees were issued by the associates Marcegaglia Carbon Steel spa and Marcegaglia Specialties spa as third-party providers of the mortgages and liens due to the fact that Marcegaglia Steel spa itself acts as a lender for them and funds operations through a cash pooling mechanism.

Since the demerger operation had already been approved but not yet completed when the loan agreement was signed, the deed of incorporation of the privilege provided that, at the time the demerger became effective, the privilege over the movable assets located in the Ravenna (owned by Marcegaglia Carbon Steel) and Gazoldo degli Ippoliti (owned by Marcegaglia Specialties) plants, would have followed the fate of the assets themselves and would therefore have been transferred to the companies benefiting from the demerger (hence Marcegaglia Ravenna spa and Marcegaglia Gazoldo Inox spa) without prejudice to the guaranteed creditors. As a result, on 05/11/2018, the four preferential companies (Marcegaglia Carbon Steel spa, Marcegaglia Specialties spa, Marcegaglia Ravenna spa and Marcegaglia Gazoldo Inox spa) signed a special privilege acknowledgement agreement where they substantially acknowledged the effectiveness of the demerger and the

consequent transfer of part of the privilege from Marcegaglia Carbon Steel spa and Marcegaglia Specialties spa, respectively, to Marcegaglia Ravenna spa and Marcegaglia Gazoldo Inox, in proportion to the part of the movable property received by the latter as a result of the spin-off.

Therefore, with reference to the value of the special privilege, the maximum amount conventionally guaranteed by Marcegaglia Ravenna spa is equal to Euro 301,748,057.

### INFORMATION ON RELATED PARTY TRANSACTIONS

The activity of Marcegaglia Ravenna S.p.A. is essentially aimed at managing the transformation of raw materials and semi-finished products on behalf of the associated company Marcegaglia Carbon Steel spa, an activity that is carried out at normal market conditions, similar to those that would have been agreed upon by independent parties.

The Report on Operations shows the values contained in the financial statements relating to activities with Group entities.

### INFORMATION ON SIGNIFICANT EVENTS AFTER YEAR-END

With regard to investments in energy efficiency, the company is continuing the authorization and technical process aimed at the construction and management of a high-efficiency cogeneration plant with the technological partner Engie Servizi, for the combined production of electricity and heat from natural gas to be used in the Ravenna plant. In particular, by May 2019 the complete project of the analysis of environmental and management impacts will be presented to the “Ministry for the Environment and the Protection of Land and Sea”, with a view to developing the detailed authorisation process (current plant start-up forecast at the end of 2020).

The thermal and electrical energy generated will mainly be self-consumed.

This investment will make it possible to completely eliminate the use of methane gas currently used in the plant's current

steam generators and will make it possible to significantly reduce overall energy costs, continuing the path taken by the Group in terms of energy efficiency and EU environmental improvement.

All the main equipment making up the cogeneration plant is equipped with the latest technologies available on the market and the best technical solutions applicable in terms of environmental impact.

### COMPANIES DRAFTING THE FINANCIAL STATEMENTS OF THE LARGER/ SMALLER BUSINESSES OF WHICH THEY ARE A PART, AS A SUBSIDIARY

	Largest grouping	Smallest grouping
Company name	Finmar srl	Marcegaglia Holding spa
City (if in Italy) or foreign country	Gazoldo degli Ippoliti (MN)	Gazoldo degli Ippoliti (MN)
Tax code (for Italian companies)	02466170202	02466980204
Place of deposit of the consolidated financial statements	Mantua	Mantua

### SUMMARY STATEMENT OF THE FINANCIAL STATEMENTS OF THE COMPANY THAT EXERCISES MANAGEMENT AND COORDINATION ACTIVITIES

The company is subject to the direction and coordination of the parent company FINMAR SRL, which holds 13% of the share capital but 51.31% of the voting rights of the company Marcegaglia Holding spa, which holds 100% of the share capital of the company Marcegaglia Steel spa, which in turn holds 100% of the share capital of the company.

Below is the information required by Art. 2497-bis, paragraph 4, of the Italian Civil Code.

### SUMMARY STATEMENT OF THE BALANCE SHEET OF THE COMPANY THAT EXERCISES MANAGEMENT AND COORDINATION ACTIVITIES

	Last financial year	Previous year
Date of last approved financial statements	31/12/2017	31/12/2016
B) Fixed assets	116,204,872	118,222,828
C) Current assets	71,568	33,727
<b>Total assets</b>	<b>116,276,440</b>	<b>118,256,555</b>
A) Shareholders' equity		
Share capital	40,000	40,000
Reserves	27,176,968	28,888,180
Profit (loss) for the year	(2,058,532)	(1,781,212)
Total shareholders' equity	25,158,436	27,146,968
B) Provisions for risks and charges	5,965	5,136
D) Payables	91,112,005	91,104,417
E) Accrued charges and deferred income	34	34
<b>Total liabilities</b>	<b>116,276,440</b>	<b>118,256,555</b>

### SUMMARY STATEMENT OF THE INCOME STATEMENT OF THE COMPANY THAT EXERCISES MANAGEMENT AND COORDINATION ACTIVITIES

	Last financial year	Previous year
Date of last approved financial statements	31/12/2017	31/12/2016
B) Production costs	43,523	49,694
C) Financial income and charges	3,357	16,446
D) Write-downs of financial assets	(2,017,537)	(1,744,193)
Income taxes for the year	829	3,771
Profit (loss) for the year	(2,058,532)	(1,781,212)

## INFORMATION PURSUANT TO ART. 1, PARAGRAPH 125 OF ITALIAN LAW NO. 124 OF 04 AUGUST 2017

In accordance with the information to be provided in the Notes to the Financial Statements for the year 2018 regarding various types of grants received by public administrations and their associated entities, pursuant to Law no. 124 of 04/08/17, Art. 1, paragraphs 125-129, the following table is provided below:

Lender	Amount received (€)	Date of collection	Cause/Type contribution	Establishment	Authority	Regulatory ref.
Customs and Monopolies Agency-RA	154,174.41	Year 2018	Exemption of gas excise duties	Ravenna	2018	Legislative Decree 504/95 Art.21 paragraph 2 lett.13
<b>Total</b>	<b>154,174.41</b>					

## PROPOSAL FOR THE ALLOCATION OF PROFITS OR COVERAGE OF LOSSES

It is proposed to postpone the coverage of the loss for the year of Euro 5,393,752.06 to future years, since the situations referred to in Articles 2446 and 2447 of the Italian Civil Code do not apply to the company.

## NOTES TO THE FINANCIAL STATEMENTS

### Final Part

#### Significant changes in currency exchange rates

There were no significant changes in currency exchange rates after the end of the financial year.

Using the exchange rates at 18/04/2019, in fact, the net effect of the items “Exchange-rate gains from valuation” and “Exchange-rate losses from valuation” (17bis in the income statement) would remain basically unchanged (Euro 326).

#### STATEMENT OF FINANCIAL STATEMENT COMPLIANCE

It should be noted that the valuation criteria set out herein comply with statutory law. These Notes to the Financial Statements, as well as the entire financial statements of which they are an integral part, give a true and fair view of the company’s financial position and results of operations for the year.

The exposure of the values required by Art. 2427 of the Italian Civil Code has been prepared in accordance with the principle of clarity.

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*Gazoldo degli Ippoliti, 30 April 2019*

Chairman  
of the Board of Directors  
**Antonio Marcegaglia**



# Financial Statements 2018

## Marcegaglia Specialties

**MARCEGAGLIA SPECIALTIES S.p.A.**

Registered office: via Bresciani, 16 - Gazoldo degli Ippoliti, Mantova - Italy

Share capital: Euro 131,000,000 fully paid up

Fiscal Code and VAT No.: 02466230204

Registered with the Mantua Chamber of Commerce and Administrative Economic Index [REA]  
under No. 255217

## **Independent auditor's report in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010**

To the Shareholders of Marcegaglia Specialties S.p.A.

### **Report on the audit of the financial statements**

#### **Opinion**

We have audited the financial statements of Marcegaglia Specialties S.p.A. (the Company), which comprise the balance sheet as at December 31, 2018, the income statement and the cash flows statement for the year then ended and the explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2018, and of the result of its operations and cash flows for the year then ended in accordance with the Italian laws governing the financial statements.

#### **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 section of this report titled *Auditor's responsibilities for the audit of the financial statements*. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Responsibilities of the directors and board of statutory auditors for the financial statements**

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the Italian laws governing the financial statements and, according to the terms prescribed by law, for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and for the appropriateness of the use of the going concern assumption in the preparation of the financial statements, and for appropriate disclosure thereof. In preparing the financial statements, the directors use the going concern basis of accounting unless directors either intend to liquidate the Company or to cease operations or has no realistic alternative but to do so.

The board of statutory auditors ("collegio sindacale") is responsible for overseeing, according to the terms prescribed by law, the Company's financial reporting process.

#### **MAZARS ITALIA SpA**

VIA AUGUSTO RIGHI, 6 - 37135 VERONA  
TEL: +39 045 4753200 - FAX: +39 045 4647314 - [www.mazars.it](http://www.mazars.it)

SpA - CAPITALE SOCIALE DELIBERATO, SOTTOSCRITTO E VERSATO € 120.000,00 – SEDE LEGALE: LARGO AUGUSTO, 8 - 20122 MILANO

REA MI-2076227 - COD. FISC. E P. IVA 11176691001 – ISCRIZIONE AL REGISTRO DEI REVISORI LEGALI N. 163788 CON D.M. DEL 14/07/2011 G.U. N. 57 DEL 19/07/2011

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain a reasonable assurance about whether the 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 performed in accordance 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 in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of the audit in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures in response to those risks; we obtained sufficient and appropriate audit evidence on which to base 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 omissions, misrepresentations or the override of internal control;
- we obtained an understanding of the internal control relevant to the audit in order to design the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- we concluded on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Where a material uncertainty exists, we are required to draw attention, in our auditor's report, to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, subsequent events or conditions may cause the Company to cease to continue as a going concern;
- we evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in such a manner as to give a true and fair view.

We communicated to those charged with governance, identified at an appropriate level as required by ISA Italia, among other matters, the 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 compliance with other laws and regulations**

### **Opinion in accordance with article 14, paragraph 2, letter e), of Legislative Decree No. 39/10**

The directors of Marcegaglia Specialties S.p.A. are responsible for preparing a directors' report of Marcegaglia Specialties S.p.A. as at December 31, 2018, including its consistency with the relevant financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the directors' report with the financial statements of Marcegaglia Specialties S.p.A. as at December 31, 2018 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

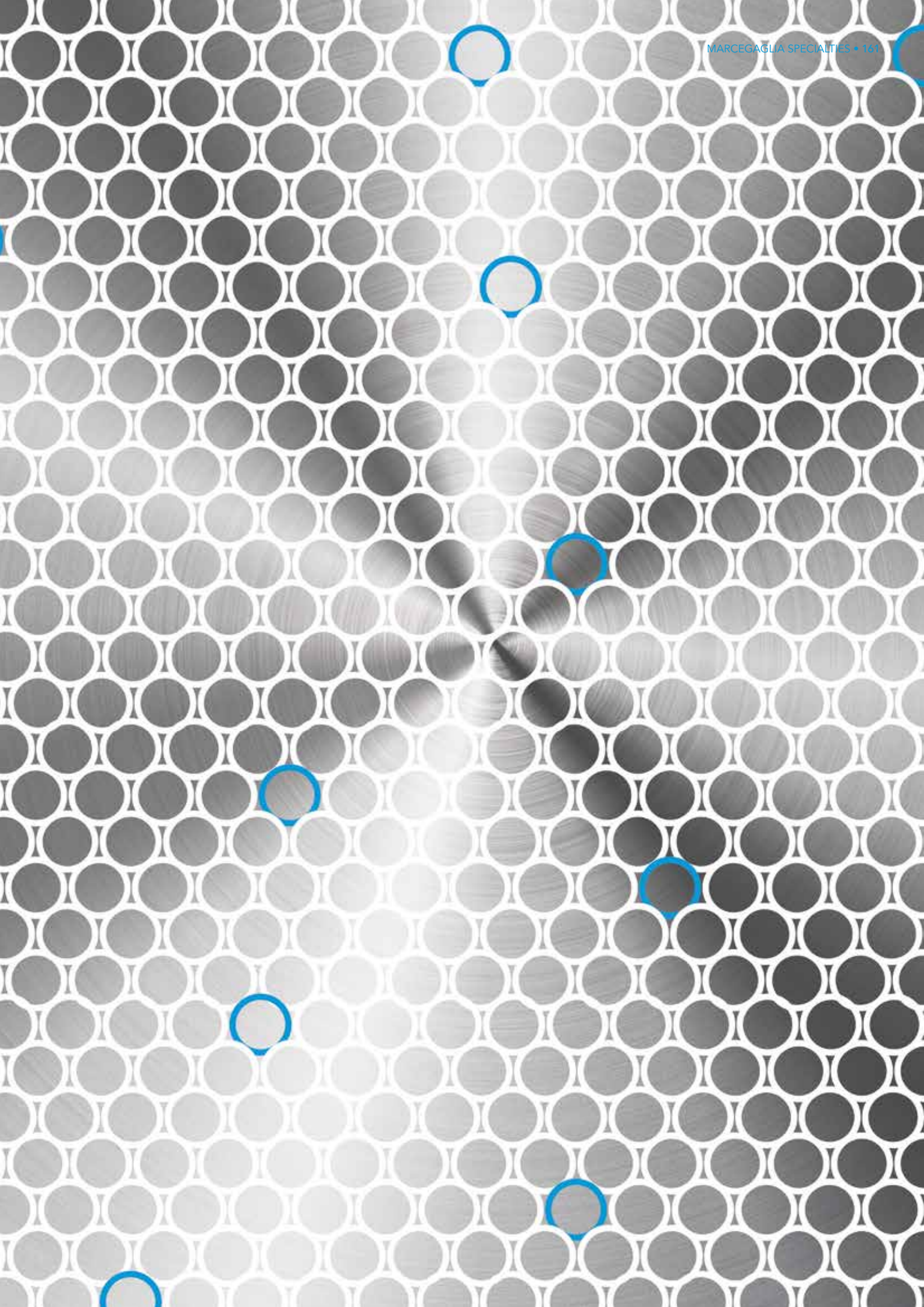
In our opinion, the directors' report is consistent with the financial statements of Marcegaglia Specialties S.p.A. as at December 31, 2018 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued based on our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Verona, April 30, 2019

Mazars Italia S.p.A.  
(signed on the original)  
Alfonso Iorio  
Partner

*This report has been translated into English language from the Italian original solely for the convenience of international readers.*



## MARCEGAGLIA SPECIALTIES S.P.A.

## BALANCE SHEET AS OF 31 DECEMBER 2018

ASSETS values in EUR

31/12/2018

31/12/2017

<b>A RECEIVABLES FROM SHAREHOLDERS FOR OUTSTANDING CONTRIBUTIONS</b>			
1	not previously called	0	0
2	previously called	0	0
	Total receivables from shareholders for outstanding contributions <b>A</b>	0	0
<b>B FIXED ASSETS</b>			
I	<i>Intangible fixed asset</i>		
1	Start-up and expansion costs	21,957	33,933
2	Development costs	0	0
3	Industrial patent rights and intellectual property rights	48,420	70,072
4	Concessions, licences, trademarks and similar rights	137,350,000	157,450,000
5	Goodwill	0	0
6	Fixed assets in progress and advance payments	0	0
7	Other	0	0
	<b>Total intangible fixed assets (B-I)</b>	<b>137,420,377</b>	<b>157,554,005</b>
II	<i>Property, plant and equipment</i>		
1	Land and buildings	115,370,236	115,449,852
2	Plant and machinery	60,211,204	125,347,631
3	Industrial and commercial equipment	4,638,164	7,061,755
4	Other assets	484,859	665,255
5	Fixed assets in progress and advance payments	9,543,289	35,264,276
	<b>Totale property, plant and equipment (B-II)</b>	<b>190,247,752</b>	<b>283,788,769</b>
III	<i>Financial fixed assets</i>		
1	Equity investments in:		
	- Subsidiaries	7,474,981	1,540,475
	- Associates	6,250	12,500
	- Companies subject to control of parent companies	797	133
	- Other companies	5	5
		<b>7,482,033</b>	<b>1,553,113</b>
2	Receivables d-bis) from others		
	- due after the following year	349,815	19,215
		<b>349,815</b>	<b>19,215</b>
	<b>Total financial assets (B-III)</b>	<b>7,831,848</b>	<b>1,572,328</b>
	<b>Total Fixed Assets B</b>	<b>335,499,977</b>	<b>442,915,102</b>
<b>C CURRENT ASSETS</b>			
I	<i>Inventories</i>		
1	Raw and ancillary materials and consumables	180,960,869	156,786,082
2	Work in progress and semi-finished products	142,531,951	107,322,895
3	Contract work in progress	0	0
4	Finished products and goods	187,928,793	146,431,734
5	Advance payments	1,255,486	1,500,000
	<b>Totale inventories (C-I)</b>	<b>512,677,099</b>	<b>412,040,711</b>
II	<i>Receivables</i>		
1	from customer		
	- due within the following year	2,679,096	4,368,495
	- due after the following year	0	0
		<b>2,679,096</b>	<b>4,368,495</b>
2	from subsidiaries		
	- due within the following year	20,865,876	30,747,040
	- due after the following year	0	0
		<b>20,865,876</b>	<b>30,747,040</b>
3	from associates		
	- due within the following year	276,549	207,947
	- due after the following year	0	0
		<b>276,549</b>	<b>207,947</b>
4	from parent companies		
	- due within the following year	22,106	48,298
	- due after the following year	0	0
		<b>22,106</b>	<b>48,298</b>
5	from companies subject to control of parent companies		
	- due within the following year	67,019,254	74,235,768
	- due after the following year	0	0
		<b>67,019,254</b>	<b>74,235,768</b>
5-bis	Tax credit		
	- due within the following year	4,662,181	4,210,039
	- due after the following year	0	0
		<b>4,662,181</b>	<b>4,210,039</b>
5-ter	Deferred tax assets		
		1,470,266	2,629,425
		<b>1,470,266</b>	<b>2,629,425</b>
5-quater	from others		
	- due within the following year	17,131,796	15,904,196
	- due after the following year	0	0
		<b>17,131,796</b>	<b>15,904,196</b>
	<b>Total receivables (C-II)</b>	<b>114,127,124</b>	<b>132,351,208</b>

	31/12/2018	31/12/2017
IV Cash and cash equivalents		
1 Bank and postal deposits	2,119,389	238,781
2 Cheques	0	0
3 Cash on hand and cash equivalents	5,031	3,181
<b>Total cash and cash equivalents (C-IV)</b>	<b>2,124,420</b>	<b>241,962</b>
Totale Current Assets C	628,928,643	544,633,881
<b>D ACCRUED INCOME AND PREPAID EXPENSES</b>		
Accrued income and prepaid expenses	50,197	1,245,061
Total Accrued income and prepaid expenses D	50,197	1,245,061
<b>TOTAL ASSETS</b>	<b>964,478,817</b>	<b>988,794,044</b>

## LIABILITIES values in EUR

	31/12/2018	31/12/2017
<b>A SHAREHOLDERS' EQUITY</b>		
I Share capital	131,100,000	161,000,000
II Share premium reserve	2,518,961	2,518,961
III Revaluation reserve	0	0
IV Legal reserve	2,157,253	126,538
VI Other reserves, represented by:		
- Extraordinary reserve	32,629,779	1,921,514
- Difference from rounding to the unit of Euro	(4)	0
<b>Total other reserves (VI)</b>	<b>32,629,775</b>	<b>1,921,514</b>
VIII Profit/(loss) carried forward	0	0
IX Profit/(loss) for the year	86,127,643	40,614,281
Total equity A	254,533,632	206,181,294
<b>B RESERVES FOR RISKS AND EXPENSES</b>		
1 for post-retirement benefits and similar obligations	21,207	15,052
2 for taxes, including deferred taxes	69,923,902	96,672,068
3 other	13,102,476	19,703,672
Total Reserves for risks and expenses B	83,047,585	116,390,792
<b>C EMPLOYEE SEVERANCE PAY</b>		
Employee severance pay C	2,592,754	3,108,146
<b>D PAYABLES</b>		
4 Payables to banks		
- due within the following year	3.554.060	3.350.454
- due after the following year	0	0
	3.554.060	3.350.454
6 Advance payments		
- due within the following year	400.000	400.000
- due after the following year	0	0
	400.000	400.000
7 Trade payables		
- due within the following year	381.795.674	303.609.452
- due after the following year	0	0
	381.795.674	303.609.452
9 Payables to subsidiaries		
- due within the following year	5.727.321	4.500.968
- due after the following year	0	0
	5.727.321	4.500.968
10 Payables to associates		
- due within the following year	4.038	13.323
- due after the following year	0	0
	4.038	13.323
11 Payables to parent companies		
- due within the following year	189.367.144	290.573.542
- due after the following year	0	0
	189.367.144	290.573.542
11-bis Payables to companies subject to control of parent companies		
- due within the following year	4.137.266	3.845.787
- due after the following year	0	0
	4.137.266	3.845.787
12 Tax payables		
- due within the following year	7.282.125	6.801.848
- due after the following year	0	0
	7.282.125	6.801.848
13 payables to welfare and social security organizations		
- due within the following year	2.275.588	2.732.358
- due after the following year	0	0
	2.275.588	2.732.358
14 Other payables		
- due within the following year	29.761.533	47.274.866
- due after the following year	0	0
	29.761.533	47.274.866
Total Payables D	624.304.749	663.102.598
<b>E ACCRUED EXPENSES AND DEFERRED INCOME</b>		
Accrued expenses and deferred income	97	11.214
Total Accrued expenses and deferred income E	97	11.214
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>964.478.817</b>	<b>998.794.044</b>

## MARCEGAGLIA SPECIALTIES S.P.A.

## PROFIT AND LOSS ACCOUNT AS OF 31 DECEMBER 2018

values in EUR		2018	2017
<b>A</b>	<b>VALUE OF PRODUCTION</b>		
1	Revenues from sales and services	1,205,340,289	1,139,898,888
2	Changes in inventories of work in progress, semi-finished and finished products	76,838,506	29,492,950
3	Changes in contract work in progress	0	0
4	Increase in fixed assets for internal work	0	0
5	Other revenues and income		
	- Operating grants	55,582	153,888
	- Other	49,115,578	39,688,532
	<b>Total other revenues and income (5)</b>	<b>49,171,160</b>	<b>39,842,420</b>
	<b>Total Value of Production A</b>	<b>1,331,349,955</b>	<b>1,209,234,258</b>
<b>B</b>	<b>PRODUCTION COSTS</b>		
6	Raw and ancillary materials, consumables and goods	1,038,483,628	905,102,997
7	Services	104,727,806	98,404,590
8	Lease and rental expense	5,678,880	6,781,930
9	Personnel costs		
	a) wages and salaries	30,751,007	30,880,633
	b) social security contributions	10,088,603	10,112,991
	c) employee severance pay	2,205,193	2,206,348
	d) post-retirement benefits and similar obligations	0	0
	e) other personnel costs	240,985	158,668
	<b>Total personnel costs (9)</b>	<b>43,285,788</b>	<b>43,358,640</b>
10	Amortisation, depreciation and write-downs		
	a) amortisation of intangible assets	20,171,178	20,157,097
	b) depreciation of property, plant and equipment	23,997,116	23,841,468
	c) other write-downs of fixed assets	0	0
	d) write-downs of receiv. included in current assets and cash and cash equivalents	105,438	20,126,144
	<b>Total amortisation, depreciation and write-downs (10)</b>	<b>44,273,732</b>	<b>64,124,709</b>
11	Changes in the inventory of raw and ancillary mater., consumables and goods	(26,334,307)	1,586,079
12	Provisions for risks	0	0
13	Other provisions	0	0
14	Sundry operating costs	1,673,894	1,743,930
	<b>Total Production Costs B</b>	<b>1,211,789,421</b>	<b>1,121,102,875</b>
	<b>Difference Between Value and Cost of Production A - B</b>	<b>119,560,534</b>	<b>88,131,383</b>
<b>C</b>	<b>FINANCIAL INCOME AND EXPENSES</b>		
16	Other financial income		
	from receivables recorded as fixed assets:		
	- from others	0	0
	<b>Total financial income from receivables recorded as fixed assets (a)</b>	<b>0</b>	<b>0</b>
	d) income other than the above:		
	- from subsidiaries	177,764	1,189,252
	- from parent companies	0	0
	- from companies subject to the control of parent companies	1,832,052	2,329,146
	- from others	37,738	110,952
	<b>Total income other than the above (d)</b>	<b>2,047,554</b>	<b>3,629,350</b>
	<b>Total other financial income (16)</b>	<b>2,047,554</b>	<b>3,629,350</b>
17	Interests and other financial charges:		
	- paid to subsidiaries	73,864	72,961
	- paid to parent companies	10,281,370	15,003,760
	- paid to companies subject to the control of parent companies	30,625	0
	- other financial expenses	12,675,051	15,048,583
	<b>Total interests and other financial charges (17)</b>	<b>23,060,910</b>	<b>30,125,304</b>
17-bis	Exchange-rate gains and losses	(2,395,136)	(1,931,363)
	<b>Total Financial Income and Expenses C</b>	<b>(23,408,492)</b>	<b>(28,427,317)</b>
<b>D</b>	<b>VALUE ADJUSTMENTS OF FINANCIAL ASSETS</b>		
18	Revaluations		
	of equity investments	14,189,526	0
	<b>Total revaluations (18)</b>	<b>14,189,526</b>	<b>0</b>
19	Write-downs		
	of equity investments	1,766,491	3,400,788
	<b>Total write-downs (19)</b>	<b>1,766,491</b>	<b>3,400,788</b>
	<b>Total Value Adjustments of Financial Assets D</b>	<b>12,423,035</b>	<b>(3,400,788)</b>
	<b>PROFIT (LOSS) BEFORE TAXES (A-B+/-C+/-D)</b>		
	<b>Profit (loss) before taxes (A-B+/-C+/-D)</b>	<b>108,575,077</b>	<b>56,303,278</b>
20	Current, deferred and pre-paid income taxes for the year		
	- direct taxes for the year	32,199,877	29,203,363
	- direct taxes for previous years	0	(2,685,521)
	- deferred taxes	(9,152,443)	(10,828,845)
	- Income (costs) from participation in tax consolidation scheme	600,000	0
	<b>Total current, deferred and pre-paid income taxes for the year (20)</b>	<b>22,447,434</b>	<b>15,688,997</b>
21)	<b>PROFIT (LOSS) FOR THE YEAR</b>	<b>86,127,643</b>	<b>40,614,281</b>

## STATEMENT OF CASH FLOWS AS OF 31 DECEMBER 2018

values in EUR

31/12/2018

31/12/2017

A	CASH FLOWS FROM INCOME-GENERATING OPERATIONS (INDIRECT METHOD)			
	Profit (loss) for the year	86,127,643	40,614,281	
	Income Tax	22,447,434	15,688,997	
	Interest expenses/(income)	21,013,355	26,495,954	
	(Gains)/Losses resulting from the disposal of assets	-255,392	85,642	
	1 Profit (loss) for the year, before income taxes, interest, dividends and gains/losses from asset sales	129,333,040	82,884,874	
	Adjustments for non-cash items with no balancing entry in net working capital			
	- Provisions to funds	2,212,350	2,214,021	
	- Amortisation/Depreciation of fixed assets	44,168,294	43,998,565	
	- Value adjustments of financial assets and liabilities on derivative financial instruments that do not involve cash transactions	-12,423,035	3,400,788	
	Total adjustments for non-cash items with no balancing entry in working capital	33,957,609	49,613,374	
	2 Cash flow before changes in net working capital	163,290,649	132,498,248	
	Changes in net working capital			
	- Decrease/(Increase) in inventories	-102,928,299	-29,406,871	
	- Decrease/(Increase) in trade receivables	1,689,398	6,674,921	
	- Increase/(Decrease) in trade payables	94,645,918	-36,335,586	
	- Decrease/(Increase) in accrued income and prepaid expenses	1,106,307	1,226,521	
	- Increase/(Decrease) in accrued expenses and deferred income	-11,117	11,214	
	- Other changes in net working capital	-107,942,155	-30,643,426	
	Total changes in net working capital	-113,439,948	-88,473,227	
3 Cash flow after changes in net working capital	49,850,701	44,025,021		
Other adjustments				
- Interest received/(paid)	-21,013,357	-26,495,954		
- (Income taxes paid)	-	-		
- Dividends received	-	-		
- (Utilisation of funds)	-2,406,355	-2,383,153		
- Other collections/(payments)	-	-		
Total other adjustments	-23,419,712	-28,879,107		
Cash flow from income-generating operations A	26,430,989	15,145,914		
B	CASH FLOWS FROM INVESTMENT ACTIVITIES			
	Property, plant and equipment			
	- (Investments)	-17,065,180	-7,948,289	
	- Divestitures	683,293	39,641	
	Intangible fixed assets			
	- (Investments)	-51,017	-78,080	
	- Divestitures	-	-	
	Financial fixed assets			
	- (Investments)	-8,319,233	-563,586	
	- Divestitures	0	0	
	Current financial assets			
	- (Investments)	-	-	
	- Divestitures	-	-	
	(Purchase of subsidiaries or business divisions net of liquid assets)	-	-	
	Sale of subsidiaries or business divisions net of liquid assets	-	-	
	Cash flows from investment activities B	-24,752,137	-8,550,314	
	C	CASH FLOWS FROM FINANCING ACTIVITIES		
		Third party resources		
		- Increase/(Decrease) in short-term liabilities to banks	203,606	-7,049,926
		- New loans	-	-
- (Repayments of loans)		-	-	
Capital and reserves				
- Paid-in capital increase		-	-	
- (Reimbursement of paid-in capital increase)		-	-	
- Sale/ (Purchase) of own shares		-	-	
- (Dividends and advances on dividends paid)		-	-	
Cash flows from financing activities C		203,606	-7,049,926	
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A ± B ± C)		1,882,458	-454,326	
Exchange rate effect on cash and cash equivalents		-	-	
Cash and cash equivalents at beginning of year		241,962	696,288	
Bank and postal deposits		238,781	693,245	
Checks		-	-	
Cash on hand and cash equivalents		3,181	3,043	
of which not freely usable		180,939	651,050	
Cash and cash equivalents at year end		2,124,420	241,962	
Bank and postal deposits		2,119,389	238,781	
Checks	-	-		
Cash on hand and cash equivalents	5,031	3,181		
of which not freely usable	2,033,893	180,939		

## NOTES

### BACKGROUND

After the important reorganization of the Marcegaglia group, which began and ended in 2015, the company is part of the Stainless Steel and Specialties division of the Marcegaglia group, which includes the stainless steel processing activities and drawn products.

### Financial statement preparation criteria and structure

The financial statements for the financial year ended on 31 December 2018 were prepared in accordance with Articles 2423 et seq. of the Italian Civil Code, as supplemented with the accounting principles issued by Organismo Italiano di Contabilità (OIC), the Italian accounting standard setter.

In particular, the company complied with the general provisions for structuring financial statements (Art. 2423 of the Italian Civil Code), its drafting standards (Art. 2423-bis) and measurement criteria established for single line items (Art. 2426) without applying any of the exceptions specified in Art. 2423, paragraph 4, of the Italian Civil Code.

It should be noted that the company Marcegaglia Specialties spa in financial year 2018, continuing the work already done in financial year 2017, again with a view to providing a better representation in the financial statements of the facts and operations of the company, for the valuation of the inventories of “basic” steel raw materials (black stainless steel coils and laminates) has used the LIFO criterion in steps (last in, first out), instead of the weighted average cost criterion, which instead continues to remain the criterion applied to the valuation of non-basic steel raw materials, semi-finished and finished products.

The reason for this choice, with a view to prudent valuation, lies in the structural changes that characterise the steel sector – at a global level and in particular in Europe – and which lead to increased price volatility.

Unlike raw materials and the basic steel

products derived from them, in fact, the products of first and second processing are characterised by lower volatility, as they are more destined for end users, often through longer-term contracts, and with a higher service component, also in relation to greater fragmentation of demand and the needs of the reference customers.

The Balance Sheet and Income Statement are prepared in accordance with the mandatory layouts required by the Italian Civil Code. The provisions of Art. 2423-ter of the Italian Civil Code were followed with respect to the structure of the Balance Sheet and Income Statement. No further divisions or groupings were carried out for any of the line items preceded by Arabic numerals. No new line items were inserted, and no modifications were made to those specified in the above layouts since they were deemed to be sufficient for the purposes of providing a clear, truthful and accurate representation of the Company’s balance sheet and financial position and operating results for the year.

The financial statements for the year ended 31 December 2018 have been drawn up in euros. Any differences arising from rounding amounts expressed in whole euros were allocated to a special shareholders’ equity reserve, and, depending on their sign, in line item A5) “Other revenues and income” or B14) “Other operating expenses” in the Income Statement.

It should be noted that by deed of demerger dated 26/10/2018 in the notary’s register in Mantua, Dr. M. Bertolucci, the company Marcegaglia Specialties spa, in compliance with previous shareholders’ meeting resolutions, carried out a partial proportional demerger of its assets and liabilities in favour of a newly-formed company called Marcegaglia Gazoldo Inox spa.

The effectiveness of the aforesaid act of partial demerger has been postponed to 00:00 of the first day of the month following the last of the registrations provided for in Art. 2506 quater of the Italian Civil Code, which coincided with 1 November 2018.

At that effective date, Marcegaglia Specialties spa and Marcegaglia Gazoldo Inox spa were therefore wholly (100%) owned by the company Marcegaglia Steel spa; for the sake of completeness, it should be noted that at the end of 2018 Marcegaglia Gazoldo Inox spa then approved a share capital increase reserved for the entry of a shareholder in the amount of approximately 5%, thus remaining held by the company Marcegaglia Steel spa in the amount of approximately 95%.

Assets and liabilities have been transferred at book values in perfect continuity of values, as they do not differ significantly from the actual values.

In detail, the assets and liabilities involved in the demerger can be described qualitatively as follows:

- intangible fixed assets relating to licences for the application software necessary for the operation of the plant and machinery used in the Gazoldo degli Ippoliti plant;
- tangible fixed assets consisting of plant and machinery, industrial and commercial equipment (including internal handling equipment) and other assets (furniture and office machinery, vehicles supplied to the Gazoldo degli Ippoliti plant, trucks, furniture and furnishings), plant in progress and any advances to suppliers for the purchase of depreciable assets always destined for the Gazoldo degli Ippoliti plant;
- 50% of the investment held by Marcegaglia Specialties S.p.A. in Consorzio Absolute scarl, equal to 25%, which was therefore demerged in favour of the beneficiary company for a share of 12.5%;
- the warehouse of consumables/subsidiaries necessary for the various steel transformation processes and the functionality of the existing transferred plants in the Gazoldo degli Ippoliti plant;
- the provision for deferred taxes (IRES and IRAP) related to the tangible fixed assets transferred arising from the misalignment of statutory and fiscal values as a result of the contribution received from the company demerged in 2015 (Marcegaglia spa now Marfin srl);

- the liability for the severance indemnity (TFR), set aside in the specific provision, towards the employees transferred with the spin-off operation;
- payables to employees, transferred as part of the spin-off operation, for holiday accruals, leave of absence, any additional monthly instalments and/or bonuses due on the basis of current contracts;
- payables to suppliers and/or associated companies of goods and services related to the activities of the Gazoldo degli Ippoliti plant, excluding payables to suppliers of steel raw materials and suppliers of zinc and paints;
- a portion of the debt deriving from the interest-bearing current account with the parent company Marcegaglia Steel spa.

Si riporta di seguito una tabella evidenziante i valori di scissione delle predette attività e passività alla data di efficacia.

#### ASSETS values in Eur

<b>B FIXED ASSETS</b>		
I	<i>Intangible fixed assets</i>	
1	Start-up and expansion costs	0.00
3	Industrial patent rights and intellectual property rights	13,466.84
4	Concessions, licences, trademarks and similar rights	0.00
6	Fixed assets in progress and advance payments	0.00
7	Other	0.00
	<b>Total intangible fixed assets (b-i)</b>	<b>13,466.84</b>
II	<i>Tangible fixed assets</i>	
1	Land and buildings	0.00
2	Plants and machinery	83,592,291.69
3	Industrial and commercial equipment	1,059,368.79
4	Other assets	206,154.75
5	Fixed assets in progress and advance payments	1,323,363.38
	<b>Total tangible fixed assets (B-II)</b>	<b>86,181,178.61</b>
III	<i>Financial fixed assets</i>	
1	Equity investments in:	
	a) subsidiary undertakings	0.00
	b) associates	6,250.00
	d) companies subject to control of parent companies	0.00
	d-bis) other companies	0.00
		<b>6,250.00</b>
2	Receivables	
	d-bis) others	
	- due after the following year	0.00
		<b>0.00</b>
	<b>Total financial fixed assets (B-III)</b>	<b>6,250.00</b>
	<b>Total fixed assets B</b>	<b>86,200,895.45</b>
<b>C CURRENT ASSETS</b>		
I	<i>Inventories</i>	
1	Raw and ancillary materials and consumables	2,159,519.56
2	Work in progress and semi-finished products	0.00
4	Finished products and goods	132,391.11
5	Advance payments	0.00
	<b>Total inventories (C-I)</b>	<b>2,291,910.67</b>
II	<i>Receivables</i>	
a)	due within the following year	
	1) customers	0.00
	2) subsidiaries	0.00
	3) associates	0.00
	4) parent companies	0.00
	5) companies under control of parent companies	0.00
	5-bis) tax credits	0.00
	5-ter) deferred tax assets	0.00
	5-quater) from others	0.00
		<b>0.00</b>
b)	due after the following year	
	5-ter) deferred tax assets	0.00
		<b>0.00</b>
	<b>Total receivables (C-II)</b>	<b>0.00</b>
IV	<i>Cash and cash equivalents</i>	
1	Bank and postal deposits	0.00
3	Cash-in-hand and cash equivalents	0.00
	<b>Total cash and cash equivalents (C-IV)</b>	<b>0.00</b>
	<b>Total current assets C</b>	<b>2,291,910.67</b>
<b>D ACCRUED INCOME AND PREPAID EXPENSES</b>		
	Accruals and deferrals	88,556.66
	<b>Total accrued income and prepaid expenses D</b>	<b>88,556.66</b>
	<b>TOTAL ASSETS</b>	<b>88,581,362.78</b>

## LIABILITIES values in Eur

<b>A</b>	<b>EQUITY</b>	
	Total equity A	-29,900,000.00
<b>B</b>	<b>PROVISIONS FOR RISKS AND CHARGES</b>	
1	For post-retirement benefits and sim. obligations	0.00
2	Taxes	-16,436,564.00
3	Financial derivatives reported as liabilities	0.00
4	Other	0.00
	Total provisions for risks and charges B	-16,436,564.00
<b>C</b>	<b>EMPLOYEE SEVERANCE PAY</b>	
	Employee severance pay C	-315,232.74
<b>D</b>	<b>PAYABLES</b>	
a)	due within the year	
4)	Due to banks	0.00
6)	Advance payments	0.00
7)	Trade payables	-16,459,696.00
9)	Payables to subsidiaries	0.00
10)	Payables to associates	0.00
11)	Payables to parent companies	-23,950,285.50
11-bis)	Payables to affiliates	-66,120.00
12)	Tax payables	0.00
13)	Payables to welfare and social security organizations	-619,060.15
14)	Other payables	-834,404.39
	Total payables due within the year	-41,929,566.04
b)	due after the year	
4)	Due to banks	0.00
	Total payables due after the year	0.00
	Total payables D	-41,929,566.04
<b>E</b>	<b>ACCRUED EXPENSES AND DEFERRED INCOME</b>	
	Accruals and deferrals	0.00
	Total accrued expenses and deferred income E	0.00
	<b>TOTAL LIABILITIES</b>	<b>-88,581,362.78</b>

Following the attribution of the compendium assigned to the associated company Marcegaglia Gazoldo Inox spa in compliance with the above, the share capital of the company Marcegaglia Specialties spa has been reduced by an amount of Euro 29,900,000.00, consequently the share capital of the company Marcegaglia Specialties spa is now equal to Euro 131,100,000.00.

In the tables shown in the following paragraphs relating to changes in the various items in the 2018 financial statements, the effect of the above demerger transaction will be indicated, where present, in the column “Other changes”.

### Comparability with the previous financial year

For each item of the balance sheet and income statement, next to the amount for the year 2018, the amount for the same item for the previous year has been indicated.

### Classification conventions

In preparing the financial statements as of 31 December 2018, the following classification conventions have been adopted:

- a. line items in the asset section of the balance sheet were classified on the basis of their related company purpose, while in the liability section, they were classified as a function of their nature;
- b. the income statement was prepared taking into account three distinct classification criteria; namely:
  - the breakdown of the entire operating area into the three sub-areas identified by the layout required by law;
  - the nature of costs prevailing over their purpose;
  - the need to properly recognise interim results in the sequence of steps leading to the formation of net profit (loss) for the year.

The statement of cash flows is prepared in accordance with the format provided for by accounting standard OIC10, which shows the amount and composition of cash and cash equivalents at the beginning and end of the year and the cash flows for the year deriving from operating, investing and financing activities, as provided for by Art. 2425-ter of the Italian Civil Code.

### Reference to the Report on Operations

Information about the nature of the company's activities and relations with subsidiaries, associated companies, parent companies and companies subject to the control of the latter is provided in the Report on Operations.

### Asset, liability and shareholders' equity items of the Balance Sheet that fall under more than one item of the layout required by law

In order to understand the financial statements, it is unnecessary to specify in these Notes the items belonging to the balance sheet line items that are included in more than one line item of the statutory layout.

### CRITERIA APPLIED IN MEASURING FINANCIAL STATEMENT ITEMS, IN VALUE ADJUSTMENTS AND IN THE CONVERSION OF AMOUNTS NOT ORIGINALLY EXPRESSED IN THE CURRENCY USED AS LEGAL TENDER IN THE COUNTRY (ART. 2427, PARAGRAPH 1, POINT 1)

The financial statement items were stated on the basis of general principles of prudence and the accrual principle under the assumption the Company is a going concern. Line items were recognised and presented taking into account the substance of the transaction and agreement. Only profits realised as at the year end date are reported. In addition, account was taken of revenues and expenses attributable to the period under review regardless of the collection or disbursement date, as well as the risk and losses for the same period, also if known at a later date. Dissimilar elements included in individual line items were measured separately.

The measurement criteria used for individual financial statement entries comply with the provisions of Art. 2426 of the Italian Civil Code.

### Intangible fixed assets

Intangible fixed assets are recorded in the financial statements at purchase or

production cost and amortised according to their remaining useful life.

Start-up and expansion costs are amortised over a period of five years. Any development costs are amortised in accordance with their useful life. As an exception, if it is not possible to reliably estimate their useful life, they are amortised over a period of up to five years. Goodwill is recognised only if:

1) it has been purchased, for up to the cost incurred,

2) it arises from the consolidation process, to the extent permitted by impairment testing.

In the exceptional cases where its useful life cannot be estimated reliably, goodwill is amortised over a maximum period of ten years.

If there is impairment, intangible fixed assets are written down and recorded in the financial statements at such lower value; if in the future the reasons for the adjustment no longer apply, the write-down is also cancelled and the original cost is restored with the exception of value adjustments of goodwill.

The following is a breakdown of the intangible fixed assets recorded in the balance sheet and their amortisation criteria.

Line items of the Financial Statements	Purchase or production cost	Depreciation rate	Depreciation for the year
Start-up and expansion costs (B.I.1)	59,882	20.00%	11,977
Development costs (B.I.2)			
Licensed software (B.I.3)	175,937	33.00%	59,201
Trademark (B.I.4)	201,000,000	10.00%	20,100,000
Goodwill (B.I.5)			
Intangible assets in progress (B.I.6)			
Other multi-year costs (B.I.7)	12,035	33.00%	-

### Tangible fixed assets

Tangible fixed assets are recorded at purchase or production cost increased by statutory monetary revaluations, and are reported in the financial statements net of accumulated depreciation. Revaluations are only maintained if required by law. If there is impairment, tangible fixed assets are written down using special adjusting provisions and recorded in the financial statements at such lower value; if in the future the reasons for the adjustment no longer apply, the write-down is also cancelled and the original cost is restored.

Maintenance costs that increase the useful life of assets to which they are related are allocated to such assets and depreciated based on their remaining useful lives. All ordinary maintenance costs are instead entirely charged to the income statement.

Depreciation was determined on the basis of their remaining useful life.

The following is a breakdown of the tangible fixed assets recorded in the balance sheet and their depreciation criteria.

Line items of the Financial Statements	Purchase or production cost	Depreciation rate	Depreciation for the year
Land (B.II.1)	5,785,880		
Buildings (B.II.1)	117,020,227	2.5% - 3.5% - 4.17%	4,090,689
Light constructions (B.II.1)	1,706,280	9.09% - 10%	163,009
Large plants and machinery (B.II.2)	124,944,687	8% - 11.11%	13,510,612
Annealing furnaces (B.II.2)	2,103,913	12% - 33.33%	584,420
General and specific plant assets (B.II.2)	31,754,912	8% - 5%	2,440,186
Purification plants (B.II.2)	1,626,022	10.00%	135,785
Miscellaneous equipment (B.II.3)	11,548,251	15% - 25%	2,551,411
Internal handling equipment (B.II.3)	1,093,912	15% - 25%	266,554
Furniture and ordinary office equipment (B.II.4)	118,154	12% - 14.29%	17,527
Electronic machinery (B.II.4)	340,175	20% - 33%	92,329
Motor vehicles (B.II.4)	307,599	25.00%	94,985
Trucks and trailers (B.II.4)	241,726	20% - 50%	27,663
Ordinary furniture and furnishings (B.II.4)	176,414	10% - 12.5% - 15%	21,946
Fixed assets in progress and advance payments (B.II.5)	35,565,276		

With regard to the tangible assets contributed as a result of the extraordinary transaction in 2015, depreciation was determined on the basis of the remaining useful life of each individual asset indicated by the expert asked to perform the special appraisal pursuant to Art. 2465 of the Italian Civil Code.

However, with regard to the tangible assets acquired after the contribution transaction, depreciation coefficients were determined in relation to the remaining possi-

bility of use of the assets, in compliance with the provisions contained in Art. 2426, paragraph 1, no. 2, of the Italian Civil Code.

### **Leased assets**

Lease transactions are recognised using the equity method.

Thus, these assets are recorded in balance sheet assets starting in the year the redemption right is exercised.

### **Equity investments and investment securities**

Equity investments and securities are measured at acquisition or subscription cost.

If there is impairment, financial fixed assets are written down using special adjusting provisions and recorded in the financial statements at such lower value; if in the future the reasons for the adjustment no longer apply, the original cost is restored.

Equity investments denominated in foreign currencies are recorded at the exchange rate in effect at the time of purchase or subscription or at the reporting date, if lower, provided such reduction is considered permanent.

### **Inventories**

Inventories are measured at the lower of purchase or production cost and market value. Purchase cost includes ancillary costs of transportation and customs clearance of raw materials; production costs include all of the costs directly allocated to the product (raw materials and ancillary materials, direct labour, depreciation of the capital goods used in production), in addition to the portion of indirect industrial costs relating to the manufacturing period (maintenance costs, consumables, electric power, outsourced processes, etc.).

The value of the final inventories of the basic steel raw materials (black stainless steel coils and laminates) was determined using the LIFO step-by-step method.

In this regard, it should be noted that valuing the basic steel raw materials (black stainless steel coils and laminates) at their weighted average cost instead of LIFO in steps, would have had a positive impact, in terms of the economic result for 2018 and shareholders' equity at 31/12/2018 (without considering the related IRES and IRAP taxation), of approximately Euro 18 and a half million.

The value of final inventories of first and second transformation raw materials, on the other hand, was determined using the weighted average cost method, in continuity with what was done in previous years.

The adoption of different methods for determining cost within the same category of final inventories is in line with what is allowed by accounting standard OIC 13.

The final inventories of semi-finished products and finished products are valued at production cost, calculated by adding the processing costs to the cost of the raw material used in production, determined according to the average weighted cost method.

Inventories other than interchangeable assets are recognised among the inventories of finished products and are measured at purchase cost or production cost since this cost is deemed not to exceed the estimated sales market value.

The item "Raw and ancillary materials and consumables" also includes inventories of ancillary materials and consumables such as paints, lubricants, fuels, zinc and miscellaneous materials in general. These inventories are recorded in the financial statements at the lower of the value determined using the moving average criterion, and their replacement value based on market value.

Inventories of contract work in progress are measured, if applicable, using the percentage of completion method.

### **Receivables**

In general, receivables (both held as fixed and current assets) are booked using the amortised cost criterion taking into account the time factor and estimated realisable

value.

However, OIC 15, paragraph 33 specifies that this criterion need not be applied if the impact is insignificant, assuming that short-term receivables (i.e. those due within 12 months) are insignificant. Furthermore, Art. 12, paragraph 2, of Legislative Decree 139/2015 specifies that the new amortised cost measurement criterion need not be applied to components of items related to transactions that have not fully exhausted their impact on the financial statements.

Thus, in these financial statements, the amortised cost criterion is only applied to receivables due after the following year that arose after 1 January 2016, and in any case, only if the impact of applying this criterion is considered significant.

Receivables not measured using the amortised cost method (since the impact of applying this criterion is not considered significant) are recorded at nominal value adjusted, as necessary, for the appropriate provision for doubtful receivables to bring it into line with the estimated realisable value.

Receivables expressed in a foreign currency are originally converted into euros at the reported exchange rate on the date of the related transactions. Exchange differences generated from the collection of receivables in a foreign currency are recorded in the income statement under item 17-bis "Exchange-rate gains and losses".

Receivables expressed in foreign currency in the financial statements are measured on the basis of the relative exchange rates at the end of the year (31/12/2018). Exchange rate differences emerging from such valuation are allocated to the income statement in line item 17-bis "Exchange-rate gains and losses".

### **Equity investments and securities not held as fixed assets**

Equity investments not held as fixed assets are recorded at cost and written down for any impairment.

Securities not held as fixed assets are recorded at cost or market value.

### Cash and cash equivalents

Cash and cash equivalents (bank and postal accounts, cash and cash on hand) are recorded at their actual balances.

### Cash and shareholders' equity entries

These items are measured at nominal value

### Provisions for risks

Provisions for risks and charges are allocated in the financial statements to cover losses or liabilities of a known type, that will certainly or probably arise but which, as of the end of the year, could not be determined, either in terms of amount or date of accrual. Allocations reflect the best estimate possible on the basis of available information.

### Employee severance pay

This item is allocated in accordance with laws and labour contracts currently in effect and reflects the accrued amount owed to all employees on the reporting date net of the amount paid to a supplemental pension or to the "Fund for the payment of severance pay to employees in the private sector as referenced in Art. 2120 of the Italian Civil Code", the so-called INPS Treasury Fund.

### Payables

In general, payables are recorded in the financial statements according to the amortised cost criterion taking into account the time factor.

However, OIC 19, paragraph 42 specifies that this criterion need not be applied if the impact is insignificant, assuming that short-term payables (i.e. those due within 12 months) are insignificant.

Furthermore, Art. 12, paragraph 2, of Legislative Decree 139/2015 specifies that the new amortised cost measurement criterion need not be applied to components of items related to transactions that have not fully exhausted their impact on the financial statements.

Thus, in these financial statements, the amortised cost criterion is only applied to payables due after the following year that arose after 1 January 2016, and in any case, only if the impact of applying this criterion is considered significant.

Payables not measured using the amortised cost method (since the impact of applying this criterion is not considered significant) are recorded at nominal value.

In any case, this item includes liabilities that are certain and specific in terms of their amount and date incurred.

Payables expressed in a foreign currency are originally converted into euros at the reported exchange rate on the date of the related transactions. Exchange differences generated from the payment of payables in a foreign currency are recorded in the income statement under item 17-bis "Exchange-rate gains and losses".

Payables expressed in foreign currency in the financial statements are measured on the basis of the relative exchange rates at the end of the year (31/12/2018). Exchange rate differences emerging from such valuation are allocated to the income statement in line item 17-bis "Exchange-rate gains and losses".

### Accruals and deferrals

These items were determined on the basis of the accrual principle applied to the related costs and revenues.

### Revenues

Revenues from sales are recognised on an accrual basis, that is when both the following conditions are met:

- the goods have been manufactured; and

- title to the goods has been passed, which is when risks and benefits incidental to their ownership has been transferred. Thus, save as otherwise agreed regarding the transfer of risks and benefits:

- a) in the case of the sale of movable assets, risks and benefits are transferred when the goods are shipped or delivered;
- b) for goods that require notarisation (for instance properties), risks and benefits are transferred when the sale agreement is executed;
- c) in the case of instalment sales with retention of title, the revenue is recognised upon delivery, regardless of the transfer of ownership, since Art. 1523 of the Italian Civil Code provides that the buyer acquires ownership of the thing with the payment of the last instalment of the price, but assumes the risks from the time of delivery.

Revenues from services are recognised on an accrual basis, that is when the service has been rendered.

Financial income is recognised on an accrual basis, for the amount accrued in the period of reference.

### Costs and expenses

Costs related to the purchase of goods are recognised on an accrual basis, that is when both the following conditions are met:

- the goods have been manufactured; and
  - title to the goods has been passed, which is when risks and benefits incidental to their ownership has been transferred. Thus, save as otherwise agreed regarding the transfer of risks and benefits:
- a) in the case of the purchase of movable assets, risks and benefits are transferred when the goods are shipped or delivered;
  - b) for goods that require notarisation (for instance properties), risks and benefits are transferred when the sale agreement is executed;
  - c) in the case of instalment sales with retention of title, the cost is recognised upon delivery, regardless of the transfer of ownership, since Art. 1523 of the Italian Civil Code provides that the buyer acquires ownership of the thing with the payment of the last instalment of the price.

ce, but assumes the risks from the time of delivery.

Service costs are recognised on an accrual basis, that is when the service has been rendered.

Financial expenses are recognised on an accrual basis, for the amount accrued in the period of reference.

### Dividends

Dividends are recorded in the year in which the right to receive them accrues, which typically coincides with the year they are approved by the competent body.

### Income Tax

Income taxes were determined on the basis of the cost for the year.

Deferred taxes are determined on the basis of temporary differences between the amount assigned to assets and liabilities by statute and by tax regulations.

Prepaid taxes were recorded in financial statement assets since there is a reasonable certainty of generating income in the future capable of absorbing these temporary differences.

## NOTES TO THE FINANCIAL STATEMENTS – ASSETS

### INTANGIBLE FIXED ASSETS

#### CHANGES IN INTANGIBLE FIXED ASSETS

	Start-up and expansion costs	Industrial patent rights and intellectual property rights	Concessions, licences, trademarks and similar rights	Other intangible fixed assets	Total intangible fixed assets
<b>Amount at beginning of the year</b>					
Cost	59,882	175,937	201,000,000	12,035	201,247,854
Amortisation/depreciation (Provision for amortisation/depreciation)	25,949	105,865	43,550,000	12,035	43,693,849
<b>Book value</b>	<b>33,933</b>	<b>70,072</b>	<b>157,450,000</b>	<b>-</b>	<b>157,554,005</b>
<b>Changes during the year</b>					
Increases for acquisitions	-	51,017	-	-	51,017
Period amortisation/depreciation	11,976	59,202	20,100,000	-	20,171,178
Other changes	-	(13,467)	-	-	(13,467)
<b>Total changes</b>	<b>(11,976)</b>	<b>(21,652)</b>	<b>(20,100,000)</b>	<b>-</b>	<b>(20,133,628)</b>
<b>Amount at end of the year</b>					
Cost	59,882	189,965	201,000,000	12,035	201,261,882
Amortisation/depreciation (Provision for amortisation/depreciation)	37,925	141,545	63,650,000	12,035	63,841,505
<b>Book value</b>	<b>21,957</b>	<b>48,420</b>	<b>137,350,000</b>	<b>-</b>	<b>137,420,377</b>

The item “Concessions, licences, trademarks and similar rights” includes the “Marcegaglia” trademark, both in its form as a surname and in the graphic form “MM Marcegaglia” (with two upside down “M’s”), following the capital contribution resulting from the reorganisation of 2015. The trade name “Marcegaglia” was protected through the filing, by the transferor, Marcegaglia spa, of a number of trademark applications to ensure, in relation to the products and services provided under that trademark, the exclusive use of the name or the expression filed in any form or character.

The graphic trademark “MM Marcegaglia”, used by the contributing company Marcegaglia spa since 1969 in accounting, administrative, advertising and promotional

material, in exhibitions and fairs, in the press and on the products, has been in extremely widespread use, so as to generate such level of general awareness required by Italian law (and by some other countries) to give “rise” to a so-called common law/unregistered trademark, which allows the user to claim exclusive rights over the use of the mark used in relation to the products for which it was used.

In 2015, however, as part of the referenced reorganisation, the contributing company Marcegaglia spa initiated the filing of a number of trademark applications concerning the graphic trademark. The aforementioned trademarks were filed mainly for the following products:

- *Class 6*: common metals and their alloys, including steel, metal construction materials, transportable metal buildings; metal materials for railways; aluminium tubes; metal building panels; strips and sheets; bright bars drawn and steel sections; metal coverings; metal scaffolding; fences; minerals; common metals and their alloys; metal strips; non-electric cables and wires; metal structures; safes; metal fancy goods; metal security barriers for roads; steel pipes; steel strips; metal sheets; metal fences; metal gates; metal fasteners;
- *Class 37*: construction of metallurgical plants and facilities for the production of energy; painting work;
- *Class 39*: distribution of steel products; travel arrangements;
- *Class 42*: services in the steel industry and its applications, in particular designing, testing and commissioning of plants for the processing of steel; services in relation to environmental protection, ecological research, analysis and consulting;
- *Class 43*: hotel services.

In the expert’s report annexed to the deed of transfer, the appraiser has attributed to the trademark a value of Euro 201 million (before the resulting deferred taxes), considering a royalty rate of 0.81% and a projection of sales revenue on a time horizon of 20 years.

With reference to the systematic allocation over time of the trademark registration cost, equal to the estimated value, it was considered prudent to ascribe to the

income statement a constant rate of depreciation over a period of 10 years.

	Initial recording value	Accumulated amortisation	Amount at beginning of the year	Amortisation	Amount at end of the year
<b>Marcegaglia trademark</b>	201.000.000	43.550.000	157.450.000	20.100.000	137.350.000
<b>Total</b>	<b>201.000.000</b>	<b>43.550.000</b>	<b>157.450.000</b>	<b>20.100.000</b>	<b>137.350.000</b>

The company charges royalties to the companies that use the trademark.

On the basis of the Consolidated Business Plan prepared by the Board of Directors of the parent company Marcegaglia Steel spa, and therefore of the projection of the group's consolidated revenues, an impairment test was carried out on the brand value. The method used is that of the DCF (Discounted Cash Flow) which provides for the discounting back of the cash flows that will be collected through the charging of the royalties to the user companies. Considering a royalty rate of 0.81% (the same rate used by the expert when the brand was conferred) and various other parameters to take into account the variability of factors and costs for brand protection, as well as considering the tax effect, discounting the expected cash flows at a rate equal to the WACC (representing the weighted average cost of capital) resulted in a value of Euro 243 million, therefore higher than the book value of the brand itself (Euro 137.35 million), thus confirming its stability.

#### Start-up and expansion costs and development costs

The start-up and expansion costs recognised pertain to company organisation costs, share capital increase costs, and costs of the contribution executed at the end of October 2015. There are no research and development costs or capitalised advertising costs.

Start-up and expansion costs	Gross amount	Accumulated amortisation	Net amount	Reason for recording	Amortisation criterion
<b>Company organisation costs</b>	59,882	37,925	21,957	Expenses with recognised long-term value	On a straight-line basis over 5 years
<b>Total</b>	<b>59,882</b>	<b>37,925</b>	<b>21,957</b>		

#### Financial charges capitalized

No financial charges on intangible fixed assets were capitalised during the year.

## TANGIBLE FIXED ASSETS

### CHANGES IN TANGIBLE FIXED ASSETS

	Land and buildings	Plants and machinery	Industrial and commercial equipment	Other tangible fixed assets	Assets under construction and payments on account	Total tangible fixed assets
<b>Amount at beginning of the year</b>						
Cost	124,512,389	160,429,533	12,642,164	1,184,068	35,264,276	334,032,430
Amortisation/depreciation (Provision for amortisation/depreciation)	9,062,537	35,074,432	5,580,409	518,813	-	50,236,191
Write-downs	-	7,470	-	-	-	7,470
<b>Book value</b>	<b>115,449,852</b>	<b>125,347,631</b>	<b>7,061,755</b>	<b>665,255</b>	<b>35,264,276</b>	<b>283,788,769</b>
<b>Changes during the year</b>						
Increases for acquisitions	4,174,082	6,597,079	1,503,730	283,475	5,786,481	18,344,847
Reclassification (of book value)	-	28,900,959	3,077	400	(28,904,436)	-
Decreases for sales and cancellations (of book value)	-	371,170	53,064	3,666	1,279,669	1,707,569
Period amortisation/depreciation	4,253,698	16,671,003	2,817,965	254,450	-	23,997,116
Other changes	-	(83,592,292)	(1,059,369)	(206,155)	(1,323,363)	(86,181,179)
<b>Total changes</b>	<b>(79,616)</b>	<b>(65,136,427)</b>	<b>(2,423,591)</b>	<b>(180,396)</b>	<b>(25,720,987)</b>	<b>(93,541,017)</b>
<b>Amount at end of the year</b>						
Cost	128,686,471	86,943,273	10,921,417	1,138,657	9,543,289	237,233,107
Amortisation/depreciation (Provision for amortisation/ depreciation)	13,316,235	26,724,599	6,283,253	653,798	-	46,977,885
Write-downs	-	7,470	-	-	-	7,470
<b>Book value</b>	<b>115,370,236</b>	<b>60,211,204</b>	<b>4,638,164</b>	<b>484,859</b>	<b>9,543,289</b>	<b>190,247,752</b>

#### Value reductions to tangible fixed assets

No fixed assets were written down during the year.

#### Financial charges capitalised

No financial charges were capitalised during the year.

## LEASES

In October 2018, the company redeemed the asset early, as covered by the leasing contract that had been in force for several years.

The original expiry date of the contract would have been 2 December 2018. The asset covered by the finance lease contract is a combined stainless steel pickling line installed at the Gazoldo degli Ippoliti (MN) plant.

This tangible fixed asset was subsequently the subject of the spin-off operation commented on in the introductory part of these Notes to the Financial Statements.

Key data for this agreement and the impact that would occur on the Balance Sheet and profit (loss) for the year (before taxes) if the financial method for recording lease agreements were used from the start, are summarised in the following table:

- Date of commencement of use by the transferring company: 02/12/2010;
- Market value of the asset Euro 43,250,700.00.

	Amount
Amortisation/depreciation that would have pertained to the year	2,883,380
Financial expenses pertaining to the year at effective interest rate	34,926



As regards the subsidiary Mariven, please note that in 2018, as envisaged by the agreements in place since 2010 between Mariven S.r.l. and Simest, the subsidiary Mariven S.r.l. purchased the equity interest held by Simest in Marcegaglia Russia, equal to 48.97% of the share capital for an amount of Euro 13,566,000. Following this transaction, the percentage of control of Mariven S.r.l. over Marcegaglia RU has therefore increased from 51.03% to 100%.

Reference should be made to the sections on changes in equity investments, other securities and financial derivatives reported as long-term assets, changes in shareholders' equity and details of other provisions.

For the conversion into euro of the shareholders' equity and the result for the period expressed in a currency other than the euro, the exchange rate at the end of the financial year and the average exchange rate for the financial year were used respectively.

#### DETAILS OF EQUITY INVESTMENTS IN ASSOCIATES

Name	City (if in Italy) or foreign country	Tax code (for Italian companies)	Capital in euros	Net equity in euros	Share held in euros	% share held	Book value or corresponding receivable
Absolute società consortile a r.l.	Pozzuolo del Friuli (UD)	02844650305	50,000	50,000	6,250	12.50%	6,250
<b>Total</b>							<b>6,250</b>

#### BREAKDOWN OF RECEIVABLES HELD AS FIXED ASSETS BY GEOGRAPHICAL AREA

Geographic area	Receivables from others held as fixed assets	Total receivables held as fixed assets
Italy	349,815	349,815
<b>Total</b>	<b>349,815</b>	<b>349,815</b>

#### VALUE OF FINANCIAL FIXED ASSETS

	Book value	Fair value
Equity inv. in companies subject to control of parent companies	797	797
Equity investments in other companies	5	5
Receivables from others	349,815	349,815

#### DETAILS OF THE VALUE OF EQUITY INVESTMENTS IN COMPANIES SUBJECT TO THE CONTROL OF THE PARENT COMPANIES

	Book value	Fair value
Marcegaglia India	133	133
Marcegaglia Messico	664	664
<b>Total</b>	<b>797</b>	<b>797</b>

#### BREAKDOWN OF THE VALUE OF EQUITY INVESTMENTS IN OTHER COMPANIES

	Book value	Fair value
Cosorzio Conai	5	5
<b>Total</b>	<b>5</b>	<b>5</b>

#### BREAKDOWN OF AMOUNT OF RECEIVABLES FROM OTHERS HELD AS FIXED ASSETS

	Book value	Fair value
Security deposits	348,937	348,937
Other	878	878
<b>Total</b>	<b>349,815</b>	<b>349,815</b>

## CURRENT ASSETS

### INVENTORIES

The changes in assets other than fixed assets during the year ended 31 December 2018 are shown below.

Current assets	Amount at beginning of the year	Changes during the year	Amount at end of the year
<b>I - Inventories</b>			
Raw and ancillary materials and consumables	156,786,082	24,174,787	180,960,869
Work in process and semi-finished goods	107,322,895	35,209,056	142,531,951
Finished products and goods	146,431,734	41,497,059	187,928,793
Advance payments	1,500,000	(244,514)	1,255,486
<b>Total inventories</b>	<b>412,040,711</b>	<b>100,636,388</b>	<b>512,677,099</b>

It should be noted that the column “Changes during the year” also includes the effect of the spin-off transaction that took place in October 2018 with effect from 01/11/2018 in favour of the associated company Marcegaglia Gazoldo Inox spa, for the following amounts:

Item description	Amount
Raw and ancillary materials and consumables	2,159,519,56
Finished products and goods	132,391,11

## RECEIVABLES RECORDED IN CURRENT ASSETS

### CHANGES AND MATURITY OF RECEIVABLES RECORDED IN CURRENT ASSETS

Current assets	Amount at beginning of the year	Changes during the year	Amount at end of the year	Portion due within the year
Receivables from customers recorded in current assets	4,368,495	(1,689,399)	2,679,096	2,679,096
Receivables from subsidiaries recorded in current assets	30,747,040	(9,881,164)	20,865,876	20,865,876
Receivables from associates recorded in current assets	207,947	68,602	276,549	276,549
Receivables from parent companies recorded in current assets	48,298	(26,192)	22,106	22,106
Receivables from companies subject to control of parent companies recorded in current assets	74,235,768	(7,216,514)	67,019,254	67,019,254
Tax credits recorded in current assets	4,210,039	452,142	4,662,181	4,662,181
Deferred tax assets recorded in current assets	2,629,425	(1,159,159)	1,470,266	
Receivables from others recorded in current assets	15,904,196	1,227,600	17,131,796	17,131,796
<b>Total receivables recorded in current assets</b>	<b>132,351,208</b>	<b>(18,224,084)</b>	<b>114,127,124</b>	<b>112,656,858</b>

Receivables are recorded at their estimated realisable value through the allocation of specific adjustment provisions, the movements of which are shown below.

Description	Amount at beginning of the year	Utilisation	Provisions	Amount at end of the year
Provision for doubtful debt from customers	580,491	102,260	105,438	583,669
Provision for doubtful debt from subsidiaries	50,231,058	32,158,196	-	18,072,862
Provision for doubtful debt from associates	-	-	-	-
Provision for doubtful debt from parent companies	-	-	-	-
Provision for doubtful debt from companies subject to control of parent companies	2,739	2,739	-	-
Provision for doubtful tax credits	-	-	-	-
Provision for doubtful debt from others	-	-	-	-
<b>Total provision for doubtful debt</b>	<b>50,814,288</b>	<b>32,263,195</b>	<b>105,438</b>	<b>18,656,531</b>

Utilisations of the allowance for uncollectable receivables from subsidiaries refer to the aforementioned waiver of receivables from the subsidiary Marcegaglia USA for Euro 30.4 million and the freeing up of the provisions for receivables due from the subsidiary Marcegaglia USA for Euro 1.7 million, which exceeded the amount of

the receivables not waived. That freeing up had a balancing entry under item A 5) “Other revenues and income” in the income statement. Therefore, at 31/12/2018 the allowance amounted to Euro 18 million, comprising Euro 13 million referring to the subsidiary Marcegaglia USA and Euro 5 million to the subsidiary Mariven srl. Thus, in these financial statements, receivables from the subsidiary Marcegaglia USA have been completely reduced to zero.

Prepaid tax assets relate almost entirely to the higher tax values of inventories compared with the accounting values that emerged when they were transferred (in accordance with the indications contained in the report prepared pursuant to Art. 2465 paragraph 1 of the Italian Civil Code) and differences in the valuation of exchange rates. The breakdown and changes in receivables from others are analysed in the following tables:

	Amount at beginning of the year	Changes during the year	Amount at end of the year	Portion due within the year	Portion due after the year	of which, portion with remaining term over 5 years
Receivables from factoring companies	10,616,115	-5,010,839	5,605,276	5,605,276	-	-
Advances to suppliers	2,515,023	-1,322,652	1,192,371	1,192,371	-	-
Social security receivables	128,844	303,694	432,538	432,538	-	-
Advances to employees	6,860	-1,565	5,295	5,295	-	-
Receivables from credit institutions for customer collections	420	327	747	747	-	-
Other receivables	2,636,934	7,258,635	9,895,569	9,895,569	-	-
<b>Total receivables from others</b>	<b>15,904,196</b>	<b>1,227,600</b>	<b>17,131,796</b>	<b>17,131,796</b>	<b>-</b>	<b>-</b>

Below are details of “Receivables from companies subject to control of parent companies”:

	Amount at beginning of the year	Changes during the year	Amount at end of the year	Portion due within the year	Portion due after the year	of which, portion with remaining term over 5 years
Eletca S.r.l.	12,783	3,930	16,713	16,713	0	0
Oskar S.r.l.	71,660	2,203	73,863	73,863	0	0
Novero spa	0	103,658	103,658	103,658	0	0
Made HSE S.r.l.	20,860	-20,860	0	0	0	0
Marcegaglia Gazoldo Inox spa		12,627	12,627	12,627	0	0
Euroenergy group S.r.l.	3,469	-3,469	0	0	0	0
Eta En. Terr. Amb. spa	41,805	-41,805	0	0	0	0
Marcegaglia UK	299,065	259,172	558,237	558,237	0	0
Sc.Mrc Romania S.r.l.	99,283	20,390	119,673	119,673	0	0
Marcegaglia Do Brasil limitada	662,930	604,219	1,267,149	1,267,149	0	0
Marcegaglia China	101,072	-101,072	0	0	0	0
Marcegaglia Investments	1,759	387	2,146	2,146	0	0
Albarella srl	45,885,044	1,035,623	46,920,667	46,920,667	0	0
Marcegaglia Poland z.o.o.	1,312,274	-366,207	946,067	946,067	0	0
Marcegaglia Buildtech srl	6,666,438	-5,562,634	1,103,804	1,103,803	0	0
Imat spa	207,071	722,927	929,998	929,998	0	0
Marcegaglia Carbon Steel spa	17,849,450	-3,798,497	14,050,953	14,050,953	0	0
Marcegaglia Plates spa	1,000,805	-87,106	913,699	913,699	0	0
<b>Total receivables from companies subject to control of parent companies</b>	<b>74,235,768</b>	<b>-7,216,514</b>	<b>67,019,254</b>	<b>67,019,254</b>	<b>0</b>	<b>0</b>

## BREAKDOWN OF THE RECEIVABLES RECORDED IN THE CURRENT ASSETS BY GEOGRAPHICAL AREA

	Italy	EU	Other Europe	America	Africa Middle East	Total
Receivables from customers recorded in current assets	1,656,639	375,674	276,707	-	370,076	2,679,096
Receivables due from subsidiaries recorded in current assets	15,050,861	-	2,125,467	1,746,416	1,943,132	20,865,876
Receivables due from associates recorded in current assets	276,549	-	-	-	-	276,549
Receivables due from parent companies recorded in current assets	22,106	-	-	-	-	22,106
Receivables from companies subject to control of parent companies recorded in current assets	64,135,318	-	1,616,787	1,267,149	-	67,019,254
Tax credits recorded in current assets	4,660,524	770	887	-	-	4,662,181
Deferred tax assets recorded in current assets	1,470,266	-	-	-	-	1,470,266
Receivables from others recorded in current assets	16,105,403	26,393	1,000,000	-	-	17,131,796
<b>Total receivables recorded in current assets</b>	<b>103,377,666</b>	<b>402,837</b>	<b>5,019,848</b>	<b>3,013,565</b>	<b>2,313,208</b>	<b>114,127,124</b>

## CASH AND CASH EQUIVALENTS

	Amount at beginning of the year	Changes during the year	Amount at end of the year
Bank and postal deposits	238,781	1,880,608	2,119,389
Cash and securities	3,181	1,850	5,031
<b>Total cash and cash equivalents</b>	<b>241,962</b>	<b>1,882,458</b>	<b>2,124,420</b>

## ACCRUED INCOME AND PREPAID EXPENSES

	Amount at beginning of the year	Changes during the year	Amount at end of the year
Prepaid expenses	1,245,061	(1,194,864)	50,197
<b>Total accrued income and prepaid expenses</b>	<b>1,245,061</b>	<b>(1,194,864)</b>	<b>50,197</b>

The changes for the year include the amounts resulting from the spin-off operation already described in the initial part.

The breakdown of these items is shown below:

Prepaid expenses	Amount at beginning of the year	Changes during the year	Amount at end of the year
Balloon payment on leasing contract	1,172,182	-1,172,182	0
Lease instalments	26,327	-26,327	0
Advertising expenses	14,600	12,067	26,667
Machinery maintenance	14,175	-6,174	8,001
Exhibitions and fairs abroad	13,230	-13,230	0
Stamps, taxes and duties	2,780	4,878	7,658
Leases		2,878	2,878
Other	1,767	3,226	4,993
<b>Total prepaid expenses</b>	<b>1,245,061</b>	<b>-1,194,864</b>	<b>50,197</b>





## NOTES TO THE FINANCIAL STATEMENTS – LIABILITIES AND SHAREHOLDERS' EQUITY

### SHAREHOLDERS' EQUITY

#### CHANGES IN SHAREHOLDERS' EQUITY ITEMS

	Amount at beginning of the year	Use of previous year result  Other uses	Other changes		Profit (loss) for the year	Amount at end of the year
			Increases	Decreases		
Share capital	161,000,000	-	-	29,900,000		131,100,000
Share premium reserve	2,518,961	-	-	-		2,518,961
Legal reserve	126,538	-	2,030,715	-		2,157,253
Other reserves						
<i>Extraordinary reserve</i>	1,921,514	38,583,567	-	7,875,302		32,629,779
<i>Sundry other reserves</i>	0	-	-	4		(4)
<b>Total other reserves</b>	<b>1,921,514</b>	<b>38,583,567</b>	<b>-</b>	<b>7,875,306</b>		<b>32,629,775</b>
Profit (loss) for the year	40,614,281	(40,614,281)	-	-	86,127,643	86,127,643
<b>Total shareholders' equity</b>	<b>206,181,294</b>	<b>(2,030,714)</b>	<b>2,030,715</b>	<b>37,775,306</b>	<b>86,127,643</b>	<b>254,533,632</b>

#### BREAKDOWN OF SUNDRY OTHER RESERVES

Description	Amount
Rounding difference	(4)
<b>Total</b>	<b>(4)</b>

#### AVAILABILITY AND USE OF SHAREHOLDERS' EQUITY

	Amount	Origin/nature	Possible use	Available portion
Share capital	131,100,000	contribution of shareholders	B	-
Share premium reserve	2,518,961	conferment of branch	A-B-C	2,518,961
Legal reserve	2,157,253	previous years' profits	A-B-C	2,157,253
Other reserves				
<i>Extraordinary reserve</i>	32,629,779	<i>previous years' profits</i>	A-B-C	32,629,779
<i>Sundry other reserves</i>	(4)	<i>round-offs</i>		-
Total other reserves	32,629,775			32,629,779
<b>Total</b>	<b>168,405,989</b>			<b>37,305,993</b>
<b>Non-distributable portion</b>				2,518,961
<b>Residual distributable portion</b>				34,787,032

Legend: A capital increase - B loss cover - C distribution to shareholders

#### ORIGIN, POSSIBLE USE AND DISTRIBUTION OF THE SUNDRY OTHER RESERVES

Description	Amount	Origin/nature
rounding to the unit of Euro	(4)	round-offs
<b>Total</b>	<b>(4)</b>	

Legend: A capital increase - B loss cover - C distribution to shareholders

The decrease in the extraordinary reserve refers to the recording of charges pertaining to previous years, relating to the acquisition by the subsidiary Mariven srl of the equity interest held by Simest spa in Marcegaglia RU, based on the agreements in force, as already described in the paragraph entitled "Details of equity investments in subsidiaries".

## PROVISIONS FOR RISKS AND CHARGES

	Provision for post-retirement benefits and similar obligations	Tax provision, including deferred taxes	Other provisions	Total provisions for risks and charges
Amount at beginning of the year	15,052	96,672,068	19,703,672	116,390,792
Changes during the year				
Provisions for the year	7,157	122,215	8,596,339	8,725,711
Usage for the year	1,002	26,870,381	15,197,535	42,068,918
Total changes	6,155	(26,748,166)	(6,601,196)	(33,343,207)
Amount at end of the year	21,207	69,923,902	13,102,476	83,047,585

For a more detailed understanding of the Provisions for risks and charges, details are given below.

Item B.1 of the liabilities “Provision for post-retirement benefits and similar obligations” includes the allocations and related uses of provisions for the termination of agency contracts.

Provisions are quantified in accordance with the provisions of Art. 1751 of the Italian Civil Code and of the collective agreements of the sector.

Description	Amount at beginning of the year	Usage for the year	Provisions for the year	Other changes	Amount at end of the year
Agents' severance indemnity provision	12,268	0	6,138	0	18,406
Indemnity provision for termination of agency agreement	2,784	1,002	1,019	0	2,801
<b>Total</b>	<b>15,052</b>	<b>1,002</b>	<b>7,157</b>	<b>0</b>	<b>21,207</b>

### BREAKDOWN OF PROVISION FOR TAXES, INCLUDING DEFERRED TAXES

Description	Amount at beginning of the year	Usage for the year	Provisions for the year	Other changes	Amount at end of the year
Provision for deferred taxes	96,672,068	10,433,817	122,215	-16,436,564	69,923,902
<b>Total</b>	<b>96,672,068</b>	<b>10,433,817</b>	<b>122,215</b>	<b>-16,436,564</b>	<b>69,923,902</b>

The provision for deferred taxes derives mainly from the contribution made in 2015 and relates to deferred taxation connected with the higher values of the tangible fixed assets transferred compared to the values fiscally significant for the transferor. As is well known, in fact, from the fiscal point of view, the transfer did not entail a gain, therefore any higher market values compared to the book values of the transferor attributed to the various assets has no tax implications.

The determination of these market values along with the related deferred taxes was supported by the valuation prepared by the expert as referenced in Art. 2465, paragraph 1, of the Italian Civil Code.

These deferred taxes shall be reabsorbed through the process of depreciation of these higher values on the basis of the useful lives of the various assets indicated by the expert in the valuation. During FY 2018, the utilisation of the deferred tax provision in connection with the higher depreciation amount in the financial statement than depreciation for tax purposes was approximately Euro 9,606,730.00.

As a result of the spin-off transaction mentioned above, the provision for deferred taxes has also decreased by Euro 16,436,564.00 (column other changes), as an amount relating to deferred taxes on the higher values of assets transferred to the subsidiary Marcegaglia Gazoldo Inox spa.

The remainder of utilisations and all provisions is in relation to deferred taxes related to the impact of exchange-rate gains from valuation.

### BREAKDOWN OF OTHER PROVISIONS

Description	Amount at beginning of the year	Usage for the year	Provisions for the year	Other changes	Amount at end of the year
Provisions for risks - subsidiary Mariven	4,506,137	0	8,596,339	0	13,102,476
Provisions for risks - subsidiary Marcegaglia USA	14,189,526	14,189,526	0	0	0
Provisions for risks - subsidiary Marcegaglia TR	1,008,009	1,008,009	0	0	0
<b>Total</b>	<b>19,703,672</b>	<b>15,197,535</b>	<b>8,596,339</b>	<b>0</b>	<b>13,102,476</b>

The changes in the provisions for risks of the subsidiary Mariven refer to the higher charges incurred by that subsidiary to acquire the entire equity interest held by Simest spa in Marcegaglia RU, as per the agreements in force. The amounts shown in the table have balancing entries of Euro 7,875,302 as a reduction to the extraordinary reserve under shareholders' equity (as it refers to the negative results of the Russian subsidiary up to 31/12/2017), and Euro 721,037 in item D 19) a) "Write-downs of equity investments" in the income statement (as it refers to the losses of said Russian subsidiary in 2018).

The reduction of the provisions for risks of Marcegaglia USA to zero is linked to the transaction concluded in the initial months of 2018, through which the business unit relating to the "Galvanized" division was sold. As a result of the predicted positive earn-out it was unnecessary to keep the provisions in the financial statements. Therefore, they were reversed through a balancing entry under item D 18) a) "Revaluations of equity investments" of the income statement

With reference to the use of the risk provision relating to the subsidiary Marcegaglia Turkey, reference should be made to the paragraph "Changes in equity investments, other securities and financial derivatives reported as long-term assets".

## EMPLOYEE SEVERANCE PAY

The following table shows the changes in the provision for employee severance indemnities in relation to the 2018 financial year and also considers the amounts allocated to supplementary pension schemes. On the basis of the information provided by the Italian Accounting Organization in its appendix of 26 September 2007 to the Operating Guide no. 1 relating to the transition to IAS, the severance indemnity provision shown in the financial statements is shown net of the amount paid to the supplementary pension fund or paid to the "Fund for the payment of severance pay to employees in the private sector as referenced in Art. 2120 of the Italian Civil Code", the so-called INPS treasury fund, pursuant to Legislative Decree 252/2005, Law 296/2006 Art.1 paragraphs 755 et seq. and 765 and Arts.1 and 3 of the Ministerial Decree of 30/01/2007. The portions of severance indemnity accrued in 2018 and not yet paid to the complementary pension funds or to the INPS treasury fund are shown under item "D) 13) Payables to welfare and social security organisations".

	Employee severance pay
Amount at beginning of the year	3,108,146
Changes during the year	
Provisions for the year	2,205,193
Usage for the year	2,405,352
Other changes	(315,233)
Total changes	(515,392)
Amount at end of the year	2,592,754

It should be noted that the amount shown on the line "Other changes" includes Euro 315,233 for the decrease in the Employee Severance Indemnity Provision for the spin-off operation in favour of the company Marcegaglia Gazoldo Inox spa.

Below is a breakdown of the item "Usage for the year":

Uses for disbursements and advances made during the year and for payments made for substitute tax against the revaluation accrued during the year	Payments made to the supplementary pension scheme	Payments made to the INPS Treasury Fund net of recoveries made during the year	Recovery of INPS contribution pursuant to Law 297/82	Transfers of severance indemnity for direct transfers	Total uses
190,012	806,383	1,161,869	140,878	106,210	2,405,352

## PAYABLES

### CHANGES AND DUE DATES OF PAYABLES

Payables	Amount at beginning of the year	Changes during the year	Amount at end of the year	Portion due within the year
Payables to banks	3,350,454	203,606	3,554,060	3,554,060
Advance payments	400,000	-	400,000	400,000
Trade payables	303,609,452	78,186,222	381,795,674	381,795,674
Payables to subsidiaries	4,500,968	1,226,353	5,727,321	5,727,321
Payables to associates	13,323	(9,285)	4,038	4,038
Payables to parent companies	290,573,542	(101,206,398)	189,367,144	189,367,144
Payables to companies subject to control of parent companies	3,845,787	291,479	4,137,266	4,137,266
Tax payables	6,801,848	480,277	7,282,125	7,282,125
Payables to welfare and social security organisations	2,732,358	(456,770)	2,275,588	2,275,588
Other payables	47,274,866	(17,513,333)	29,761,533	29,761,533
<b>Total payables</b>	<b>663,102,598</b>	<b>(38,797,849)</b>	<b>624,304,749</b>	<b>624,304,749</b>

The changes for the year include the amounts resulting from the spin-off operation already described in the initial part.

The item “Other payables” is made up as follows:

Other payables	Amount at beginning of the year	Changes during the year	Amount at end of the year	Portion due within the year
Payables to factoring companies	42,459,947	-17,439,419	25,020,528	25,020,528
Payables to staff	3,922,425	-716,035	3,206,390	3,206,390
Security deposits	0	0	0	0
Sundry payables	892,494	642,121	1,534,615	1,534,615
<b>Total other payables</b>	<b>47,274,866</b>	<b>-17,513,333</b>	<b>29,761,533</b>	<b>29,761,533</b>

The following is a breakdown of payables to companies subject to control of parent companies:

	Amount at beginning of the year	Changes during the year	Amount at end of the year	Portion due within the year
Marfin srl	-1,069,533	1,308,062	238,529	238,529
Made HSE srl	862,666	-733,424	129,242	129,242
Marcegaglia Poland z.o.o.	15,522	8,914	24,436	24,436
Marcegaglia Buildtech srl	261,139	-204,124	57,015	57,015
Marcegaglia Romania srl	7,108	3,155	10,263	10,263
Marcegaglia Deutschland gmbh	28,021	-8,381	19,640	19,640
Imat spa	22,748	-10,191	12,557	12,557
Marcegaglia Carbon Steel spa	3,500,773	-255,209	3,245,564	3,245,564
Marcegaglia Plates spa	142,854	31,552	174,406	174,406
Marcegaglia France sarl	1,341	1,073	2,414	2,414
Marcegaglia Iberica sa	3,921	5,607	9,528	9,528
Marcegaglia India PVT. Ltd.	2,245	-1,533	712	712
Marcegaglia Ravenna spa		140,263	140,263	140,263
Marcegaglia Gazoldo Inox spa		28,959	28,959	28,959
Abaco Servizi srl	62,909	-23,362	39,547	39,547
Marcegaglia do Brasil	0	286	286	286
Other companies	4,073	-168	3,905	3,905
<b>Total payables to companies subject to control of parent companies</b>	<b>3,845,787</b>	<b>291,479</b>	<b>4,137,266</b>	<b>4,137,266</b>

## BREAKDOWN OF PAYABLES BY GEOGRAPHICAL AREA

	Italy	EU	Other Europe	America	Africa Middle East	Asia Oceania	Total
Payables to banks	3,554,060	-	-	-	-	-	3,554,060
Advance payments	-	-	400,000	-	-	-	400,000
Trade payables	231,377,296	57,061,744	59,855,180	895	15,477	33,485,082	381,795,674
Payables to subsidiaries	4,300,171	-	-	-	1,427,150	-	5,727,321
Payables to associates	4,038	-	-	-	-	-	4,038
Payables to parent companies	189,367,144	-	-	-	-	-	189,367,144
Payables to companies subject to control of parent companies	4,084,975	27,569	24,436	286	-	-	4,137,266
Tax payables	5,226,292	223,524	1,832,309	-	-	-	7,282,125
Payables to welfare and social security organisations	2,275,588	-	-	-	-	-	2,275,588
Other payables	29,761,533	-	-	-	-	-	29,761,533
<b>Payables</b>	<b>469,951,097</b>	<b>57,312,837</b>	<b>62,111,925</b>	<b>1,181</b>	<b>1,442,627</b>	<b>33,485,082</b>	<b>624,304,749</b>

## DEBT SECURED BY COMPANY ASSETS

	Debt secured by collateral		Unsecured debt	Total
	Debt secured by special liens	Total debt secured by collateral		
Payables to banks	2,033,893	2,033,893	1,520,167	3,554,060
Advance payments	-	-	400,000	400,000
Trade payables	-	-	381,795,674	381,795,674
Payables to subsidiaries	-	-	5,727,321	5,727,321
Payables to associates	-	-	4,038	4,038
Payables to parent companies	-	-	189,367,144	189,367,144
Payables to companies subject to control of parent companies	-	-	4,137,266	4,137,266
Tax payables	-	-	7,282,125	7,282,125
Payables to welfare and social security organisations	-	-	2,275,588	2,275,588
Other payables	-	-	29,761,533	29,761,533
<b>Total payables</b>	<b>2,033,893</b>	<b>2,033,893</b>	<b>622,270,856</b>	<b>624,304,749</b>

In relation to securitisation transactions without notification and discount through factoring of trade receivables, the company has established three pledges in favour of the banking institutions Unicredit Banca, Cariparma and Intesa Sanpaolo on the amounts that are held in specific current accounts opened with the aforesaid institutions whose total as at 31/12/2018 amounted to Euro 2,033,893.32.

## ACCRUED EXPENSES AND DEFERRED INCOME

	Amount at beginning of the year	Changes during the year	Amount at end of the year
Accrued expenses	266	(169)	97
Deferred income	10,948	(10,948)	-
<b>Total accrued expenses and deferred income</b>	<b>11,214</b>	<b>(11,117)</b>	<b>97</b>

The breakdown of these items is shown below:

Accrued expenses	Amount at beginning of the year	Changes during the year	Amount at end of the year
Miscellaneous policies	0	97	97
Interest expense	266	-266	0
<b>Total accrued expenses</b>	<b>266</b>	<b>-169</b>	<b>97</b>

Deferred income	Amount at beginning of the year	Changes during the year	Amount at end of the year
Interest income	10,948	-10,948	0
<b>Total deferred income</b>	<b>10,948</b>	<b>-10,948</b>	<b>0</b>

## NOTES TO THE FINANCIAL STATEMENTS – INCOME STATEMENT

### VALUE OF PRODUCTION

BREAKDOWN OF INCOME FROM SALES AND SERVICES BY BUSINESS CATEGORIES

	Current value
Cold drawn bars	163,068,426
Stainless steel products	969,691,469
Other steel products	72,580,394
<b>Total</b>	<b>1,205,340,289</b>

BREAKDOWN OF INCOME FROM SALES AND SERVICES BY GEOGRAPHICAL AREA

	Current value
Italy	411,548,235
Eu	735,070,378
Other Europe	49,753,901
North America	857,249
South Central America	71,635
Middle East	1,208,940
Far East - Oceania	950,696
Africa	5,879,255
<b>Total</b>	<b>1,205,340,289</b>

### FINANCIAL INCOME AND CHARGES

Breakdown of interest and other financial charges by type of payable

	Interest and other financial charges
Payables to banks	24,053
Other	12,650,998
<b>Total</b>	<b>12,675,051</b>

During 2018, no financial charges were capitalised.

Detail of item “Other”

	Other
Interest due to banks and factoring entities	6,453,642
Financial charges on derivatives	0
Other interest and financial charges	6,197,356
<b>Total other financial charges</b>	<b>12,650,998</b>

### VALUE ADJUSTMENTS OF FINANCIAL ASSETS AND LIABILITIES

Detail of revaluations and write-downs

	Revaluations	Write-downs
Marcegaglia Usa	14.189.526	0
Marcegaglia Turkey	0	1.045.454
Mariven srl	0	721.037
<b>of equity investments recorded as financial fixed assets</b>	<b>14.189.526</b>	<b>1.766.491</b>

For further information on the revaluations and write-downs during the year, reference should be made to the paragraphs “Changes in equity investments, other securities and financial derivatives reported as long-term assets” and “Details of other provisions”.

### AMOUNT AND NATURE OF INDIVIDUAL ITEMS OF REVENUE/COST OF EXCEPTIONAL AMOUNT OR INCIDENCE

None exist.

### CURRENT, DEFERRED AND PREPAID INCOME TAXES FOR THE YEAR

The deferred taxes recorded in the financial statements as at 31/12/2018 reflect the temporary misalignments between statutory and book values.

Prepaid taxes were recorded for all temporary differences found between taxable profit and profit before taxes under the assumption that there would be sufficient taxable profit to “absorb” the temporary differences specified below in the time frame under review.

Deferred and prepaid taxes have been allocated with an IRES rate of 24% and an IRAP rate of 3.9%.

### RECOGNITION OF DEFERRED AND PREPAID TAX AND THE CONSEQUENT EFFECTS

	IRES	IRAP
<b>A) Temporary differences</b>		
Total deductible temporary differences	5,409,751	4,408,343
Total taxable temporary differences	251,282,763	246,565,042
Net temporary differences	245,873,012	242,156,699
<b>B) Tax effects</b>		
Opening provision for deferred (prepaid) tax	81,085,653	12,956,990
Period deferred (prepaid) tax	(22,076,130)	(3,512,878)
Closing provision for deferred (prepaid) tax	59,009,523	9,444,112

## DETAILS OF DEDUCTIBLE TEMPORARY DIFFERENCES

Description	Amount at end of last year	Period change	Closing amount	IRES rate	IRES tax effect	IRAP rate	IRAP tax effect
Exchange-rate losses from valuation	4,590,946	(3,649,421)	941,525	24.00%	225,966	-	-
Write-down of inventories	5,457,751	(1,054,250)	4,403,501	24.00%	1,056,840	3.90%	171,737
Write-down of assets from conferment (IRES)	845	(298)	547	24.00%	131	-	-
Write-down of assets from contribution (IRAP)	5,672	(830)	4,842	-	-	3.90%	189
Membership fees	18,591	45,587	64,178	24.00%	15,403	-	-

## DETAILS OF TAXABLE TEMPORARY DIFFERENCES

Description	Amount at end of last year	Period change	Closing amount	IRES rate	IRES tax effect	IRAP rate	IRAP tax effect
Write-back of assets from contribution (IRES)	316,073,794	(65,300,261)	250,773,533	24.00%	60,185,648	-	-
Exchange-rate gains from valuation	3,446,195	(2,936,965)	509,230	24.00%	122,215	-	-
Write-back of leased stainless steel plant	28,405,028	(28,405,028)	-	-	-	-	-
Write-back of assets from contribution (IRAP)	309,288,864	(62,723,822)	246,565,042	-	-	3.90%	9,616,037

## ESTIMATED RECOVERY OF DEFERRED AND PREPAID TAXES

Description	Year 2019	Year 2020	Year 2021	Year 2022	Beyond year 2022 or unforeseeable	Total
<b>A) Taxable temporary differences</b>						
<i>Ires</i>						
Write-back of assets from conferment	29,589,068	28,847,127	29,049,316	29,535,931	133,752,091	250,773,533
Exchange-rate gains from valuation	509,230					509,230
<b>total</b>	<b>30,098,298</b>	<b>28,847,127</b>	<b>29,049,316</b>	<b>29,535,931</b>	<b>133,752,091</b>	<b>251,282,763</b>
<i>Irap</i>						
Write-back of assets from conferment	30,323,626	29,438,497	29,437,668	29,436,223	127,929,029	246,565,043
<b>total</b>	<b>30,323,626</b>	<b>29,438,497</b>	<b>29,437,668</b>	<b>29,436,223</b>	<b>127,929,029</b>	<b>246,565,043</b>
<b>Total deferred tax</b>	<b>8,406,212</b>	<b>8,071,412</b>	<b>8,119,905</b>	<b>8,236,636</b>	<b>37,089,734</b>	<b>69,923,899</b>
<b>B) Deductible temporary differences</b>						
<i>Ires</i>						
Exchange-rate losses from valuation	941,525					941,525
Write-down of assets from conferment	298	249				547
Write-down of inventories					4,403,501	4,403,501
Membership fees	64,178					64,178
Tax losses						
<b>total</b>	<b>1,006,001.32</b>	<b>248.60</b>	<b>-</b>	<b>-</b>	<b>4,403,500.86</b>	<b>5,409,750.78</b>
<i>Irap</i>						
Write-down of assets from conferment	830	830			3,182	4,842
Write-down of inventories of raw materials					4,403,501	4,403,501
<b>total</b>	<b>830</b>	<b>830</b>	<b>-</b>	<b>-</b>	<b>4,406,683</b>	<b>4,408,343</b>
<b>Total prepaid tax</b>	<b>241,473</b>	<b>92</b>	<b>-</b>	<b>-</b>	<b>1,228,701</b>	<b>1,470,266</b>

# RECONCILIATION BETWEEN THE EFFECTIVE TAX CHARGE AND THE THEORETICAL TAX CHARGE (IRES)

2018		
<b>Statutory Profit (+) / Loss (-) for the year before tax</b>	<b>108,575,077</b>	
Theoretical tax 24% on statutory profit before tax		26,058,018
<b>Effect of changes in increase (+) / decrease (-) compared to the ordinary rate</b>		<b>IRES effect</b>
Increase temporary differences	941,525	225,966
Decrease in temporary differences	-509,230	-122,215
Resorption of temporary decreases	-4,609,537	-1,106,289
Resorption of temporary increases	37,647,619	9,035,429
Permanent increases	2,972,055	713,293
Permanent decreases	-33,896,603	-8,135,185
<b>Total increases and decreases</b>	<b>2,545,829</b>	<b>610,999</b>
<b>Previous years' tax losses that can be carried forward</b>	<b>0</b>	<b>0</b>
<b>Period fiscal profit</b>	<b>111,120,906</b>	<b>26,669,017</b>

# RECONCILIATION BETWEEN THE EFFECTIVE TAX CHARGE AND THE THEORETICAL TAX CHARGE (IRAP)

2018		
<b>Difference between value and cost of production</b>	<b>119,560,535</b>	
<b>Costs not relevant for IRAP</b>	<b>43,391,226</b>	
<b>Theoretical IRAP taxable income</b>	<b>162,951,761</b>	
Theoretical tax 3.9% on theoretical IRAP taxable income		6,355,119
<b>Effect of changes in increase (+) / decrease (-) compared to the ordinary rate</b>		<b>IRAP effect</b>
Increase temporary differences	-	-
Resorption of temporary increases	36,250,762	1,413,780
Resorption of temporary decreases	-1,054,250	-41,116
Permanent increases	1,991,693	77,676
Permanent decreases	-16,735,189	-652,672
<b>Gross production value IRAP</b>	<b>183,404,777</b>	<b>7,152,787</b>
<b>IRAP deductions</b>	<b>-41,587,828</b>	<b>-1,621,925</b>
<b>IRAP taxable income</b>	<b>141,816,949</b>	<b>5,530,862</b>

## Information on the national consolidated tax return

In 2017 the company, together with the parent company Marcegaglia Holding spa, opted for the application of the tax consolidation scheme for the three-year period 2016-2017-2018. For 2018, the option involved the transfer to the consolidating company of taxable income for IRES purposes of Euro 111,120,906, corresponding to a theoretical IRES of Euro 26,669,017, recorded in item 20) of the income statement and as a balancing entry in item D11) "Payables to parent companies" of the balance sheet liabilities. In addition, the company transferred to the consolidating company a surplus of gross operating profit of Euro 5,000,000, which resulted in the recognition by the consolidating company of a gain of Euro 600,000, recorded in item 20 of the Income Statement.

## NOTES TO THE FINANCIAL STATEMENTS – FURTHER INFORMATION

### EMPLOYMENT FIGURES

	Average number
Executives	4
Middle managers	9
Employees	130
Workers	632
<b>Total employees</b>	<b>775</b>

The following is the number of employees on the workforce at 31/12/2018:

	Spot number at year end
Executives	3
Middle managers	7
Employees	110
Workers	507
Other employees	
<b>Total employees</b>	<b>627</b>

### FEES, ADVANCES AND RECEIVABLES GRANTED TO DIRECTORS AND STATUTORY AUDITORS AND COMMITMENTS UNDERTAKEN ON THEIR BEHALF

	Directors	Auditors
Fees	1,420,000	43,680

### STATUTORY AUDITOR OR INDEPENDENT AUDITORS' FEES

	Value
Statutory audit of annual accounts	52,127
Other auditing services performed	14,560
Tax consulting services	8,000
<b>Total statutory auditor or independent auditors' fees</b>	<b>74,687</b>

The appointment of the statutory audit of the annual financial statements pursuant to and for the purposes of Art. 14 of Legislative Decree no. 39 of 27/01/2010 was entrusted, for a period of 3 financial years and therefore until the approval of the financial statements for the year 2020, to the auditing company MAZARS ITALIA spa by the Ordinary Shareholders' Meeting of 25/06/2018. The fee for the statutory audit activity for the years 2018, 2019 and 2020 is set at Euro 45,900 per year, while the fee for the statutory audit activity in the half-yearly financial statements is set at Euro 13,000.00 per year.

### CATEGORIES OF SHARES ISSUED BY THE COMPANY

The company was incorporated as a limited liability company on 29/05/2015 with a share capital of Euro 10,000 divided into shares pursuant to Art. 2468 of the Italian Civil Code.

On 28/10/2015, a capital increase of Euro 160,990,000.00 was approved, bringing the share capital to Euro 161,000,000.00, still divided into shares pursuant to Art. 2468 of the Italian Civil Code.

The Extraordinary Shareholders' Meeting of 27/11/2015 resolved to transform the company from a limited liability company to a joint-stock company, through the issue of 161,000,000.00 ordinary shares with a value of Euro 1.00 each.

By partial proportional demerger deed dated 26/10/2018, Marcegaglia Specialties Spa reduced its share capital by Euro 29,900,000, through the cancellation of 29,900,000 ordinary shares.

As a result of this extraordinary transaction, the company's new share capital amounts to Euro 131,000,000.00, divided into 131,000,000 shares, each with a nominal value of Euro 1.00.

Description	Initial amount, number	Initial amount, face value	Final amount, number	Final amount, face value
Ordinary shares	161,000,000	161,000,000	131,100,000	131,100,000
<b>Total</b>	<b>161,000,000</b>	<b>161,000,000</b>	<b>131,100,000</b>	<b>131,100,000</b>

### COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES NOT REPORTED IN THE BALANCE SHEET

	Amount
Commitments	86,530
Guarantees	1,328,506,239
<b>of which collateral</b>	<b>134,722,585</b>

The table below provides details on existing commitments and guarantees at 31/12/2018.

	31/12/2018	31/12/2017
<b>RISKS TAKEN BY THE COMPANY</b>		
<b>SURETIES</b>		
- to subsidiaries	9,456,790	27,072,391
- to associates	500,000	500,000
- to parent companies	1,181,862,286	1,257,763,796
- to other companies	1,964,578	581,816
<b>Total sureties</b>	<b>1,193,783,654</b>	<b>1,285,918,003</b>
<b>COLLATERAL</b>		
- to parent companies	134,722,585	471,250,000
<b>Total collateral</b>	<b>134,722,585</b>	<b>471,250,000</b>
<b>Total guarantees</b>	<b>1,328,506,239</b>	<b>1,757,168,003</b>
<b>COMMITMENTS ENTERED INTO BY THE COMPANY</b>		
- other commitments	86,530	52,388
<b>Total commitments entered into by the company</b>	<b>86,530</b>	<b>52,388</b>
<b>Total</b>	<b>1,328,592,769</b>	<b>1,757,220,391</b>

With reference to the collateral on the company's assets to guarantee the parent companies, the following is specified:

During the 2018 financial year, the parent company Marcegaglia Steel spa renegotiated with the banking pool the loans existing at the beginning of the 2018 financial year,

obtaining both significant improvement conditions and an increase in the amount of the loans themselves.

In particular, on 28/09/2018 the company Marcegaglia Steel spa obtained three new loans from the banking pool, which in the meantime saw its structure increase compared to the initial composition, with which Marcegaglia Steel spa repaid on 02/10/2018 the previous exposures with the pool relating to the old loans.

The following were then formalised:

- 1) a mortgage loan of Euro 350,953,000 with amortisation schedule expiring on 31/12/2024;
- 2) a revolving cash facility line for an amount of Euro 100,833,000, with final due date on 31/12/2022;
- 3) an unsecured loan of Euro 98,214,000 with amortisation schedule expiring on 31/12/2024.

The loans described under points 1) and 2) above are mortgage loans, and the relevant guarantees were issued by Marcegaglia Specialties spa and the associate Marcegaglia Carbon Steel spa as third-party providers of the mortgages and liens due to the fact that Marcegaglia Steel spa itself acts as a lender for them and funds operations through a cash pooling mechanism.

The plants owned by Marcegaglia Specialties spa, on which mortgages and liens have been placed in favour of the new bank syndicate, are as follows:

- Gazoldo degli Ippoliti (MN)
- Contino di Volta Mantovana (MN)
- Forlì/Forlimpopoli

The total value of collateral provided is Euro 632,500,400. The collateral consists of a first mortgage on the property indicated above and a lien on personal property included in these plants together with the same collateral recorded on the properties owned by the affiliate Marcegaglia Carbon Steel spa (in this specific case, Gazoldo degli Ippoliti (MN), Casalmaggiore (CR), Ravenna, Lomagna (LC), Corsico (MI) and Lainate (MI), which are mortgaged for the same purpose).

With reference to the mortgage, the maximum amount conventionally guaranteed by Marcegaglia Specialties spa is equal to Euro 134,722,585.

With reference to the value of the related liens, as a result of the spin-off in favour of the associated company Marcegaglia Gazoldo Inox spa, it should be noted that the maximum amount conventionally guaranteed by Marcegaglia Specialties spa is equal to Euro 72,211,752.

### Information on related party transactions

The activity of Marcegaglia Specialties S.p.A. is mainly aimed at developing relationships with parties not bound by direct or indirect ownership constraints, without however neglecting the appropriate synergies that derive from commercial and financial relationships between the companies of a group characterized by an effective and efficient horizontal and vertical integration.

The Report on Operations highlights the values contained in the financial statements relating to activities with group entities, specifying that these are transactions carried out at market conditions, similar to those that would have been agreed between independent parties.

### Information on significant events after year-end

After the end of the year 2018 with purchase volumes and prices in decline (for all products, and in particular stainless ones), 2019 started with great uncertainty about the strength of demand and the possible further decline in prices.

However, due to the low level of stocks, apparent demand has essentially “held up” in the first quarter, despite the fact that final consumption of steel remains “fragile”. On 31 January 2019, the European Commission published the definitive safeguard measures, deciding to apply maximum quotas per product and country of origin to imports of almost all steel products.

For hot rolled coils, as requested and argued by Marcegaglia Steel and other first transformation operators, a “global” quota (not for each country) has been defined at levels in line with imports in recent years.

The overall effect of these measures should be to stabilise traditional trade flows and eliminate import “peaks” seen in particular in 2017 and 2018 such as galvanised coils from China or welded tubes from Turkey with a benefit for processors and Marcegaglia.

The following tables show the main trends for the first quarter of 2019.

Company	Revenues (thousands of Euro)		
	Jan-Mar '19	Jan-Mar '18	Δ %
MARCEGAGLIA SPECIALTIES	353,807	310,450	14.0
<b>MARCEGAGLIA SPECIALTIES ITALY</b>	<b>353,807</b>	<b>310,450</b>	<b>14.0</b>
MARCEGAGLIA RU	10,655	8,198	30.0
MARCEGAGLIA TR	6,089	5,627	8.2
<b>MARCEGAGLIA SPECIALTIES ABROAD</b>	<b>16,744</b>	<b>13,824</b>	<b>21.1</b>
<b>MARCEGAGLIA SPECIALTIES TOTAL</b>	<b>370,551</b>	<b>324,274</b>	<b>14.3</b>

Company	Quantity (tonnes)			MARK UP (thousands of Euro)		
	Jan-Mar '19	Jan-Mar '18	Δ %	Jan-Mar '19	Jan-Mar '18	Δ %
MARCEGAGLIA SPECIALTIES	187,534	160,091	17.1	76,215	83,746	-9.0
<b>MARCEGAGLIA SPECIALTIES ITALY</b>	<b>187,534</b>	<b>160,091</b>	<b>17.1</b>	<b>76,215</b>	<b>83,746</b>	<b>-9.0</b>
MARCEGAGLIA RU	4,388	3,410	28.7	1,152	1,101	15.1
MARCEGAGLIA TR	2,521	2,369	6.4	579	690	16.0
<b>MARCEGAGLIA SPECIALTIES ABROAD</b>	<b>6,909</b>	<b>5,779</b>	<b>19.6</b>	<b>1,731</b>	<b>1,690</b>	<b>2.4</b>
<b>MARCEGAGLIA SPECIALTIES TOTAL</b>	<b>194,443</b>	<b>165,870</b>	<b>17.2</b>	<b>77,946</b>	<b>85,436</b>	<b>-8.8</b>

## COMPANIES DRAFTING THE FINANCIAL STATEMENTS OF THE LARGER/ SMALLER BUSINESSES OF WHICH THEY ARE A PART, AS A SUBSIDIARY

	Largest grouping	Smallest grouping
Company name	Finmar srl	Marcegaglia Holding spa
City (if in Italy) or foreign country	Mantua	Mantua
Tax code (for Italian companies)	02466170202	02466980204
Place of deposit of the consolidated financial statements	Mantua	Mantua

### Summary statement of the Financial Statements of the company that exercises management and coordination activities

The company is subject to the direction and coordination of the parent company FINMAR SRL, which holds 13% of the share capital but 51.31% of the voting rights of the company Marcegaglia Holding spa, which holds 100% of the share capital of the company Marcegaglia Steel spa, which in turn holds 100% of the share capital of the company.

The information required by Art. 2497-bis, paragraph 4, of the Italian Civil Code refers to the financial statements for the year ended 31/12/2016, the first financial year of the aforesaid company.

### SUMMARY STATEMENT OF THE BALANCE SHEET OF THE COMPANY THAT EXERCISES MANAGEMENT AND COORDINATION ACTIVITIES

	Last financial year	Previous year
<b>Date of last approved financial statements</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
B) Fixed assets	116,204,872	118,222,828
C) Current assets	71,568	33,727
<b>Total assets</b>	<b>116,276,440</b>	<b>118,256,555</b>
A) Shareholders' equity		
Share capital	40,000	40,000
Reserves	27,176,968	28,888,180
Profit (loss) for the year	(2,058,532)	(1,781,212)
<b>Total shareholders' equity</b>	<b>25,158,436</b>	<b>27,146,968</b>
B) Provisions for risks and charges	5,965	5,136
D) Payables	91,112,005	91,104,417
E) Accrued charges and deferred income	34	34
<b>Total liabilities</b>	<b>116,276,440</b>	<b>118,256,555</b>

### SUMMARY STATEMENT OF THE INCOME STATEMENT OF THE COMPANY THAT EXERCISES MANAGEMENT AND COORDINATION ACTIVITIES

	Last financial year	Previous year
<b>Date of last approved financial statements</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
B) Production costs	43,523	49,694
C) Financial income and expense	3,357	16,446
D) Write-downs of financial assets	(2,017,537)	(1,744,193)
Income taxes for the year	829	3,771
<b>Profit (loss) for the year</b>	<b>(2,058,532)</b>	<b>(1,781,212)</b>

### INFORMATION PURSUANT TO ART. 1, PARAGRAPH 125 OF ITALIAN LAW NO. 124 OF 04 AUGUST 2017

In accordance with the information to be provided in the Notes to the Financial Statements for the year 2018 regarding various types of grants received by public administrations and their associated entities, pursuant to Law no. 124 of 04/08/17, Art. 1,

paragraphs 125-129, the following table is provided below:

Lender	Amount received (Euro)	Cause/Type contribution	Plant	Regulatory ref.
Customs and Monopolies Agency-MN	38,610.10	Reimbursement of excise duties on diesel fuel for vehicles not registered	Volta Mantovana	Legislative Decree 504/95 point 9 as subsequently amended and supplemented
Customs and Monopolies Agency-MN	136,956.33	Exemption of gas excise duties	Gazoldo degli Ippoliti	Legislative Decree 504/95 Art.21 paragraph 13
Customs and Monopolies Agency-MN	23,648.38	Exemption from excise duties on electricity	Volta Mn	Legislative Decree 504/95 Art.52 paragraph 4 lett.e
Revenue Agency - Treasury	4,258,739.00	Detaxation of income for use of indirect patent box	Volta Mn-Gazoldo	Law 190/2014
Revenue Agency - Treasury	47,861.85	Superamortisation	Diversi	Law 208 of 28/12/15
Revenue Agency - Treasury	62,405.94	Tax credit for R&D activities	Gazoldo degli Ippoliti/ Volta Mn/Forli	Legislative Decree 145 of 23/12/13 Art.3
<b>Total</b>	<b>4,568,221.60</b>			

### Proposal for the allocation of profits or coverage of losses

The year closed with a net profit of Euro 86,127,642.72, which it is proposed to allocate as follows:

- Euro 4,306,382.1 (equal to 5% of net profit) to the legal reserve;
- Euro 712,456.27 to the reserve for unrealised foreign exchange gains pursuant to Art. 2624, paragraph 8bis, of the Italian Civil Code;
- Euro 81,108,804.35 to the extraordinary reserve.

## NOTES TO THE FINANCIAL STATEMENTS

### Final Part

#### Significant changes in currency exchange rates

Using the exchange rates at 18/04/2019, the net effect of the items “Exchange-rate gains from valuation” and “Exchange-rate losses from valuation” (17bis in the income statement) would improve by approximately Euro 34 thousand.

**Fixed assets acquired before 17 April 1991** (Article 45, paragraph 2, of Legislative Decree no. 127 of 9 April 1991)

We certify that for fixed assets acquired or produced before 17 April 1991 the original cost has already been determined and represented in the accounts.

#### STATEMENT OF FINANCIAL STATEMENT COMPLIANCE

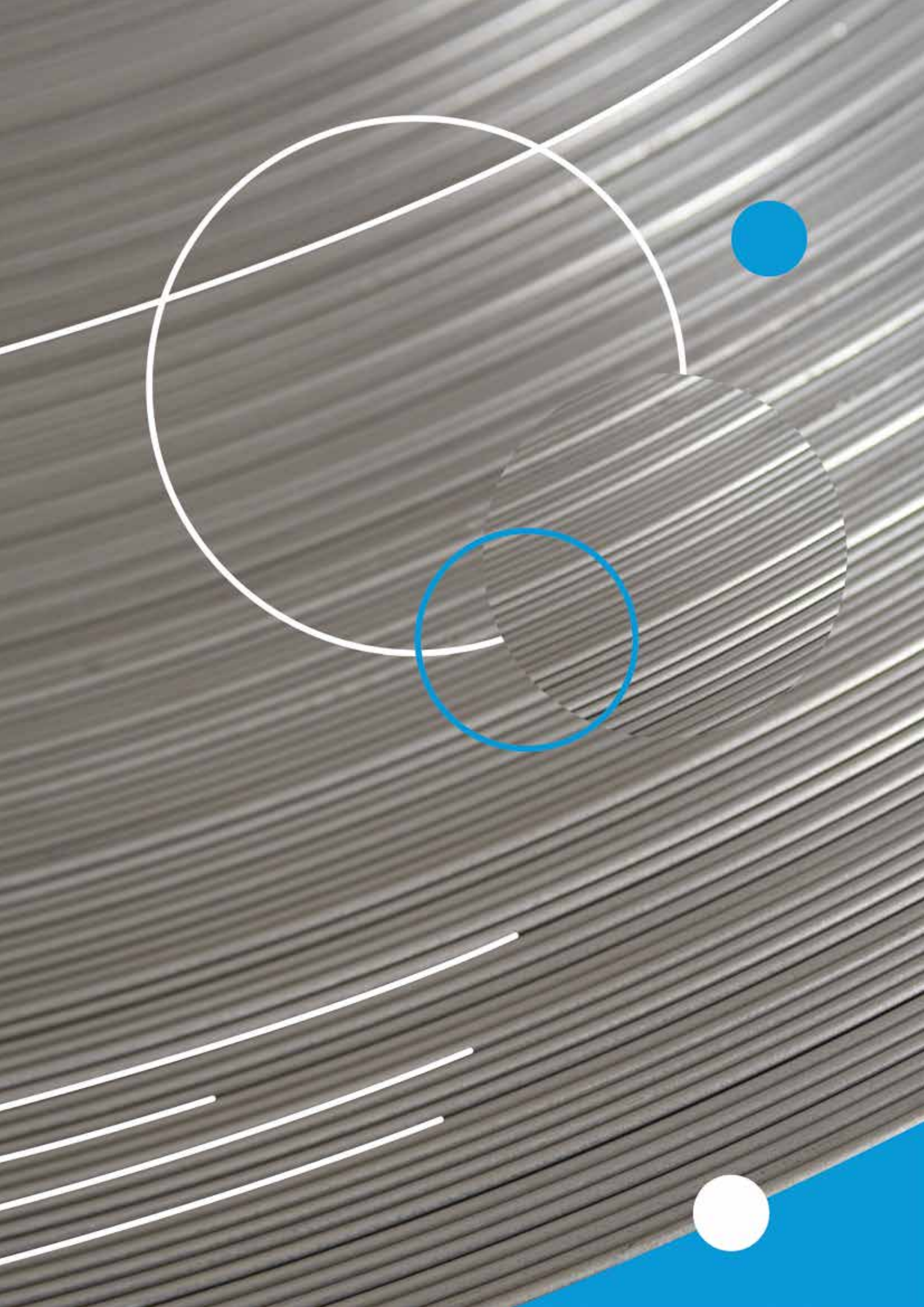
The valuation criteria set out herein comply with statutory law.

These Notes to the Financial Statements, as well as the entire financial statements of which they are an integral part, give a true and fair view of the company’s financial position and results of operations for the year.

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*Gazoldo degli Ippoliti, 30 April 2019*

Chairman  
of the Board of Directors  
**Antonio Marcegaglia**



# Financial Statements 2018

## Marcegaglia Gazoldo Inox

**MARCEGAGLIA GAZOLDO INOX S.p.A.**

Registered office: via Bresciani, 16 - Gazoldo degli Ippoliti, Mantova - Italy

Share capital: Euro 31,592,250

Fiscal Code and VAT No.: 02559140203

REA number: 000000262805

## **Independent auditor's report in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010**

To the Shareholders of Marcegaglia Gazoldo Inox S.p.A.

### **Report on the audit of the financial statements**

#### **Opinion**

We have audited the financial statements of Marcegaglia Gazoldo Inox S.p.A. (the Company), which comprise the balance sheet as at December 31, 2018, the income statement for the year then ended and the explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2018 and of the result of its operations for the year then ended, in accordance with the Italian laws governing the financial statements.

#### **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 section of this report titled *Auditor's responsibilities for the audit of the financial statements*. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Other aspects**

##### *Comparability with the previous financial year*

As indicated by the directors in the notes to the financial statements, the Company was formed on 16 July 2018. Therefore, the financial statements for the year ended at 31 December 2018, relating to the first year of operation of the Company, do not indicate the previous year's figures.

#### **Responsibilities of the directors and board of statutory auditors for the financial statements**

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the Italian laws governing the financial statements and, according to the terms prescribed by law, for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

MAZARS ITALIA SpA

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SPA - CAPITALE SOCIALE DELIBERATO, SOTTOSCRITTO E VERSATO € 120.000,00 – SEDE LEGALE: LARGO AUGUSTO, 8 - 20122 MILANO

REA MI-2076227 - COD. FISC. E P. IVA 11176691001 – ISCRIZIONE AL REGISTRO DEI REVISORI LEGALI N. 163788 CON D.M. DEL 14/07/2011 G.U. N. 57 DEL 19/07/2011

**Praxity**  
MEMBER  
GLOBAL ALLIANCE OF  
INDEPENDENT FIRMS

The directors are responsible for assessing the Company's ability to continue as a going concern and for the appropriateness of the use of the going concern assumption in the preparation of the financial statements, and for appropriate disclosure thereof. In preparing the financial statements, the directors use the going concern basis of accounting unless directors either intend to liquidate the Company or to cease operations or has no realistic alternative but to do so.

The board of statutory auditors ("collegio sindacale") is responsible for overseeing, according to the terms prescribed by law, the Company's financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain a reasonable assurance about whether the 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 performed in accordance 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 in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of the audit in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures in response to those risks; we obtained sufficient and appropriate audit evidence on which to base 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 omissions, misrepresentations or the override of internal control;
- we obtained an understanding of the internal control relevant to the audit in order to design the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- we concluded on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Where a material uncertainty exists, we are required to draw attention, in our auditor's report, to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, subsequent events or conditions may cause the Company to cease to continue as a going concern;
- we evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in such a manner as to give a true and fair view.

We communicated to those charged with governance, identified at an appropriate level as required by ISA Italia, among other matters, the 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 compliance with other laws and regulations**

### **Opinion in accordance with article 14, paragraph 2, letter e), of Legislative Decree No. 39/10**

The directors of Marcegaglia Gazoldo Inox S.p.A. are responsible for preparing a directors' report of Marcegaglia Gazoldo Inox S.p.A. as at December 31, 2018, including its consistency with the relevant financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the directors' report with the financial statements of Marcegaglia Gazoldo Inox S.p.A. as at December 31, 2018 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

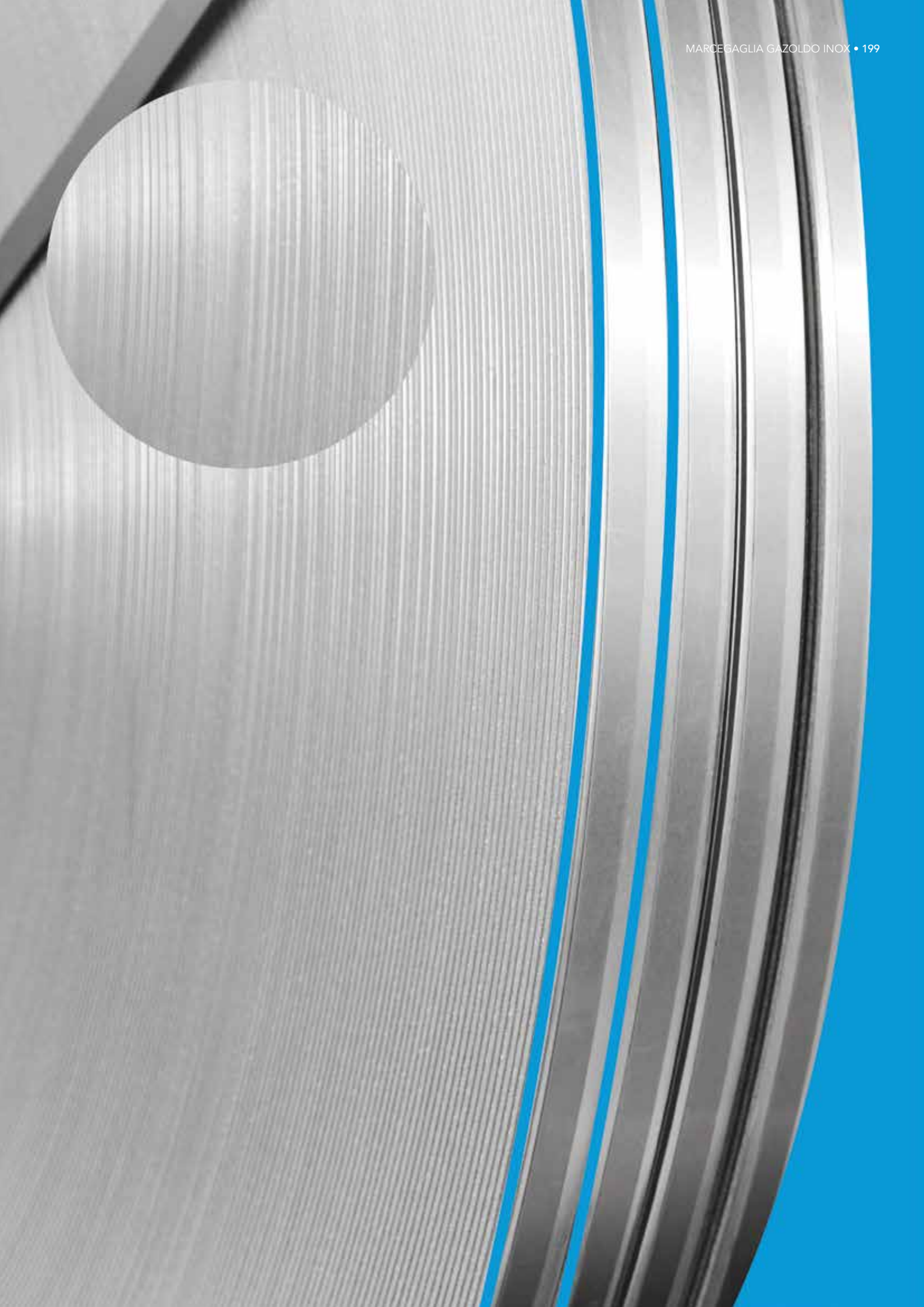
In our opinion, the directors' report is consistent with the financial statements of Marcegaglia Gazoldo Inox S.p.A. as at December 31, 2018 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued based on our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Verona, April 30, 2019

Mazars Italia S.p.A.  
(signed on the original)  
Alfonso Iorio  
Partner

*This report has been translated into English language from the Italian original solely for the convenience of international readers.*



# MARCEGAGLIA GAZOLDO INOX S.P.A.

## BALANCE SHEET AS OF 31 DECEMBER 2018

ASSETS values in EUR

31/12/2018

31/12/2017

<b>A RECEIVABLES FROM SHAREHOLDERS FOR OUTSTANDING CONTRIBUTIONS</b>		
1	not previously called	0
2	previously called	1,194,188
	<b>Total receivables from shareholders for outstanding contributions A</b>	<b>1,194,188</b>
<b>B FIXED ASSETS</b>		
I	<i>Intangible fixed asset</i>	
1	Start-up and expansion costs	0
2	Development costs	0
3	Industrial patent rights and intellectual property rights	22,452
4	Concessions, licences, trademarks and similar rights	0
5	Goodwill	0
6	Fixed assets in progress and advance payments	0
7	Other	0
	<b>Total intangible fixed assets (B-I)</b>	<b>22,452</b>
II	<i>Property, plant and equipment</i>	
1	Land and buildings	0
2	Plant and machinery	82,491,019
3	Industrial and commercial equipment	1,273,468
4	Other assets	198,923
5	Fixed assets in progress and advance payments	1,508,817
	<b>Totale property, plant and equipment (B-II)</b>	<b>85,472,227</b>
III	<i>Financial fixed assets</i>	
1	Equity investments in:	
	- Subsidiaries	0
	- Associates	6,250
	- Companies subject to control of parent companies	0
	- Other companies	0
		<b>6,250</b>
2	Receivables d-bis) from others	
	- due after the following year	800
		<b>800</b>
	<b>Total financial assets (B-III)</b>	<b>7,050</b>
	<b>Total Fixed Assets B</b>	<b>85,501,729</b>
<b>C CURRENT ASSETS</b>		
I	<i>Inventories</i>	
1	Raw and ancillary materials and consumables	2,319,969
2	Work in progress and semi-finished products	0
3	Contract work in progress	0
4	Finished products and goods	0
5	Advance payments	14,100
	<b>Totale inventories (C-I)</b>	<b>2,334,069</b>
II	<i>Receivables</i>	
1	from customer	
	- due within the following year	1,009,900
	- due after the following year	0
		<b>1,009,900</b>
3	from associates	
	- due within the following year	29,464
	- due after the following year	0
		<b>29,464</b>
4	from parent companies	
	- due within the following year	379
	- due after the following year	0
		<b>379</b>
5	from companies subject to control of parent companies	
	- due within the following year	31,683
	- due after the following year	0
		<b>31,683</b>
5-bis	Tax credit	
	- due within the following year	90,298
	- due after the following year	0
		<b>90,298</b>
5-ter	Deferred tax assets	
		<b>240</b>
5-quater	from others	
	- due within the following year	13,838
	- due after the following year	0
		<b>13,838</b>
	<b>Total receivables (C-II)</b>	<b>1,175,802</b>
IV	<i>Cash and cash equivalents</i>	
1	Bank and postal deposits	0
2	Cheques	0
3	Cash on hand and cash equivalents	926
	<b>Total cash and cash equivalents (C-IV)</b>	<b>926</b>
	<b>Totale Current Assets C</b>	<b>3,510,797</b>
<b>D ACCRUED INCOME AND PREPAID EXPENSES</b>		
	Accrued income and prepaid expenses	23
	<b>Total Accrued income and prepaid expenses D</b>	<b>23</b>
	<b>TOTAL ASSETS</b>	<b>90,206,737</b>

## LIABILITIES values in EUR

31/12/2018

31/12/2017

<b>A SHAREHOLDERS' EQUITY</b>			
I	Share capital	31,592,250	0
II	Share premium reserve	0	0
III	Revaluation reserve	0	0
IV	Legal reserve	0	0
VI	Other reserves, represented by:		
	- Extraordinary reserve	0	0
	- Difference from rounding to the unit of Euro	1	0
	<i>Total other reserves (VI)</i>	<i>1</i>	<i>0</i>
VIII	Profit/(loss) carried forward	0	0
IX	Profit/(loss) for the year	(116,763)	0
	Total equity A	31,475,488	0
<b>B RESERVES FOR RISKS AND EXPENSES</b>			
1	for post-retirement benefits and similar obligations	0	0
2	for taxes, including deferred taxes	16,213,811	0
3	other	0	0
	Total Reserves for risks and expenses B	16,213,811	0
<b>C EMPLOYEE SEVERANCE PAY</b>			
	Employee severance pay C	299,024	0
<b>D PAYABLES</b>			
4	Payables to banks		
	- due <b>within</b> the following year	324	0
	- due <b>after</b> the following year	0	0
		324	0
6	Advance payments		
	- due <b>within</b> the following year	0	0
	- due <b>after</b> the following year	0	0
		0	0
7	Trade payables		
	- due <b>within</b> the following year	19,451,368	0
	- due <b>after</b> the following year	0	0
		19,451,368	0
9	Payables to subsidiaries		
	- due <b>within</b> the following year	0	0
	- due <b>after</b> the following year	0	0
		0	0
10	Payables to associates		
	- due <b>within</b> the following year	367	0
	- due <b>after</b> the following year	0	0
		367	0
11	Payables to parent companies		
	- due <b>within</b> the following year	19,398,378	0
	- due <b>after</b> the following year	0	0
		19,398,378	0
11-bis	Payables to companies subject to control of parent companies		
	- due <b>within</b> the following year	793,392	0
	- due <b>after</b> the following year	0	0
		793,392	0
12	Tax payables		
	- due <b>within</b> the following year	478,169	0
	- due <b>after</b> the following year	0	0
		478,169	0
13	payables to welfare and social security organizations		
	- due <b>within</b> the following year	1,069,734	0
	- due <b>after</b> the following year	0	0
		1,069,734	0
14	Other payables		
	- due <b>within</b> the following year	1,026,682	0
	- due <b>after</b> the following year	0	0
		1,026,682	0
	Total Payables D	42,218,414	0
<b>E ACCRUED EXPENSES AND DEFERRED INCOME</b>			
	Accrued expenses and deferred income	0	0
	Total Accrued expenses and deferred income E	0	0
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>90,206,737</b>	<b>0</b>

## MARCEGAGLIA GAZOLDO INOX S.P.A.

## PROFIT AND LOSS ACCOUNT AS OF 31 DECEMBER 2018

values in EUR		2018	2017
<b>A</b>	<b>VALUE OF PRODUCTION</b>		
1	Revenues from sales and services	9,475,784	0
2	Changes in inventories of work in progress, semi-finished and finished products	(132,391)	0
3	Changes in contract work in progress	0	0
4	Increase in fixed assets for internal work	0	0
5	Other revenues and income		
	- Operating grants	0	0
	- Other	3,734	0
	<b>Total other revenues and income (5)</b>	<b>3,734</b>	<b>0</b>
	<b>Total Value of Production A</b>	<b>9,347,127</b>	<b>0</b>
<b>B</b>	<b>PRODUCTION COSTS</b>		
6	Raw and ancillary materials, consumables and goods	1,631,711	0
7	Services	3,995,023	0
8	Lease and rental expense	259,713	0
9	Personnel costs		
	a) wages and salaries	1,426,344	0
	b) social security contributions	498,790	0
	c) employee severance pay	86,782	0
	d) post-retirement benefits and similar obligations	0	0
	e) other personnel costs	6,062	0
	<b>Total personnel costs (9)</b>	<b>2,017,978</b>	<b>0</b>
10	Amortisation, depreciation and write-downs		
	a) amortisation of intangible assets	2,486	0
	b) depreciation of property, plant and equipment	1,602,359	0
	c) other write-downs of fixed assets	0	0
	d) write-downs of receiv. included in current assets and cash and cash equivalents	0	0
	<b>Total amortisation, depreciation and write-downs (10)</b>	<b>1,604,845</b>	<b>0</b>
11	Changes in the inventory of raw and ancillary mater., consumables and goods	(160,450)	0
12	Provisions for risks	0	0
13	Other provisions	0	0
14	Sundry operating costs	15,394	0
	<b>Total Production Costs B</b>	<b>9,364,214</b>	<b>0</b>
	<b>Difference Between Value and Cost of Production A - B</b>	<b>(17,087)</b>	<b>0</b>
<b>C</b>	<b>FINANCIAL INCOME AND EXPENSES</b>		
16	Other financial income		
	from receivables recorded as fixed assets:		
	- from others	0	0
	<b>Total financial income from receivables recorded as fixed assets (a)</b>	<b>0</b>	<b>0</b>
	d) income other than the above:		
	- from subsidiaries	0	0
	- from parent companies	379	0
	- from companies subject to the control of parent companies	29,536	0
	- from others	5	0
	<b>Total income other than the above (d)</b>	<b>29,920</b>	<b>0</b>
	<b>Total other financial income (16)</b>	<b>29,920</b>	<b>0</b>
17	Interests and other financial charges:		
	- paid to subsidiaries	0	0
	- paid to parent companies	173,786	0
	- paid to companies subject to the control of parent companies	2	0
	- other financial expenses	21	0
	<b>Total interests and other financial charges (17)</b>	<b>173,809</b>	<b>0</b>
17-bis	Exchange-rate gains and losses	0	0
	<b>Total Financial Income and Expenses C</b>	<b>(143,889)</b>	<b>0</b>
<b>D</b>	<b>VALUE ADJUSTMENTS OF FINANCIAL ASSETS</b>		
18	Revaluations		
	of equity investments	0	0
	<b>Total revaluations (18)</b>	<b>0</b>	<b>0</b>
19	Write-downs		
	of equity investments	0	0
	<b>Total write-downs (19)</b>	<b>0</b>	<b>0</b>
	<b>Total Value Adjustments of Financial Assets D</b>	<b>0</b>	<b>0</b>
	<b>PROFIT (LOSS) BEFORE TAXES (A-B+/-C+/-D)</b>		
	<b>Profit (loss) before taxes (A-B+/-C+/-D)</b>	<b>(160,976)</b>	<b>0</b>
20	Current, deferred and pre-paid income taxes for the year		
	- direct taxes for the year	178,780	0
	- direct taxes for previous years	0	0
	- deferred taxes	(222,993)	0
	- Income (costs) from participation in tax consolidation scheme	0	0
	<b>Total current, deferred and pre-paid income taxes for the year (20)</b>	<b>(44,213)</b>	<b>0</b>
21)	<b>PROFIT (LOSS) FOR THE YEAR</b>	<b>(116,763)</b>	<b>0</b>

## NOTES

### BACKGROUND

It should be noted that by deed of demerger dated 26/10/2018 in the notary's register in Mantua, Dr. M. Bertolucci, the company Marcegaglia Specialties spa, in compliance with previous shareholders' meeting resolutions, carried out a partial proportional demerger of its assets and liabilities in favour of a newly-formed company called Marcegaglia Gazoldo Inox spa.

The effectiveness of the aforesaid act of partial demerger has been postponed to 00:00 of the first day of the month following the last of the registrations provided for in Art. 2506 quater of the Italian Civil Code, which coincided with 1 November 2018.

At that effective date, Marcegaglia Gazoldo Inox spa was therefore wholly (100%) owned by the company Marcegaglia Steel spa. It should also be noted that at the end of 2018 the company Marcegaglia Gazoldo Inox spa then approved a share capital increase reserved for the entry of a shareholder in the amount of about 5%, thus remaining held by the company Marcegaglia Steel spa in the amount of about 95%. The spin-off, in fact, with a view to increasing environmental protection and energy efficiency in the industrial production of the Marcegaglia Group, takes place prior to the entry into the capital of Marcegaglia Gazoldo Inox spa – with a minority stake – of a technology partner of primary international standing and with a significant track record in energy efficiency processes, with which the plan is to build a cogeneration plant. The partner will be responsible for the design and construction of the plant and will manage with its own staff, through a specific contract, the plant itself.

It should also be noted that the demerger operation is part of a more efficient group organisation and has the aim of rationalising and separating the activities of the demerged company.

In particular, Marcegaglia Gazoldo Inox S.p.A. which, as a result of the spin-off, becomes the owner of the plants dedicated to the transformation of stainless steel in the Gazoldo degli Ippoliti production site and of the reference personnel, is responsible for the transformation of raw materials into finished products on behalf of Marcegaglia Specialties S.p.A., in the same production site.

Assets and liabilities have been transferred at book values in perfect continuity of values, as they do not differ significantly from the actual values.

In detail, the assets and liabilities involved in the demerger can be described qualitatively as follows:

- intangible fixed assets relating to licences for the application software necessary for the operation of the plant and machinery used in the Gazoldo degli Ippoliti plant;
- tangible fixed assets consisting of plant and machinery, industrial and commercial equipment (including internal handling equipment) and other assets (furniture and office machinery, vehicles supplied to the Gazoldo degli Ippoliti plant, trucks, furniture and furnishings), plant in progress and any advances to suppliers for the purchase of depreciable assets always destined for the Gazoldo degli Ippoliti plant;
- 50% of the investment held by Marcegaglia Specialties S.p.A. in Consorzio Assoluta scarl, presently equal to 25%, which was therefore demerged in favour of the beneficiary company for a share of 12.5%;
- the warehouse of consumables/subsidiaries necessary for the various steel transformation processes and the functionality of the existing transferred plants in the Gazoldo degli Ippoliti plant;
- the provision for deferred taxes (IRES and IRAP) related to the tangible fixed assets transferred, which arose as a result of the misalignment of statutory and fiscal

values as a result of the contribution received from the company demerged in 2015;

- the liability for the severance indemnity (TFR), set aside in the specific provision, towards the employees transferred with the spin-off operation;
- payables to employees, transferred as part of the spin-off operation, for holiday accruals, leave of absence, any additional monthly instalments and/or bonuses due on the basis of current contracts;
- payables to suppliers and/or associated companies of goods and services related to the activities of the Gazoldo degli Ippoliti plant, excluding payables to suppliers of steel raw materials;
- a portion of the debt deriving from the interest-bearing current account with the parent company Marcegaglia Steel spa.

The table below shows the demerger values of these assets and liabilities at the effective date.

**ASSETS** values in Eur

<b>B FIXED ASSETS</b>		
I	<i>Intangible fixed assets</i>	
1	Start-up and expansion costs	0.00
3	Industrial patent rights and intellectual property rights	13,466.84
4	Concessions, licences, trademarks and similar rights	0.00
6	Fixed assets in progress and advance payments	0.00
7	Other	0.00
	<b>Total intangible fixed assets (b-I)</b>	<b>13,466.84</b>
II	<i>Tangible fixed assets</i>	
1	Land and buildings	0.00
2	Plants and machinery	83,592,291.69
3	Industrial and commercial equipment	1,059,368.79
4	Other assets	206,154.75
5	Fixed assets in progress and advance payments	1,323,363.38
	<b>Total tangible fixed assets (B-II)</b>	<b>86,181,178.61</b>
III	<i>Financial fixed assets</i>	
1	Equity investments in:	
	a) subsidiary undertakings	0.00
	b) associates	6,250.00
	c) companies subject to control of parent companies	0.00
	d-bis) other companies	0.00
		<b>6,250.00</b>
2	Receivables	
	d-bis) others	
	- due after the following year	0.00
		<b>0.00</b>
	<b>Total financial fixed assets (B-III)</b>	<b>6,250.00</b>
	<b>Total fixed assets B</b>	<b>86,200,895.45</b>
<b>C CURRENT ASSETS</b>		
I	<i>Inventories</i>	
1	Raw and ancillary materials and consumables	2,159,519.56
2	Work in progress and semi-finished products	0.00
4	Finished products and goods	132,391.11
5	Advance payments	0.00
	<b>Total inventories (C-I)</b>	<b>2,291,910.67</b>
II	<i>Receivables</i>	
a)	due within the following year	
	1) customers	0.00
	2) subsidiaries	0.00
	3) associates	0.00
	4) parent companies	0.00
	5) companies under control of parent companies	0.00
	5-bis) tax credits	0.00
	5-ter) deferred tax assets	0.00
	5-quater) from others	0.00
		<b>0.00</b>
b)	due after the following year	
	5-ter) deferred tax assets	0.00
		<b>0.00</b>
	<b>Total receivables (C-II)</b>	<b>0.00</b>
IV	<i>Cash and cash equivalents</i>	
1	Bank and postal deposits	0.00
3	Cash-in-hand and cash equivalents	0.00
	<b>Total cash and cash equivalents (C-IV)</b>	<b>0.00</b>
	<b>Total current assets C</b>	<b>2,291,910.67</b>
<b>D ACCRUED INCOME AND PREPAID EXPENSES</b>		
	Accruals and deferrals	88,556.66
	<b>Total accrued income and prepaid expenses D</b>	<b>88,556.66</b>
	<b>TOTAL ASSETS</b>	<b>88,581,362.78</b>

**LIABILITIES** values in Eur

<b>A</b>	<b>EQUITY</b>	
	Total equity A	-29,900,000.00
<b>B</b>	<b>PROVISIONS FOR RISKS AND CHARGES</b>	
1	For post-retirement benefits and sim. obligations	0.00
2	Taxes	-16,436,564.00
3	Financial derivatives reported as liabilities	0.00
4	Other	0.00
	Total provisions for risks and charges B	-16,436,564.00
<b>C</b>	<b>EMPLOYEE SEVERANCE PAY</b>	
	Employee severance pay C	-315,232.74
<b>D</b>	<b>PAYABLES</b>	
a)	due within the year	
4)	Due to banks	0.00
6)	Advance payments	0.00
7)	Trade payables	-16,459,696.00
9)	Payables to subsidiaries	0.00
10)	Payables to associates	0.00
11)	Payables to parent companies	-23,950,285.50
11-bis)	Payables to affiliates	-66,120.00
12)	Tax payables	0.00
13)	Payables to welfare and social security organizations	-619,060.15
14)	Other payables	-834,404.39
	Total payables D	-41,929,566.04
b)	due after the year	
4)	Due to banks	0.00
	Total payables D	-41,929,566.04
<b>E</b>	<b>ACCRUED EXPENSES AND DEFERRED INCOME</b>	
	Accruals and deferrals	0.00
	Total accrued expenses and deferred income E	0.00
	<b>TOTAL LIABILITIES</b>	<b>-88,581,362.78</b>

In the tables shown in the following paragraphs relating to changes in the various items in the 2018 financial statements, the effect of the above demerger transaction, if significant, will be indicated, where present, in the column “Other changes”.

**BASIS OF PRESENTATION****Financial statement preparation criteria and structure**

The financial statements for the financial year ended on 31 December 2018 were prepared in accordance with Articles 2423 et seq. of the Italian Civil Code, as supplemented with the accounting principles issued by Organismo Italiano di Contabilità (OIC), the Italian accounting standard setter.

In particular, the company complied with the general provisions for structuring financial statements (Art. 2423 of the Italian Civil Code), its drafting standards (Art. 2423-bis) and measurement criteria established for single line items (Art. 2426) without applying any of the exceptions specified in Art. 2423, paragraph 4, of the Italian Civil Code.

The Balance Sheet and Income Statement are prepared in accordance with the mandatory layouts required by the Italian Civil Code. The provisions of Art. 2423-ter of the Italian Civil Code were followed with respect to the structure of the Balance Sheet and Income Statement. No further divisions or groupings were carried out for any of the line items preceded by Arabic numerals. No new line items were inserted, and no modifications were made to those specified in the above layouts since they were deemed to be sufficient for the purposes of providing a clear, truthful and accurate representation of the Company's balance sheet and financial position and operating results for the year.

The financial statements for the year ended 31 December 2018 have been drawn up in euros. Any differences arising from rounding amounts expressed in whole euros were allocated to a special shareholders' equity reserve, and, depending on their sign, in line item A5) “Other revenues and income” or B14) “Other operating expenses” in the Income Statement.

**Comparability with the previous financial year**

The company was incorporated on 16 July 2018. Therefore, the financial statements as at 31 December 2018, relating to the company's first year of operation, do not contain the data relating to the previous year.

**Classification conventions**

In preparing the financial statements as of 31 December 2018, the following classification conventions have been adopted:

- a. line items in the asset section of the balance sheet were classified on the basis of their related company purpose, while in the liability section, they were classified as a function of their nature;
- b. the income statement was prepared taking into account three distinct classification criteria; namely:

- the breakdown of the entire operating area into the three sub-areas identified by the layout required by law;
- the nature of costs prevailing over their purpose;
- the need to properly recognise interim results in the sequence of steps leading to the formation of net profit (loss) for the year.

The cash flow statement has not been prepared as 2018 is the first year of the company's life.

**Reference to the Report on Operations**

Information about the nature of the company's activities and relations with subsidiaries, associated companies, parent companies and companies subject to the control of the latter is provided in the Report on Operations.

**Asset, liability and shareholders' equity items of the Balance Sheet that fall under more than one item of the layout required by law**

In order to understand the financial statements, it is unnecessary to specify in these Notes the items belonging to the balance sheet line items that are included in more than one line item of the statutory layout.

**CRITERIA APPLIED IN MEASURING FINANCIAL STATEMENT ITEMS, IN VALUE ADJUSTMENTS AND IN THE CONVERSION OF AMOUNTS NOT ORIGINALLY EXPRESSED IN THE CURRENCY USED AS LEGAL TENDER IN THE COUNTRY** (ART. 2427, PARAGRAPH 1, POINT 1)

The financial statement items were stated on the basis of general principles of prudence and the accrual principle under the assumption the Company is a going concern. Line items were recognised and presented taking into account the substance of the transaction and agreement. Only profits realised as at the year end date are reported. In addition, account was taken of revenues and expenses attributable to the period under review regardless of the collection or disbursement date, as well as the risk and losses for the same period, also if known at a later date. Dissimilar elements included in individual line items were measured separately.

The measurement criteria used for individual financial statement entries comply with the provisions of Art. 2426 of the Italian Civil Code.

**Intangible fixed assets**

Intangible fixed assets are recorded in the financial statements at purchase or production cost and amortised according to their remaining useful life.

Start-up and expansion costs are amortised over a period of five years. Any development costs are amortised in accordance with their useful life. As an exception, if it is not possible to reliably estimate their useful life, they are amortised over a period of up to five years.

Goodwill is recognised only if:

- 1) it has been purchased, for up to the cost incurred,
- 2) it arises from the consolidation process, to the extent permitted by impairment testing.

In the exceptional cases where its useful life cannot be estimated reliably, goodwill is amortised over a maximum period of ten years.

If there is impairment, intangible fixed assets are written down and recorded in the financial statements at such lower value; if in the future the reasons for the adjustment no longer apply, the write-down is also cancelled and the original cost is restored with the exception of value adjustments of goodwill.

The following is a breakdown of the intangible assets recorded in the balance sheet and their amortisation criteria.

Line items of the Financial Statements	Purchase or production cost	Depreciation rate	Depreciation for the year
Start-up and expansion costs (B.I.1)			
Development costs (B.I.2)			
Licensed software (B.I.3)	48,460	33.33%	2,486
Know-how (B.I.4)			
Goodwill (B.I.5)			
Intangible assets in progress (B.I.6)			
Other multi-year costs (B.I.7)	12,035	20%/17%/13%	

**Tangible fixed assets**

Tangible fixed assets are recorded at purchase or production cost increased by statutory monetary revaluations, and are reported in the financial statements net of accumulated depreciation. Revaluations are only maintained if required by law. If there is impairment, tangible fixed assets are written down using special adjusting provisions and recorded in the financial statements at such lower value; if in the future the reasons for the adjustment no longer apply, the write-down is also cancelled and the original cost is restored.

Maintenance costs that increase the useful life of assets to which they are related are allocated to such assets and depreciated based on their remaining useful lives. All ordinary maintenance costs are instead entirely charged to the income statement.

Depreciation was determined on the basis of their remaining useful life.

The following is a breakdown of the tangible fixed assets recorded in the balance sheet and their depreciation criteria.

Line items of the Financial Statements	Purchase or production cost	Depreciation rate	Depreciation for the year
Large plants and machinery (B.II.2)	88,763,730	8-12%	1,192,475
General and specific plant assets (B.II.2)	20,066,021	8.00%	278,125
Miscellaneous equipment (B.II.3)	3,149,611	15.00%	119,521
Internal handling equipment (B.II.3)	334,920	15.00%	5,007
Furniture and ordinary office equipment (B.II.4)	3,002	12.00%	60
Electronic machinery (B.II.4)	8,864	20.00%	95
Motor vehicles (B.II.4)	50,268	25.00%	1,047
Trucks and trailers (B.II.4)	188,211	20.00%	5,296
Ordinary furniture and furnishings (B.II.4)	40,402	10.00%	733
Fixed assets in progress and advance payments (B.II.5)	1,508,817	=	-

With regard to the tangible assets contributed as a result of the extraordinary transaction in 2015 and thereafter demerged, depreciation was determined on the basis of the remaining useful life of each individual asset indicated by the expert asked to perform the special appraisal pursuant to Art. 2465 of the Italian Civil Code.

The average rates applied by category of homogeneous assets in relation to these particular assets are detailed in the following table:

Line items of the Financial Statements	Depreciation rate
<b>Buildings (B II 1)</b>	2.93%
<b>Light constructions (B II 1)</b>	9.09%
<b>Large plants and specific machinery (B II 2)</b>	10%
<b>Annealing furnaces (B II 2)</b>	16.67%
<b>General plant and machinery (B II 2)</b>	9.09%
<b>Purification plants (B II 2)</b>	12.50%
<b>Miscellaneous equipment (B II 3)</b>	25%
<b>Internal handling equipment (B II 3)</b>	16.67%
<b>Office furniture and equipment (B II 4)</b>	50%
<b>Electronic office equipment (B II 4)</b>	25%
<b>Motor vehicles (B II 4)</b>	33.3%
<b>Trucks and trailers (B II 4)</b>	50%
<b>Furniture and furnishings (B II 4)</b>	12.50%

### Leased assets

Lease transactions are recognised using the equity method.

Thus, these assets are recorded in balance sheet assets starting in the year the redemption right is exercised.

### Equity investments and investment securities

Equity investments and securities are measured at acquisition or subscription cost.

If there is impairment, financial fixed assets are written down using special adjusting provisions and recorded in the financial statements at such lower value; if in the future the reasons for the adjustment no longer apply, the original cost is restored.

Equity investments denominated in foreign currencies are recorded at the exchange rate in effect at the time of purchase or subscription or at the reporting date, if lower, provided such reduction is considered permanent.

### Inventories

Inventories are measured at the lower of purchase or production cost and market value. Purchase cost includes ancillary costs of transportation and customs clearance of raw materials; production costs include all of the costs directly allocated to the product (raw materials and ancillary materials, direct labour, depreciation of the capital goods used in production), in addition to the portion of indirect industrial costs relating to the manufactu-

ring period (maintenance costs, consumables, electric power, outsourced processes, etc.).

Inventories other than interchangeable assets are recognised among the inventories of finished products and are measured at purchase cost or production cost since this cost is deemed not to exceed the estimated sales market value.

The item “Raw and ancillary materials and consumables” also includes inventories of ancillary materials and consumables such as spare parts, lubricants, fuels and miscellaneous materials in general. These inventories are recorded in the financial statements at the lower of the value determined using the moving average criterion, and their replacement value based on market value.

Inventories of contract work in progress are measured, if applicable, using the percentage of completion method.

### Receivables

In general, receivables (both held as fixed and current assets) are booked using the amortised cost criterion taking into account the time factor and estimated realisable value.

However, OIC 15, paragraph 33 specifies that this criterion need not be applied if the impact is insignificant, assuming that short-term receivables (i.e. those due within 12 months) are insignificant.

Furthermore, Art. 12, paragraph 2, of Legislative Decree 139/2015 specifies that the new amortised cost measurement criterion need not be applied to components of items related to transactions that have not fully exhausted their impact on the financial statements.

Thus, in these financial statements, the amortised cost criterion is only applied to receivables due after the following year that arose after 1 January 2016, and in any case, only if the impact of applying this criterion is considered significant.

Receivables not measured using the amortised cost method (since the impact of applying this criterion is not considered significant) are recorded at nominal value adjusted, as necessary, for the appropriate provision for doubtful receivables to bring it into line with the estimated realisable value.

Receivables expressed in a foreign currency are originally converted into euros at the reported exchange rate on the date of the related transactions. Exchange differences generated from the collection of receivables in a foreign currency are recorded in the income statement under item 17-bis “Exchange-rate gains and losses”.

Receivables expressed in foreign currency in the financial statements are measured on the basis of the relative exchange rates at the end of the year (31/12/2018). Exchange rate differences emerging from such valuation are allocated to the income statement in line item 17-bis “Exchange-rate gains and losses”.

### Equity investments and securities not held as fixed assets

Equity investments not held as fixed assets are recorded at cost and written down for any impairment.

Securities not held as fixed assets are recorded at cost or market value.

### Cash and cash equivalents

Cash and cash equivalents (bank and postal accounts, cash and cash on hand) are recorded at their actual balances.

### Cash and shareholders' equity entries

These items are measured at nominal value.

### Provisions for risks

Provisions for risks and charges are allocated in the financial statements to cover losses

or liabilities of a known type, that will certainly or probably arise but which, as of the end of the year, could not be determined, either in terms of amount or date of accrual. Allocations reflect the best estimate possible on the basis of available information.

### Employee severance pay

This item is allocated in accordance with laws and labour contracts currently in effect and reflects the accrued amount owed to all employees on the reporting date net of the amount paid to a supplemental pension or to the “Fund for the payment of severance pay to employees in the private sector as referenced in Art. 2120 of the Italian Civil Code”, the so-called INPS Treasury Fund.

### Payables

In general, payables are recorded in the financial statements according to the amortised cost criterion taking into account the time factor.

However, OIC 19, paragraph 42 specifies that this criterion need not be applied if the impact is insignificant, assuming that short-term payables (i.e. those due within 12 months) are insignificant.

Furthermore, Art. 12, paragraph 2, of Legislative Decree 139/2015 specifies that the new amortised cost measurement criterion need not be applied to components of items related to transactions that have not fully exhausted their impact on the financial statements.

Thus, in these consolidated financial statements, the amortised cost criterion is only applied to payables due after the following year that arose after 1 January 2016, and in any case, only if the impact of applying this criterion is considered significant.

Payables not measured using the amortised cost method (since the impact of applying this criterion is not considered significant) are recorded at nominal value.

In any case, this item includes liabilities that are certain and specific in terms of their amount and date incurred.

Payables expressed in a foreign currency are originally converted into euros at the reported exchange rate on the date of the related transactions. Exchange differences generated from the payment of payables in a foreign currency are recorded in the income statement under item 17-bis “Exchange-rate gains and losses”.

Payables expressed in foreign currency in the financial statements are measured on the basis of the relative exchange rates at the end of the year (31/12/2018). Exchange rate differences emerging from such valuation are allocated to the income statement in line item 17-bis “Exchange-rate gains and losses”.

### Accruals and deferrals

These items were determined on the basis of the accrual principle applied to the related costs and revenues.

### Revenues

Revenues from sales are recognised on an accrual basis, that is when both the following conditions are met:

- the goods have been manufactured; and
- title to the goods has been passed, which is when risks and benefits incidental to their ownership has been transferred. Thus, save as otherwise agreed regarding the transfer of risks and benefits:
  - a) in the case of movable assets, risks and benefits are transferred when the goods are shipped or delivered;
  - b) for goods that require notarisation (for instance properties), risks and benefits are transferred when the sale agreement is executed;
  - c) in the case of instalment sales with retention of title, the revenue is recognised upon delivery, regardless of the transfer of ownership, since Art. 1523 of the Italian

Civil Code provides that the buyer acquires ownership of the thing with the payment of the last instalment of the price, but assumes the risks from the time of delivery.

Revenues from services are recognised on an accrual basis, that is when the service has been rendered.

Financial income is recognised on an accrual basis, for the amount accrued in the period of reference.

### Costs and expenses

Costs related to the purchase of goods are recognised on an accrual basis, that is when both the following conditions are met:

- the goods have been manufactured; and
- title to the goods has been passed, which is when risks and benefits incidental to their ownership has been transferred. Thus, save as otherwise agreed regarding the transfer of risks and benefits:
  - a) in the case of movable assets, risks and benefits are transferred when the goods are shipped or delivered;
  - b) for goods that require notarisation (for instance properties), risks and benefits are transferred when the sale agreement is executed;
  - c) in the case of instalment sales with retention of title, the cost is recognised upon delivery, regardless of the transfer of ownership, since Art. 1523 of the Italian Civil Code provides that the buyer acquires ownership of the thing with the payment of the last instalment of the price, but assumes the risks from the time of delivery.

Service costs are recognised on an accrual basis, that is when the service has been rendered.

Financial expenses are recognised on an accrual basis, for the amount accrued in the period of reference.

### Dividends

Dividends are recorded in the year in which the right to receive them accrues, which typically coincides with the year they are approved by the competent body.

## Income Tax

Income taxes were determined on the basis of the cost for the year.

Deferred taxes are determined on the basis of temporary differences between the amount assigned to assets and liabilities by statute and by tax regulations.

Prepaid taxes were recorded in financial statement assets since there is a reasonable certainty of generating income in the future capable of absorbing these temporary differences.

## NOTES TO THE FINANCIAL STATEMENTS – ASSETS

### RECEIVABLES FROM SHAREHOLDERS FOR OUTSTANDING CONTRIBUTIONS

	Amount at beginning of the year	Changes during the year	Amount at end of the year
Receivables for payments due and not called up	0	1,194,187	1,194,188
<b>Total receivables for payments due</b>	<b>0</b>	<b>1,194,187</b>	<b>1,194,188</b>

Changes in receivables from shareholders for payments still due refer to receivables from the minority shareholder Engie Servizi spa. As mentioned in the introduction, in fact, the company Marcegaglia Gazoldo Inox spa resolved by extraordinary shareholders' meeting of 21/12/2018 to increase the share capital by Euro 1,592,250, reserved for the entry of Engie Servizi spa.

### INTANGIBLE FIXED ASSETS

#### CHANGES IN INTANGIBLE FIXED ASSETS

	Industrial patent rights and intellectual property rights	Total intangible fixed assets
<b>Amount at beginning of the year</b>		
Book value	0	0
<b>Changes during the year</b>		
Increases for acquisitions	11,471	11,471
Period amortisation/depreciation	2,486	2,486
Other changes	13,467	13,467
<b>Total changes</b>	<b>22,452</b>	<b>22,452</b>
<b>Amount at end of the year</b>		
Cost	24,938	24,938
Amortisation/depreciation (Provision for amortisation/depreciation)	2,486	2,486
<b>Book value</b>	<b>22,452</b>	<b>22,452</b>

### Start-up and expansion costs, research, development and advertising costs

There were no start-up or expansion costs in 2018, no research and development costs and no capitalised advertising costs.

### Financial charges capitalised

During FY 2018, no financial charges were capitalised.

## TANGIBLE FIXED ASSETS

### CHANGES IN TANGIBLE FIXED ASSETS

	Plants and machinery	Industrial and commercial equipment	Other tangible fixed assets	Assets under construction and payments on account	Total tangible f ixed assets
<b>Amount at beginning of the year</b>					
Book value	0	0	0	0	0
<b>Changes during the year</b>					
Increases for acquisitions	355,490	338,628	-	227,476	921,594
Reclassification (of book value)	13,838	-	-	(13,838)	-
Decreases for sales and cancellations (of book value)	-	-	-	28,184	28,184
Period amortisation/depreciation	1,470,600	124,528	7,231	-	1,602,359
Other changes	83,592,291	1,059,368	206,154	1,323,363	86,181,176
<b>Total changes</b>	<b>82,491,019</b>	<b>1,273,468</b>	<b>198,923</b>	<b>1,508,817</b>	<b>85,472,227</b>
<b>Amount at end of the year</b>					
Cost	83,961,619	1,397,996	206,154	1,508,817	87,074,586
Amortisation/depreciation (Provision for amortisation/depreciation)	1,470,600	124,528	7,231	-	1,602,359
<b>Book value</b>	<b>82,491,019</b>	<b>1,273,468</b>	<b>198,923</b>	<b>1,508,817</b>	<b>85,472,227</b>

### Value reductions to tangible fixed assets

No fixed assets were written down during the year.

### Financial charges capitalised

During FY 2018, no financial charges were capitalised.

## FINANCIAL FIXED ASSETS

### CHANGES IN EQUITY INVESTMENTS, OTHER SECURITIES AND FINANCIAL DERIVATIVES REPORTED AS LONG-TERM ASSETS

	Equity investments in associates	Total equity investments
<b>Amount at beginning of the year</b>		
Book value	0	0
<b>Changes during the year</b>		
Other changes	6,250	6,250
<b>Total changes</b>	<b>6,250</b>	<b>6,250</b>
<b>Amount at end of the year</b>		
Cost	6,250	6,250
<b>Book value</b>	<b>6,250</b>	<b>6,250</b>

### CHANGES AND MATURITY OF RECEIVABLES HELD AS FIXED ASSETS

	Amount at beginning of the year	Changes during the year	Amount at end of the year	Portion due after the year
Receivables from others held as fixed assets	0	800	800	800
<b>Total long-term receivables</b>	<b>0</b>	<b>800</b>	<b>800</b>	<b>800</b>

## DETAILS ON EQUITY INVESTMENTS IN ASSOCIATES

Name	City (if in Italy) or foreign country	Tax code (for Italian companies)	Capital in euros	Net equity in euros	Share held in euros	% share held	Book value or corresponding receivable
Consorzio Absolute	Italy	02844650305	50,000	50,000	6,250	12.50%	6,250
<b>Total</b>							<b>6,250</b>

## BREAKDOWN OF RECEIVABLES HELD AS FIXED ASSETS BY GEOGRAPHICAL AREA

Geographic area	Receivables from others held as fixed assets	Total receivables held as fixed assets
Italy	800	800
<b>Total</b>	<b>800</b>	<b>800</b>

## VALUE OF FINANCIAL FIXED ASSETS

	Book value	Fair value
Receivables from others	800	800

## BREAKDOWN OF AMOUNT OF RECEIVABLES FROM OTHERS HELD AS FIXED ASSETS

	Book value	Fair value
Security deposits for leases	800	800
<b>Total</b>	<b>800</b>	<b>800</b>

## CURRENT ASSETS

## INVENTORIES

Current assets	Amount at beginning of the year	Changes during the year	Amount at end of the year
<b>I - Inventories</b>			
Raw and ancillary materials and consumables	0	2,319,969	2,319,969
Advance payments	0	14,100	14,100
<b>Total inventories</b>	<b>0</b>	<b>2,334,069</b>	<b>2,334,069</b>

It should be noted that the column “Changes during the year” also includes the effect of the spin-off transaction that took place in October 2018 with effect from 01/11/2018, for the following amounts:

	Amount
Raw and ancillary materials and consumables	2,159,520
Finished products and goods	132,391

## RECEIVABLES RECORDED IN CURRENT ASSETS

### CHANGES AND MATURITY OF RECEIVABLES RECORDED IN CURRENT ASSETS

	Amount at beginning of the year	Changes during the year	Amount at end of the year	Portion due within the year
Receivables from customers recorded in current assets	0	1,009,900	1,009,900	1,009,900
Receivables from associates recorded in current assets	0	29,464	29,464	29,464
Receivables from parent companies recorded in current assets	0	379	379	379
Receivables from companies subject to control of parent companies recorded in current assets	0	31,683	31,683	31,683
Tax credits recorded in current assets	0	90,298	90,298	90,298
Deferred tax assets recorded in current assets	0	240	240	
Receivables from others recorded in current assets	0	13,838	13,838	13,838
<b>Total receivables recorded in current assets</b>	<b>0</b>	<b>1,175,802</b>	<b>1,175,802</b>	<b>1,175,562</b>

It should be noted that the column “Changes during the year” also includes the effect of the spin-off transaction that took place in October 2018 with effect from 01/11/2018. For the amounts, reference should be made to the demerger financial statements in the introduction.

It should be noted that receivables from associated companies, parent companies and companies subject to the control of the parent companies relate to the balance deriving from commercial transactions between the company and the various counterparties, whose monetary settlement has not yet taken place, as well as the balance of intercompany current accounts, specifically set up and/or deriving from said contribution, to which the settlements of commercial and/or financial transactions are transferred.

The following table details receivables from companies subject to the control of the parent companies; refer to the Report on Operations for further information on changes in receivables from associated companies and parent companies.

	Amount at beginning of the year	Changes during the year	Amount at end of the year	Portion due within the year
Marcegaglia Carbon Steel	-	2,724	2,724	2,724
Marcegaglia Specialties	-	28,959	28,959	28,959
<b>Total receivables from companies subject to control of parent companies</b>	<b>-</b>	<b>31,683</b>	<b>31,683</b>	<b>31,683</b>

Finally, details and changes in receivables from others are provided below.

	Amount at beginning of the year	Changes during the year	Amount at end of the year	Portion due within the year
Receivables from factoring companies	-	-	-	-
Advances to suppliers	-	4,881	4,881	4,881
Social security receivables	-	8,951	8,951	8,951
Advances to employees	-	-	-	-
Receivables from credit institutions for customer collections	-	4	4	4
Other receivables	-	2	2	2
<b>Total receivables from others</b>	<b>-</b>	<b>13,838</b>	<b>13,838</b>	<b>13,838</b>

# BREAKDOWN OF THE RECEIVABLES RECORDED IN THE CURRENT ASSETS BY GEOGRAPHICAL AREA

	Italy	Total
Receivables from customers recorded in current assets	1,009,900	1,009,900
Receivables due from associates recorded in current assets	29,464	29,464
Receivables due from parent companies recorded in current assets	379	379
Receivables from companies subject to control of parent companies recorded in current assets	31,683	31,683
Tax credits recorded in current assets	90,298	90,298
Deferred tax assets recorded in current assets	240	240
Receivables from others recorded in current assets	13,838	13,838
<b>Total receivables recorded in current assets</b>	<b>1,175,802</b>	<b>1,175,802</b>

## CASH AND CASH EQUIVALENTS

	Amount at beginning of the year	Changes during the year	Amount at end of the year
Cash and securities	0	926	926
<b>Total cash and cash equivalents</b>	<b>0</b>	<b>926</b>	<b>926</b>

It should be noted that the column “Changes during the year” also includes the effect of the spin-off transaction that took place in October 2018 with effect from 01/11/2018. For the amounts, reference should be made to the demerger financial statements in the introduction.

## ACCRUED INCOME AND PREPAID EXPENSES

It should be noted that the column “Changes during the year” also includes the effect of the spin-off transaction that took place in October 2018 with effect from 01/11/2018. For the amounts, reference should be made to the demerger financial statements in the introduction.

The breakdown of prepaid expenses is shown in the following table:

	Amount at beginning of the year	Changes during the year	Amount at end of the year
Chamber of commerce secretarial fees	-	23	23
<b>Total prepaid expenses</b>	<b>-</b>	<b>23</b>	<b>23</b>

## NOTES TO THE FINANCIAL STATEMENTS – LIABILITIES AND SHAREHOLDERS' EQUITY

### SHAREHOLDERS' EQUITY

The composition of shareholders' equity, the availability of reserves for capital transactions and the potential distribution of reserves are summarised in the following tables:

#### CHANGES IN SHAREHOLDERS' EQUITY ITEMS

	Amount at beginning of the year	Other changes Increases	Profit (loss) for the year	Amount at end of the year
Share capital	0	31,592,250		31,592,250
Other reserves				
Sundry other reserves	0	1		1
Total other reserves	0	1		1
Profit (loss) for the year	0	-	(116,763)	(116,763)
Total shareholders' equity	0	31,592,251	(116,763)	31,475,488

#### BREAKDOWN OF SUNDRY OTHER RESERVES

Description	Amount
Rounding off to the nearest euro	1
Total	1

#### AVAILABILITY AND USE OF SHAREHOLDERS' EQUITY

	Amount	Origin/nature	Possible use
Share capital	31,592,250	Contribution of shareholders	A-B-C
Other reserves			
Sundry other reserves	1	Rounding off to the nearest whole euro	
Total other reserves	1		
total	31,592,251		

Key: A capital increase - B loss cover - C distribution to shareholders

#### ORIGIN, POSSIBLE USE AND DISTRIBUTION OF THE SUNDRY OTHER RESERVES

Description	Amount
Diff. da arrotondamento all'unità di Euro	1
Totale	1

Key: A capital increase - B loss cover - C distribution to shareholders

### PROVISIONS FOR RISKS AND CHARGES

	Tax provision, including deferred taxes	Total provisions for risks and charges
Amount at beginning of the year	0	0
Changes during the year		
Usage for the year	222,753	222,753
Other changes	16,436,564	16,436,564
Total changes	16,213,811	16,213,811
Amount at end of the year	16,213,811	16,213,811

As a result of the spin-off transaction mentioned above, the provision for deferred taxes has increased by Euro 16,436,564, as an amount relating to deferred taxes on the higher values of assets transferred by the associate Marcegaglia Specialties spa. These

higher values and the related tax effect derive from the contribution transaction carried out in 2015, as documented in the expert's report prepared by the expert referred to in Art. 2465, paragraph 1, of the Italian Civil Code.

During FY 2018, the utilisation of the deferred tax provision in connection with the higher depreciation amount in the financial statement than depreciation for tax purposes, was Euro 222,753.

### EMPLOYEE SEVERANCE PAY

The following table shows the changes in the provision for employee severance indemnities in relation to the 2018 financial year and also considers the amounts allocated to supplementary pension schemes. On the basis of the information provided by the Italian Accounting Organization in its appendix of 26 September 2007 to the Operating Guide no. 1 relating to the transition to IAS, the severance indemnity provision shown in the financial statements is shown net of the amount paid to the supplementary pension fund or paid to the "Fund for the payment of severance pay to employees in the private sector as referenced in Art. 2120 of the Italian Civil Code", the so-called INPS treasury fund, pursuant to Legislative Decree 252/2005, Law 296/2006 Art.1 paragraphs 755 et seq. and 765 and Arts.1 and 3 of the Ministerial Decree of 30/01/2007. The portions of severance indemnity accrued in 2018 and not yet paid to the complementary pension funds or to the INPS treasury fund are shown under item "D) 13) Payables to welfare and social security organisations".

	Employee severance pay
Amount at beginning of the year	0
Changes during the year	
Provisions for the year	86,782
Usage for the year	102,990
Other changes	315,232
Total changes	299,024
Amount at end of the year	299,024

Below is a breakdown of the item “Usage for the year”:

Uses for disbursements and advances made during the year and for payments made for substitute tax against the revaluation accrued during the year	Payments made to the supplementary pension scheme	Payments made to the INPS Treasury Fund net of recoveries made during the year	Recovery of INPS contribution pursuant to Law 297/82	Transfers of severance indemnity for direct transfers	Total uses
1,599	39,319	60,615	6,982	-5,525	102,990

## PAYABLES

### CHANGES AND DUE DATES OF PAYABLES

Payables	Amount at beginning of the year	Changes during the year	Amount at end of the year	Portion due within the year
Payables to banks	0	324	324	324
Trade payables	0	19,451,368	19,451,368	19,451,368
Payables to associates	0	367	367	367
Payables to parent companies	0	19,398,378	19,398,378	19,398,378
Payables to companies subject to control of parent companies	0	793,392	793,392	793,392
Tax payables	0	478,169	478,169	478,169
Payables to welfare and social security organisations	0	1,069,734	1,069,734	1,069,734
Other payables	0	1,026,682	1,026,682	1,026,682
<b>Total payables</b>	<b>0</b>	<b>42,218,414</b>	<b>42,218,414</b>	<b>42,218,414</b>

It should be noted that the column “Changes during the year” also includes the effect of the spin-off transaction that took place in October 2018 with effect from 01/11/2018. For the amounts, reference should be made to the demerger financial statements in the introduction.

### BREAKDOWN OF PAYABLES BY GEOGRAPHICAL AREA

	Italy	EU	Other Europe	Total
Payables to banks	324	-	-	324
Trade payables	17,653,243	893,732	904,393	19,451,368
Payables to associates	367	-	-	367
Payables to parent companies	19,398,378	-	-	19,398,378
Payables to companies subject to control of parent companies	793,392	-	-	793,392
Tax payables	478,169	-	-	478,169
Payables to welfare and social security organisations	1,069,734	-	-	1,069,734
Other payables	1,026,682	-	-	1,026,682
<b>Payables</b>	<b>40,420,289</b>	<b>893,732</b>	<b>904,393</b>	<b>42,218,414</b>

### DEBT SECURED BY COMPANY ASSETS

	Unsecured debt	Total
Payables to banks	324	324
Trade payables	19,451,368	19,451,368
Payables to associates	367	367
Payables to parent companies	19,398,378	19,398,378
Payables to companies subject to control of parent companies	793,392	793,392
Tax payables	478,169	478,169
Payables to welfare and social security organisations	1,069,734	1,069,734
Other payables	1,026,682	1,026,682
<b>Total payables</b>	<b>42,218,414</b>	<b>42,218,414</b>

The following table gives details of payables to companies subject to the control of the parent companies; refer to the Report on Operations for further information on changes in payables to associated companies and parent companies.

	Amount at beginning of the year	Changes during the year	Amount at end of the year	Portion due within the year
Marfin srl	-	91,522	91,522	91,522
Made HSE srl	-	189,273	189,273	189,273
Marcegaglia Carbon Steel	-	482,234	482,234	482,234
Marcegaglia Specialties	-	12,643	12,643	12,643
Abaco Servizi srl	-	17,720	17,720	17,720
<b>Total payables to companies subject to control of parent companies</b>	<b>-</b>	<b>793,392</b>	<b>793,392</b>	<b>793,392</b>

Detail of “Other payables”

Detail of “Other payables”	Amount at beginning of the year	Changes during the year	Amount at end of the year	Portion due within the year
Payables to staff	-	1,014,513	1,014,513	1,014,513
Sundry payables	-	12,169	12,169	12,169
<b>Total other payables</b>	<b>-</b>	<b>1,026,682</b>	<b>1,026,682</b>	<b>1,026,682</b>

#### PAYABLES RELATING TO REPURCHASE TRANSACTIONS

None exist.

#### LOANS FROM SHAREHOLDERS OF THE COMPANY

None exist.

## NOTES TO THE FINANCIAL STATEMENTS – INCOME STATEMENT

### VALUE OF PRODUCTION

BREAKDOWN OF INCOME FROM SALES AND SERVICES BY BUSINESS CATEGORIES

	Current value
Scrap	2,293,194
Transformation services of steel products in finished products	7,182,590
<b>Total</b>	<b>9,475,784</b>

BREAKDOWN OF INCOME FROM SALES AND SERVICES BY GEOGRAPHICAL AREA

	Current value
Italy	9,475,784
<b>Total</b>	<b>9,475,784</b>

### FINANCIAL INCOME AND CHARGES

Breakdown of interest and other financial charges by type of payable

	Interest and other financial charges
Payables to banks	21
<b>Total</b>	<b>21</b>

### AMOUNT AND NATURE OF INDIVIDUAL ITEMS OF REVENUE/COST OF EXCEPTIONAL AMOUNT OR INCIDENCE

There were no exceptional amounts or amounts of exceptional incidence in 2018.

### CURRENT, DEFERRED AND PREPAID INCOME TAXES FOR THE YEAR

The deferred taxes recognised in the financial statements as at 31/12/2018 are summarised in the following tables.

Prepaid taxes were recorded for all temporary differences found between taxable profit and profit before taxes under the assumption that there would be sufficient taxable profit to “absorb” the temporary differences specified below in the time frame under review.

For each of the components indicated below, deferred tax assets and liabilities

have been allocated with an IRES rate of 24%, while the IRAP rate has been considered at 3.9%.

### RECOGNITION OF DEFERRED AND PREPAID TAX AND THE CONSEQUENT EFFECTS

	IRES	IRAP
<b>A) Temporary differences</b>		
Total deductible temporary differences	1,000	-
Total taxable temporary differences	58,795,254	53,921,804
Net temporary differences	58,794,254	53,921,804
<b>B) Tax effects</b>		
Opening provision for deferred (prepaid) tax	14,296,351	2,140,214
Period deferred (prepaid) tax	(185,730)	(37,264)
Closing provision for deferred (prepaid) tax	14,110,621	2,102,950

### DETAILS OF DEDUCTIBLE TEMPORARY DIFFERENCES

Description	Period change	Closing amount	IRES rate	IRES tax effect
Membership fees	1,000	1,000	24.00%	240

### DETAILS OF TAXABLE TEMPORARY DIFFERENCES

Description	Amount at end of last year	Period change	Closing amount	IRES rate	IRES tax effect	IRAP rate	IRAP tax effect
Write-back of assets from contribution (IRES)	59,568,130	(772,876)	58,795,254	24.00%	14,110,861	-	-
Write-back of assets from contribution (IRAP)	54,877,258	(955,454)	53,921,804	-	-	3.90%	<b>2,102,950</b>

### BREAKDOWN OF DEFERRED AND PREPAID TAXES OVER TIME

Description	Year 2019	Year 2020	Year 2021	Year 2022	Beyond year 2022 or unforeseeable	Total
<b>A) Taxable temporary differences</b>						
<i>Ires</i>						
write-back of demerged assets	5,765,966	5,402,215	6,191,110	7,546,867	33,889,097	<b>58,795,254</b>
<b>total</b>	<b>5,765,966</b>	<b>5,402,215</b>	<b>6,191,110</b>	<b>7,546,867</b>	<b>33,889,097</b>	<b>58,795,254</b>
<i>Irap</i>						
write-back of demerged assets	6,769,555	6,272,721	6,272,721	6,272,721	28,334,087	<b>53,921,804</b>
<b>total</b>	<b>6,769,555</b>	<b>6,272,721</b>	<b>6,272,721</b>	<b>6,272,721</b>	<b>28,334,087</b>	<b>53,921,804</b>
<b>Total deferred tax</b>	<b>1,647,845</b>	<b>1,541,168</b>	<b>1,730,502</b>	<b>2,055,884</b>	<b>9,238,412</b>	<b>16,213,811</b>
<b>B) Deductible temporary differences</b>						
<i>Ires</i>						
membership fees	1,000					<b>1,000</b>
Tax losses						
<b>total</b>	<b>1,000</b>	-	-	-	-	<b>1,000</b>
<i>Irap</i>						
<b>Total prepaid tax</b>	<b>240</b>	-	-	-	-	<b>240</b>

### Information on the national consolidated tax return

The option to adopt the consolidated tax regime on a national basis was communicated in October 2018 by the parent company Marcegaglia Holding S.p.A. using the 2018 Income Form and is valid for the three-year period 2018/2019/2020.

For the company Marcegaglia Gazoldo Inox spa, participation in the tax consolidation procedure resulted in the contribution to the Group's total income of taxable income of Euro 541,180 and the recording in item 20 of the Income Statement of a tax charge for IRES of Euro 129,883.00, calculated considering the current rate of 24%.

In conclusion, and in compliance with the provisions of OIC Document no. 25, two tables are provided which show the reconciliation of the expected tax burden, respectively for IRES and IRAP purposes, with the actual tax burden.

#### RECONCILIATION BETWEEN THE EFFECTIVE TAX CHARGE AND THE THEORETICAL TAX CHARGE (IRES)

2018		
<b>Statutory Profit (+) / Loss (-) for the year before tax</b>	<b>-160,976</b>	
Theoretical tax 24% on statutory profit before tax		-38,634
<b>Effect of changes in increase (+) / decrease (-) compared to the ordinary rate</b>		<b>IRES effect</b>
Increase temporary differences	0	0
Decrease in temporary differences	0	0
Resorption of temporary decreases	0	0
Resorption of temporary increases	773,876	185,730
Permanent increases	2,573	618
Permanent decreases	-74,293	-17,830
<b>Total increases and decreases</b>	<b>702,156</b>	<b>168,518</b>
<b>Previous years' tax losses that can be carried forward</b>		<b>0</b>
<b>Period fiscal profit</b>	<b>541,180</b>	<b>129,884</b>

#### RECONCILIATION BETWEEN THE EFFECTIVE TAX CHARGE AND THE THEORETICAL TAX CHARGE (IRAP)

2018		
<b>Difference between value and cost of production</b>	<b>-17,087</b>	
<b>Costs not relevant for IRAP</b>	<b>2,017,978</b>	
<b>Theoretical IRAP taxable income</b>	<b>2,000,891</b>	
Theoretical tax 3.9% on theoretical IRAP taxable income		78,035
<b>Effect of changes in increase (+) / decrease (-) compared to the ordinary rate</b>		<b>IRAP effect</b>
Increase temporary differences	-	-
Resorption of temporary increases	955,454	37,263
Resorption of temporary decreases	0	0
Permanent increases	33	1
Permanent decreases	-	-
<b>Gross production value IRAP</b>	<b>2,956,378</b>	<b>115,299</b>
<b>IRAP deductions</b>	<b>-1,702,619</b>	<b>-6,402,00</b>
<b>IRAP taxable income</b>	<b>1,253,759</b>	<b>48,897</b>

## NOTES TO THE FINANCIAL STATEMENTS – FURTHER INFORMATION

### EMPLOYMENT FIGURES

The average number refers to only two months of operation of the newly formed company.

	Average number
Executives	1
Middle managers	2
Employees	32
Workers	141
<b>Total employees</b>	<b>176</b>

The following table also shows the detailed data on the number of employees as at 31 December 2018:

	Spot number at year end
Executives	1
Middle managers	2
Employees	32
Workers	141
Other employees	0
<b>Total employees</b>	<b>176</b>

### FEES, ADVANCES AND RECEIVABLES GRANTED TO DIRECTORS AND STATUTORY AUDITORS AND COMMITMENTS UNDERTAKEN ON THEIR BEHALF

	Auditors
Fees	3,640

### STATUTORY AUDITOR OR INDEPENDENT AUDITORS' FEES

The appointment of the statutory audit of the annual financial statements pursuant to and for the purposes of Art. 14 of Italian Legislative Decree no. 39 of 27/01/2010 was entrusted, for a period of 3 financial years and therefore until the approval of the financial statements for the year 2020, to the auditing company MAZARS ITALIA spa by the Deed of Incorporation dated 16/07/2018. The fee, net of the reimbursement of travel expenses, for the statutory audit for 2018, is Euro 5,000, which includes the fee for the audit of the accounts.

### CATEGORIES OF SHARES ISSUED BY THE COMPANY

The company was incorporated as a joint stock company on 16/07/2018 with a

share capital of Euro 100,000 divided into shares pursuant to Art. 2468 of the Italian Civil Code.

With the partial proportional spin-off deed of 26 October 2018, the share capital increased by Euro 29,900,000 due to the spin-off operation already described in the initial part of the Notes.

Subsequently, the Extraordinary Shareholders' Meeting of 21/12/2018 resolved to increase the share capital for cash from Euro 30,000,000 to Euro and so for a total of Euro 31,592,250 through the issue of new ordinary shares, with a value of Euro 1.00 each. The capital increase, as already mentioned, was reserved for Engie Servizi Spa.

Description	Shares subscribed during the year, number	Shares subscribed during the year, nominal value	Final amount, number	Final amount, face value
Ordinary	31,592,250	31,592,250	31,592,250	31,592,250
<b>Total</b>	<b>31,592,250</b>	<b>31,592,250</b>	<b>31,592,250</b>	<b>31,592,250</b>

### SECURITIES ISSUED BY THE COMPANY

None exist.

### DETAILS OF OTHER FINANCIAL INSTRUMENTS ISSUED BY THE COMPANY

The Company has not issued any financial instruments.

### COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES NOT REPORTED IN THE BALANCE SHEET

	Amount
Commitments	8,415,200
to companies subject to control of parent companies	8,400,000
Guarantees	130,710,848
of which collateral	<b>85,280,848</b>

Detail:

	31/12/2018	31/12/2017
<b>RISKS TAKEN BY THE COMPANY</b>		
<b>SURETIES</b>		
- to parent companies	45,430,000	0
<b>Total sureties</b>	<b>45,430,000</b>	<b>0</b>
<b>COLLATERAL</b>		
- to parent companies	85,280,848	0
<b>Total collateral</b>	<b>85,280,848</b>	<b>0</b>
<b>Total guarantees</b>	<b>130,710,848</b>	<b>0</b>
<b>COMMITMENTS ENTERED INTO BY THE COMPANY</b>		
- other commitments	8,415,200	0
<b>Total commitments entered into by the Company</b>	<b>8,415,200</b>	<b>0</b>
<b>Total</b>	<b>139,126,048</b>	<b>0</b>

With reference to the collateral on the company's assets to guarantee the parent companies, the following is specified:

During the 2018 financial year, the parent company Marcegaglia Steel spa renegotiated with the banking pool the loans existing at the beginning of the 2018 financial year, obtaining both significant improvement conditions and an increase in the amount of the loans themselves.

In particular, on 28/09/2018 the company Marcegaglia Steel spa obtained three new

loans from the banking pool, which in the meantime saw its structure increase compared to the initial composition, with which Marcegaglia Steel spa repaid on 02/10/2018 the previous exposures with the pool relating to the old loans.

The following were then formalised:

- 1) a mortgage loan of Euro 350,953,000 with amortisation schedule expiring on 31/12/2024;
- 2) a revolving cash facility line for an amount of Euro 100,833,000, with final due date on 31/12/2022;
- 3) an unsecured loan of Euro 98,214,000 with amortisation schedule expiring on 31/12/2024.

The loans described under points 1) and 2) above are mortgage loans, and the relevant guarantees were issued by the associates Marcegaglia Carbon Steel spa and Marcegaglia Specialties spa as third-party providers of the mortgages and liens due to the fact that Marcegaglia Steel spa itself acts as a lender for them and funds operations through a cash pooling mechanism.

Since the demerger operation had already been approved but not yet completed when the loan agreement was signed, the deed of incorporation of the privilege provided that, at the time the demerger became effective, the privilege over the movable assets located in the Ravenna (owned by Marcegaglia Carbon Steel) and Gazoldo degli Ippoliti (owned by Marcegaglia Specialties) plants, would have followed the fate of the assets themselves and would therefore have been transferred to the companies benefiting from the demerger (hence Marcegaglia Ravenna spa and Marcegaglia Gazoldo Inox spa) without prejudice to the guaranteed creditors. As a result, on 05/11/2018, the four preferential companies (Marcegaglia Carbon Steel spa, Marcegaglia Specialties spa, Marcegaglia Ravenna spa and Marcegaglia Gazoldo Inox spa) signed a special privilege acknowledgement agreement where they substantially acknowledged the effectiveness of the demerger and the consequent transfer of part of the privilege from Marcegaglia Carbon Steel spa and Marcegaglia Specialties spa, respectively, to Marcegaglia

Ravenna spa and Marcegaglia Gazoldo Inox, in proportion to the part of the movable property received by the latter as a result of the spin-off.

Therefore, with reference to the value of the special privilege, the maximum amount conventionally guaranteed by Marcegaglia Gazoldo Inox spa is equal to Euro 85,280,848.

### Information on related party transactions

The activity of Marcegaglia Gazoldo Inox spa is essentially aimed at managing the transformation of raw materials and semi-finished products on behalf of the associated company Marcegaglia Specialties spa, an activity that is carried out at normal market conditions, similar to those that would have been agreed upon by independent parties.

The Report on Operations shows the values contained in the financial statements relating to activities with group entities.

### Information on significant events after year-end

With regard to investments in energy efficiency, the company is continuing the authorization and technical process aimed at the construction and management of a high-efficiency cogeneration plant with the technological partner Engie Servizi, for the combined production of electricity and heat from natural gas to be used in the Gazoldo plant. In particular, by May 2019 the complete project of the analysis of environmental and management impacts will be presented to the “Ministry for the Environment and the Protection of Land and Sea”, with a view to developing the detailed authorisation process (current plant start-up forecast at the end of 2020).

The thermal and electrical energy generated will mainly be self-consumed.

This investment will make it possible to completely eliminate the use of methane gas currently used in the plant's current steam generators and will make it possible to significantly reduce overall energy costs, continuing the path taken by the Group in terms of energy efficiency and EU environmental improvement.

All the main equipment making up the cogeneration plant is equipped with the latest technologies available on the market and the best technical solutions applicable in terms of environmental impact.

### COMPANIES DRAFTING THE FINANCIAL STATEMENTS OF THE LARGER/ SMALLER BUSINESSES OF WHICH THEY ARE A PART, AS A SUBSIDIARY

	Largest grouping	Smallest grouping
Company name	Finmar srl	Marcegaglia Holding spa
City (if in Italy) or foreign country	Mantua	Mantua
Tax code (for Italian companies)	02466170202	02466980204
Place of deposit of the consolidated financial statements	Mantua	Mantua

### Summary statement of the Financial Statements of the company that exercises management and coordination activities

The company is subject to the direction and coordination of the parent company FINMAR SRL, which holds 13% of the share capital but 51.31% of the voting rights of the company Marcegaglia Holding spa, which holds 100% of the share capital of the company Marcegaglia Steel spa, which in turn holds 100% of the share capital of the company.

Below is the information required by Art. 2497-bis, paragraph 4, of the Italian Civil Code.

#### SUMMARY STATEMENT OF THE BALANCE SHEET OF THE COMPANY THAT EXERCISES MANAGEMENT AND COORDINATION ACTIVITIES

	Last financial year	Previous year
Date of last approved financial statements	31/12/2017	31/12/2016
B) Fixed assets	116,204,872	118,222,828
C) Current assets	71,568	33,727
<b>Total assets</b>	<b>116,276,440</b>	<b>118,256,555</b>
A) Shareholders' equity		
Share capital	40,000	40,000
Reserves	27,176,968	28,888,180
Profit (loss) for the year	(2,058,532)	(1,781,212)
<b>Total shareholders' equity</b>	<b>25,158,436</b>	<b>27,146,968</b>
B) Provisions for risks and charges	5,965	5,136
D) Payables	91,112,005	91,104,417
E) Accrued charges and deferred income	34	34
<b>Total liabilities</b>	<b>116,276,440</b>	<b>118,256,555</b>

#### SUMMARY STATEMENT OF THE INCOME STATEMENT OF THE COMPANY THAT EXERCISES MANAGEMENT AND COORDINATION ACTIVITIES

	Last financial year	Previous year
Date of last approved financial statements	31/12/2017	31/12/2016
B) Production costs	43,523	49,694
C) Financial income and charges	3,357	16,446
D) Write-downs of financial assets	(2,017,537)	(1,744,193)
Income taxes for the year	829	3,771
<b>Profit (loss) for the year</b>	<b>(2,058,532)</b>	<b>(1,781,212)</b>

#### INFORMATION PURSUANT TO ART. 1, PARAGRAPH 125 OF ITALIAN LAW NO. 124 OF 04 AUGUST 2017

In accordance with the information to be provided in the Notes to the Financial Statements for the year 2018 regarding various types of grants received by public administrations and their associated entities, pursuant to Law no. 124 of 04/08/2017, Art. 1, paragraphs 125-129, the following table is provided below:

Lender	Amount received (Euro)	Date of collection	Cause/Type contribution	Establishment	Regulatory ref.
Customs and Monopolies Agency-MN	26,957.76	Year 2018	Exemption of gas excise duties	Gazoldo degli Ippoliti	Legislative Decree 504/95 Art.21 paragraph 2 lett.13
<b>Total</b>	<b>26,957.76</b>				

#### Proposal for the allocation of profits or coverage of losses

It is proposed to postpone the coverage of the loss for the year of Euro 116,762.78 to future years, since the situations referred to in Articles 2446 and 2447 of the Italian Civil Code do not apply to the company.

#### STATEMENT OF FINANCIAL STATEMENT COMPLIANCE

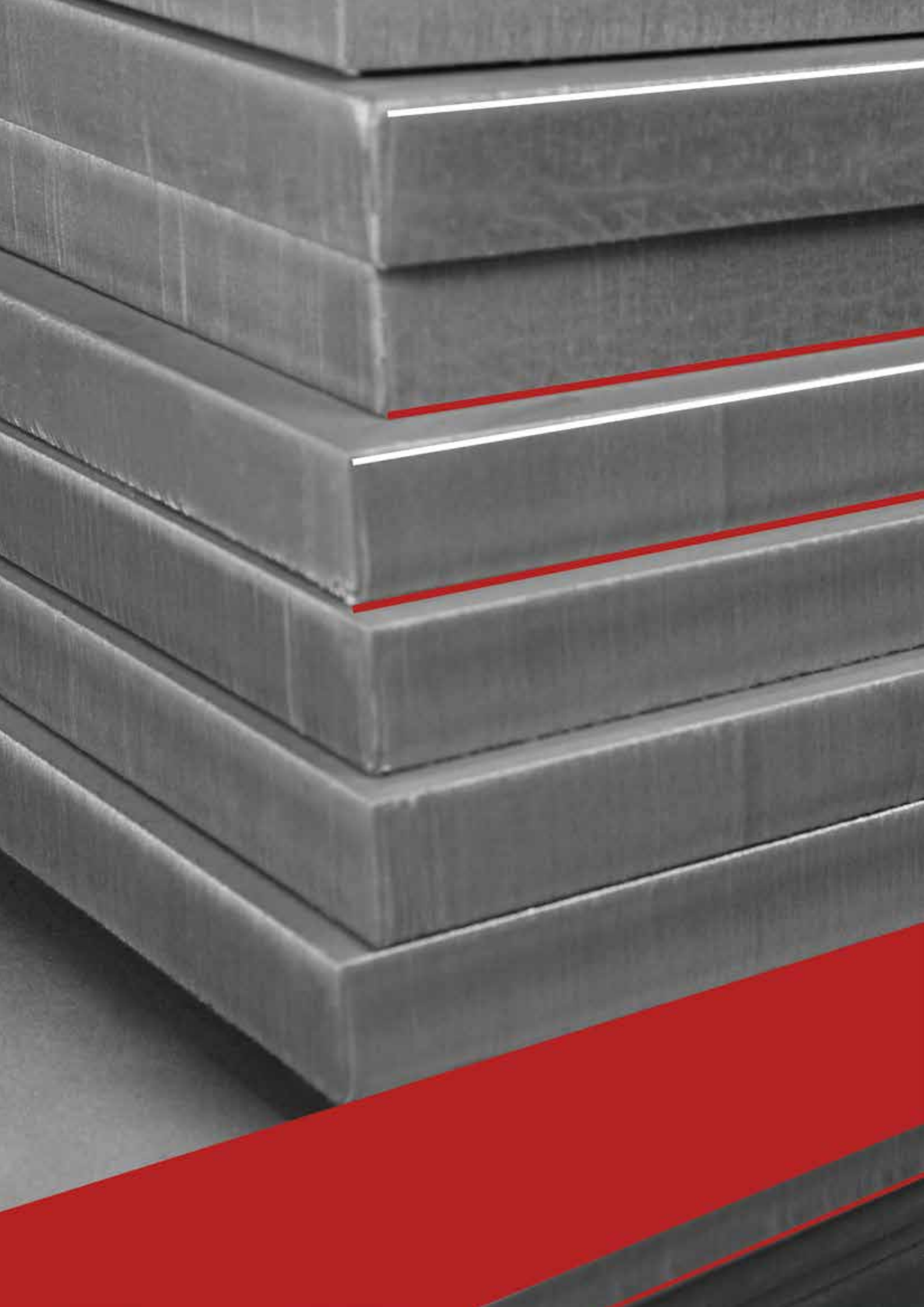
It should be noted that the valuation criteria set out herein comply with statutory law.

These Notes to the Financial Statements, as well as the entire financial statements of which they are an integral part, give a true and fair view of the company's financial position and results of operations for the year.

The exposure of the values required by Art. 2427 of the Italian Civil Code has been prepared in accordance with the principle of clarity.

*Gazoldo degli Ippoliti, 30 April 2019*

Chairman  
of the Board of Directors  
**Antonio Marcegaglia**



# Financial Statements 2018

## Marcegaglia Plates

**MARCEGAGLIA PLATES S.p.A.**

Registered office: via Bresciani, 16 - Gazoldo degli Ippoliti, Mantova - Italy

Share capital: Euro 35,000,000 fully paid up

Fiscal Code and VAT No.: 02466240203

Registered with the Mantua Chamber of Commerce and Administrative Economic Index [REA] 255218

## **Independent auditor's report in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010**

To the Shareholders of Marcegaglia Plates S.p.A.

### **Report on the audit of the financial statements**

#### **Opinion**

We have audited the financial statements of Marcegaglia Plates S.p.A. (the Company), which comprise the balance sheet as at December 31, 2018, the income statement and the cash flows statement for the year then ended and the explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2018, and of the result of its operations and cash flows for the year then ended in accordance with the Italian laws governing the financial statements.

#### **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 section of this report titled *Auditor's responsibilities for the audit of the financial statements*. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Responsibilities of the directors and board of statutory auditors for the financial statements**

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the Italian laws governing the financial statements and, according to the terms prescribed by law, for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and for the appropriateness of the use of the going concern assumption in the preparation of the financial statements, and for appropriate disclosure thereof. In preparing the financial statements, the directors use the going concern basis of accounting unless directors either intend to liquidate the Company or to cease operations or has no realistic alternative but to do so.

The board of statutory auditors ("collegio sindacale") is responsible for overseeing, according to the terms prescribed by law, the Company's financial reporting process.

#### **MAZARS ITALIA SpA**

VIA AUGUSTO RIGHI, 6 - 37135 VERONA  
TEL: +39 045 4753200 - FAX: +39 045 4647314 - [www.mazars.it](http://www.mazars.it)

SPA - CAPITALE SOCIALE DELIBERATO, SOTTOSCRITTO E VERSATO € 120.000,00 – SEDE LEGALE: LARGO AUGUSTO, 8 - 20122 MILANO

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## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain a reasonable assurance about whether the 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 performed in accordance 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 in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of the audit in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures in response to those risks; we obtained sufficient and appropriate audit evidence on which to base 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 omissions, misrepresentations or the override of internal control;
- we obtained an understanding of the internal control relevant to the audit in order to design the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- we concluded on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Where a material uncertainty exists, we are required to draw attention, in our auditor's report, to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, subsequent events or conditions may cause the Company to cease to continue as a going concern;
- we evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in such a manner as to give a true and fair view.

We communicated to those charged with governance, identified at an appropriate level as required by ISA Italia, among other matters, the 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 compliance with other laws and regulations**

### **Opinion in accordance with article 14, paragraph 2, letter e), of Legislative Decree No. 39/10**

The directors of Marcegaglia Plates S.p.A. are responsible for preparing a directors' report of Marcegaglia Plates S.p.A. as at December 31, 2018, including its consistency with the relevant financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the directors' report with the financial statements of Marcegaglia Plates S.p.A. as at December 31, 2018 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

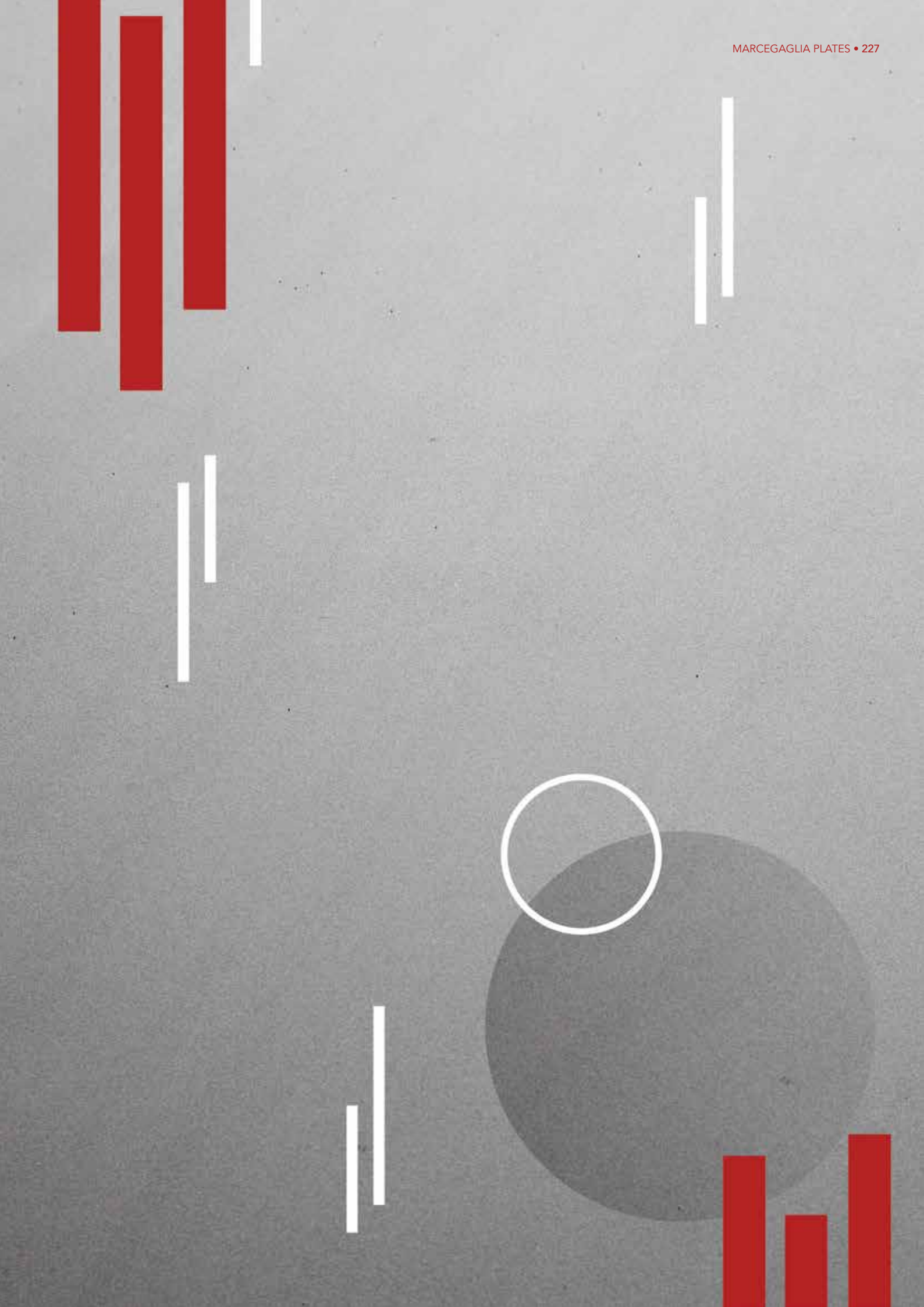
In our opinion, the directors' report is consistent with the financial statements of Marcegaglia Plates S.p.A. as at December 31, 2018 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued based on our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Verona, April 30, 2019

Mazars Italia S.p.A.  
(signed on the original)  
Alfonso Iorio  
Partner

*This report has been translated into English language from the Italian original solely for the convenience of international readers.*



**MARCEGAGLIA PLATES S.P.A.****BALANCE SHEET AS OF 31 DECEMBER 2018**

Assets values in EUR

31/12/2018

31/12/2017

<b>A RECEIVABLES FROM SHAREHOLDERS FOR OUTSTANDING CONTRIBUTIONS</b>			
1	Not previously called	0	0
2	Previously called	0	0
	Total Receivables from shareholders for outstanding contributions <b>A</b>	<b>0</b>	<b>0</b>
<b>B FIXED ASSETS</b>			
I	<i>Intangible fixed asset</i>		
1	Start-up and expansion costs	15,441	23,864
2	Development costs	0	0
3	Industrial patent rights and intellectual property rights	66,907	387
4	Concessions, licences, trademarks and similar rights	0	0
5	Goodwill	0	0
6	Fixed assets in progress and advance payments	0	0
7	Other	0	0
	<b>Total intangible fixed assets (B-I)</b>	<b>82,348</b>	<b>24,251</b>
II	<i>Property, plant and equipment</i>		
1	Land and buildings	16,892,872	17,105,932
2	Plant and machinery	31,948,399	35,630,685
3	Industrial and commercial equipment	1,144,649	1,262,878
4	Other assets	190,115	110,964
5	Fixed assets in progress and advance payments	980,191	1,157,678
	<b>Total property, plant and equipment (B-II)</b>	<b>51,156,226</b>	<b>55,268,137</b>
III	<i>Financial fixed assets</i>		
1	Equity investments in:		
	d-bis) from others	5	5
		<b>5</b>	<b>5</b>
2	Receivables		
	d-bis) from others		
	- due after the following year	4,500	4,500
		<b>4,500</b>	<b>4,500</b>
	<b>Total financial assets (B-III)</b>	<b>4,505</b>	<b>4,505</b>
	<b>Total Fixed Assets B</b>	<b>51,243,079</b>	<b>55,296,893</b>
<b>C CURRENT ASSETS</b>			
I	<i>Inventories</i>		
1	Raw and ancillary materials and consumables	30,059,882	45,518,739
2	Work in progress and semi-finished products	5,544,131	6,458,871
3	Contract work in progress	0	0
4	Finished products and goods	14,185,489	13,658,874
	<b>Total inventories (C-I)</b>	<b>49,789,502</b>	<b>65,636,484</b>
II	<i>Receivables</i>		
1	From customer		
	- due within the following year	4,906,830	3,362,851
	- due after the following year	0	0
		<b>4,906,830</b>	<b>3,362,851</b>
4	From parent companies		
	- due within the following year	1,697,539	0
	- due after the following year	0	0
		<b>1,697,539</b>	<b>0</b>
5	From companies subject to control of parent companies		
	- due within the following year	49,845,014	51,071,576
	- due after the following year	0	0
		<b>49,845,014</b>	<b>51,071,576</b>
5-bis	Tax credit		
	- due within the following year	500,917	4,017,812
	- due after the following year	0	0
		<b>500,917</b>	<b>4,017,812</b>
5-ter	Deferred tax assets	809,167	775,715
		<b>809,167</b>	<b>775,715</b>
5-quater	From others		
	- due within the following year	1,012,687	936,851
	- due after the following year	0	0
		<b>1,012,687</b>	<b>936,851</b>
	<b>Total receivables (C-II)</b>	<b>58,772,154</b>	<b>60,164,805</b>
IV	<i>Cash and cash equivalents</i>		
1	Bank and postal deposits	595,740	45,002
2	Cheques	0	0
3	Cash on hand and cash equivalents	3,932	1,354
	<b>Total cash and cash equivalents (C-IV)</b>	<b>599,672</b>	<b>46,356</b>
	<b>Total Current Assets C</b>	<b>109,161,328</b>	<b>125,847,645</b>
<b>D ACCRUED INCOME AND PREPAID EXPENSES</b>			
	Accrued income and prepaid expenses	2,506	5,374
	<b>Total Accrued Income and Prepaid Expenses D</b>	<b>2,506</b>	<b>5,374</b>
	<b>TOTAL ASSETS</b>	<b>160,406,913</b>	<b>181,149,912</b>

## LIABILITIES values in EUR

31/12/2018

31/12/2017

<b>A SHAREHOLDERS' EQUITY</b>			
I	Share capital	35,000,000	35,000,000
II	Share premium reserve	1,027,637	1,027,637
III	Revaluation reserve	0	0
IV	Legal reserve	883,694	309,713
VI	Other reserves, represented by:		
	- Extraordinary reserve	13,595,269	5,086,344
	- Reserve for unrealized exchange gains	2,396,695	0
	- Other reserves	0	(1)
		15,991,964	5,086,343
IX	Profit/(loss) for the year	4,527,857	11,479,600
	Total Equity A	57,431,152	52,903,293
<b>B RESERVES FOR RISKS AND EXPENSES</b>			
1	For post-retirement benefits and similar obligations	322,059	299,126
2	For taxes, including deferred taxes	9,728,121	11,076,675
3	Other	0	0
	Total Reserves for Risks and Expenses B	10,050,180	11,375,801
<b>C EMPLOYEE SEVERANCE PAY</b>			
	Employee severance pay C	345,649	340,676
<b>D PAYABLES</b>			
4	Payables to banks		
	- due within the following year	774,064	924,202
	- due after the following year	0	0
		774,064	924,202
6	Advance payments		
	- due within the following year	0	0
	- due after the following year	0	0
		0	0
7	Trade payables		
	- due within the following year	57,792,195	88,940,285
	- due after the following year	0	0
		57,792,195	88,940,285
11	Payables to parent companies		
	- due within the following year	20,462,263	15,975,828
	- due after the following year	0	0
		20,462,263	15,975,828
11-bis	Payables to companies subject to control of parent companies		
	- due within the following year	1,264,309	1,266,866
	- due after the following year	0	0
		1,264,309	1,266,866
12	Tax payables		
	- due within the following year	718,433	912,525
	- due after the following year	0	0
		718,433	912,525
13	Payables to welfare and social security organizations		
	- due within the following year	450,124	440,907
	- due after the following year	0	0
		450,124	440,907
14	Other payables		
	- due within the following year	11,118,544	8,069,488
	- due after the following year	0	0
		11,118,544	8,069,488
	Total Payables D	92,579,932	116,530,101
<b>E ACCRUED EXPENSES AND DEFERRED INCOME</b>			
	Accrued expenses and deferred income	0	41
	Total Accrued expenses and deferred income E	0	41
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>160,406,913</b>	<b>181,149,912</b>

**MARCEGAGLIA PLATES S.P.A.****PROFIT AND LOSS ACCOUNT AS OF 31 DECEMBER 2018**

values in EUR		2018	2017
<b>A</b>	<b>VALUE OF PRODUCTION</b>		
1	Revenues from sales and services	232,590,154	207,728,067
2	Changes in inventories of work in progress, semi-finished and finished products	(388,125)	7,178,425
3	Changes in contract work in progress	0	0
4	Increase in fixed assets for internal work	0	0
5	Other revenues and income		
	- Operating grants	0	72,431
	- Other	48,607	182,552
	<b>Total other revenues and income (5)</b>	<b>48,607</b>	<b>254,983</b>
	<b>Total Value of production A</b>	<b>232,250,636</b>	<b>215,161,475</b>
<b>B</b>	<b>PRODUCTION COSTS</b>		
6	Raw and ancillary materials, consumables and goods	159,874,466	176,228,183
7	Services	33,708,689	31,594,001
8	Lease and rental expense	2,442,327	2,172,898
9	Personnel costs		
	a) wages and salaries	4,712,639	4,586,126
	b) social security contributions	1,510,459	1,472,221
	c) employee severance pay	299,436	292,678
	d) post-retirement benefits and similar obligations	0	0
	e) other personnel costs	17,605	5,378
	<b>Total personnel costs (9)</b>	<b>6,540,139</b>	<b>6,356,403</b>
10	Amortisation, depreciation and write-downs		
	a) amortisation of intangible assets	42,263	8,810
	b) depreciation of property, plant and equipment	5,097,775	5,002,639
	c) other write-downs of fixed assets	0	0
	d) write-downs of receivables included in current assets and cash and cash equivalent.	151,851	531,799
	<b>Total amortisation, depreciation and write-downs (10)</b>	<b>5,291,889</b>	<b>5,543,248</b>
11	Changes in the inventory of raw and ancillary materials, consumables and goods	15,458,858	(19,066,399)
12	Provisions for risks	0	0
13	Other provisions	0	0
14	Sundry operating costs	533,671	302,358
	<b>Total Production Costs B</b>	<b>223,850,039</b>	<b>203,130,692</b>
	<b>Difference between value and cost of production A - B</b>	<b>8,400,597</b>	<b>12,030,783</b>
<b>C</b>	<b>FINANCIAL INCOME AND EXPENSES</b>		
16	Other financial income		
	a) from receivables recorded as fixed assets:		
	- from other companies	0	65
	d) income other than the above:		
	- from subsidiaries	0	0
	- from parent companies	0	0
	- from companies subject to the control of parent companies	1,966,735	2,034,694
	- from others	1,920	1,807
	<b>Total other financial income (16)</b>	<b>1,968,655</b>	<b>2,036,566</b>
17	Interests and other financial charges:		
	- paid to subsidiaries	0	0
	- paid to associates	0	0
	- paid to parent companies	970,517	1,232,955
	- paid to companies subject to the control of parent companies	0	0
	- other financial expenses	1,993,367	2,365,183
	<b>Total interests and other financial charges (17)</b>	<b>2,963,884</b>	<b>3,598,138</b>
17-bis	Exchange-rate gains and losses	(1,111,545)	5,233,527
	<b>Total financial income and expenses C</b>	<b>(2,106,774)</b>	<b>3,671,955</b>
<b>D</b>	<b>VALUE ADJUSTMENTS OF FINANCIAL ASSETS</b>		
	Value adjustments of financial assets D	0	0
	<b>PROFIT (LOSS) BEFORE TAXES (A-B+/-C+/-D)</b>		
	<b>Profit (loss) before taxes A-B+/-C+/-D</b>	<b>6,293,823</b>	<b>15,702,738</b>
20	Current, deferred and pre-paid income taxes for the year		
	- Direct taxes for the year	3,147,972	4,994,275
	- Deferred taxes	(1,382,006)	(771,137)
	<b>Total current, deferred and pre-paid income taxes for the year (20)</b>	<b>1,765,966</b>	<b>4,223,138</b>
21	<b>PROFIT (LOSS) FOR THE YEAR</b>	<b>4,527,857</b>	<b>11,479,600</b>

## STATEMENT OF CASH FLOWS AS OF 31 DECEMBER 2018

values in EUR

31/12/2018

31/12/2017

A	CASH FLOWS FROM INCOME-GENERATING OPERATIONS (INDIRECT METHOD)		
	Profit (loss) for the year	4,527,857	11,479,600
	Income Tax	1,765,966	4,223,138
	Interest expenses/(income)	995,229	1,561,572
	(Gains)/Losses resulting from the disposal of assets	-	12,982
	1 Profit (loss) for the year, before income taxes, interest, dividends and gains/losses from asset sales	7,289,052	17,277,292
	Adjustments for non-cash items with no balancing entry in net working capital		
	- Provisions to funds	334,821	326,365
	- Amortisation/Depreciation of fixed assets	5,140,038	5,011,449
	Total adjustments for non-cash items with no balancing entry in working capital	5,474,859	5,337,814
	2 Cash flow before changes in net working capital	12,763,911	22,615,106
	Changes in net working capital		
	- Decrease/(Increase) in inventories	15,846,982	(26,244,825)
	- Decrease/(Increase) in trade receivables	(1,543,978)	876,467
	- Increase/(Decrease) in trade payables	(31,148,090)	34,553,144
	- Decrease/(Increase) in accrued income and prepaid expenses	2,868	(4,826)
	- Increase/(Decrease) in accrued expenses and deferred income	(41)	(29,145)
- Other changes in net working capital	7,170,172	(26,538,710)	
Total changes in net working capital	(9,672,087)	(17,387,895)	
3 Cash flow after changes in net working capital	3,091,824	5,227,211	
	Other adjustments		
	- Interest received/(paid)	(995,230)	(1,561,572)
	- (Utilisation of funds)	(306,915)	(307,193)
	Total other adjustments	(1,302,145)	(1,868,765)
	Cash flow from income-generating operations A	1,789,679	3,358,446
B	CASH FLOWS FROM INVESTMENT ACTIVITIES		
	Property, plant and equipment		
	- (Investments)	(985,864)	(1,355,177)
	- Divestitures	-	4,000
	Intangible fixed assets		
	- (Investments)	(100,360)	0
	- Divestitures	-	-
	Financial fixed assets		
	- (Investments)	-	(4,500)
	- Divestitures	-	4,532
	Current financial assets		
	- (Investments)	-	-
	- Divestitures	-	-
	(Purchase of subsidiaries or business divisions net of liquid assets)	-	-
	Sale of subsidiaries or business divisions net of liquid assets	-	-
	Cash flows from investment activities B	(1,086,224)	(1,351,145)
	C	CASH FLOWS FROM FINANCING ACTIVITIES	
Third party resources			
- Increase/(Decrease) in short-term liabilities to banks		(150,139)	(2,272,864)
- New loans		-	-
- (Repayments of loans)		-	-
Capital and reserves			
- Paid-in capital increase		-	-
- (Reimbursement of paid-in capital increase)		-	-
- Sale/(Purchase) of own shares		-	-
- (Dividends and advances on dividends paid)		-	-
Cash flows from financing activities C		(150,139)	(2,272,864)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS A ± B ± C		553,316	(265,563)
Exchange rate effect on cash and cash equivalents		-	-
Cash and cash equivalents at beginning of year		46,356	311,919
Bank and postal deposits		45,002	310,505
Checks		-	-
Cash on hand and cash equivalents		1,354	1,414
of which not freely usable	13,890	86,943	
Cash and cash equivalents at year end	599,672	46,356	
Bank and postal deposits	595,740	45,002	
Checks	-	-	
Cash on hand and cash equivalents	3,932	1,354	
of which not freely usable	498,851	13,890	

## NOTES - INITIAL PART

### BACKGROUND

After the important reorganization of the Marcegaglia group, which began and ended in 2015, the company is part of the Heavy Plates division of the Marcegaglia group, which includes the production of train plates.

### Financial statement preparation criteria and structure

The financial statements for the financial year ended on 31 December 2018 were prepared in accordance with Articles 2423 et seq. of the Italian Civil Code, as supplemented with the accounting principles issued by Organismo Italiano di Contabilità (OIC), the Italian accounting standard setter.

In particular, the company complied with the general provisions for structuring financial statements (Art. 2423 of the Italian Civil Code), its drafting standards (Art. 2423-bis) and measurement criteria established for single line items (Art. 2426) without applying any of the exceptions specified in Art. 2423, paragraph 4, of the Italian Civil Code.

It should be noted that the company Marcegaglia Plates spa in financial year 2018, continuing the work already done in financial year 2017, again with a view to providing a better representation in the financial statements of the facts and operations of the company, for the valuation of the inventories of "basic" steel raw materials (slabs) has used the LIFO criterion in steps (last in, first out), instead of the weighted average cost criterion, which instead continues to remain the criterion applied to the valuation of non-basic steel raw materials, semi-finished and finished products.

The reason for this choice, with a view to prudent valuation, lies in the structural changes that characterise the steel sector – at a global level and in particular in Europe – and which lead to increased price volatility.

Unlike raw materials and the basic steel products derived from them, in fact, the products of first and second processing

are characterised by lower volatility, as they are more destined for end users, often through longer-term contracts, and with a higher service component, also in relation to greater fragmentation of demand and the needs of the reference customers.

The Balance Sheet and Income Statement are prepared in accordance with the mandatory layouts required by the Italian Civil Code. The provisions of Art. 2423-ter of the Italian Civil Code were followed with respect to the structure of the Balance Sheet and Income Statement. No further divisions or groupings were carried out for any of the line items preceded by Arabic numerals. No new line items were inserted, and no modifications were made to those specified in the above layouts since they were deemed to be sufficient for the purposes of providing a clear, truthful and accurate representation of the Company's balance sheet and financial position and operating results for the year.

The financial statements for the year ended 31 December 2018 have been drawn up in euros. Any differences arising from rounding amounts expressed in whole euros were allocated to a special shareholders' equity reserve, and, depending on their sign, in line item A5) "Other revenues and income" or B14) "Other operating expenses" in the income statement.

### Comparability with the previous financial year

For each item of the balance sheet and income statement, next to the amount for the year 2018, the amount for the same item for the previous year has been indicated.

### Classification conventions

In preparing the financial statements as of 31 December 2018, the following classification conventions have been adopted:

- a. Line items in the asset section of the balance sheet were classified on the basis of their related company purpose, while in the liability section, they were classified as a function of their nature;
- b. The income statement was prepared

taking into account three distinct classification criteria; namely:

- the breakdown of the entire operating area into the three sub-areas identified by the layout required by law;
- the nature of costs prevailing over their purpose;
- the need to properly recognise interim results in the sequence of steps leading to the formation of net profit (loss) for the year.

The statement of cash flows is prepared in accordance with the format provided for by accounting standard OIC10, which shows the amount and composition of cash and cash equivalents at the beginning and end of the year and the cash flows for the year deriving from operating, investing and financing activities, as provided for by art. 2425-ter of the Italian Civil Code.

### Reference to the Report on Operations

Information about the nature of the company's activities and relations with subsidiaries, associated companies, parent companies and companies subject to the control of the latter is provided in the Report on Operations.

### Asset, liability and shareholders' equity items of the Balance Sheet that fall under more than one item of the layout required by law

In order to understand the financial statements, it is unnecessary to specify in these Notes the items belonging to the balance sheet line items that are included in more than one line item of the statutory layout.

### CRITERIA APPLIED IN MEASURING FINANCIAL STATEMENT ITEMS, IN VALUE ADJUSTMENTS AND IN THE CONVERSION OF AMOUNTS NOT EXPRESSED ORIGINALLY IN THE CURRENCY USED AS LEGAL TENDER IN THE COUNTRY

(ART. 2427, PARAGRAPH 1, POINT 1)

The financial statement items were stated

on the basis of general principles of prudence and the accrual principle under the assumption the Company is a going concern. Line items were recognised and presented taking into account the substance of the transaction and agreement. Only profits realised as at the year end date are reported. In addition, account was taken of revenues and expenses attributable to the period under review regardless of the collection or disbursement date, as well as the risk and losses for the same period, also if known at a later date. Dissimilar elements included in individual line items were measured separately.

The measurement criteria used for individual financial statement entries comply with the provisions of Art. 2426 of the Italian Civil Code.

### Intangible fixed assets

Intangible fixed assets are recorded in the financial statements at purchase or production cost and amortised according to their remaining useful life.

Start-up and expansion costs are amortised over a period of five years. Any development costs are amortised in accordance with their useful life. As an exception, if it is not possible to reliably estimate their useful life, they are amortised over a period of up to five years.

Goodwill is recognised only if:

- it has been purchased, for up to the cost incurred,
- it arises from the consolidation process, to the extent permitted by impairment testing.

In the exceptional cases where its useful life cannot be estimated reliably, goodwill is amortised over a maximum period of ten years.

If there is impairment, intangible fixed assets are written down and recorded in the financial statements at such lower value; if in the future the reasons for the adjustment no longer apply, the write-down is also cancelled and the original cost is restored with the exception of value adjustments of goodwill.

The following is a breakdown of the intangible assets recorded in the balance

sheet and their amortisation criteria.

Line items of the Financial Statements	Purchase or production cost	Depreciation rate	Depreciation for the year
Start-up and expansion costs (B.I.1)	42,113	20.00%	8,423
Development costs (B.I.2)			
Licensed software (B.I.3)	147,224	33.00%	33,840
Know-how (B.I.4)			
Goodwill (B.I.5)			
Intangible assets in progress (B.I.6)			
Other multi-year costs (B.I.7)			

### Tangible fixed assets

Tangible fixed assets are recorded at purchase or production cost increased by statutory monetary revaluations, and are reported in the financial statements net of accumulated depreciation. Revaluations are only maintained if required by law. If there is impairment, tangible fixed assets are written down using special adjusting provisions and recorded in the financial statements at such lower value; if in the future the reasons for the adjustment no longer apply, the write-down is also cancelled and the original cost is restored.

Maintenance costs that increase the useful life of assets to which they are related are allocated to such assets and depreciated based on their remaining useful lives. All ordinary maintenance costs are instead entirely charged to the income statement.

Depreciation was determined on the basis of their remaining useful life.

The following is a breakdown of the tangible fixed assets recorded in the balance sheet, the relative depreciation criteria and the amount of depreciation recorded in the financial year.

Line items of the Financial Statements	Purchase or production cost	Depreciation rate	Depreciation for the year
Land (B.II.1)	3.562.087		
Buildings (B.II.1)	17.538.577	2,5%-3,5%	505.366
Light constructions (B.II.1)	351.415	10,00%	35.750
Large plants and machinery (B.II.2)	28.056.293	8,00%	2.770.258
Annealing furnaces (B.II.2)	9.105.918	12,00%	910.481
General and specific plant assets (B.II.2)	8.085.593	5%-8%	615.075
Miscellaneous equipment (B.II.3)	529.464	15,00%	75.621
Internal handling equipment (B.II.3)	1.220.262	15,00%	136.191
Furniture and ordinary office equipment (B.II.4)	33.022	12,00%	5.121
Electronic machinery (B.II.4)	181.681	20,00%	26.369
Motor vehicles (B.II.4)	75.650	25,00%	10.388
Trucks and trailers (B.II.4)		20,00%	
Ordinary furniture and furnishings (B.II.4)	53.020	10%-15%	7.155
Fixed assets in progress and advance payments (B.II.5)	1.901.545		

With regard to the tangible assets contributed as a result of the extraordinary transaction in 2015, depreciation was determined on the basis of the remaining useful life of each individual asset indicated by the expert asked to perform the special appraisal pursuant to Art. 2465 of the Italian Civil Code.

However, with regard to the tangible assets acquired after the contribution transaction, depreciation coefficients were determined in relation to the remaining possibility of use of the assets, in compliance with the provisions contained in Art. 2426, paragraph 1, no. 2, of the Italian Civil Code.

### Leased assets

Lease transactions are recognised using the equity method.

Thus, these assets are recorded in balance sheet assets starting in the year the redemption right is exercised.

### Equity investments and investment securities

Equity investments and securities are measured at acquisition or subscription cost.

If there is impairment, financial fixed assets are written down using special adjusting provisions and recorded in the financial statements at such lower value; if in the future the reasons for the adjustment no longer apply, the original cost is restored.

Equity investments denominated in foreign currencies are recorded at the exchange rate in effect at the time of purchase or subscription or at the reporting date, if lower, provided such reduction is considered permanent.

### Inventories

Inventories are measured at the lower of purchase or production cost and market value. Purchase cost includes ancillary costs of transportation and customs clearance of raw materials; production costs include all of the costs directly allocated to the product (raw materials and ancillary materials, direct labour, depreciation of the capital goods used in production), in addition to the portion of indirect industrial costs relating to the manufacturing period (maintenance costs, consumables, electric power, outsourced processes, etc.).

In line with that carried out in 2017, the value of final inventories of the basic steel raw materials (slabs) was determined using the incremental LIFO method, while the value of the final inventories of raw material of first and second-stage processing, by contrast, was determined using the weighted average cost method, in the same way as previous years.

The estimated amount of the “LIFO reserve” deriving from the measurement of steel raw materials on the basis of incremental LIFO amounted to approxi-

mately 13 and a half million.

The adoption of different methods for determining cost within the same category of final inventories is in line with what is allowed by accounting standard OIC 13.

The final inventories of semi-finished products and finished products are valued at production cost, calculated by adding the processing costs to the cost of the raw material used in production, determined according to the average weighted cost method.

Inventories other than interchangeable assets are recognised among the inventories of finished products and are measured at purchase cost or production cost since this cost is deemed not to exceed the estimated sales market value.

The item “Raw and ancillary materials and consumables” also includes inventories of ancillary materials and consumables such as paints, lubricants, fuels, zinc and miscellaneous materials in general. These inventories are recorded in the financial statements at the lower of the value determined using the moving average criterion, and their replacement value based on market value.

Inventories of contract work in progress are measured, if applicable, using the percentage of completion method.

### Receivables

In general, receivables (both held as fixed and current assets) are booked using the amortised cost criterion taking into account the time factor and estimated realisable value.

However, OIC 15, paragraph 33 specifies that this criterion need not be applied if the impact is insignificant, assuming that short-term receivables (i.e. those due within 12 months) are insignificant.

Furthermore, Art. 12, paragraph 2, of Legislative Decree 139/2015 specifies that the new amortised cost measurement criterion need not be applied to components of items related to transactions that have not fully exhausted their impact on the financial statements.

Thus, in these financial statements, the amortised cost criterion is only applied to receivables due after the following year that arose after 1 January 2016, and in any case, only if the impact of applying this criterion is considered significant.

Receivables not measured using the amortised cost method (since the impact of applying this criterion is not considered significant) are recorded at nominal value adjusted, as necessary, for the appropriate provision for doubtful receivables to bring it into line with the estimated realisable value.

Receivables expressed in a foreign currency are originally converted into euros at the reported exchange rate on the date of the related transactions. Exchange differences generated from the collection of receivables in a foreign currency are recorded in the income statement under item 17-bis “Exchange-rate gains and losses”.

Receivables expressed in foreign currency in the financial statements are measured on the basis of the relative exchange rates at the end of the year (31/12/2018). Exchange rate differences emerging from such valuation are allocated to the income statement in line item 17-bis “Exchange-rate gains and losses”.

### Equity investments and securities not held as fixed assets

Equity investments not held as fixed assets are recorded at cost and written down for any impairment.

Securities not held as fixed assets are recorded at cost or market value.

### Cash and cash equivalents

Cash and cash equivalents (bank and postal accounts, cash and cash on hand) are recorded at their actual balances.

### Cash and shareholders' equity entries

These items are measured at nominal value.

### Reserves for risks

Provisions for risks and charges are allocated in the financial statements to cover losses or liabilities of a known type, that will certainly or probably arise but which, as of the end of the year, could not be determined, either in terms of amount or date of accrual. Allocations reflect the best estimate possible on the basis of available information.

### Employee severance pay

This item is allocated in accordance with laws and labour contracts currently in effect and reflects the accrued amount owed to all employees on the reporting date net of the amount paid to a supplemental pension or to the "Fund for the Payment of Severance Pay to Employees in the Private Sector as referenced in Art. 2120 of the Italian Civil Code", the so-called INPS Treasury Fund.

### Payables

In general, payables are recorded in the financial statements according to the amortised cost criterion taking into account the time factor.

However, OIC 19, paragraph 42 specifies that this criterion need not be applied if the impact is insignificant, assuming that short-term payables (i.e. those due within 12 months) are insignificant.

Furthermore, Art. 12, paragraph 2, of Legislative Decree 139/2015 specifies that the new amortised cost measurement criterion need not be applied to components of items related to transactions that have not fully exhausted their impact on the financial statements.

Thus, in these financial statements, the amortised cost criterion is only applied to payables due after the following year that arose after 1 January 2016, and in any case, only if the impact of applying this criterion is considered significant.

Payables not measured using the amortised cost method (since the impact of applying this criterion is not considered significant) are recorded at nominal value.

In any case, this item includes liabilities that are certain and specific in terms of their amount and date incurred.

Payables expressed in a foreign currency are originally converted into euros at the reported exchange rate on the date of the related transactions. Exchange differences generated from the payment of payables in a foreign currency are recorded in the income statement under item 17-bis "Exchange-rate gains and losses".

Payables expressed in foreign currency in the financial statements are measured on the basis of the relative exchange rates at the end of the year (31/12/2018). Exchange rate differences emerging from such valuation are allocated to the income statement in line item 17-bis "Exchange-rate gains and losses".

### Accruals and deferrals

These items were determined on the basis of the accrual principle applied to the related costs and revenues.

### Revenues

Revenues from sales are recognised on an accrual basis, that is when both the following conditions are met:

- the goods have been manufactured;
- title to the goods has been passed, which is when risks and benefits incidental to their ownership has been transferred.

Thus, save as otherwise agreed regarding the transfer of risks and benefits:

- a) in the case of movable assets, risks and benefits are transferred when the goods are

shipped or delivered;

- b) for goods that require notarisation (for instance properties), risks and benefits are transferred when the sale agreement is executed;

- c) in the case of instalment sales with retention of title, the revenue is recognised upon delivery, regardless of the transfer of ownership, since Art. 1523 of the Italian Civil Code provides that the buyer acquires ownership of the thing with the payment of the last instalment of the price, but assumes the risks from the time of delivery.

Revenues from services are recognised on an accrual basis, that is when the service has been rendered.

Financial income is recognised on an accrual basis, for the amount accrued in the period of reference.

### Costs and expenses

Costs related to the purchase of goods are recognised on an accrual basis, that is when both the following conditions are met:

- the goods have been manufactured
- title to the goods has been passed, which is when risks and benefits incidental to their ownership has been transferred.

Thus, save as otherwise agreed regarding the transfer of risks and benefits:

- a) in the case of the purchase of movable assets, risks and benefits are transferred when the goods are shipped or delivered;

- b) for goods that require notarisation (for instance properties), risks and benefits are transferred when the sale agreement is executed;

- c) in the case of instalment sales with retention of title, the cost is recognised upon delivery, regardless of the transfer of ownership, since Art. 1523 of the Italian Civil Code provides that the buyer acquires ownership of the thing with the payment of the last instalment of the price, but assumes the risks from the time of delivery.

Service costs are recognised on an accrual basis, that is when the service has been rendered.

Financial expenses are recognised on an accrual basis, for the amount accrued in the period of reference.

### Dividends

Dividends are recorded in the year in which the right to receive them accrues, which typically coincides with the year they are approved by the competent body.

### Income Tax

Income taxes were determined on the basis of the cost for the year.

Deferred taxes are determined on the basis of temporary differences between the amount assigned to assets and liabilities by statute and by tax regulations.

Prepaid taxes were recorded in financial statement assets since there is a reasonable certainty of generating income in the future capable of absorbing these temporary differences.

## NOTES TO THE FINANCIAL STATEMENTS – ASSETS

### INTANGIBLE FIXED ASSETS

#### CHANGES IN INTANGIBLE FIXED ASSETS

	Start-up and expansion costs	Industrial patent rights and intellectual property rights	Goodwill	Other intangible fixed assets	Total intangible fixed assets
<b>Amount at beginning of the year</b>					
Cost	42,113	46,864	50,000	7,925	146,902
Amortisation/ depreciation (Provision for amortisation/ depreciation)	18,249	46,477	50,000	7,925	122,651
<b>Book value</b>	<b>23,864</b>	<b>387</b>	<b>-</b>	<b>-</b>	<b>24,251</b>
<b>Changes during the year</b>					
Increases for acquisitions	-	100,360	-	-	100,360
Period amortisation/ depreciation	8,423	33,840	-	-	42,263
<b>Total changes</b>	<b>(8,423)</b>	<b>66,520</b>	<b>-</b>	<b>-</b>	<b>58,097</b>
<b>Amount at end of the year</b>					
Cost	42,113	147,224	50,000	7,925	247,262
Amortisation/ depreciation (Provision for amortisation/ depreciation)	26,672	80,317	50,000	7,925	164,914
<b>Book value</b>	<b>15,441</b>	<b>66,907</b>	<b>-</b>	<b>-</b>	<b>82,348</b>

#### Start-up and expansion costs and development costs

The start-up and expansion costs recognised pertain to company organisation costs, share capital increase costs, and costs of the contribution executed at the end of October 2015.

Start-up and expansion costs	Gross amount	Accumulated amortisation	Net amount	Reason for recording	Amortisation criterion
Costs of establishment	42,113	26,672	15,441		
<b>Total</b>	<b>42,113</b>	<b>26,672</b>	<b>15,441</b>		

There are no research and development costs or capitalised advertising costs.

## TANGIBLE FIXED ASSETS

### CHANGES IN TANGIBLE FIXED ASSETS

	Land and buildings	Plants and machinery	Industrial and commercial equipment	Other tangible fixed assets	Assets under construction and payments on account	Total tangible fixed assets
<b>Amount at beginning of the year</b>						
Cost	21,124,023	44,634,277	1,656,142	215,190	2,079,032	69,708,664
Amortisation/depreciation (Provision for amortisation/depreciation)	1,142,804	9,003,592	393,264	104,226	-	10,643,886
Write-downs	2,875,287	-	-	-	921,354	3,796,641
<b>Book value</b>	<b>17,105,932</b>	<b>35,630,685</b>	<b>1,262,878</b>	<b>110,964</b>	<b>1,157,678</b>	<b>55,268,137</b>
<b>Changes during the year</b>						
Increases for acquisitions	263,665	521,595	93,583	128,184	29,837	1,036,864
Reclassification (of book value)	64,391	91,933	-	-	(156,324)	-
Decreases for sales and cancellations (of book value)	-	-	-	-	51,000	51,000
Period amortisation/depreciation	541,116	4,295,814	211,812	49,033	-	5,097,775
<b>Total changes</b>	<b>(213,060)</b>	<b>(3,682,286)</b>	<b>(118,229)</b>	<b>79,151</b>	<b>(177,487)</b>	<b>(4,111,911)</b>
<b>Amount at end of the year</b>						
Cost	21,452,079	45,247,805	1,749,725	343,374	1,901,545	70,694,528
Amortisation/depreciation (Provision for amortisation/depreciation)	1,683,920	13,299,406	605,076	153,259	-	15,741,661
Write-downs	2,875,287	-	-	-	921,354	3,796,641
<b>Book value</b>	<b>16,892,872</b>	<b>31,948,399</b>	<b>1,144,649</b>	<b>190,115</b>	<b>980,191</b>	<b>51,156,226</b>

### Value reductions to property, plant and equipment

No fixed assets were written down during the year.

## LEASES

The company has no financial leasing operations in place.

## FINANCIAL FIXED ASSETS

### CHANGES IN EQUITY INVESTMENTS, OTHER SECURITIES AND FINANCIAL DERIVATIVES REPORTED AS LONG-TERM ASSETS

	Equity investments in other companies	Total equity investments
<b>Amount at beginning of the year</b>		
Cost	5	5
<b>Book value</b>	<b>5</b>	<b>5</b>
<b>Amount at end of the year</b>		
Cost	5	5
<b>Book value</b>	<b>5</b>	<b>5</b>

### CHANGES AND MATURITY OF RECEIVABLES HELD AS FIXED ASSETS

	Amount at beginning of the year	Amount at end of the year	Portion due after the year	Of which with residual duration exceeding 5 years
Receivables from others held as fixed assets	4,500	4,500	4,500	4,500
<b>Total long-term receivables</b>	<b>4,500</b>	<b>4,500</b>	<b>4,500</b>	<b>4,500</b>

## BREAKDOWN OF RECEIVABLES HELD AS FIXED ASSETS BY GEOGRAPHICAL AREA

Geographic area	Receivables from others held as fixed assets	Total long-term receivables
ITALY	4,500	4,500
<b>Total</b>	<b>4,500</b>	<b>4,500</b>

## VALUE OF FINANCIAL FIXED ASSETS

	Book value	Fair value
Equity investments in other companies	5	5
<b>Receivables from others</b>	<b>4,500</b>	<b>4,500</b>

## BREAKDOWN OF THE VALUE OF EQUITY INVESTMENTS HELD AS FIXED ASSETS IN OTHER COMPANIES

Description	Book value	Fair value
CONAI CONSORTIUM	5	5
<b>Total</b>	<b>5</b>	<b>5</b>

## BREAKDOWN OF AMOUNT OF RECEIVABLES FROM OTHERS HELD AS FIXED ASSETS

Description	Book value	Fair value
SUNDRY SECURITY DEPOSITS	4,500	4,500
<b>Total</b>	<b>4,500</b>	<b>4,500</b>

## CURRENT ASSETS

### INVENTORIES

Current Assets	Amount at beginning of the year	Changes during the year	Amount at end of the year
<b>I - Inventories</b>			
Raw and ancillary materials and consumables	45,518,739	(15,458,857)	30,059,882
Work in process and semi-finished goods	6,458,871	(914,740)	5,544,131
Finished products and goods	13,658,874	526,615	14,185,489
<b>Total inventories</b>	<b>65,636,484</b>	<b>(15,846,982)</b>	<b>49,789,502</b>

## RECEIVABLES RECORDED IN CURRENT ASSETS

### CHANGES AND MATURITY OF RECEIVABLES RECORDED IN CURRENT ASSETS

	Amount at beginning of the year	Changes during the year	Amount at end of the year	Portion due within the year
<b>II - Receivables</b>				
Receivables from customers recorded in current assets	3,362,851	1,543,979	4,906,830	4,906,830
Receivables from parent companies recorded in current assets	0	1,697,539	1,697,539	1,697,539
Receivables from companies subject to control of parent companies recorded in current assets	51,071,576	(1,226,562)	49,845,014	49,845,014
Tax credits recorded in current assets	4,017,812	(3,516,895)	500,917	500,917
Deferred tax assets recorded in current assets	775,715	33,452	809,167	
Receivables from others recorded in current assets	936,851	75,836	1,012,687	1,012,687
<b>Total receivables recorded in current assets</b>	<b>60,164,805</b>	<b>(1,392,651)</b>	<b>58,772,154</b>	<b>57,962,987</b>

The movements in the provision for doubtful debt, which is included in the item "Receivables from customers", can be summarised as follows:

	Amount at beginning of the year	Utilisation	Provisions	Amount at end of the year
Provision for doubtful debt from customers	1,747,540	17,983	151,851	1,881,408
<b>Total provision for doubtful debt</b>	<b>1,747,540</b>	<b>17,983</b>	<b>151,851</b>	<b>1,881,408</b>

In addition to what has already been shown in the balance sheet, it should be noted that receivables from the parent company and associated companies relate to the balance deriving from commercial transactions between the company Marcegaglia Plates spa and the various counterparties, whose settlement has not yet taken place, as well as the balance of intercompany current accounts specifically instituted, to which the settlements of the specified and/or financial transactions are transferred. Prepaid tax assets represent taxes relating to costs whose tax deductibility is deferred to subsequent years.

The breakdown and changes in receivables from others are analysed in the following tables:

Detail of receivables from others	Amount at beginning of the year	Changes during the year	Amount at end of the year	Portion due within the year	Portion due after the year	of which, portion with remaining term over 5 years
Receivables from factoring companies	896,919	-179,329	717,590	717,590	-	-
Advances to suppliers	18,319	173,099	191,418	191,418	-	-
Social security receivables	1,805	271	2,076	2,076	-	-
receivables due from staff	484	303	787	787	-	-
Receivables from credit institutions for customer collections	5,158	49	5,207	5,207	-	-
Other receivables	14,166	81,443	95,609	95,609	-	-
<b>Total receivables from others</b>	<b>936,851</b>	<b>75,836</b>	<b>1,012,687</b>	<b>1,012,687</b>	<b>-</b>	<b>-</b>

The breakdown and changes in receivables from subsidiaries of parent companies are analysed in the following tables:

Detail of receivables from companies subject to control of parent companies	Amount at beginning of the year	Changes during the year	Amount at end of the year	Portion due within the year	Portion due after the year	of which, portion with remaining term over 5 years
E.T.A. Srl	50,887,248	-1,245,285	49,641,963	49,641,963	-	-
Marcegaglia Carbon Steel Spa	41,474	-12,829	28,645	28,645	-	-
Marcegaglia Specialties Spa	142,854	31,552	174,406	174,406	-	-
<b>Total receivables from companies subject to control of parent companies</b>	<b>51,071,576</b>	<b>-1,226,562</b>	<b>49,845,014</b>	<b>49,845,014</b>	<b>-</b>	<b>-</b>

#### BREAKDOWN OF THE RECEIVABLES RECORDED IN THE CURRENT ASSETS BY GEOGRAPHICAL AREA

	Italy	EU	Other Europe	Total
Receivables from customers recorded in current assets	3,971,741	-	935,089	<b>4,906,830</b>
Receivables due from holding companies recorded in current assets	1,697,539	-	-	1,697,539
Receivables from companies subject to control of parent companies recorded in current assets	49,845,014	-	-	<b>49,845,014</b>
Tax credits recorded in current assets	500,917	-	-	<b>500,917</b>
Deferred tax assets recorded in current assets	809,167	-	-	<b>809,167</b>
Receivables from others recorded in current assets	956,187	56,500	-	<b>1,012,687</b>
<b>Total receivables recorded in current assets</b>	<b>57,780,565</b>	<b>56,500</b>	<b>935,089</b>	<b>58,772,154</b>

#### CASH AND CASH EQUIVALENTS

	Amount at beginning of the year	Changes during the year	Amount at end of the year
Bank and postal deposits	45,002	550,738	595,740
Cash and securities	1,354	2,578	3,932
<b>Total cash and cash equivalents</b>	<b>46,356</b>	<b>553,316</b>	<b>599,672</b>

#### ACCRUED INCOME AND PREPAID EXPENSES

	Amount at beginning of the year	Changes during the year	Amount at end of the year
Prepaid expenses	5,374	(2,868)	2,506
<b>Total accrued income and prepaid expenses</b>	<b>5,374</b>	<b>(2,868)</b>	<b>2,506</b>

	Amount at beginning of the year	Changes during the year	Amount at end of the year
Miscellaneous policies	4,257	-2,868	1,389
Motor vehicle tax	485	-	485
Plant and equipment rental	632	-	632
<b>Total prepaid expenses</b>	<b>5,374</b>	<b>-2,868</b>	<b>2,506</b>

## NOTES TO THE FINANCIAL STATEMENTS – LIABILITIES AND EQUITY

### SHAREHOLDERS' EQUITY

#### CHANGES IN SHAREHOLDERS' EQUITY ITEMS

	Amount at beginning of the year	Use of previous year result	Other changes	Profit (loss) for the year	Amount at end of the year
		Other uses	Increases		
Share capital	35,000,000	-	-		35,000,000
Share premium reserve	1,027,637	-	-		1,027,637
Legal reserve	309,713	573,981	-		883,694
Other reserves					
Extraordinary reserve	5,086,344	8,508,925	-		13,595,269
Reserve for unrealized exchange gains	0	2,396,695	-		2,396,695
Sundry other reserves	(1)	-	1		0
Total other reserves	5,086,343	10,905,620	1		15,991,964
Profit (loss) for the year	11,479,600	(11,479,600)	-	4,527,857	4,527,857
<b>Total shareholders' equity</b>	<b>52,903,293</b>	<b>1</b>	<b>1</b>	<b>4,527,857</b>	<b>57,431,152</b>

#### AVAILABILITY AND USE OF SHAREHOLDERS' EQUITY

	Amount	Origin/nature	Possible use	Available portion
Share capital	35,000,000	contribution of members		-
Share premium reserve	1,027,637		A-B-C	1,027,637
Legal reserve	883,694	period profit	B	883,694
Other reserves				
Extraordinary reserve	13,595,269	period profit	A B C	13,595,269
Reserve for unrealized exchange gains	2,396,695	period profit	B	-
Sundry other reserves	0			-
Total other reserves	15,991,964			13,595,269
<b>Total</b>	<b>52,903,293</b>			<b>15,506,600</b>
Non-distributable portion				1,027,637
Residual distributable portion				14,478,963

Legend: A capital increase - B loss cover - C distribution to members - D other statutory restrictions - E other

### PROVISIONS FOR RISKS AND CHARGES

	Provision for post-retirement benefits and similar obligations	Tax provision, including deferred taxes	Total reserves for risks and charges
Amount at beginning of the year	299,126	11,076,675	11,375,801
Changes during the year			
Provisions for the year	35,385	43,747	79,132
Usage for the year	12,452	1,392,301	1,404,753
Total changes	22,933	(1,348,554)	(1,325,621)
<b>Amount at end of the year</b>	<b>322,059</b>	<b>9,728,121</b>	<b>10,050,180</b>

# BREAKDOWN OF PROVISION FOR POST-RETIREMENT BENEFITS AND SIMILAR OBLIGATIONS

Description	Amount at beginning of the year	Usage for the year	Provisions f or the year	Other changes	Amount at end of the year
Agents' severance indemnity provision	289,071	5,563	27,476	-	310,984
Indemnity fund for termination of agency agreement	10,055	6,889	7,909	-	11,075
<b>Total</b>	<b>299,126</b>	<b>12,452</b>	<b>35,385</b>	<b>-</b>	<b>322,059</b>

# BREAKDOWN OF PROVISION FOR DEFERRED TAX

Description	Amount at beginning of the year	Usage for the year	Provisions f or the year	Other changes	Amount at end of the year
Provision for deferred taxes	11.076.675	1.392.301	43.747	-	9.728.121
<b>Total</b>	<b>11.076.675</b>	<b>1.392.301</b>	<b>43.747</b>	<b>-</b>	<b>9.728.121</b>

The provision for deferred taxes derives mainly from the contribution made in 2015 and relates to deferred taxation connected with the higher values of the tangible fixed assets transferred compared to the values fiscally significant for the transferor. As is well known, in fact, the contribution from the fiscal point of view is not a realisable operation, therefore any higher market values compared to the book values of the transferor attributed to the various assets do not have fiscal relevance.

The determination of these market values along with the related deferred taxes was supported by the valuation prepared by the expert as referenced in Art. 2465, paragraph 1, of the Italian Civil Code.

These deferred taxes shall be reabsorbed through the process of depreciation of these higher values on the basis of the useful lives of the various assets indicated by the expert in the valuation. During FY 2018, the utilisation of the deferred tax provision in connection with the higher depreciation amount in the financial statement than depreciation for tax purposes, was approximately Euro 1,065,049.

The remainder of utilisations and all provisions is in relation to deferred taxes related to the impact of foreign exchange translation gains in the income statement.

# EMPLOYEE SEVERANCE PAY

	Employee severance pay
Amount at beginning of the year	340,676
Changes during the year	
Provisions for the year	299,436
Usage for the year	294,463
<b>Total changes</b>	<b>4,973</b>
<b>Amount at end of the year</b>	<b>345,649</b>

Below is a breakdown of the item uses of the provision for severance indemnity:

Uses for disbursements and advances made during the year and for payments made for substitute tax against the revaluation accrued during the year	Payments made to the supplementary pension scheme	Payments made to the INPS Treasury Fund net of recoveries made during the year	Recovery of INPS contribution pursuant to Law 297/82	Total uses
1,371	146,170	124,633	22,289	294,463

The portions of employee severance indemnities allocated to supplementary pension schemes or to the "Provision for the payment of employee severance indemnities to employees in the private sector pursuant to Article 2120 of the Italian Civil Code", the so-called INPS treasury fund, are included under item "D) 13) Payables to social security institutions". The provision for employee severance indemnities is therefore shown in the financial statements net of the above amounts.

## PAYABLES

### CHANGES AND DUE DATES OF PAYABLES

	Amount at beginning of the year	Changes during the year	Amount at end of the year	Portion due within the year
Payables to banks	924,202	(150,138)	774,064	774,064
Trade payables	88,940,285	(31,148,090)	57,792,195	57,792,195
Payables to parent companies	15,975,828	4,486,435	20,462,263	20,462,263
Payables to companies subject to control of parent companies	1,266,866	(2,557)	1,264,309	1,264,309
Tax payables	912,525	(194,092)	718,433	718,433
Payables to welfare and social security organisations	440,907	9,217	450,124	450,124
Other payables	8,069,488	3,049,056	11,118,544	11,118,544
<b>Total payables</b>	<b>116,530,101</b>	<b>(23,950,169)</b>	<b>92,579,932</b>	<b>92,579,932</b>

The breakdown of changes in payables is shown in the following tables.

Detail of “Other payables”	Amount at beginning of the year	Changes during the year	Amount at end of the year	Portion due within the year	Portion due after the year	of which, portion with remaining term over 5 years
Payables to factoring companies	7,391,263	2,913,426	10,304,689	10,304,689	-	-
Payables to staff	659,358	95,830	755,188	755,188	-	-
Security deposits	-	-	-	-	-	-
Sundry payables	18,867	39,800	58,667	58,667	-	-
<b>Total other payables</b>	<b>8,069,488</b>	<b>3,049,056</b>	<b>11,118,544</b>	<b>11,118,544</b>	<b>-</b>	<b>-</b>

Detail of “Payables to companies subject to control of parent companies”	Amount at beginning of the year	Changes during the year	Amount at end of the year	Portion due within the year	Portion due after the year	of which, portion with remaining term over 5 years
Marfin Srl	98,206	-60,279	37,927	37,927	-	-
Made Hse Srl	33,291	-5,891	27,400	27,400	-	-
Marcegaglia Carbon Steel Spa	6,448	2,244	8,692	8,692	-	-
Marcegaglia Specialties Spa	1,000,806	-87,108	913,698	913,698	-	-
Marcegaglia Romania Srl	694	962	1,656	1,656	-	-
Abaco Team Spa	11,820	180	12,000	12,000	-	-
Marcegaglia Poland Sp.z.o.o.	28,398	384	28,782	28,782	-	-
Marcegaglia Buildtech srl	17,961	-17,961	-	-	-	-
Marcegaglia Deutschland GmbH	60,000	110,000	170,000	170,000	-	-
Marcegaglia UK	-	57,548	57,548	57,548	-	-
Marcegaglia Iberica sa	9,242	-2,636	6,606	6,606	-	-
<b>Total payables to companies subject to control of parent companies</b>	<b>1,266,866</b>	<b>-2,557</b>	<b>1,264,309</b>	<b>1,264,309</b>	<b>-</b>	<b>-</b>

## BREAKDOWN OF PAYABLES BY GEOGRAPHICAL AREA

	Italy	EU	Other Europe	Africa Middle East	Asia Oceania	Total
Payables to banks	774,064	-	-	-	-	774,064
Trade payables	12,073,300	658,868	44,773,399	4,520	282,108	57,792,195
Payables to parent companies	20,462,263	-	-	-	-	20,462,263
Payables to companies subject to control of parent companies	1,003,898	173,895	86,516	-	-	1,264,309
Tax payables	718,433	-	-	-	-	718,433
Payables to welfare and social security organisations	450,124	-	-	-	-	450,124
Other payables	11,118,544	-	-	-	-	11,118,544
<b>Payables</b>	<b>46,600,626</b>	<b>832,763</b>	<b>44,859,915</b>	<b>4,520</b>	<b>282,108</b>	<b>92,579,932</b>

## DEBT SECURED BY COMPANY ASSETS

	Debt secured by collateral		Unsecured debt	Total
	Debt secured by liens	Total debt secured by collateral		
Payables to banks	498,850	498,850	275,214	774,064
Trade payables	-	-	57,792,195	57,792,195
Payables to parent companies	-	-	20,462,263	20,462,263
Payables to companies subject to control of parent companies	-	-	1,264,309	1,264,309
Tax payables	-	-	718,433	718,433
Payables to welfare and social security organisations	-	-	450,124	450,124
Other payables	-	-	11,118,544	11,118,544
<b>Total payables</b>	<b>498,850</b>	<b>498,850</b>	<b>92,081,082</b>	<b>92,579,932</b>

It should be noted that in relation to the securitisation of trade receivables without notification, the company Marcegaglia Plates spa, has created a pledge in favour of the bank Unicredit Banca on the amounts that are in stock on the current account opened by the said bank whose stock at 31/12/18 was equal to Euro 482,353.00 and a pledge in favour of the bank Intesa San Paolo on the amounts that are in stock on the current account opened by the said bank whose stock at 31/12/18 was equal to Euro 16,497.00.

## ACCRUED EXPENSES AND DEFERRED INCOME

	Amount at beginning of the year	Changes during the year	Amount at end of the year
Accrued expenses	41	(41)	-
<b>total</b>	<b>41</b>	<b>(41)</b>	<b>-</b>

The composition of accrued expenses and deferred income is shown in the following tables:

Accrued expenses	Amount at beginning of the year	Changes during the year	Amount at end of the year
Interest on IRAP payment	41	(41)	-
<b>Total accrued expenses</b>	<b>41</b>	<b>(41)</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS – INCOME STATEMENT

### VALUE OF PRODUCTION

BREAKDOWN OF INCOME FROM SALES AND SERVICES BY BUSINESS CATEGORIES

	Current value
heavy plates	222,740,722
other steel products	9,849,432
<b>Total</b>	<b>232,590,154</b>

BREAKDOWN OF INCOME FROM SALES AND SERVICES BY GEOGRAPHICAL AREA

	Current value
Italy	88,877,059
EU	136,546,967
Other Europe	6,958,703
Africa	207,425
<b>Total</b>	<b>232,590,154</b>

### FINANCIAL INCOME AND CHARGES

#### Breakdown of interest and other financial charges by type of payable

	Interest and other financial charges
Payables to banks	2,625
Other	1,990,742
<b>Total</b>	<b>1,993,367</b>

The following is a further detail of financial charges for 2018:

Detail of item "Other"	Other
Interest due on assignment of receivables for securitisation and factoring transactions	1.375.218
Financial charges on derivatives	-
Other interest and financial charges	615.524
<b>Total other financial charges</b>	<b>1.990.742</b>

During 2018, no financial charges were capitalised.

### AMOUNT AND NATURE OF INDIVIDUAL ITEMS OF REVENUE/COST OF EXCEPTIONAL AMOUNT OR INCIDENCE

None exist.

### CURRENT, DEFERRED AND PREPAID INCOME TAXES FOR THE YEAR

The deferred taxes recognised in the financial statements as at 31/12/2018 are summarised in the following tables.

Prepaid taxes were recorded for all temporary differences found between taxable profit and profit before taxes under the assumption that there would be sufficient taxable profit to "absorb" the temporary differences specified below in the time frame under review.

For each of the components indicated below, deferred tax assets and liabilities have been allocated with an IRES rate of 24% and an IRAP rate of 3.9%.

## RECOGNITION OF DEFERRED AND PREPAID TAX AND THE CONSEQUENT EFFECTS

	IRES	IRAP
<b>A) Temporary differences</b>		
Total deductible temporary differences	2,930,134	2,716,295
Total taxable temporary differences	35,085,811	33,526,289
Net temporary differences	32,155,677	30,809,994
<b>B) Tax effects</b>		
Opening provision for deferred (advanced) tax	8,942,329	1,358,634
Period deferred (advanced) tax	(1,224,966)	(157,045)
Closing provision for deferred (advanced) tax	7,717,363	1,201,589

## DETAILS OF DEDUCTIBLE TEMPORARY DIFFERENCES

Description	Amount at end of last year	Period change	Closing amount	IRES rate	IRES tax effect	IRAP rate	IRAP tax effect
Exchange-rate losses from valuation	4,007	196,935	200,942	24.00%	48,226	-	-
Goodwill	3,860	(2,780)	1,080	24.00%	259	3.90%	42
Write-down of inventories	2,761,940	(46,725)	2,715,215	24.00%	651,652	3.90%	105,893
Membership fees	12,897	-	12,897	24.00%	3,095	-	-

## DETAILS OF TAXABLE TEMPORARY DIFFERENCES

Description	Amount at end of last year	Period change	Closing amount	IRES rate	IRES tax effect	IRAP rate	IRAP tax effect
Exchange gains	1,363,391	(1,181,113)	182,278	24.00%	43,747	-	-
Write-back of assets from contribution (IRES)	38,679,006	(3,775,473)	34,903,533	24.00%	8,376,848	-	-
Write-back of assets from contribution (IRAP)	37,602,541	(4,076,252)	33,526,289	-	-	3.90%	1,307,525

In compliance with the provisions of OIC Document no. 25, two tables are provided which show the reconciliation of the expected tax burden, respectively for IRES and IRAP purposes, with the actual tax burden.

## ESTIMATED RECOVERY OF DEFERRED AND PREPAID TAXES

Description	Year 2019	Year 2020	Year 2021	Year 2022	Beyond 2022 year or unforeseeable	Total
<b>A) Taxable temporary differences</b>						
<i>Ires</i>						
exchange-rate gains from valuation	182,278					<b>182,278</b>
write-back of assets of the depreciation charge	3,842,686	4,019,075	4,156,715	4,340,525	18,544,532	<b>34,903,533</b>
	<b>4,024,964</b>	<b>4,019,075</b>	<b>4,156,715</b>	<b>4,340,525</b>	<b>18,544,532</b>	<b>35,085,811</b>
<i>Irap</i>						
write-back of assets of the depreciation charge	4,075,258	4,070,036	4,065,776	4,050,533	17,264,686	<b>33,526,289</b>
	<b>4,075,258</b>	<b>4,070,036</b>	<b>4,065,776</b>	<b>4,050,533</b>	<b>17,264,686</b>	<b>33,526,289</b>
<b>Total deferred tax</b>	<b>1,124,927</b>	<b>1,123,309</b>	<b>1,156,177</b>	<b>1,199,697</b>	<b>5,124,011</b>	<b>9,728,121</b>
<b>B) Deductible temporary differences</b>						
<i>Ires</i>						
loss on exchange rate valuation	200,942					<b>200,942</b>
goodwill of the San Giorgio di Nogaro BU	1,080					<b>1,080</b>
write-down of inventories					2,715,215	<b>2,715,215</b>
Mauro Brogi's compensation resolution 2015 paid 2017						-
membership fees	12,897					<b>12,897</b>
Tax losses						-
	<b>214,919</b>	-	-	-	<b>2,715,215</b>	<b>2,930,134</b>
<i>Irap</i>						
goodwill of the San Giorgio di Nogaro BU	1,080					<b>3,860</b>
write-down of inventories					2,715,215	<b>2,715,215</b>
	<b>1,080</b>	-	-	-	<b>2,715,215</b>	<b>2,716,295</b>
<b>Total prepaid tax</b>	<b>51,622</b>	-	-	-	<b>757,545</b>	<b>809,167</b>

RECONCILIATION BETWEEN THE EFFECTIVE TAX CHARGE  
AND THE THEORETICAL TAX CHARGE (IRES)

2018		
<b>Statutory Profit (+) / Loss (-) for the year before tax</b>	<b>6,293,823</b>	
Theoretical tax 24% on statutory profit before tax		1,510,518
<b>Effect of changes in increase (+) / decrease (-) compared to the ordinary rate</b>		<b>IRES effect</b>
Increase temporary differences	4,008	962
Decrease in temporary differences	-182,278	-43,747
Resorption of temporary decreases	-263,344	-63,203
Resorption of temporary increases	5,151,761	1,236,423
Permanent increases	207,076	49,698
Permanent decreases	-365,897	-87,815
<b>Total increases and decreases</b>	<b>4,551,326</b>	<b>1,092,318</b>
previous years' tax losses that can be carried forward		0
<b>Period fiscal profit</b>	<b>10,845,149</b>	<b>2,602,836</b>

INFORMATION ON THE NATIONAL  
CONSOLIDATED TAX RETURN

The option to adopt the consolidated tax regime on a national basis was communicated in September 2016 by the company Marcegaglia Holding S.p.A. using the 2016 Single Form and is valid for the three-year period 2016/2017/2018.

For the company Marcegaglia Plates spa, the participation in the tax consolidation resulted in the contribution to the Group's total income of a tax profit of Euro 10,845,149, corresponding to a theoretical IRES (corporation tax) of Euro 2,602,836, recorded in item 20) of the income statement.

RECONCILIATION BETWEEN THE EFFECTIVE TAX CHARGE AND THE THEORETICAL TAX CHARGE (IRAP)

2018		
<b>Difference between value and cost of production</b>	<b>8,400,598</b>	
<b>Costs not relevant for IRAP</b>	<b>6,691,990</b>	
<b>Theoretical IRAP taxable income</b>	<b>15,092,588</b>	
Theoretical tax 3.9% on theoretical IRAP taxable income		588,611
<b>Effect of changes in increase (+) / decrease (-) compared to the ordinary rate</b>		<b>IRAP effect</b>
Increase temporary differences	-	-
Resorption of temporary increases	4,076,252	158,974
Resorption of temporary decreases	-49,505	-1,931
Permanent increases	1,051,997	41,028
Permanent decreases	-	-
<b>Gross production value IRAP</b>	<b>20,171,332</b>	<b>786,682</b>
<b>IRAP deductions</b>	<b>-6,193,492</b>	<b>-241,546</b>
<b>IRAP taxable income</b>	<b>13,977,840</b>	<b>545,136</b>

## NOTES TO THE FINANCIAL STATEMENTS – FURTHER INFORMATION

### EMPLOYMENT FIGURES

	Average number
Executives	1
Middle managers	1
Employees	29
Workers	56
<b>Total employees</b>	<b>87</b>

The following table also shows the detailed data on the number of employees as at 31 December 2018:

	Spot number at year end
Executives	1
Middle managers	1
Employees	30
Workers	55
Other employees	
<b>Total employees</b>	<b>87</b>

### FEES, ADVANCES AND RECEIVABLES GRANTED TO DIRECTORS AND STATUTORY AUDITORS AND COMMITMENTS UNDERTAKEN ON THEIR BEHALF

In the 2018 financial year, Euro 43,680.00 was paid as remuneration for members of the Board of Statutory Auditors and Euro 900,000 as remuneration for members of the administrative body.

	Directors	Auditors
<b>Fees</b>	<b>900,000</b>	<b>43,680</b>

### STATUTORY AUDITOR OR INDEPENDENT AUDITORS' FEES

The appointment of the statutory audit of the annual financial statements pursuant to and for the purposes of art. 14 of Legislative Decree no. 39 of 27/01/2010 was renewed, for a period of 3 financial years and therefore until the approval of the financial statements for the year 2020, to the auditing company MAZARS ITALIA Spa by the Ordinary Shareholders' Meeting of 25/06/2018.

The remuneration of the independent auditors is determined as follows:

- years 2018 - 2020: total of Euro

35,540.00 of which Euro 27,540.00 relating to the audit of the annual financial statements and Euro 8,000.00 relating to the audit of the half-yearly financial statements.

	Value
<b>Statutory audit of annual accounts</b>	<b>31,276</b>
<b>Other auditing services performed</b>	<b>8,960</b>
<b>Tax consulting services</b>	<b>1,000</b>
<b>Total statutory auditor or independent auditors' fees</b>	<b>41,236</b>

### CATEGORIES OF SHARES ISSUED BY THE COMPANY

The company was incorporated as a limited liability company on 29/05/2015 with a share capital of Euro 10,000 divided into shares pursuant to Art. 2468 of the Italian Civil Code.

On 28/10/2015, a capital increase of Euro 34,990,000 was approved, bringing the share capital to Euro 35,000,000, still divided into shares pursuant to Art. 2468 of the Italian Civil Code.

The Extraordinary Shareholders' Meeting of 27/11/2015 resolved to transform the company from a limited liability company to a joint-stock company, through the issue of 35,000,000 ordinary shares with a value of Euro 1.00 each.

Description	Initial amount, number	Opening consistency, face value	Final amount, number	Final amount, face value
Ordinary shares	35,000,000	35,000,000	35,000,000	35,000,000
<b>Total</b>	<b>35,000,000</b>	<b>35,000,000</b>	<b>35,000,000</b>	<b>35,000,000</b>

### COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES NOT REPORTED IN THE BALANCE SHEET

	Amount
<b>Guarantees</b>	<b>352,586,969</b>

Detail:

	31/12/2018	31/12/2017
<b>RISKS TAKEN BY THE COMPANY</b>		
<b>Sureties</b>		
- to parent companies	352,122,769	426,923,819
- to other companies	464,200	464,200
<b>Total sureties</b>	<b>352,586,969</b>	<b>427,388,019</b>
<b>Total guarantees</b>	<b>352,586,969</b>	<b>427,388,019</b>
<b>Total</b>	<b>352,586,969</b>	<b>427,388,019</b>

### INFORMATION ON RELATED PARTY TRANSACTIONS

The activity of Marcegaglia Plates S.p.A. is mainly aimed at developing relationships with parties not bound by direct or indirect ownership constraints, without however neglecting the appropriate synergies that derive from commercial and financial relationships between the companies of a group characterized by an effective and efficient horizontal and vertical integration.

The Report on Operations highlights the values contained in the financial statements relating to activities with group entities, specifying that these are transactions carried out at market conditions, similar to those that would have been agreed between independent parties.

## INFORMATION ON SIGNIFICANT EVENTS AFTER YEAR-END

After the end of the year 2018 with purchase volumes and prices in decline (for all products, and in particular stainless ones), 2019 started with great uncertainty about the strength of demand and the possible further decline in prices.

However, due to the low level of stocks, apparent demand has essentially "held" in the first quarter, despite the fact that final consumption of steel remains "fragile".

On 31 January 2019, the European Commission published the definitive safeguard measures, deciding to apply maximum quotas per product and country of origin to imports of almost all steel products.

For hot rolled coils, as requested and argued by Marcegaglia Steel and other first transformation operators, a "global" quota (not for each country) has been defined at levels in line with imports in recent years.

The overall effect of these measures should be to stabilise traditional trade flows and eliminate import "peaks" in particular in 2017 and 2018 such as galvanised coils from China or welded tubes from Turkey with a benefit for processors and Marcegaglia.

The following tables show the main trends for the first quarter of 2019.

Company	Revenues (thousands of Euro)		
	Jan-Mar '19	Jan-Mar '18	Δ %
MARCEGAGLIA PLATES	59,121	55,636	6.3

Company	Quantity (tonnes)			MARK UP (thousands of Euro)		
	Jan-Mar '19	Jan-Mar '18	Δ %	Jan-Mar '19	Jan-Mar '18	Δ %
MARCEGAGLIA PLATES	95,362	91,905	3.8	15,692	15,022	4.5

## COMPANIES DRAFTING THE FINANCIAL STATEMENTS OF THE LARGER/SMALLER BUSINESSES OF WHICH THEY ARE A PART, AS A SUBSI-

	Largest grouping	Smallest grouping
Company name	FINMAR SRL	MARCEGAGLIA HOLDING SPA
City (if in Italy) or foreign country	MANTUA	MANTUA
Tax code (for Italian companies)	02466170202	02467550204
Place of deposit of the consolidated financial statements	MANTUA	MANTUA

## DIARY SUMMARY STATEMENT OF THE FINANCIAL STATEMENTS OF THE COMPANY THAT EXERCISES MANAGEMENT AND COORDINATION

The company is subject to the direction and coordination of the parent company FINMAR SRL, which holds 13% of the share capital but 51.31% of the voting rights of the company Marcegaglia Holding spa, which holds 100% of the share capital of the company Marcegaglia Steel spa, which in turn holds 100% of the share capital of the company.

In accordance with Art. 2497-bis, paragraph 4, of the Italian Civil Code, a summary of the essential data of the company FINMAR SRL is provided below, as shown in the last approved financial statements closed as at 31/12/2017.

## SUMMARY OF THE BALANCE SHEET OF THE COMPANY THAT EXERCISES MANAGEMENT AND COORDINATION ACTIVITIES

	Last financial year	Previous year
Date of last approved financial statements	31/12/2017	31/12/2016
B) Fixed assets	116,204,872	118,222,828
C) Current assets	71,568	33,727
<b>Total assets</b>	<b>116,276,440</b>	<b>118,256,555</b>
A) Shareholders' equity		
Share capital	40,000	40,000
Reserves	27,176,968	28,888,180
Profit (loss) for the year	(2,058,532)	(1,781,212)
<b>Total shareholders' equity</b>	<b>25,158,436</b>	<b>27,146,968</b>
B) Provisions for risks and charges	5,965	5,136
D) Payables	91,112,005	91,104,417
E) Accrued charges and deferred income	34	34
<b>Total liabilities and shareholders' equity</b>	<b>116,276,440</b>	<b>118,256,555</b>

## SUMMARY OF THE INCOME STATEMENT OF THE COMPANY THAT EXERCISES MANAGEMENT AND COORDINATION ACTIVITIES

	Last financial year	Previous year
Date of last approved financial statements	31/12/2017	31/12/2016
B) Production costs	43,523	49,694
C) Financial income and expense	3,357	16,446
D) Write-downs of financial assets	(2,017,537)	(1,744,193)
Income taxes for the year	829	3,771
Profit (loss) for the year	(2,058,532)	(1,781,212)

## INFORMATION PURSUANT TO ART. 1, PARAGRAPH 125 OF ITALIAN LAW NO. 124 OF 04 AUGUST 2017

In accordance with the information to be provided in the Notes to the Financial Statements for the year 2018 regarding various types of grants received by public administrations and their associated entities, pursuant to Law no. 124 of 04/08/17, Art. 1, paragraphs 125-129, the following table is provided below:

Lender	Amount received (Euro)	Cause/Type contribution	Plant	Regulatory ref.
Customs and Monopolies Agency-UD	31,510.61	Exemption from excise duties on electricity	S. Giorgio di Nogaro	Legislative Decree 504/95 Art. 52 paragraph 2 lett.e
Customs and Monopolies Agency-UD	136,915.21	Exemption of gas excise duties	S. Giorgio di Nogaro	Legislative Decree 504/95 Art.21 paragraph 2 lett.13
Revenue Agency - Treasury	6,706.80	Superamortisation	S. Giorgio di Nogaro	Law 208 of 28/12/15
Revenue Agency - Treasury	72,431.33	Tax credit for R&D activities	S. Giorgio di Nogaro	Legislative Decree 145 of 23/12/13 Art.3
<b>Total</b>	<b>247,563.95</b>			

## PROPOSAL FOR THE ALLOCATION OF PROFITS OR COVERAGE OF LOSSES

We propose to allocate the net profit of Euro 4,527,857.07 as follows:

- 5%, equal to Euro 226,392.85, to the legal reserve;
- Euro 4,301,464.22 to extraordinary reserves.

It is proposed to allocate the existing reserve for foreign exchange valuations for Euro 2,396,695.40, created pursuant to Art. 2426 paragraph 8bis of the Italian Civil Code when allocating the 2017 result to the extraordinary reserve.

## NOTES

### Final Part

#### Significant changes in currency exchange rates

Using the exchange rates at 18/04/2019, the net effect of the items "valuation foreign exchange gains" and "valuation foreign exchange losses" (17bis in the income statement) would worsen by approximately Euro 555,000.

#### Fixed assets acquired before 17 April 1991

(Article 45, paragraph 2, of Legislative Decree no. 127 of 9 April 1991)

We certify that for fixed assets acquired or produced before 17 April 1991 the original cost has already been determined and represented in the accounts.

#### STATEMENT OF FINANCIAL STATEMENT COMPLIANCE

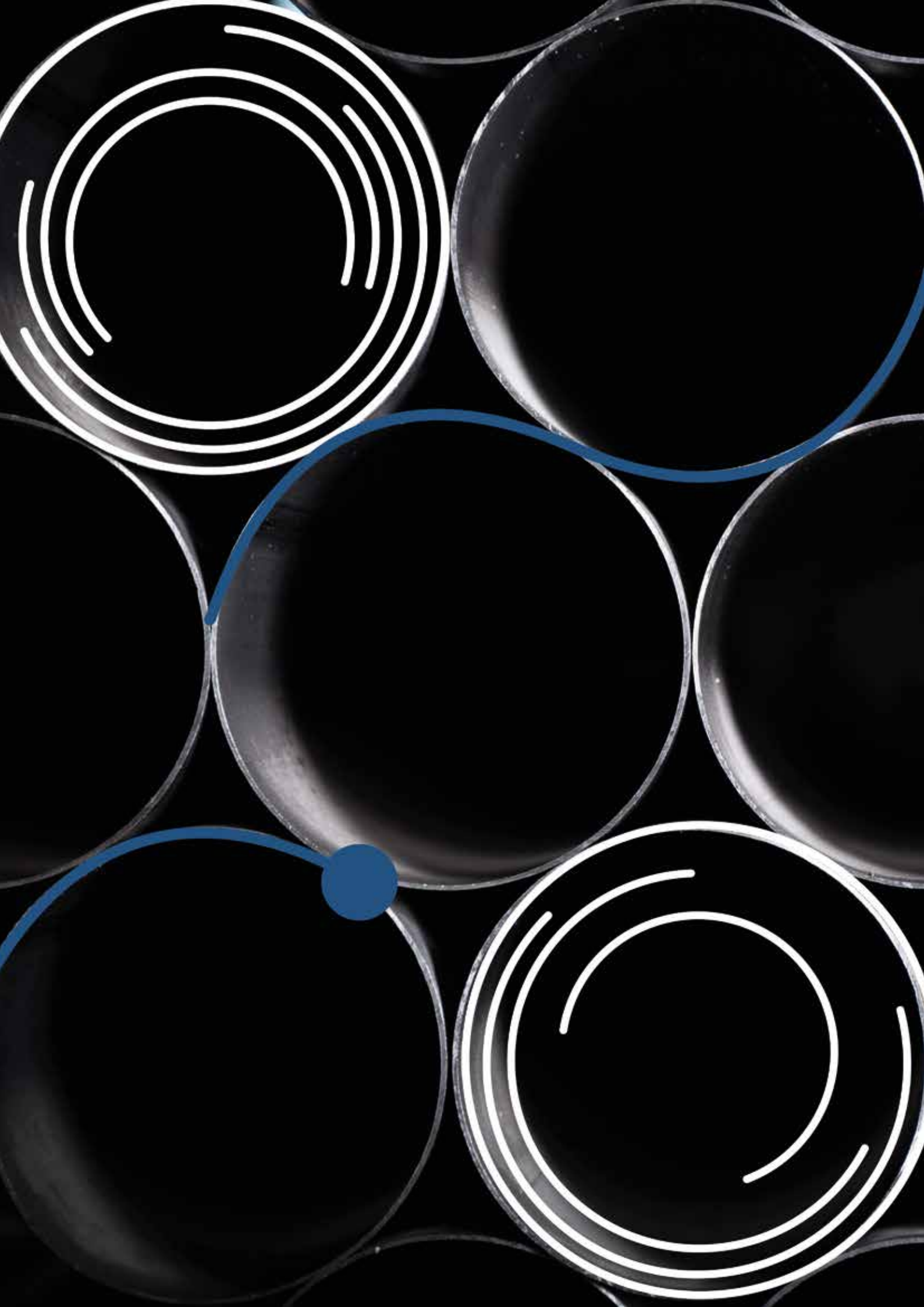
It should be noted that the valuation criteria set out herein comply with statutory law. These Notes to the Financial Statements, as well as the entire financial statements of which they are an integral part, give a true and fair view of the company's financial position and results of operations for the year.

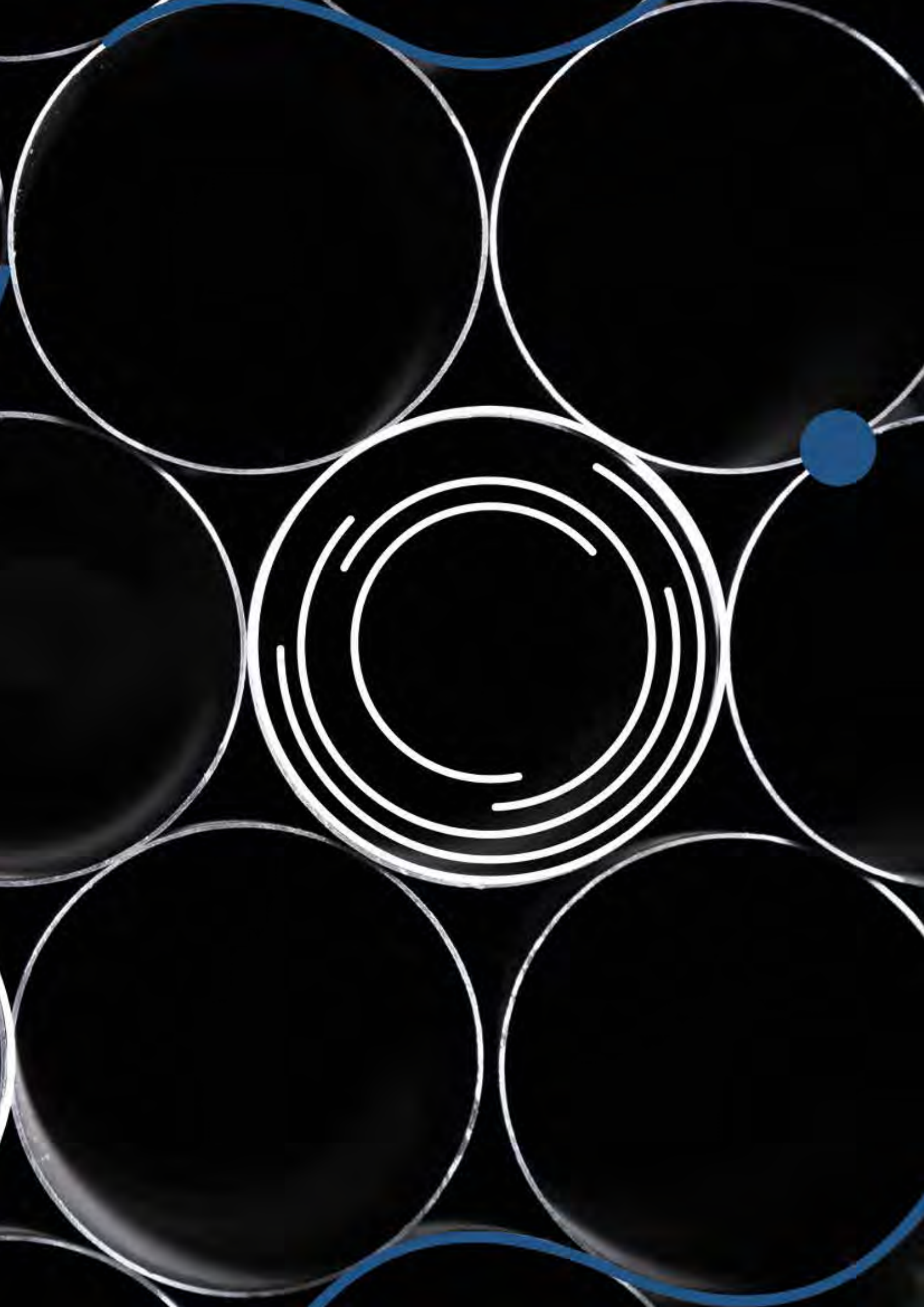
The exposure of the values required by Art. 2427 of the Italian Civil Code has been prepared in accordance with the principle of clarity.

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*Gazoldo degli Ippoliti, 30 April 2019*

Chairman  
of the Board of Directors  
**Antonio Marcegaglia**







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