



MARCEGAGLIA STEEL**HIGHLIGHTS**

| Sales (euro/000) | 2019 | 2018 | Change |
|---|------------------|------------------|--------|
| steel Italy | 4,664,613 | 4,651,653 | 0.3% |
| steel Abroad | 529,269 | 515,793 | 2.6% |
| (Elimination of intercompany items) | -297,074 | -106,476 | 179.0% |
| consolidated sales | 4,896,807 | 5,060,969 | -3.2% |
| consolidated sales of finished products | 4,662,048 | 4,773,286 | -2.3% |

RESULTS (euro/000)

| | | | |
|--|---------|---------|--------|
| EBITDA | 273,254 | 391,886 | -30.3% |
| amortisation, depreciation and allowances | 178,606 | 175,843 | 1.6% |
| net profit (loss) | 24,211 | 97,134 | -75.1% |
| cash flow from operations (after changes in NWC) | 321,461 | 351,736 | -8.6% |

| | | | |
|---|------------------|------------------|--------------|
| NET SHIPPING of finished products (tons) | 5,255,592 | 5,276,682 | -0.4% |
|---|------------------|------------------|--------------|

EMPLOYEES

| | | | |
|--|--------------|--------------|-------------|
| Italy | 3,815 | 3,715 | 2.7% |
| Abroad | 1,903 | 1,883 | 1.1% |
| Total consolidated companies in Marcegaglia Steel | 5,718 | 5,598 | 2.1% |



financial statements 2019

Management board

BOARD OF DIRECTORS



**Chairman and
Managing Director**
Antonio Marcegaglia



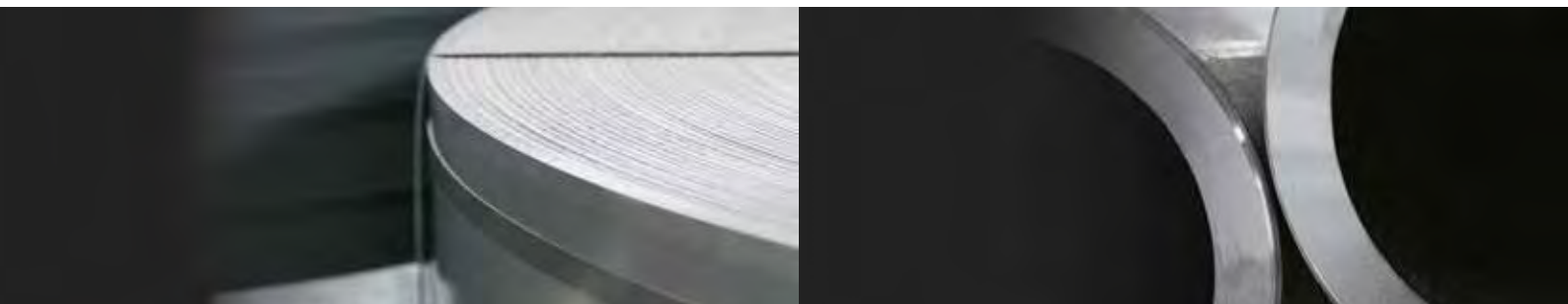
**Vice Chairman and
Managing Director**
Emma Marcegaglia

BOARD OF STATUTORY AUDITORS

| | |
|------------------------|--------------------------------------|
| Chairman | Andrea Manzitti |
| Auditors | Enrico Colantoni Alessandro Righi |
| Deputy auditors | Matteo Apicella Francesca Bigi |

| | |
|--|------------|
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Marcegaglia Steel 95%



MARCEGAGLIA RAVENNA • 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
Rivoli

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, *Oldbury*
Marcegaglia UK, *Rotherham*
Marcegaglia Colombia, *Funza*
Marcegaglia Mexico, *Querétaro*

SALES OFFICES WORLDWIDE:

Marcegaglia Deutschland
Marcegaglia France
Marcegaglia Iberica
Marcegaglia North Europe
Marcegaglia Romania



MARCEGAGLIA GAZOLDO INOX • MARCEGAGLIA SPECIALTIES

MARCEGAGLIA PLATES

STAINLESS STEEL PRODUCTS

COLD-DRAWN BARS

HEAVY PLATES

FLAT PRODUCTS

HOT ROLLED COILS
AND STRIPS

COLD ROLLED COILS
AND STRIPS

HOT ROLLED SHEETS

COLD ROLLED SHEETS

WELDED TUBES AND LONG PRODUCTS

WELDED TUBES

LONG PRODUCTS

STAINLESS STEEL COLD-DRAWN BARS

COLD-DRAWN
BARS

CARBON STEEL COLD-DRAWN BARS

COLD-DRAWN BARS

FREE CUTTING STEEL
COLD-DRAWN BARS

HEAVY PLATES

PLANTS ITALY:

Headquarters
Gazoldo degli Ippoliti
Contino
Forlì

PLANTS AND SALES OFFICES WORLDWIDE:

Marcegaglia RU, Vladimir
Marcegaglia Turkey, Ergene

SALES OFFICES WORLDWIDE:

Marcegaglia USA

PLANT ITALY:

San Giorgio di Nogaro (2)

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

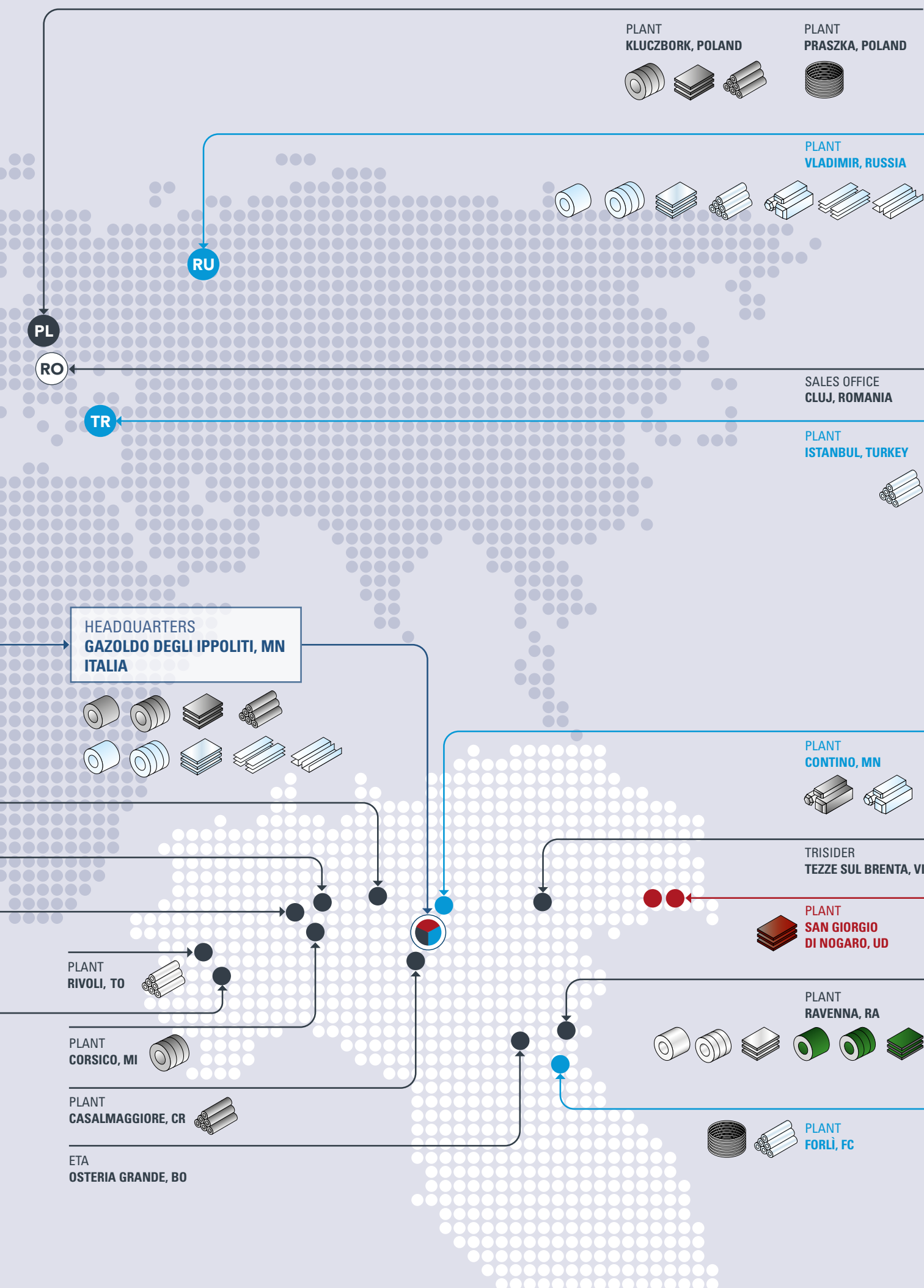
- Stainless steel coils and strips
- Stainless steel sheets
- Stainless steel welded tubes
- Carbon and Stainless steel cold-drawn bars
- Stainless steel flat bars
- Stainless steel cold formed sections

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



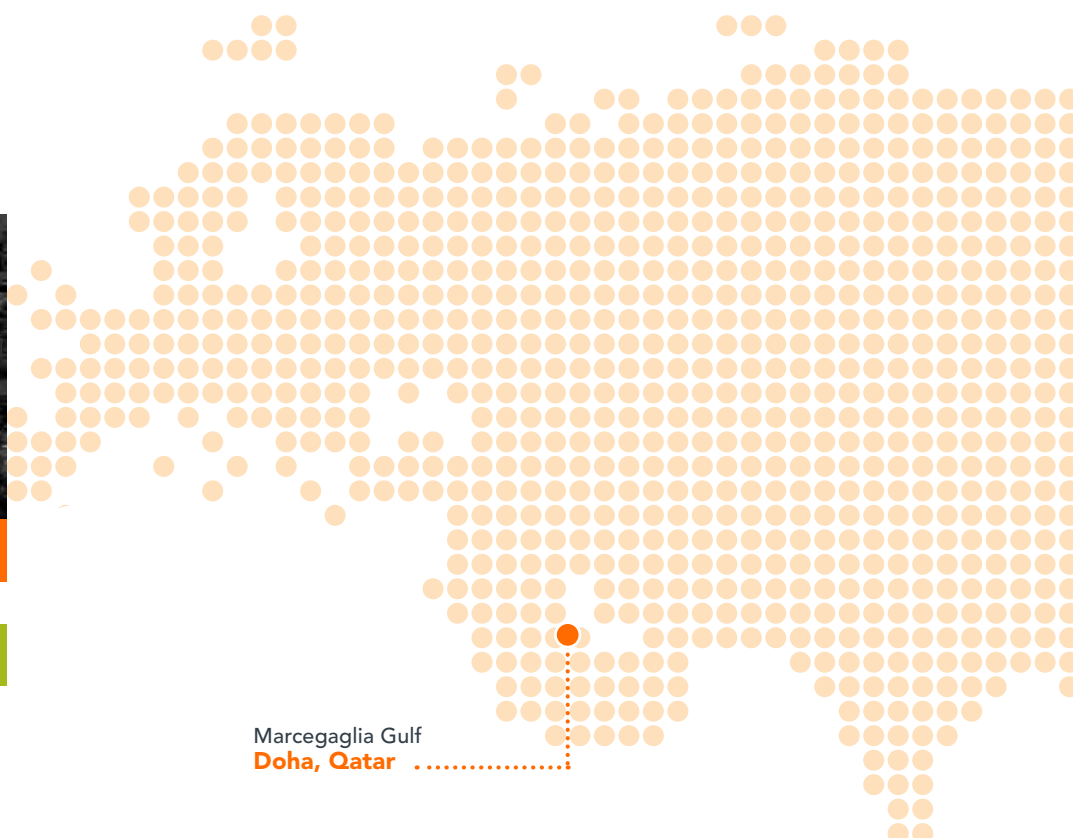
Albarella - Gabetti Prop. Sol.

HOSPITALITY ACTIVITIES

REAL ESTATE

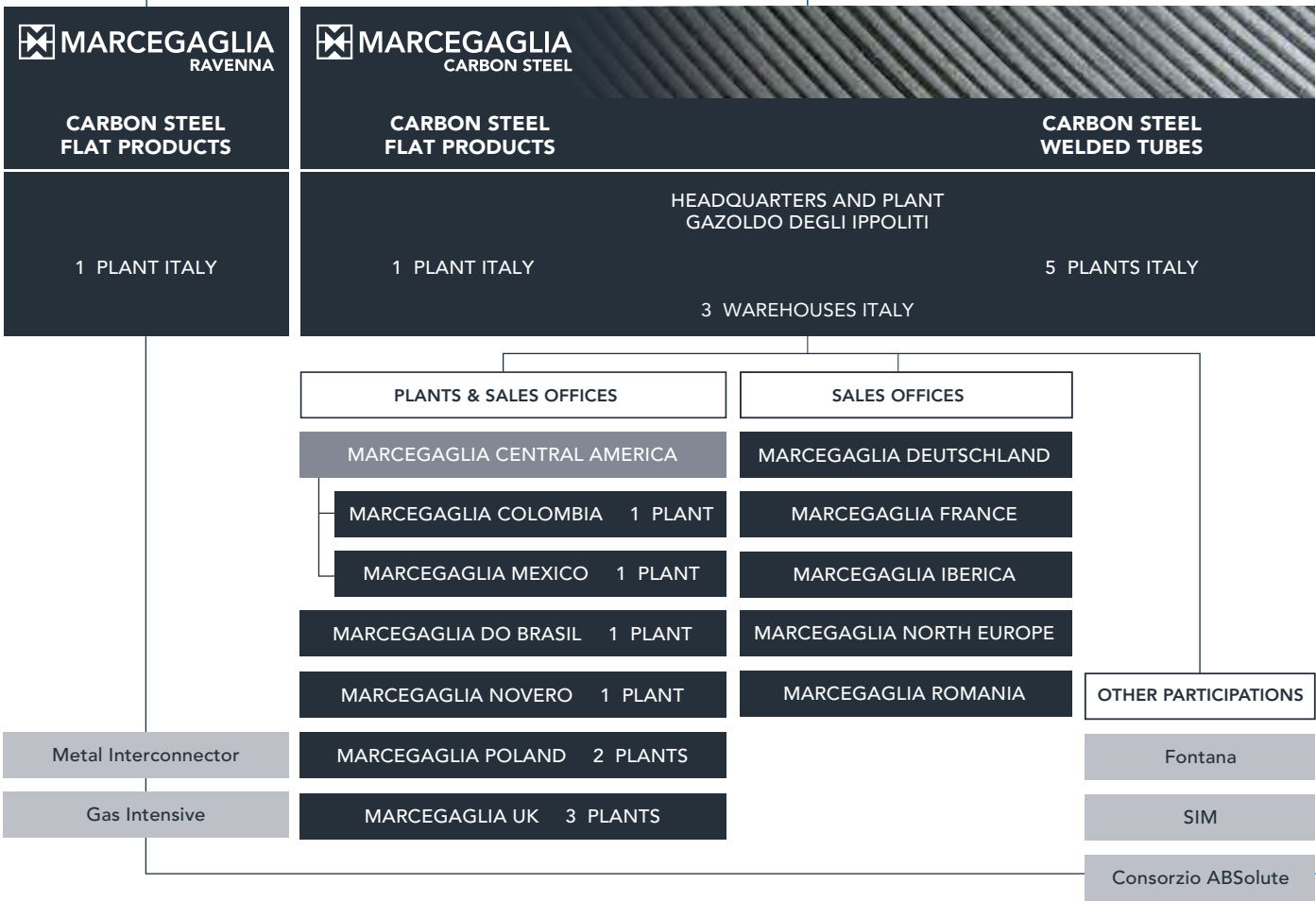
Albarella
Castel Monastero
Le Tonnare
Pugnochiuso

GABETTI PROPERTY SOLUTIONS
Milano



Group structure

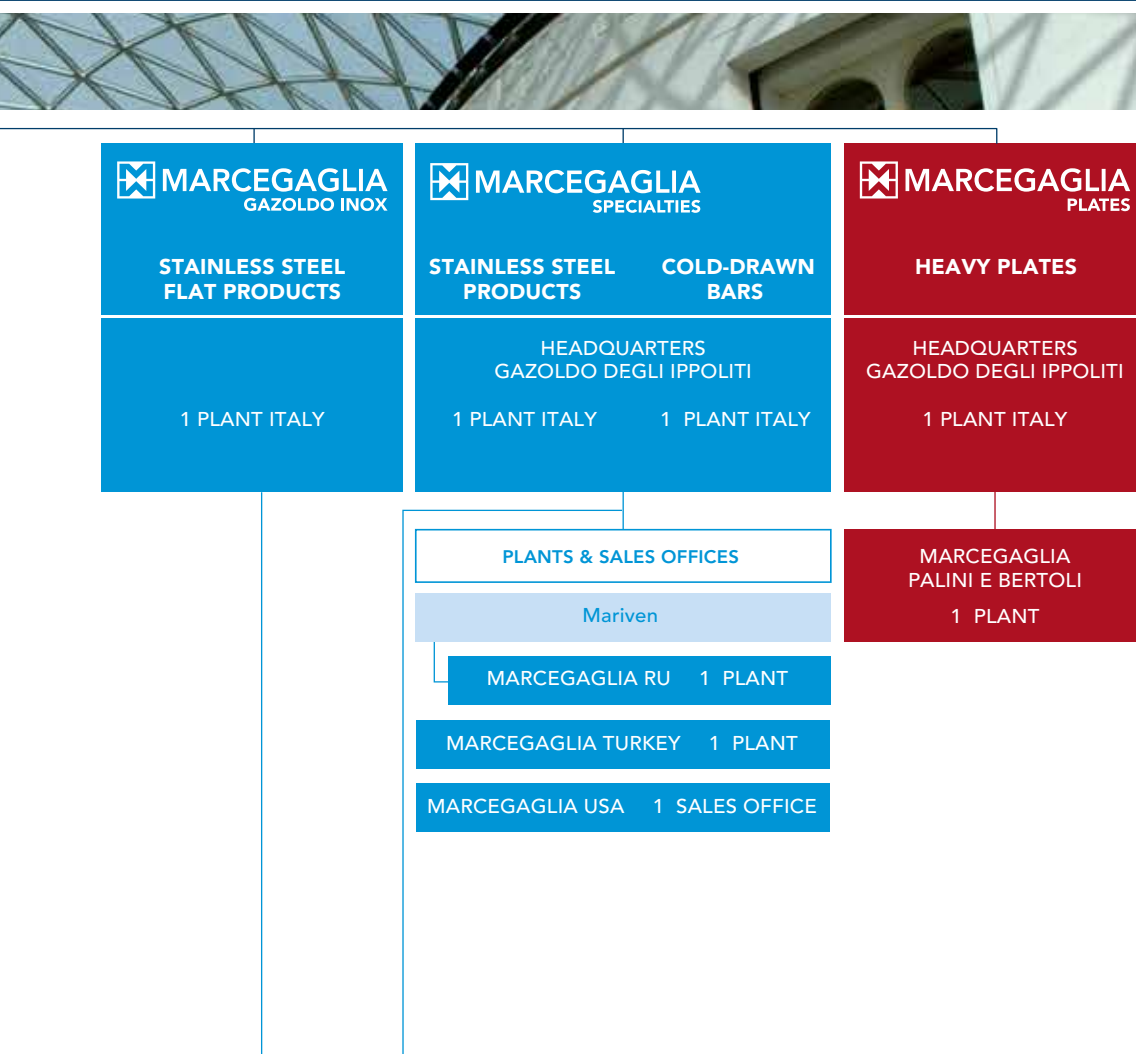
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| Employees | Turnover (M/€) | | Production (KT/y) | |
|-----------|------------------------|-----------------------|------------------------|-----------------------|
| 4,300 | 3,450 TOTAL | | 4,650 TOTAL | |
| | 2,300 FLAT PRODUCTS | 1,150 WELDED 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.

ETA

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) |
|------------|------------|------------|
| 200 | 400 | 800 |

| E | T (M/€) | P (KT/y) |
|--------------|------------|-----------|
| 1,100 | 250 | 50 |

The global economic context

Coronavirus (COVID-19)

As we go to press with this document, the whole world is facing the serious health emergency caused by the spread of the Coronavirus epidemic, which is causing the loss of many lives and serious social and economic suffering.

Never in modern history has a crisis of this magnitude been faced. According to the OECD, this is “the greatest economic, financial and social shock of the 21st Century, after 9/11 and the Global Financial Crisis of 2008”.

It is a joint shock impacting both supply and demand: the gradual, temporary but prolonged blockade of many economic activities in Italy and around the world, as measures were implemented necessary to stem the epidemic, has been associated with a collapse in the demand for goods and services, which has, in turn, set in motion a serious economic crisis that will put our societies to the test for years to come.

Even long before the outbreak, the global economy was already showing a number of underlying vulnerabilities that now risk exacerbating the crisis that COVID-19 has produced.

The International Monetary Fund estimates that trade will fall by 11% and world GDP by 3% in 2020.

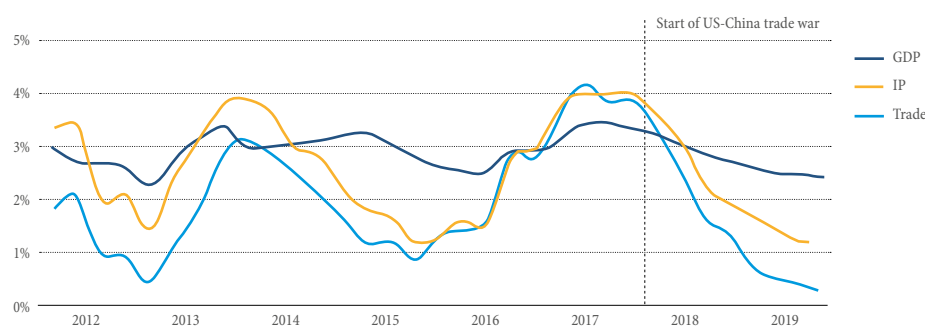
Equally impressive are the forecasts for regional GDP in the Eurozone (-7.5%), the United States of America (-5.9%), Latin America (-5.2%).

Much will depend on the length of the freeze on productive activities in relation to the persistence and severity of the epidemiological emergency, but also on the capacity of the system to restart and the speed and effectiveness of monetary and tax policies in the various countries and macro-regions around the world.

The world economy

The world economy grew by 2.9% in 2019, slowing from the 3.6% booked in 2018, supported by favourable monetary policies in particular in China, Korea and the United States.

GLOBAL ECONOMIC ACTIVITY, % Y/Y



Source: CRU, Oxford economics, CPB

The main factors that have negatively affected global economic activity are the growing geopolitical (particularly in the Middle East) and trade tensions between the US and China, idiosyncratic stresses in major emerging economies (such as the protest demonstrations in Hong Kong) and the political and social unrest in Latin America. These events have had a negative impact on investment, production and trade, with a slowdown in particular in the second half of 2019 and have curtailed the improvement in confidence on the part of economic operators.

Growth in emerging economies was weaker than expected, from 4.5% to 3.7% in 2019, largely due to country-specific shocks to domestic demand. The Chinese economy grew by 6.1%, the lowest rate in 30 years.

The countries of the advanced bloc economies have slowed significantly, at a rate of -0.5% on 2018, closing the year at 1.7% (mainly reflecting more moderate growth in the United States after several quarters of over-performance). Despite continued job creation (in some cases, amidst a context of already historically low unemployment rates), consumer price inflation has remained low in all advanced economies and declining in most emerging market economies, with more moderate activity.

PERCENT CHANGE, UNLESS NOTED OTHERWISE

| | Year over Year | | | | Q4 over Q4 ⁸ | | | |
|---|----------------|------------|--------------|------------|-------------------------|------------|-------------|------------|
| | 2018 | 2019 | Projections | | 2018 | 2019 | Projections | |
| | | | 2020 | 2021 | | | 2020 | 2021 |
| World Output | 3.6 | 2.9 | -3.0 | 5.8 | 3.3 | 2.7 | -1.4 | 4.9 |
| Advances Economies | 2.2 | 1.7 | -6.1 | 4.5 | 1.8 | 1.5 | -5.2 | 4.4 |
| United States | 2.9 | 2.3 | -5.9 | 4.7 | 2.5 | 2.3 | -5.4 | 4.9 |
| Euro Area | 1.9 | 1.2 | -7.5 | 4.7 | 1.2 | 1.0 | -5.9 | 3.6 |
| Germany | 1.5 | 0.6 | -7.0 | 5.2 | 0.6 | 0.5 | -5.2 | 3.6 |
| France | 1.7 | 1.3 | -7.2 | 4.5 | 1.2 | 0.9 | -5.0 | 2.7 |
| Italy | 0.8 | 0.3 | -9.1 | 4.8 | 0.0 | 0.1 | -7.2 | 3.9 |
| Spain | 2.4 | 2.0 | -8.0 | 4.3 | 2.1 | 1.8 | -7.0 | 3.7 |
| Japan | 0.3 | 0.7 | -5.2 | 3.0 | -0.2 | -0.7 | -3.2 | 3.4 |
| United Kingdom | 1.3 | 1.4 | -6.5 | 4.0 | 1.4 | 1.1 | -5.3 | 3.8 |
| Canada | 2.0 | 1.6 | -6.2 | 4.0 | 1.8 | 1.5 | -5.4 | 4.0 |
| Other Advances Economies ² | 2.6 | 1.7 | -4.6 | 4.5 | 2.3 | 2.0 | -4.6 | 5.5 |
| Emerging Market and Developing Economies | 4.5 | 3.7 | -1.0 | 6.6 | 4.5 | 3.7 | 1.6 | 5.2 |
| Emerging and Developing Asia | 6.3 | 5.5 | 1.0 | 8.5 | 6.1 | 4.7 | 4.8 | 5.0 |
| China | 6.7 | 6.1 | 1.2 | 9.2 | 6.6 | 6.0 | 4.9 | 5.1 |
| India ³ | 6.1 | 4.2 | 1.9 | 7.4 | 5.8 | 2.0 | 7.4 | 4.0 |
| ASEAN-5 ⁴ | 5.3 | 4.8 | -0.6 | 7.8 | 5.1 | 4.5 | 1.1 | 6.0 |
| Emerging and Developing Europe | 3.2 | 2.1 | -5.2 | 4.2 | ... | ... | ... | ... |
| Russia | 2.5 | 1.3 | -5.5 | 3.5 | 2.9 | 2.3 | -6.5 | 5.4 |
| Latin America and the Caribbean | 1.1 | 0.1 | -5.2 | 3.4 | 0.2 | -0.1 | -5.6 | 4.8 |
| Brazil | 1.3 | 1.1 | -5.3 | 2.9 | 1.3 | 1.7 | -5.8 | 3.6 |
| Mexico | 2.1 | -0.1 | -6.6 | 3.0 | 1.5 | -0.4 | -7.4 | 5.7 |
| Middle East and Central Asia | 1.8 | 1.2 | -2.8 | 4.0 | ... | ... | ... | ... |
| Saudi Arabia | 2.4 | 0.3 | -2.3 | 2.9 | 4.3 | -0.3 | -0.5 | 1.3 |
| Sud-Saharan Africa | 3.3 | 3.1 | -1.6 | 4.1 | ... | ... | ... | ... |
| Nigeria | 1.9 | 2.2 | -3.4 | 2.4 | ... | ... | ... | ... |
| South Africa | 0.8 | 0.2 | -5.8 | 4.0 | 0.2 | -0.6 | -7.2 | 9.6 |
| <i>Memorandum</i> | | | | | | | | |
| European Union ⁵ | 2.3 | 1.7 | -7.1 | 4.8 | 1.7 | 1.4 | -5.9 | 4.2 |
| Low-Income Developing Countries | 5.1 | 5.1 | 0.4 | 5.6 | ... | ... | ... | ... |
| Middle East and North Africa | 1.0 | 0.3 | -3.3 | 4.2 | ... | ... | ... | ... |
| World Growth Based on Market Exchange Rates | 3.1 | 2.4 | -4.2 | 5.4 | 2.7 | 2.3 | -2.9 | 4.7 |
| World Trade Volume (goods and services) | 3.8 | 0.9 | -11.0 | 8.4 | ... | ... | ... | ... |
| Imports | | | | | | | | |
| Advanced Economies | 3.3 | 1.5 | -11.5 | 7.5 | ... | ... | ... | ... |
| Emerging Market and Developing Economies | 5.1 | -0.8 | -8.2 | 9.1 | ... | ... | ... | ... |
| Exports | | | | | | | | |
| Advanced Economies | 3.3 | 1.2 | -12.8 | 7.4 | ... | ... | ... | ... |
| Emerging Market and Developing Economies | 4.1 | 0.8 | -9.6 | 11.0 | ... | ... | ... | ... |
| Commodity Prices (US dollars) | | | | | | | | |
| Oil ⁶ | 29.4 | -10.2 | -42.0 | 6.3 | 9.5 | -6.1 | -42.2 | 12.4 |
| Nonfuel (average based on world commodity import weights) | 1.3 | 0.8 | -1.1 | -0.6 | -2.3 | 4.9 | -3.1 | 0.9 |
| Consumer Prices | | | | | | | | |
| Advanced Economies | 2.0 | 1.4 | 0.5 | 1.5 | 1.9 | 1.4 | 0.3 | 1.8 |
| Emerging Market and Developing Economies ⁷ | 4.8 | 5.0 | 4.6 | 4.5 | 4.2 | 4.9 | 3.1 | 4.0 |
| London Interbank Offered Rate (percent) | | | | | | | | |
| On US Dollar Deposits (six month) | 2.5 | 2.3 | 0.7 | 0.6 | ... | ... | ... | ... |
| On Euro Deposits (three month) | -0.3 | -0.4 | -0.4 | -0.4 | ... | ... | ... | ... |
| On Japan Yen Deposits (six month) | 0.0 | 0.0 | -0.1 | -0.1 | ... | ... | ... | ... |

⁴ Indonesia, Malaysia, Philippines, Thailand, Vietnam.⁵ Beginning with the April 2020 WEO, the United Kingdom is excluded from the European Union group. Difference based on European Union excluding the United Kingdom.⁶ Simple average of price of UK Brent, Dubai Fateh, and West Texas Intermediate crude oil. The average price of oil in US dollars a barrel was \$61.39 in 2019; the assumed price, based on futures markets, is \$35.61 in 2020 and \$37.87 in 2021.⁷ Excludes Venezuela. See country-specific note for Venezuela in the "Country Notes" section of the Statistical Appendix.⁸ For World Output, the quarterly estimates and projections account for approximately 90 percent of annual world output at purchasing-power-parity weights. For Emerging Market and Developing Economies, the quarterly estimates and projections account for approximately 80 percent of annual emerging market and developing economies' output at purchasing-power-parity weights.

The European economy

In 2019, the economy of the Eurozone countries grew by an overall +1.2%, at a modest and steady rate until the third quarter and a decline towards the end of the year.

The Eurozone was affected not only by the continuing tensions between Washington and Beijing and the weakness of emerging markets, but also by additional internal factors such as the decline of the manufacturing sector, in particular the automotive sector, which has held back the German economy and that of many other countries, including Italy, as well as uncertainty regarding the final agreement on Brexit, to be defined by the end of 2020. These dynamics have weighed less heavy on Eastern European countries (in particular Hungary, Slovakia, Estonia, Latvia), which continue on a moderate path of economic recovery. The labour market has proved to be quite resilient. Employment continued to grow in 2019, albeit at a slower pace than in previous years, while unemployment fell to all-time lows (6.3%).

Real inflation stood at -1%.

The Italian economy

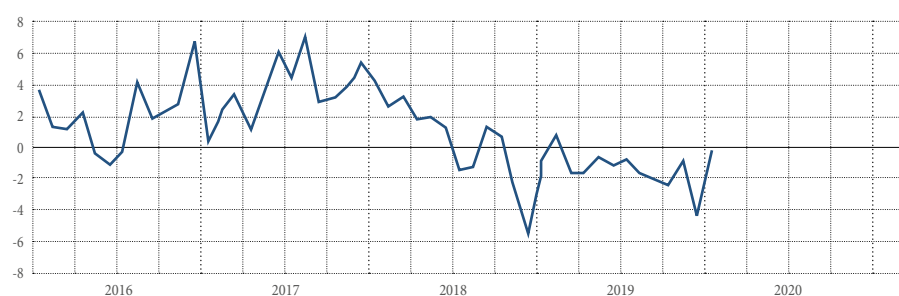
The Italian economy has been substantially stagnant since early 2019, with growth of 0.3% at a rate of +0.1% in the first three quarters and -0.3% in the fourth.

Investments decreased by -0.1% per quarter between Q2 and Q4. On average they recorded a positive change (+1.4%), but only thanks to the good performance at the start of the year. Moreover, there has been an interruption of the recovery trend that had started in 2014 - also thanks to tax incentives - putting an end to its progressively bringing gross fixed investments back to the “pre-crisis” levels of 2010.

The weakness of investment, the traditionally more volatile component of domestic demand, explains much of the sluggishness of Italy's GDP during 2019, reducing the accumulation of physical capital and holding back economic growth in the country even in the medium to long term.

In line with global trends, industrial production weakened sharply (-1.4%) due to the drop in orders similar to those recorded throughout the Eurozone. The common causes lie in the great uncertainty surrounding the international scenario, in particular as a result of US trade tariffs, and in the problems of specific sectors, such as the car sector with the addition of the country's structural delays.

INDUSTRIAL PRODUCTION, TREND PERCENTAGE CHANGES
January 2016-2020, correct data for calendar effects (base 2015 = 100)



Source: Confindustria

Italian exports of goods recorded some negative values in November-December, but remained on a moderately expansive trend in 2019.

Both Italian sales of goods in the non-EU area and, although to a much lesser extent, intra-EU sales, were up. Indeed, exports are driven by sales in some specific markets, in particular Switzerland and Japan. The industry crisis in Germany instead weighed heavy.

The steel industry scenario

The steel industry worldwide

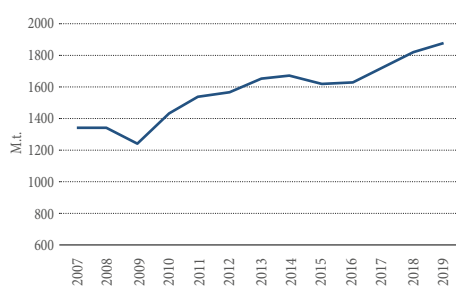
In 2019, global crude steel production grew to 1,875 million tonnes, +3.4% on 2018, thanks mainly to the contribution of China (+8.3%) which, with an output of 996.3 million tonnes, accounts for over 53% of world production.

Positive results were also booked for India (+1.8), the United States (1.5%) and Iran (30%).

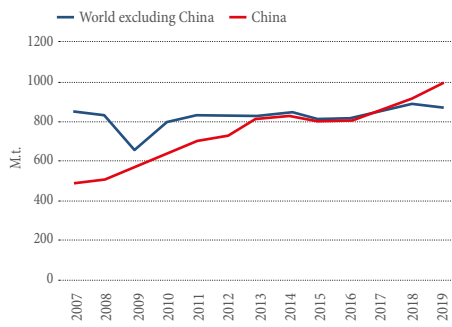
Europe (158.7 million tonnes) lost 5.3% mainly due to the slowdowns in Germany (-6.5%) and Italy (-5.2%), the two countries in which almost a third of the entire sector is concentrated.

Turkey (-9.6%), Japan (-4.8%), South Korea (-1.4%) and Brazil (-9%) also fell.

WORLD STEEL PRODUCTION



WORLD PRODUCTION DETAIL



Elaborated from Federacciai data and Worldsteel

STEEL PRODUCTION BY MACRO-AREAS AND SHARE OF THE 2019 TOTAL (M.t.)

| | 2015 | 2016 | 2017 | 2018 | 2019 | var. % 2019/2018 | 2019 shares |
|---------------------|----------------|----------------|----------------|----------------|----------------|------------------|---------------|
| European Union (28) | 166.2 | 162.2 | 168.5 | 167.5 | 158.7 | -5.3% | 8.5% |
| Others Europe | 35.8 | 37.6 | 42.2 | 42.4 | 39.0 | -8.2% | 2.1% |
| C.S.I. | 101.6 | 102.1 | 101.2 | 100.9 | 100.4 | -0.5% | 5.4% |
| North America | 110.9 | 110.6 | 115.4 | 120.9 | 119.8 | -0.9% | 6.4% |
| South America | 43.9 | 40.6 | 44.1 | 44.9 | 41.1 | -8.5% | 2.2% |
| Africa | 13.7 | 13.1 | 14.8 | 17.6 | 16.7 | -5.2% | 0.9% |
| Middle East | 29.4 | 31.5 | 34.5 | 43.1 | 50.5 | 17.2% | 2.7% |
| Asia | 1,114.2 | 1,125.5 | 1,205.5 | 1,269.8 | 1,342.4 | 5.7% | 71.6% |
| Oceania | 5.7 | 5.8 | 6.0 | 6.3 | 6.2 | -2.9% | 0.3% |
| World | 1,621.5 | 1,629.0 | 1,732.1 | 1,813.5 | 1,874.6 | 3.4% | 100.0% |

Elaborated from Federacciai data and Worldsteel

The European and Italian steel industry

In 2019, activity in Europe's steel-using sectors slowed sharply from the second quarter onwards, with the lowest growth rates since 2013.

In particular, the automotive sector is suffering, down by -3.8%, as are metal products (-1.3%). The construction sector bucked the trend (+3.5%) along with other means of transport (+6.3%).

Growth has been broadly negative in the main European Union Member States (Germany, Italy, Spain, the Netherlands and the United Kingdom).

Actual consumption of steel products in Europe stood at -1.1% and apparent consumption at -3.3%, with a high degree of uncertainty affecting demand volatility. As far as raw materials are concerned, prices, although with different trends (upwards for iron ore and downwards for coal and scrap), have nevertheless remained at sustained levels.

THE STEEL MARKET IN 2019

| | Italy | EU (28) |
|-----------------------------|-------|---------|
| Real consumption | -1.7% | -1.1% |
| Apparent consumption | -0.1% | -3.3% |
| Steel production | -5.3% | -5.9% |

The statistical data reported refer to information available as of April 22nd.

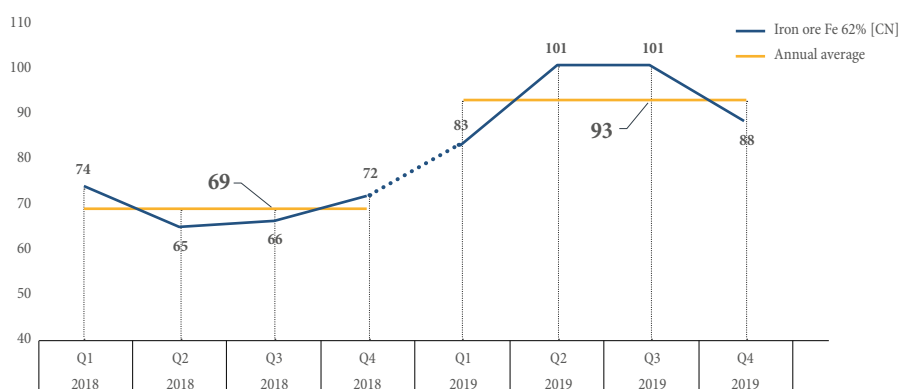
Source: Eurofer estimates

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

| | % share in total consumption | 2018 | Q1 19 | Q2 19 | Q3 19 | Q4 19 | 2019 | Q1 20 | Q2 20 | Q3 20 | Q4 20 | 2020 |
|-------------------------------|------------------------------|------|-------|-------|-------|-------|------|-------|-------|-------|-------|------|
| Construction | 35 | 4.6 | 5.9 | 4.3 | 2.2 | 1.7 | 3.5 | 0.8 | 1.1 | 1.5 | 1.4 | 1.2 |
| Mechanical engineering | 14 | 3.8 | 1.2 | -0.8 | -1.0 | -0.3 | -0.2 | -1.3 | 0.3 | 0.5 | 1.1 | 0.2 |
| Automotive | 18 | 0.1 | -4.5 | -7.2 | -1.0 | -1.7 | -3.8 | -1.1 | 1.1 | 1.5 | 2.1 | 0.9 |
| Domestic appliances | 3 | -1.5 | -2.6 | -3.5 | -1.3 | -0.3 | -1.9 | -1.3 | 1.8 | 1.4 | 1.6 | 0.8 |
| Other transport | 2 | 8.4 | 10.9 | 8.8 | 3.8 | 1.6 | 6.3 | 0.9 | 0.9 | 0.9 | 1.7 | 0.0 |
| Tubes | 13 | -1.4 | 0.0 | 0.5 | -0.1 | -0.2 | 0.1 | -1.7 | 0.6 | 0.5 | 0.5 | 1.0 |
| Metal goods | 14 | 3.2 | 0.4 | -1.6 | -2.3 | -1.8 | -1.3 | -1.7 | -0.3 | 0.6 | 1.0 | -0.1 |
| Miscellaneous | 2 | 1.7 | 1.1 | -0.7 | -0.7 | -0.7 | -0.3 | -1.7 | 0.0 | 0.4 | 0.7 | -2.0 |
| Total | 100 | 2.7 | 1.6 | -0.2 | 0.3 | 0.0 | 0.4 | -0.7 | 0.7 | 0.9 | 1.3 | 0.6 |

Source: Eurofer

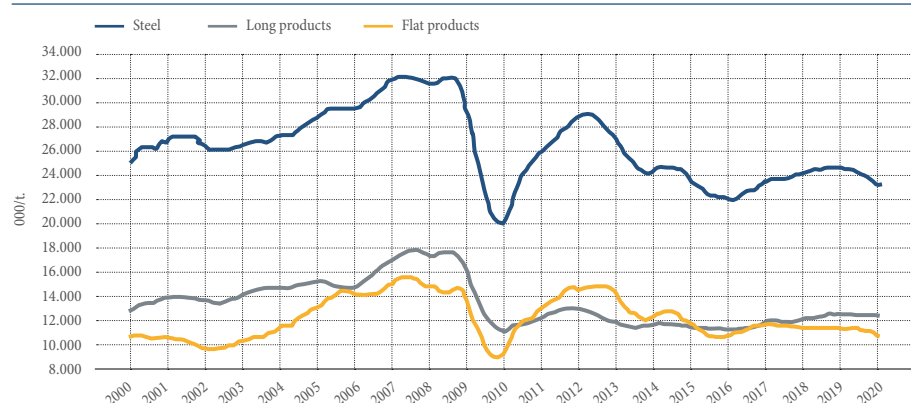
IRON ORE FE 62% [CN]



Source: Metal Expert

In 2019, Italian steel production, after three years of growth, stopped at 23.2 million tonnes, down 5.3% on the previous year. The national output of rolled products was 22.9 million tonnes (-2.7%) of which 12.3 million tonnes long (-0.7%) and 10.6 million tonnes flat (-4.8%). Expressed in volumes, the reduction was 1.3 million tonnes.

STEEL - HOT ROLLED LONG AND FLAT PRODUCTS (moving year = sum of the previous 12 months)



Source: Federacciai

Total consumption in Italy remained substantially unchanged at 29.4 million tonnes (-0.1%). Long rolled products saw a drop (-7.3%), while flat rolled products held out (+1.7%). Consumption of vertical products was penalised for galvanized (-3.5%) and cold (-1.5%) products. Painted products bucked the trend (+5.3).

APPARENT CONSUMPTION (January - December)

| | Consumption | | |
|--|-------------------|-------------------|---------------|
| | 2018 | 2019 | Var.% '19/'18 |
| General total | 29,462,531 | 29,430,131 | -0.1 |
| Total semifinished products | 3,446,544 | 3,897,359 | 13.1 |
| Total rolled products | 26,015,987 | 25,532,772 | -1.9 |
| of which: long products | 10,388,998 | 9,635,229 | -7.3 |
| of which: flat products | 15,626,989 | 15,897,543 | 1.7 |
| Beams and permanent way material | 770,745 | 874,588 | 13.5 |
| Piling sheets | 12,525 | 17,417 | 39.1 |
| Total merchant bars | 3,540,189 | 2,826,963 | -20.1 |
| of which: bars | 2,829,249 | 2,143,430 | -24.2 |
| of which: profiles | 277,402 | 281,783 | 1.6 |
| of which: flats | 433,538 | 401,750 | -7.3 |
| Reinforcement bar | 1,374,301 | 1,498,432 | 9.0 |
| Wire rods | 4,691,237 | 4,417,831 | -5.8 |
| Total hot rolled sheets and mill plates | 986,657 | 931,883 | -5.6 |
| Hot rolled strips <600 | 239,139 | 193,230 | -19.2 |
| Coils | 7,155,425 | 7,956,514 | 11.2 |
| Galvanized sheets and metal rivets | 3,336,424 | 3,219,621 | -3.5 |
| Synthetic coated plates | 556,899 | 586,622 | 5.3 |
| Other products (*) | 1,623,857 | 1,306,761 | -19.5 |
| Cold rolled sheets or rolls | 1,728,590 | 1,702,909 | -1.5 |

(*) Tinplate / chromed sheeting / black strip

Elaborated from Federacciai data

The challenges facing the European steel industry

In an increasingly competitive environment for the global steel sector, European companies will have to cope with **increasing environmental costs** connected with further reductions in CO2 emissions, the persistence of **high geopolitical uncertainty** in all areas of the world and with it, distortions to the balance in trade relations between macro-regions and increased volatility in commodity prices.

In addition, the crisis brought about by the spread of the Coronavirus could drive governments to make greater use of **protectionist measures**, also in relation to a **decreasing demand for steel**, and to the reduction in the **profitability** of companies, already under pre-crisis pressure.

The double economic, supply and demand shock caused by the pandemic will have a major impact on the steel industry, particularly in Europe, with an effect that is certain to be prolonged, since steel consumption is traditionally linked to the construction, investment and durable goods sectors, which are expected to have a slower start even once the health emergency is over.

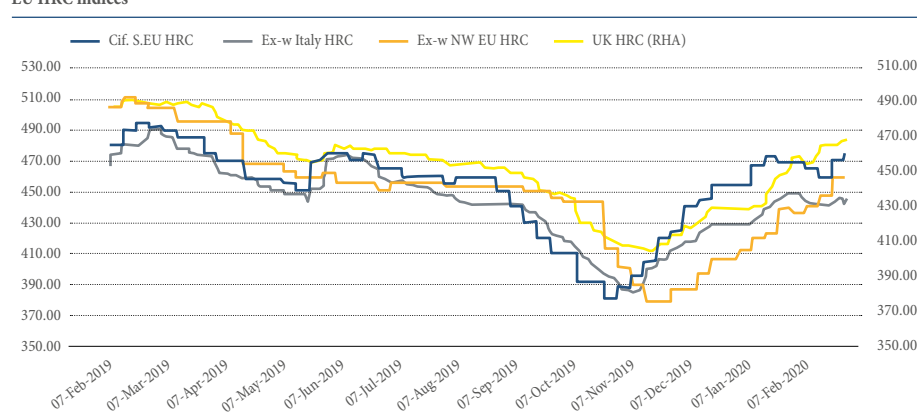
Operating results

After the peaks in 2017 and 2018, in 2019 the world steel industry - and the European steel industry in particular - suffered from the combined effect of persistent overcapacity, rising raw material costs, weak and volatile demand penalised by reduced international trade.

The sector's profitability was the lowest in the last decade (after the severe reduction in 2009), with a progressive deterioration in the second half of the year, especially in the fourth quarter.

Coil prices in both the carbon and stainless steel segments reached their lowest levels in November 2019 (-20% on August) and then rose again from December to March 2020 (before the spread of the Coronavirus pandemic).

EU HRC indices



Source: Metal Expert

In this context, Marcegaglia Steel has shown overall more resilience in its results than direct European competition, once again through:

- a **strong diversification** of business segments, geographic markets and final sectors of product use, able to mediate the different trends;
- a **broad and articulated customer base**, by type of business (trade and use), size and sector of reference;
- a **vast network** in raw materials **purchasing**, which successfully optimised prices and took advantage of the best opportunities in a timely manner;
- a **constant attention to costs** and operational and logistical efficiencies.

Specifically, in 2019:

- overall volumes remained stable (-0.4%) at around 5.3 million tonnes, despite a -3.3% drop in European demand;
- consolidated revenues amounted to 4,897 million Euros (-3.2% on 2018) and those relating to finished products to 4,662 million Euros (-2.3%) despite a yoy drop in average prices of -6.5%, offset by a better mix;
- operating EBITDA amounted to 273 million Euros, down 30% on 2018, but still equal to 5.6% of revenues.

It should be noted, however, that in 2018 EBITDA had benefited from approximately 17 million Euros in non-recurring items, while in 2019 EBITDA was impacted by approximately 35 million Euros in inventory write-downs of semi-finished and finished products, in relation to year-end prices, which were then quickly recovered in the first quarter of 2020. Considering these elements, the change in EBITDA is reduced to approximately 66 million Euros (-18%);

- operating cash flow, net of changes in working capital, came to 321 million Euros (-8.6%);
- the net financial position reduced further to 518 million Euros (-159 million Euros).

It should be noted that the vast majority of the companies in the Steel group (and indeed in the Investments group) are positive contributors in terms of EBITDA and cash flow, and that the foreign companies are in line with the Italian companies in terms of performance as a percentage of revenues.

Revenues

Marcegaglia Steel's volumes stood at 5,255 thousand tonnes, a very slight decrease for the Italian companies (down 25 thousand tonnes, or -0.5% on a like-for-like basis; down 12 thousand tonnes, -0.2% including the smaller companies) and confirmed at around 530 thousand tonnes for the foreign subsidiaries.

There was an important increase for the stainless steel division of Marcegaglia Specialties (+11.5%) and Marcegaglia RU (+35%); there was a slight increase in welded tubes, Marcegaglia UK

and Marcegaglia do Brasil. Carbon steel flat products and Marcegaglia Poland are down slightly. On the other hand, there was a sharp drop for the cold-drawn bar division (-12%) and the Plates division held up (considering the contribution made by Marcegaglia Palini e Bertoli).

SHIPMENTS OF FINISHED PRODUCTS (tonnes)

| Italian companies | 2019 volumes | 2018 volumes | Δ % |
|---------------------------------------|---------------------|---------------------|-------------|
| MARCEGAGLIA CARBON STEEL | 3,753,159 | 3,791,502 | -1.0 |
| of which flats | 2,705,264 | 2,755,547 | -1.8 |
| of which welded tubes | 1,046,989 | 1,035,318 | 1.1 |
| MARCEGAGLIA SPECIALTIES | 603,148 | 579,551 | 4.1 |
| of which stainless steel and special | 441,244 | 395,870 | 11.5 |
| of which cold-drawn bars | 161,766 | 183,553 | -11.9 |
| MARCEGAGLIA PLATES | 343,859 | 353,754 | -2.8 |
| of which heavy plates | 343,859 | 353,754 | -2.8 |
| Tot. MARCEGAGLIA STEEL Italy | 4,700,165 | 4,724,807 | -0.5 |
| Foreign companies | 2019 volumes | 2018 volumes | Δ % |
| MARCEGAGLIA POLAND Sp z.o.o. | 314,409 | 325,034 | -3.3 |
| MARCEGAGLIA UK | 87,870 | 85,108 | 3.2 |
| MARCEGAGLIA DO BRASIL Ltda | 95,153 | 92,729 | 2.6 |
| MARCEGAGLIA RU | 21,078 | 15,636 | 34.8 |
| MARCEGAGLIA USA | - | 9,590 | -100.0 |
| MARCEGAGLIA Turkey | 9,075 | 8,713 | 4.2 |
| Tot. MARCEGAGLIA STEEL foreign | 527,585 | 536,810 | -1.7 |
| Other minor items (*) | 27,842 | 15,065 | |
| Tot. MARCEGAGLIA STEEL foreign | 5,255,592 | 5,276,682 | -0.4 |

(*) Novero; Marcegaglia Palini Bertoli (December only)

Overall, consolidated revenues amounted to 4,897 million Euros (-3.2%) with a greater contribution from sales on export markets (64.2% of the total) as compared with 2018 (59.2%), and in particular on European markets (+9.1% compared to the previous year). On the other hand, sales in Italy and non-European countries reduced as a result of commercial decisions aimed at maximising margins.

CONSOLIDATED REVENUES BY GEOGRAPHICAL AREA (000/Euro)

| | 2019 | 2018 | export | % sales | of which EU | of which non-EU |
|------------------------------|------------------|------------------|------------------|--------------|------------------|-----------------|
| carbon steel tubes | 1,090,555 | 1,119,067 | 757,722 | 69.48 | 624,005 | 115,717 |
| flat products (from coils) | 1,906,939 | 2,119,445 | 1,017,725 | 53.37 | 934,040 | 83,685 |
| heavy plates | 206,846 | 163,698 | 142,000 | 68.65 | 130,600 | 11,399 |
| stainless steel | 1,188,129 | 1,077,792 | 864,052 | 72.72 | 769,321 | 94,731 |
| cold drawn steel | 160,287 | 166,925 | 102,379 | 63.87 | 96,435 | 5,944 |
| other | 641,126 | 520,518 | 273,954 | 42.73 | 246,420 | 27,534 |
| total aggregated 2019 | 5,193,881 | 5,167,446 | 3,157,831 | | 2,818,820 | 339,011 |
| total aggregated 2018 | 5,167,446 | | 3,007,082 | | 2,583,016 | 424,066 |
| | 0.5% | | 5.0% | | 9.1% | -20.1% |
| intercompany | (297,074) | (106,476) | (14,917) | 5.02 | (11,439) | (3,478) |
| total revenue | 4,896,807 | 5,060,969 | 3,142,914 | 64.18 | 2,807,381 | 335,533 |

Analysing revenues by company and division, worthy of note is the growth of the stainless steel division both in Italy (+9.6%) and abroad (Turkey and Russia, +25.5% overall) and the stability of the sheet metal division, which is expected to grow strongly in 2020 following the acquisition of Marcegaglia Palini e Bertoli, with a view to better balancing the portfolio of activities of Marcegaglia Steel.

Finally, please note that 2019, following the company transaction at the end of 2018, was the first year of full activity of the companies Marcegaglia Ravenna and Marcegaglia Gazoldo Inox, which operate exclusively for transformation in tolling agreement for Marcegaglia Carbon Steel and Marcegaglia Specialties, respectively; in this light, the greater derecognitions of intercompany revenues compared to 2018, as well as the income results in the tables below, should be interpreted.

REVENUES (000/Euro)

| Italian companies | tot. 2019 | tot. 2018 | Δ % |
|--|------------------|------------------|---------------|
| MARCEGAGLIA CARBON STEEL | 2,762,552 | 3,143,860 | -12.1% |
| of which flats | 1,807,325 | 1,961,891 | -7.9% |
| of which welded tubes | 807,211 | 841,214 | -4.0% |
| MARCEGAGLIA SPECIALTIES | 1,365,072 | 1,205,340 | 13.3% |
| of which stainless steel | 1,092,246 | 996,656 | 9.6% |
| of which cold-drawn bars | 142,567 | 166,925 | -14.6% |
| MARCEGAGLIA PLATES | 223,394 | 232,590 | -4.0% |
| of which heavy plates | 206,846 | 222,741 | -7.1% |
| Tot. MARCEGAGLIA STEEL Italy | 4,351,017 | 4,581,791 | -5.0% |
| foreign companies | tot. 2019 | tot. 2018 | Δ % |
| MARCEGAGLIA POLAND Sp z.o.o. | 242,523 | 265,426 | -8.6% |
| MARCEGAGLIA UK | 72,537 | 70,378 | 3.1% |
| MARCEGAGLIA DO BRASIL Ltda | 106,116 | 104,416 | 1.6% |
| MARCEGAGLIA Central America | 30,166 | - | - |
| MARCEGAGLIA RU | 48,271 | 37,905 | 27.3% |
| MARCEGAGLIA USA | 2,630 | 15,673 | -83.2% |
| MARCEGAGLIA Turkey | 27,025 | 21,995 | 22.9% |
| Tot. MARCEGAGLIA STEEL foreign | 529,269 | 515,793 | 2.6% |
| MARCEGAGLIA RAVENNA | 227,071 | 36,071 | |
| MARCEGAGLIA GAZOLDO INOX | 57,355 | 9,476 | |
| MARCEGAGLIA NOVERO | 18,672 | 12,955 | |
| MARCEGAGLIA PALINI E BERTOLI | 8,579 | - | |
| other intercompany elisions | -295,156 | -95,117 | |
| total consolidated net revenues | 4,896,807 | 5,060,969 | -3.2% |
| total revenues of finished products only* | 4,662,048 | 4,773,286 | -2.3% |

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

Profits

Although declining on 2018, Marcegaglia Steel's economic and financial performance can be viewed positively considering, on the one hand, the general trend in the results of steel operators and, on the other, the drop in prices throughout the year which led to a compression of spreads between raw materials (hot-rolled coils) and processed products, as well as, as mentioned above, (prudent) impairment applied at the end of the year.

Nevertheless, their industrial operating margin (before intra-Group royalties and corporate costs) amounted to 296 million Euros (6.3% of revenues), compared with 331 million Euros (7.1%) without the above mentioned impairment of finished and semi-finished products.

This indicator refers to Marcegaglia Carbon Steel with Marcegaglia Ravenna for 157.8 million Euros, Marcegaglia Specialties with Marcegaglia Gazoldo Inox for 85.5 million Euros, Marcegaglia Plates for 19.3 million Euros and foreign companies for 33.2 million Euros.

It should be noted that Marcegaglia Plates, despite the economic situation, was able to significantly improve its results.

EBIT, before brand impairment and amortisation, totalled 142 million Euros, or 3.1% of sales of finished products (3.8% excluding inventory impairment).

Financial charges for interest paid to banks decreased further from 98.4 million Euros in 2018 to 79.6 million Euros due to the simultaneous reduction in debt and interest rates.

Net of financial income, net financial expense amounted to 67.7 million Euros (1.4% of revenues).

Pre-tax profit is 35 million Euros, while net profit is 24.2 million Euros.

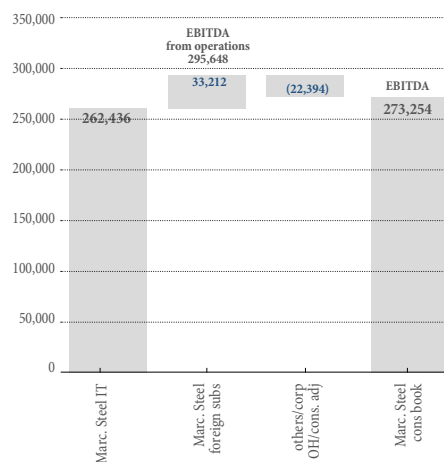
PROFITABILITY 2019 (in 000/Euro)

| Company | Revenue | EBITDA * | EBITDA % |
|---|---------------------|-------------------------|------------|
| Marcegaglia Carbon Steel | 2,657,396 ** | 107,150 | |
| Marcegaglia Ravenna | 0 ** | 50,630 | |
| Marcegaglia Carbon Steel + Marcegaglia Ravenna | | 157,780 | 5.9 |
| Marcegaglia Novero | 18,464 | (194) | -1.0 |
| Marcegaglia Specialties | 1,252,889 ** | 73,035 | |
| Marcegaglia Gazoldo Inox | 0 ** | 12,474 | |
| Marcegaglia Specialties + Marcegaglia Gazoldo Inox | | 85,509 | 6.8 |
| Marcegaglia Plates | 207,911 | 19,276 | 9.3 |
| Marcegaglia Palini Bertoli | 7,965 | 65 | |
| tot. Marcegaglia Steel Italy | 4,144,625 ** | 262,436 | 6.3 |
| MARCEGAGLIA Poland | 237,494 ** | 10,053 | 4.2 |
| MARCEGAGLIA UK | 71,145 ** | 2,800 | 3.9 |
| MARCEGAGLIA DO BRASIL Ltda | 104,303 ** | 13,913 | 13.3 |
| MARCEGAGLIA Central America (MM Mexico and MM Colombia) | 29,564 ** | 2,702 | 9.1 |
| MARCEGAGLIA USA | 0 ** | 1,347 | |
| MARCEGAGLIA RU | 47,959 ** | 2,168 | 4.5 |
| MARCEGAGLIA TURKEY | 26,958 ** | 229 | 0.8 |
| tot. foreign subsidiaries | 517,423 ** | 33,212 | 6.4 |
| tot. Marcegaglia Steel from operations | 4,662,048 ** | 295,648 | 6.3 |
| others*** and intercompany | 234,759 | (1,402) | |
| corp OH | | (20,991) | |
| ammort royalties trademark and goodwill | | | |
| tot. Marcegaglia Steel | 4,896,807 | 273,254 adjusted | 5.6 |
| extraordinary components | | 0 | |
| tot. Marcegaglia Steel | 4,896,807 | 273,254 book | 5.6 |

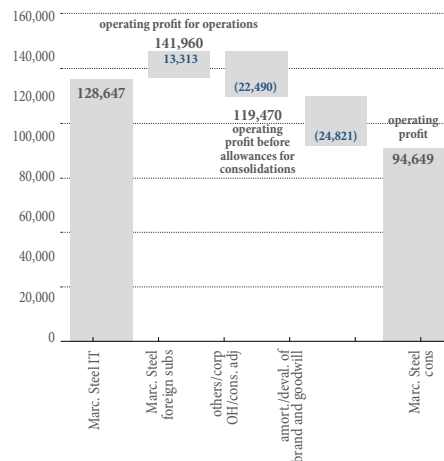
* Ebitda net of intercompany royalties ** Sales of finished goods

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

EBITDA



OPERATING PROFIT



Financial management

NET FINANCIAL POSITION

| | 31.12.2019 | 31.12.2018 |
|--|--------------------|--------------------|
| Payables to banks | | |
| - within the following year | 256,695,740 | 306,923,090 |
| - after the following year | 498,374,388 | 436,393,610 |
| Total payables to banks | 755,070,128 | 743,316,700 |
| Payables to other lenders | | |
| - within the following year | 494,860 | 866,096 |
| - after the following year | 226,692 | 663,231 |
| Total payables to other lenders | 721,552 | 1,529,327 |
| Total financial position | 755,791,680 | 744,846,027 |
| Other equity investments that do not constitute fixed assets | 187,740 | 182,186 |
| Other securities not constituting fixed assets | 2,683,988 | 5,102,639 |
| Total liquid funds | 234,439,689 | 62,554,920 |
| Total short-term cash and equivalents | 237,311,417 | 67,839,745 |
| Total Net Financial Position | 518,480,263 | 677,006,282 |

The industrial operations of Marcegaglia Steel generated operating cash flow of 321.5 million Euros in 2019, net of the change in working capital.

This positive result was due, among other things, to an increase in trade payables, in turn due to a further extension of the payments agreed with them, also in the face of an increase in purchases of raw materials made at the end of the year in the months when prices fell sharply, which also explains the temporary increase in inventory values at the end of the year.

In addition, suppliers increased by about 70 million Euros due to the consolidation of Marcegaglia Palini e Bertoli.

Cash flow generated financed investments of approximately 80 million Euros, net financial charges of approximately 68 million Euros and taxes of 11 million Euros, further reducing the net financial position by 159 million Euros (on 2018) to the level of 518 million Euros at 31.12.2019.

It should be noted that, net of cash and cash equivalents, almost all bank debt is medium-term. The further reduction of Marcegaglia Steel's debt remains a top management priority in the near future, despite an expected increase in investments.



 MARCEGAGLIA

Strategy and investments

Continuing the path of recent years, also in 2019 Marcegaglia has focused its attention on strengthening its core business at national and international level, with particular reference to those markets where it is expected to be able to express its distinctive skills and competitive advantages, enhancing in particular the most performing assets.

With this in mind, the group has planned to significantly increase investments to optimise the quality and innovation of products and processes, with an annual allocation, over the next three to five years, of 100/120 million Euros, including any targeted acquisitions.

However, the recent health and economic crisis generated by COVID-19 has led to greater caution. Without prejudice to the medium-term reinforcement programmes, it will operate in 2020 in line with the investment policies of recent years.

In addition, in line with the strategy adopted, a number of extraordinary transactions were completed that redefined the group's perimeter.

These include the acquisition by Marcegaglia Plates of 100% of the share capital of Evraz Palini e Bertoli from the Russian group Evraz SA; the company, based in San Giorgio di Nogaro, employs 104 people and has a production capacity of 500,000 tonnes of sheet metal per year. The company has been renamed Marcegaglia Palini e Bertoli and, together with Marcegaglia Plates, will mark a signifi-

cant step forward for the heavy plates division towards European leadership in this sector, for which it is hoped to reach the goal of 1 million tonnes and a 10% market share in a few years.

In addition, in November 2019 an agreement was signed between Marcegaglia UK and Liberty Precision Tubes for the management of the Indian group's tube production activities in Oldbury for a period of twelve months with the option to purchase the assets.

The activities aimed at implementing energy efficiency are of strategic importance. The most significant projects include the design of two cogeneration plants, which has advanced, and the construction of which is planned at the Ravenna and Gazoldo sites, for which the relevant MED authorisations are pending.

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 2019 the policy of targeted investments for all the companies of Marcegaglia Steel continued, for a total of 77 million Euros. The focus was on the Italian companies to which capex has been dedicated for 72 million Euros, while 5 million are those pertaining to the foreign companies.

The investments were aimed at projects related to issues of particular relevance for the strengthening of the group, including plant improvements capable of ensuring higher quality standards of products, measures to ensure the preservation of excellent safety standards, line digitisation and the systemic review of the supply chain with a new integrated model.

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) made investments of 53 million Euros concentrated in the Ravenna plants for 28 million Euros, including 7 million Euros for the first part of the investment relating to the new rolling mill and 5 million Euros for improvements (for higher quality and productivity) on the galvanizing lines and 17 million Euros at Gazoldo, where they mainly include 8 million Euros to complete the upgrade of the pickling line.

Marcegaglia Specialties (with Marcegaglia Gazoldo Inox) made investments of 17 million Euros, mainly in the Forlì plant for 8 million Euros, including in particular the expansion of the tube area, and Gazoldo the flat area for 6 million Euros, to implement the activities of the service center with a longitudinal and transversal cutting line.

INVESTMENTS 2019 (net of transfers of tangible fixed assets between companies)

| Steel Italy | kEuro |
|--------------------------------------|-------------------|
| Ravenna | 28,477,134 |
| Gazoldo degli Ippoliti | 16,946,683 |
| Casalmaggiore | 3,349,343 |
| Boltiere | 1,600,567 |
| Dusino | 1,054,719 |
| Lomagna | 748,869 |
| Lainate | 263,310 |
| Corsico | 95,276 |
| other | 112,716 |
| tot. Marcegaglia Carbon Steel | 52,648,616 |

| Marcegaglia Carbon Steel | Marcegaglia Ravenna |
|--------------------------|---------------------|
| 2,655,991 | 25,821,143 |
| 16,946,683 | |
| 3,349,343 | |
| 1,600,567 | |
| 1,054,719 | |
| 748,869 | |
| 263,310 | |
| 95,276 | |
| 112,716 | |
| 26,827,472 | 25,821,143 |

| | |
|-------------------------------------|-------------------|
| Forlimpopoli | 8,210,335 |
| Gazoldo Inox | 6,076,003 |
| Contino | 3,067,591 |
| tot. Marcegaglia Specialties | 17,353,929 |

| Marcegaglia Specialties | Marc. Gazoldo Inox |
|-------------------------|--------------------|
| 8,210,335 | |
| 613,595 | 5,462,407 |
| 3,067,591 | |
| 11,891,521 | 5,462,407 |

| | |
|--------------------------------|------------------|
| San Giorgio di Nogaro | 1,624,125 |
| tot. Marcegaglia Plates | 1,624,125 |

| | |
|-------------------------------------|-------------------|
| tot. Marcegaglia Steel Italy | 71,626,669 |
|-------------------------------------|-------------------|

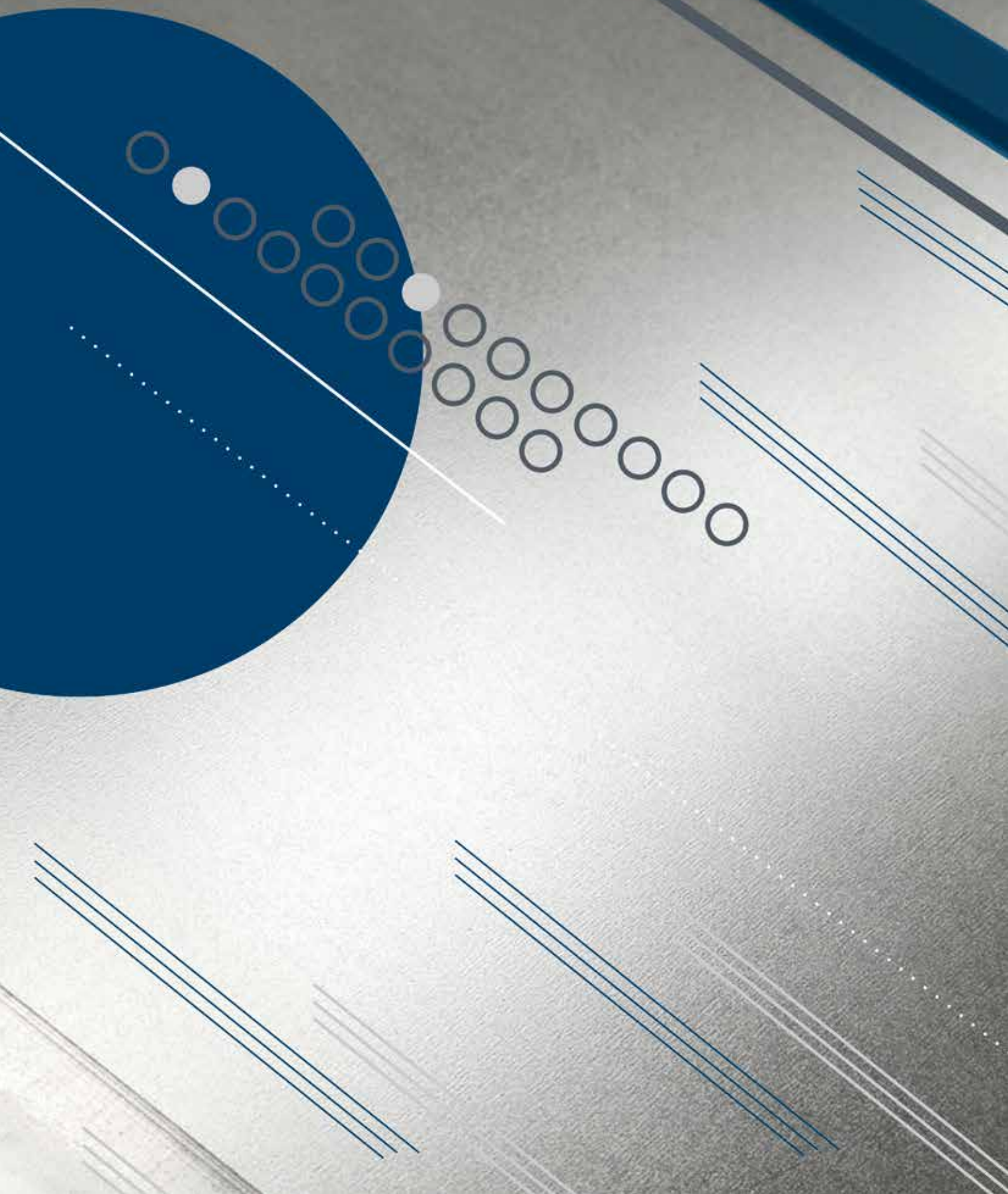
| | |
|--|-------------------|
| Novero | 220,277 |
| Marcegaglia Palini Bertoli | 118,559 |
| Total Steel - Italian companies | 71,965,505 |

| Consolid. foreign companies (Steel) | kEuro |
|--|------------------|
| Marcegaglia UK | 955,517 |
| Marcegaglia Poland | 917,834 |
| Marcegaglia Turkey | 151,918 |
| Marcegaglia do Brasil Ltda | 519,490 |
| Marcegaglia USA | 0 |
| Marcegaglia RU | 168,910 |
| Marcegaglia Central America | 1,846,369 |
| Total foreign companies (Steel) | 4,560,038 |

| | |
|--------------------------------|-------------------|
| Total Marcegaglia Steel | 76,525,543 |
|--------------------------------|-------------------|



Overview by business line



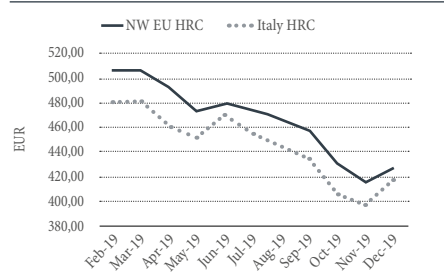
Marcegaglia Carbon Steel

FLAT PRODUCTS (from coils)

2019 saw a gradual decline in coil prices with a sharp acceleration in the latter part of the year.

The persistence of uncertainty has created a particularly nervous and unstable demand, at times blocked by apparent consumption. A further destabilising element is the collapse of the automotive sector.

MONTHLY AVERAGES



Source: Argus media

Overall, this situation did not prevent Marcegaglia Carbon Steel from defending the volumes of carbon steel flat products products (-1.8% on 2018), which were slightly down in the coils and strip division and were substantially offset by the good increase in pre-painted product and sheets. This result is particularly significant when compared with the sharp drop in apparent consumption in Europe (-3.8%). Margins are also fair and in line with the budget.

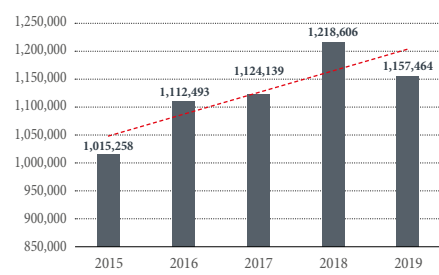
| Marcegaglia production in 000/Ton | 2019 | 2018 | Δ% |
|---|--------------|--------------|--------------|
| Coils | 1,157 | 1,218 | -5% |
| Pre-painted steel products | 454 | 415 | 9% |
| Strips / Sheets | 1,094 | 1,122 | -2.5% |
| Tot. Marcegaglia flat products | 2,705 | 2,755 | -1.8% |
| Apparent consumption of EU flat products | 9,228 | 9,585 | -3.8% |

Coils (excluding pre-painted products)

In 2019, Marcegaglia's coils division shipped 1.157 million tonnes. Although down 5% from the record performance of 2018, this result represents the second best performance since 2010 in line with the division's growth trend.

Sales reached 711 million Euros.

TOTAL SALES TREND T/M



2019 was a year of transition for the world steel industry. In Europe, the flat products market is undergoing a process of profound transformation. In an ultimate analysis, the most important operations include the strengthening of Liberty Steel, which took over the assets divested by Arcelor Mittal, the failed merger of Tata Steel and ThyssenKrupp, but also the substantial takeover of Ilva's steel plants by Arcelor Mittal.

In Italy, apparent consumption as a whole fell by 0.1%, while hot-dip galvanized and

cold-rolled products, of greater interest to the coils division, suffered an even more significant drop of -3.5% and -1.5% respectively.

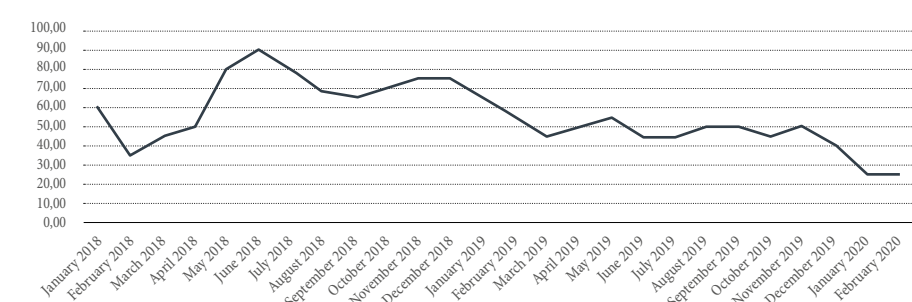
International coil prices have recorded a continuous decline with a negative impact on apparent demand, on segment margins and a structural imbalance between installed production capacity and actual market demand. The automotive sector reduced strongly throughout the year without ever showing signs of recovery.

In terms of market mix, the performance of the coils division is to be considered particularly significant as it was able to defend its leadership in the domestic market against a significant drop in the production of flat products in Italy.

Overall, pickled, cold rolled and galvanized hot rolled coils were distributed 57% on the domestic market (+4% on 2018) and the remaining 43% mainly in Europe and selected international markets.

The change of strategy in the market mix in favour of the domestic market has made it possible to defend product margins and, at the same time, consolidate the partnership with strategic clients. This orientation was also dictated by the continuing contraction in international prices. The same dynamics apply to market prices in Europe, whose differential

SPREAD €/TON HGD MEPS LOW DE VD IT



between northern and southern Europe gradually narrowed during 2019.

The number of loyal customers, totalling just over 500 in Europe, remains stable.

In terms of product mix, there was continued growth in pickled coils (+12% on 2018) and a defence of the volume of galvanized coils despite the attack by imports, particularly from Turkey, India and South Korea.

Processed flat rolled products

The economic result of the processed flat rolled products division is substantially in line with 2018 in terms of volumes shipped, equal to 1.094 million tonnes with a turnover of 718 million Euros. In 2019, the characteristic distribution capillarity was maintained, serving 1,538 customers in Europe.

For the second year in a row there was a reduction in deliveries from European service centers to end customers and a reduction in volumes delivered by pure proximity distribution.

MANAGEMENT SUMMARY: Shipping and distribution of European steel: Jan-Dec 2019 / Jan-Dec 2018

| Market perimeter | Long steel products | Flat steel products | All steel products |
|--|---------------------|---------------------|--------------------|
| EU-28: EU Multi-product & proximity steel distribution | -4.2% | -5.5% | -5.6% |
| EU SSC Strip mill products only | N.A. | -4.0% | N.A. |

| National markets | | | |
|--------------------|--------|-------|-------|
| Germany | -3.9% | -4.6% | -4.3% |
| UK | -4.3% | -3.1% | -4.0% |
| France | +1.4% | -6.2% | -4.0% |
| Spain | +11.9% | +4.1% | +8.9% |
| Sweden | -4.1% | -5.4% | -5.0% |
| Finland | -4.0% | -7.9% | -5.3% |
| Poland (2018/2017) | +4.9% | -4.0% | +0.8% |

Shipments growth rates, year-on-year comparison in %

Source: Business Report EUROMETAL - December 2019 / European steel distribution (January-December 2019)

MANAGEMENT SUMMARY: Products for strip mills (Distribution): Jan-Dec 2019 / Jan-Dec 2018

| Market perimeter by SSC only | Hot rolled flats | Cold rolled flats | Galv. & coated flats | ALL SMP |
|--------------------------------------|------------------|-------------------|----------------------|---------|
| SSC EU-28 | -3.7% | -5.3% | -3.9% | -4.0% |
| SSC Austria + Belgium + Germany + NL | -5.5% | -8.4% | -8.5% | -7.1% |
| SSC Italy | -2.0% | -4.8% | -2.5% | -2.8% |
| SSC France | -6.5% | -1.5% | -7.6% | -6.2% |

| Monitoring by EU28 & Main National Markets (all shipments of strip mill products by steel distributors as well as SSC) | | | | |
|--|-------|-------|-------|--------|
| Multi-products & proximity steel distrib. EU 28 | -1.8% | -8.6% | -3.6% | -4.7% |
| Germany | -7.0% | -9.0% | -0.8% | -3.2% |
| UK | -4.3% | -3.4% | +2.3% | -1.4% |
| France steel stockholders only | 0.0% | -3.3% | -1.0% | -0.5% |
| Sweden | -9.0% | -4.5% | -1.9% | -5.2% |
| Spain | N.A. | N.A. | N.A. | +12.8% |
| Poland | N.A. | N.A. | N.A. | N.A. |

A year-on-year comparison of shipments, in %

Source: EUROMETAL product report - February 2020 / Distribution of strip mill products from service centers and steel distributors

The year got off to a good start for the service centers, mainly oriented towards a more fragmented clientèle, typical of commerce, generating apparent demand in the first few months. Once this effect was exhausted, deliveries were realigned with real demand, resulting in a significant reduction. The crisis in the automotive sector has had a greater impact on northern European operators.

Proximity distribution has consistently suffered from this trend, closing with declining volumes for the first time since 2015.

The reduction in real demand affected the volumes of strip delivered by the processed flat rolled products division, which closed 2019 down -7.9%. The most severely penalised products were cold-rolled and galvanized strips.

Cold-rolled strips have suffered a sharp contraction (-19.1%) both in Italy and abroad, particularly in the electric motors sector, historically one of Marcegaglia's main applications, due to a reduction in demand by the automotive and household appliances segment and a shift towards the magnetic steel market, which is not currently served.

An important share of **galvanized strips**, especially in Italy and Germany, is absorbed by the automotive sector, second in Europe in terms of consumption and mainly consists of the latest generation of special steels. The delivered volumes of galvanized products decreased overall by 11.9%. A careful commercial policy based on territorial and product diversification has made it possible to limit the total reduction in volumes to -7.1%.

The performance of **pickled strips** was very positive (+15.3% on 2018).

The trend of **sheets** was also satisfactory

thanks to a major commercial action, undertaken in the second half of 2018, with the aim of assuming market leadership towards proximity distribution. This action yielded the expected results in 2019. Total volume delivered increased by 7.6%, which, added to the reduction in market demand, leads to a double-digit increase in market share. Volumes delivered to trade increased by 12.4%

Budget margins have deviated slightly from the objectives set. Strips hold fast, also thanks to long-term contracts (-3% compared to the budget) while sheets, which are more spot, have suffered more from the continuous drop in market price.

Pre-painted products

Marcegaglia's pre-painted products close 2019 with a brilliant increase in volumes of 9% compared to the previous year (going from 415 thousand tonnes to 454 thousand tonnes).

A record result that allows Marcegaglia to consolidate, with a 7.7% share, its presence on the European market, which grew in 2019 from 5.4 to 5.7 million tonnes.

After an uncertain start in the early part of the year, recovery began in April, both in terms of volumes and profitability, such as to allow the achievement of the set budget objectives.

As far as the market mix is concerned, the pre-painted product is reconfirmed as being more targeted - for 66% - at European customers (up by 4 percentage points on 2018) and for the remainder at national customers.

The dynamism, the continuous search for commercial opportunities and the development of new products with greater service content have made it possible to reach new segments of customers with

more sophisticated needs; this translates into an increase in the number of active customers attended of 11.5% (from 389 to 434).

The pre-painted processed product went from 29 thousand tonnes in 2018 to 27 thousand tonnes in 2019, down by around 6% due to the contraction of the sectional door segment in the third quarter.

For 2020, the objectives are aimed at consolidating the volumes achieved in 2019 and further improving profitability.

The driving force behind the growth will be new projects aimed at implementing special coating cycles aimed essentially at niche markets with high added value, such as "digital printing", a technology that will enable Marcegaglia to offer a wide range of products aimed mainly at the design and interior fittings sector with a focus on both the residential and naval construction sectors.

WELDED TUBES

The overall performance of Marcegaglia Carbon Steel's tube division was positive compared to the previous year both in terms of volumes shipped of 981 thousand tonnes +3% (+5% 1H2019) and profitability, with a mark-up on raw materials on the rise, despite the slowdown in overall apparent demand (-3.5%), which fell sharply in the second half of the year.

Apparent consumption of welded tubes in the range up to 406.4 mm diameter therefore stands at 9.1 million tonnes (9.4 million in the previous year). Imports from third countries, as a result of the introduction of safeguard measures, are reduced to 1.7 million tonnes (2 million tonnes in 2018), reducing their market share to 19% (22% in 2018).

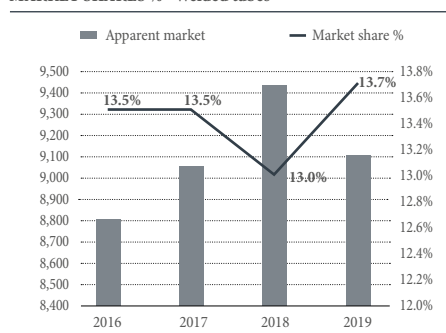
In the welded tubes sector, the group was able to consolidate a total shipment of 1.247 million tonnes, increasing its market share to 13.7%.

| 000/Ton | 2016 | 2017 | 2018 | 2019 | Δ 2019 /2018 |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
| Production | 7,919 | 8,177 | 8,212 | 8,212 | 0% |
| Import | 1,627 | 1,787 | 2,053 | 1,709 | -16.8% |
| Export | 739 | 907 | 829 | 813 | -1.9% |
| Apparent market | 8,807 | 9,057 | 9,436 | 9,109 | -3.5% |
| Total Marcegaglia EU* | 1,193 | 1,222 | 1,226 | 1,247 | 1.7% |
| MARKET SHARE % | 13.5% | 13.5% | 13.0% | 13.7% | 0.7% |

* Marcegaglia Carbon Steel, Marcegaglia Poland, Marcegaglia UK

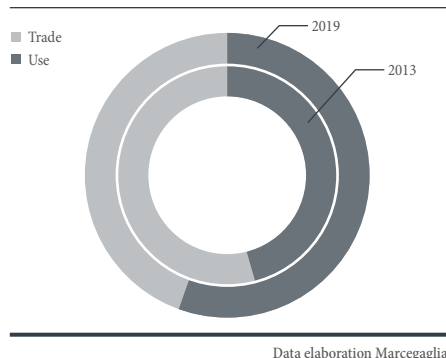
Source: Esta, Elaborated Marcegaglia

MARKET SHARES % - Welded tubes



Over the years, Marcegaglia's tube division has progressively increased the volumes shipped to different markets (almost + 20% in the last 5 years). This is the result of a careful commercial policy of the division at the service of distribution operators and the strengthening of the partnership with selected end users.

2019 VS 2013 SEGMENTATION



In terms of product segments, sales for use reached 56% of the total (+1% on 2018). The close relationship with national and European trade has made it possible to maintain an important position. In 2019, activities aimed at optimising the service by improving the entire supply chain will continue.

In addition, the year just ended saw a substantial redistribution of volumes in the basket of product sectors in favour

of the construction and agriculture sectors, while the Energy sector suffered a setback due to the forced reduction in shipments to the Oil & Gas sector. The automotive and white goods segment was also penalised, the latter traditionally less important in terms of shipping volumes.

Finally, as far as the commercial companies are concerned, the Trisider division recorded a fluctuating trend in 2019 with a substantial recovery in the fourth quarter.

As far as the ETA division is concerned, a process of volume reorganisation has been undertaken in search of marginality consolidation through a project for the development of products with higher added value in terms of both processing and qualifications.

Cold-drawn tubes

The 2019 of Marcegaglia's cold-drawn tubes division was a year divided up into two different speeds. In the first part it recorded a positive and substantially stable trend on 2018, but this was then retraced due to the strong slowdown of all the main user sectors, in particular automotive, hydraulics and mechanics. In addition, the protectionist policies implemented by the United States encouraged, from end 2018 to early 2019, the significant increase in imports of cold-drawn tubes into Europe, in particular from India and Korea.

Amidst this complex scenario, Marcegaglia Carbon Steel and Marcegaglia Noveoro were able to maintain their leadership position on the European market, with a moderate drop in volumes and lower than their competitors in the sector and a unitary marginality (+11%) on 2018.

The most significant reductions concer-

ned Eastern European countries and exports outside the European Union; the reduction on the Italian market was more limited. An opposite trend was seen in northern European markets, such as Sweden and Denmark.

The automotive sector remained very weak throughout the year, suffering more than other products from the imposition of duties and the crisis of diesel engines and the slow start-up of electric models.

On the other hand, the mechanical engineering sector not directly linked to the automotive sector is stable, substantially unchanged compared with the previous year.

The hydraulics/oil hydraulics segment held up in the first part of the year, but then slowed down in the second half of the year, with reduction peaks that in some cases reached -30%.

The situation is even more critical for commodity-like products, such as ready-to-use tubes, which have suffered not only from market contraction, but also from destocking and imports from India, a phenomenon that had never previously been seen.

On the other hand, sales volumes of high value-added products such as H8 finished tubes and "custom made" products are more stable.

As far as the market mix is concerned, there was a substantial balance between sales on the Italian market, which rose to 45%, and the export share, which fell to 55% mainly due to the significant drops in exports outside the EU.

Sales to OEMs reached more than 60% of total volume in both automotive and hydraulics. Collaboration agreements with several distributors have been consolidated, mainly in Italy. On the other

hand, the scenario for distribution on the shrinking German market is more complex.

Overview of foreign companies

In 2019, the foreign subsidiaries of Marcegaglia Carbon Steel become progressively more important with a good profit in terms of profitability for Marcegaglia do Brasil in relation to prices and a substantial holding for Marcegaglia UK and Marcegaglia Poland.

The performance of the companies Marcegaglia Mexico and Marcegaglia Colombia, control of which was recently taken over by the Holding company Marcegaglia Central America, was also positive and they are continuing their efforts to improve profitability thanks to a strong efficiency drive.

| | 2019 | | | 2018 | | |
|------------------------------|---------|---------|--------|---------|---------|--------|
| | Brazil | Poland | UK | Brazil | Poland | UK |
| PIL % | 1.1 | 4 | 1.4 | 1.3 | 5.1 | 1.3 |
| Inflation % | 4.3 | 2.3 | 2.0 | 3.7 | 1.6 | 2 |
| Steel (ton/000) | 95,153 | 314,409 | 87,870 | 92,729 | 325,034 | 85,108 |
| Revenues (local currency) | R\$ 402 | zł 856 | £ 62 | R\$ 392 | zł 935 | £ 62 |
| Revenues (Millions of Euros) | 106 | 242 | 72.5 | 104.4 | 265 | 70 |
| EBITDA (Millions of Euros) | 14 | 10.1 | 2.8 | 12.8 | 18.2 | 2.8 |
| Revenues % | 13.3 | 4.2 | 3.9 | 12.3 | 6.9 | 4 |
| PFN (Millions of Euros) | 2.7 | -57 | 3.5 | -5.7 | -51.1 | 2.0 |



Marcegaglia Specialties

STAINLESS STEEL

In 2019, world production of stainless steel reached 51.9 million tonnes (+2%) thanks mainly to the contribution of China, the real driver. All other geographical areas have suffered a setback, particularly in Europe where output fell by -11%. The United States and the remaining countries of the Asian bloc also recorded shrinking volumes, with decreases of -8% and -4.8% respectively.

GLOBAL STAINLESS STEEL PRODUCTION (thousand tonnes)

(fc: forecast)

| | Quarter | | | | 12 months | | | var % YoY |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|
| | I 2019 | II 2019 | III 2019 | IV 2019 fc | 2017 | 2018 | 2019 fc | |
| Europe | 1,899 | 1,842 | 1,492 | 1,343 | 7,377 | 7,385 | 6,576 | -11.0% |
| USA | 704 | 647 | 669 | 563 | 2,754 | 2,808 | 2,583 | -8.0% |
| China | 6,684 | 7,670 | 8,135 | 6,972 | 25,774 | 26,866 | 29,461 | 9.7% |
| Asia (excl. China and Korea) | 1,961 | 1,938 | 1,980 | 1,922 | 8,030 | 8,195 | 7,801 | -4.8% |
| Other * | 1,464 | 1,306 | 1,417 | 1,276 | 4,146 | 5,635 | 5,463 | -3.1% |
| Total | 12,712 | 13,403 | 13,693 | 12,076 | 48,081 | 50,889 | 51,884 | 2.0% |

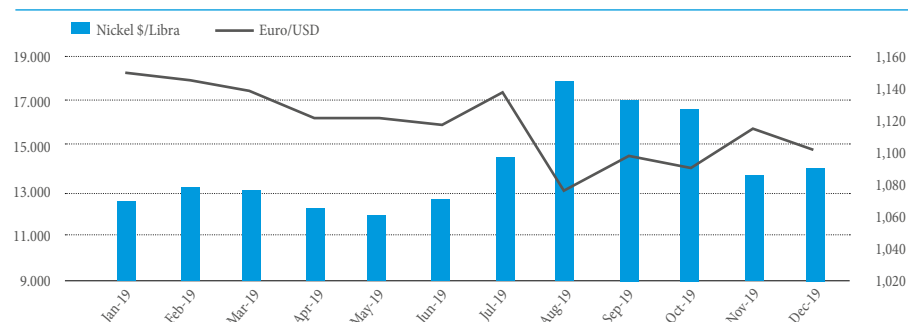
* Brazil, Russia, South Africa, South Korea, Indonesia

Source: ISSF - Data elaboration siderweb.com

Stainless steel prices have been highly volatile throughout the year with a particular weakening in Q4 2019.

Business on the international market has been impacted by endogenous factors - first and foremost, the nickel price trend which has been increasing especially since the third quarter - as well as by exogenous factors, such as the application of the safeguarding measures and the opening of the anti-dumping investigation for the import of coils from China, Taiwan and Indonesia, which concluded in April 2020 with the application of provisional duties.

NICKEL / DOLLAR TREND



In this context, Marcegaglia Specialties recorded volumes above budget with 441 thousand tonnes compared to 396 thousand tonnes in 2018 (+11.5%), booking strong growth in flat products and solid development in laser tubes. The European market, in the red by 11%, to which the contraction of important segments such as the pro-

duction of automotive silencers (-10%) is added, did not affect the division's performance, which was able to safeguard its results in terms of tonnes shipped and margins, reconfirming Marcegaglia Specialties as the world's leading producer of stainless steel tubes.

In order to best meet market demands, Marcegaglia Specialties has expanded its range of flat products by adding a new range of 2,000 mm wide stainless steel hot rolled sheets, in thicknesses of up to 12 mm and in 304L and 316L grades. The new size options are the result of the group's investment in a new cut to length line. At the Forlì plant, the production capacity of laser tubes has been strengthened thanks to the installation of a new laser line.

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

- tubes for solar energy
- tubes for boilers
- tubes for heat exchangers
- tubes for hydro-forming in the automotive sector.

Finally, thanks to its own controlled supply chain, Marcegaglia Specialties has developed new bright bars, called EuMarc®, in stainless steel of 100% European origin, characterised by constant mechanics and chemistry to meet the need for high performance products in grades 1.4305 (AISI 303) - 1.4301 (AISI 304) - 1.4307 (AISI 304L) - 1.4404 (AISI 316L).

The strengthening of commercial activity has also been achieved through the implementation of digitisation processes with the creation of an e-commerce channel for a faster exchange of informa-

tion with customers and execution of orders.

COLD-DRAWN BARS

After three years of steady, solid growth, Marcegaglia's cold-drawn products division recorded a drop in volumes in 2019. The main aspect that has impacted its performance is the crisis in the automotive segment. The negative growth of the cold-drawn product (-11.9%) is in line with the trend of the Italian market (735,507 tonnes vs 823,759 tonnes in 2018).

Nevertheless, the division has shown strong resilience by reconfirming its leadership role in Italy (with a 23% share) and in Europe (11%).

In addition, thanks to a continuous monitoring of the market, the search for new customers on end use and a careful and calibrated commercial pricing policy, it was possible to safeguard product margins, assuring excellent results in terms of EBITDA, which came to 14.1% of revenues.

Marcegaglia's cold-drawn product was mainly destined for customers in the use segment for 39% of the total, with a market mix oriented towards the domestic market for 41% and the rest in Europe but also in some selected non-European markets.

Marcegaglia RU

The Russian economy continued to slow in 2019 with a growth rate of +1.3%. The stainless steel market has remained substantially stagnant with volumes of 485,000 tonnes.

Marcegaglia RU's year ran at two speeds; less brilliant in the first half of the year and a strong recovery in the second half of the year, particularly from August with monthly results regularly exceeding budget targets.

At the end of the year, volumes shipped increased by 32.4% to 21,108 tonnes (15,940 in 2018). Turnover rose to 48.1 million Euros, a sharp increase of 24.5% on 2018.

Also thanks to these results, Marcegaglia RU permanently confirms its fourth place among the players in the sector (it was in 14th in 2015) in the Russian Special Steel Association's special rating.

Marcegaglia Turkey

2019 was a particularly complex year for Turkey's economy, characterised by a fluctuating GDP trend, which began gradually recovering only in the last quarter and a final result of +0.9%.

The country has large external financing needs and a heavily indebted private sector in foreign currency and therefore particularly vulnerable to deteriorating global economic conditions. Political conflicts between the US and Turkey continued in 2019, with relatively high exchange rates and interest rates for bank loans reflected in a fairly negative market in terms of demand.

As regards the Turkish steel market, the overall volume decreased by an annual -20%. The ornamental tube segment in particular suffered, while demand for industrial tube, which was particularly lively, partially offset the reduction in the total market.

Amidst this complex scenario, Marcegaglia Turkey was able to keep its volumes stable despite the market contraction in a very challenging environment where the company's sales prices were 13% higher than in Vietnam.

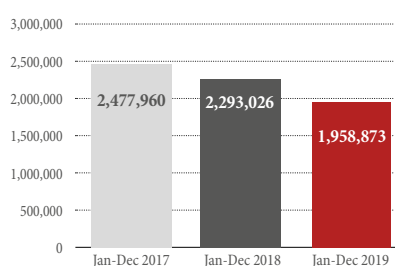
Total market share grew from 21% to 25%.

Marcegaglia Plates

Main events and outlook of the European market for the production of heavy plates

In the first half of the year, the trend was substantially stable with a contraction in the second half of the year. Imports from third countries were also affected, decreasing for the second year running (-15% on 2018).

QUARTO PLATE IMPORTS INTO EU



The prices of raw materials (slabs), in line with heavy plates, showed a sustained trend in the first part of the year with a contraction of the spread.

The main sectors of use of heavy plates such as infrastructure and carpentry have maintained a sustained consumption, while the automotive sectors such as the production of moulds and components have suffered from the general slowdown in the segment.

The activities of Marcegaglia Plates in 2019 showed a significant improvement over the previous year, while at the same time achieving the objectives of maintaining market share and protecting margins.

Sales were mainly to customers in the end-use segment for 40% and the remainder to traders and commercial operators, with a market mix strongly oriented towards the export market (68%).

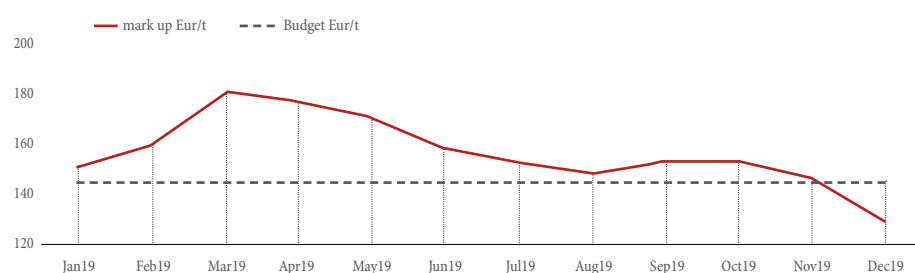
Sales of special products remain stable

despite the contraction in the division's most important supply segment such as the production of moulds for automotive components and parts with high mechanical strength.

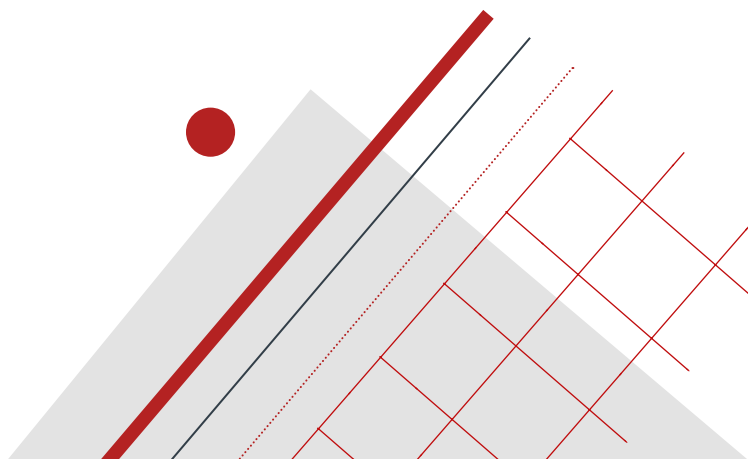
The size of the customer portfolio (just under 600 active customers) and the depth of the segments served made it possible to better manage market fluctuations thanks to a widespread presence in several reference markets (Italy, Germany and France). The acquisition of Evraz Palini e Bertoli represented for Marcegaglia Plates a significant step in its growth path in the European market; in fact, the new industrial pole, with a production capacity of approximately 1 million tonnes per year, is one of the main producers of sheet metal in Europe with a target share of 10% of the market and an equivalent value of over 500 million Euros.

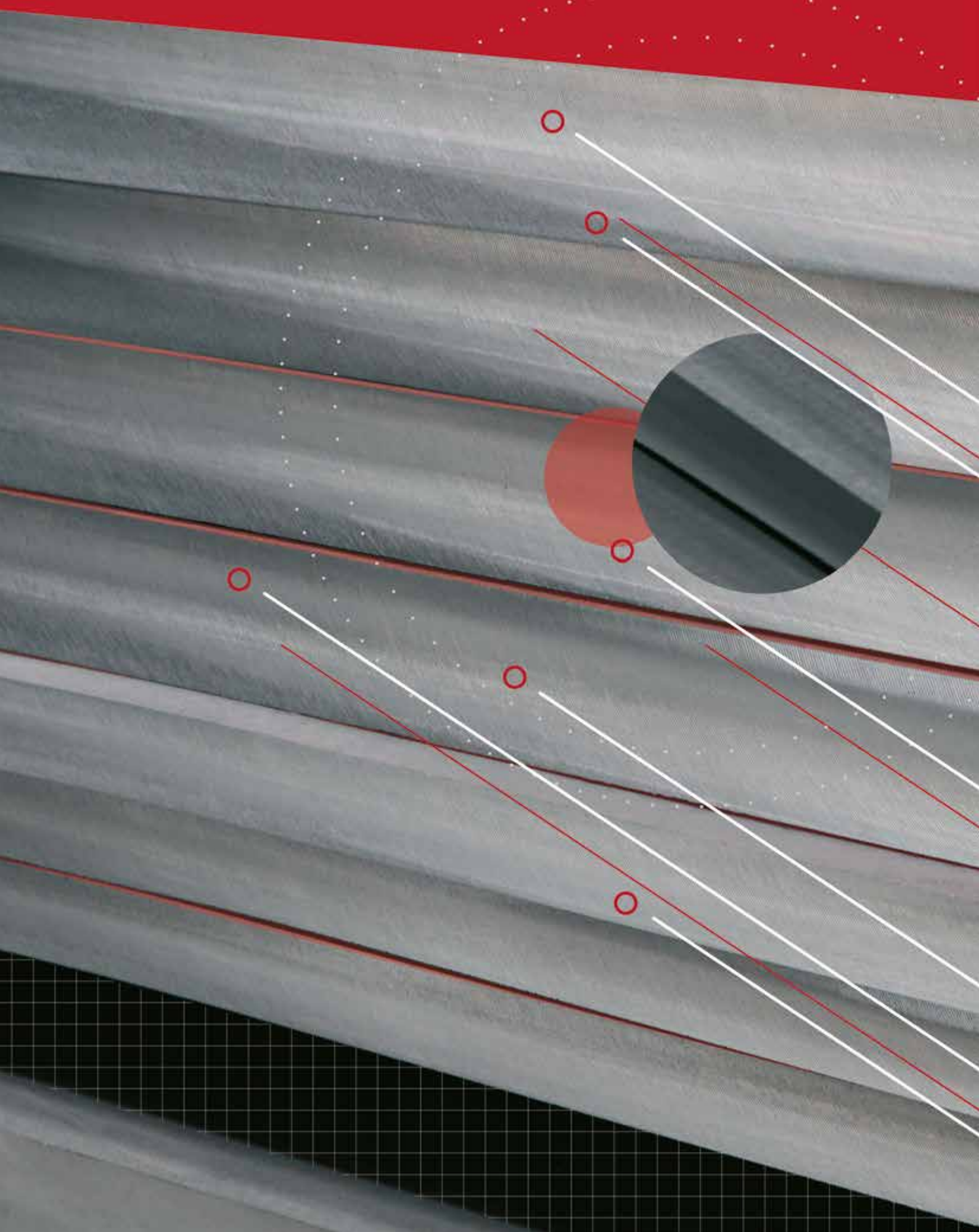
For 2019, the budget objectives, both in terms of volume and margins, were achieved despite a difficult second half of the year (volume: -0.33% on the budget; mark up: +8.90% on the budget).

MONTHLY MARK UP - 2019



Given the growing focus on higher value-added products, several certification processes were launched in 2019 to serve the shipbuilding, railways and major infrastructure contractors sectors.





Significant events after the end of the financial year

Early 2020, the global economy was struck by the unpredictable shock of the spread of the Coronavirus pandemic, generating an unprecedented health, social and economic crisis with millions of people infected worldwide - still growing exponentially - and hundreds of thousands of lives lost.

It is a real global crisis, far greater than the 2009 financial crisis, which had only partially affected Asia, and therefore, with more “regional” impacts. According to estimates available in April, world growth will reduce by -3%, Europe by -7.5% and the United States by -5.9%. World trade is expected to decline by 11% over the coming months while industrial production in the Eurozone will fall by 20%.

The governments of individual countries are increasing their public debt to meet the costs of the health crisis and the ECB has initiated a strong expansive monetary policy. The European institutions, albeit with some delay, are discussing introducing common instruments to

support the recovery of the European economy.

The consequences of the COVID-19 have had a violent impact on both the supply and demand sides of the market, raising serious doubts about the future profitability or indeed the survival of many economic activities in various sectors with particular repercussions on fixed investments (including construction) and durable consumer goods, which are the main markets for the steel industry. The liquidity crisis will not only affect businesses but also the availability of consumer spending, which will contract sharply in the coming months.

According to World Steel Association estimates, already in March 2020, world steel production decreased by 6% compared to March 2019. The drop is much greater in Europe (-10%) and particularly in Italy (-40%), the country most affected in the initial phase of the contagion. Indeed, after the first cases in Italy occurred at the end of February, the Government decided strong restrictions

on the mobility of people and the production of industries with production considered “non-essential” (lockdown) starting 9 March.

In compliance with government directives, Marcegaglia Steel in Italy has limited the production and shipments of all its plants to customers belonging to the “essential” supply chains, however, managing to limit the reduction in shipments to a percentage slightly higher than -10% for the month of March.

The following is a summary of Marcegaglia Steel's Q1/2020 shipments compared to the previous year.

MARCEGAGLIA STEEL SHIPPING BALANCE (Q1 / 2020 compared to the previous year)

| Company | Quantity (ton) | | | Revenues (thousands of Euros) | | | MARK UP | | |
|---------------------------------------|------------------|------------------|-------------|-------------------------------|------------------|--------------|--------------|--------------|-------------|
| | Jan-Mar '20 | Jan-Mar '19 | Δ % | Jan-Mar '20 | Jan-Mar '19 | Δ % | Jan-Mar '20 | Jan-Mar '19 | Δ % |
| Marcegaglia Carbon Steel | 939,169 | 992,574 | -5.4 | 619,033 | 716,412 | -13.6 | 29.3% | 27.9% | 4.9% |
| Marcegaglia Specialties | 163,724 | 187,399 | -12.6 | 303,801 | 353,571 | -14.1 | 21.9% | 22.0% | -0.8% |
| Marcegaglia Plates | 91,170 | 95,362 | -4.4 | 51,411 | 59,121 | -13.0 | 29.7% | 26.6% | 11.6% |
| tot. Marcegaglia Steel Italy | 1,194,063 | 1,275,336 | -6.4 | 974,246 | 1,129,104 | -13.7 | 27.0% | 26.0% | 3.8% |
| MARCEGAGLIA DO BRASIL Ltda | 27,766 | 23,128 | 20.1 | 27,464 | 25,613 | 7.2 | 29.9% | 30.8% | -2.7% |
| MARCEGAGLIA COLOMBIA (*) | - | - | 0.0 | 1,087 | 1,205 | -9.8 | 41.4% | 31.8% | 30.1% |
| MARCEGAGLIA MEXICO (*) | 30 | 55 | -45.4 | 5,154 | 6,710 | -23.2 | 50.1% | 44.2% | 13.2% |
| MARCEGAGLIA Poland Sp z o.o. | 87,586 | 85,155 | 2.9 | 61,320 | 65,784 | -6.8 | 18.0% | 14.2% | 26.1% |
| MARCEGAGLIA UK | 28,049 | 21,797 | 28.7 | 20,899 | 17,415 | 20.0 | 18.8% | 21.7% | -13.7% |
| MARCEGAGLIA RU | 5,630 | 4,388 | 28.3 | 13,060 | 10,655 | 22.6 | 13.2% | 14.2% | -7.0% |
| MARCEGAGLIA TURKEY | 2,317 | 2,521 | -8.1 | 5,594 | 6,089 | -8.1 | 14.0% | 11.3% | 23.7% |
| tot. Marcegaglia Steel foreign | 151,378 | 137,044 | 10.5 | 134,578 | 133,469 | 0.8 | 21.3% | 19.9% | 7.0% |
| tot. Marcegaglia Steel | 1,345,441 | 1,412,379 | -4.7 | 1,108,823 | 1,262,573 | -12.2 | 26.3% | 25.4% | 3.7% |

* The production of Marcegaglia Mexico and Marcegaglia Colombia is almost exclusively expressed in pieces.

As can be seen, the results for the first quarter in terms of shipments (-4.7%), sales (-12.2%) and consequent margins (+3.7%) are to be considered fair in the context described.

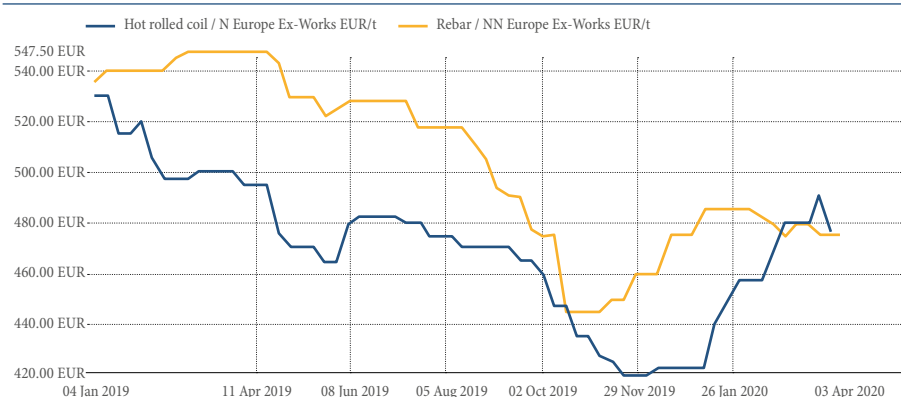
For the second quarter, more significant effects on European demand are expected - particularly in April.

Management is preparing a review of the 2020 budget and a new business plan. This is expected to contain the overall annual reduction between -10% and -15% with a strong focus on cost reduction and variability and cash flow management.

As mentioned, new order prices, after falling in the fourth quarter of 2019 (reflected in revenues in the first quarter of 2020), have bounced back to the levels of a year ago, so unit revenues are expected to improve in the second quarter.

However, the crisis induced by COVID-19 has greatly increased volatility and uncertainty, and we cannot rule out price declines in the second half of the year.

HRC / N EUROPE EX-WORKS EUR/t



Source: Kallanish Steel ©

On 11 February 2020, Marcegaglia Carbon Steel acquired 20% of the share capital of Marcegaglia - Novero s.p.a. from Novero Holding spa. As a result, Marcegaglia Carbon Steel now holds the entire share capital of Marcegaglia Novero Spa.

Research and development

As usual, special attention has been paid to research and development projects. The consolidation of industry leadership in both processes and products is always the basis of the investment plans launched.

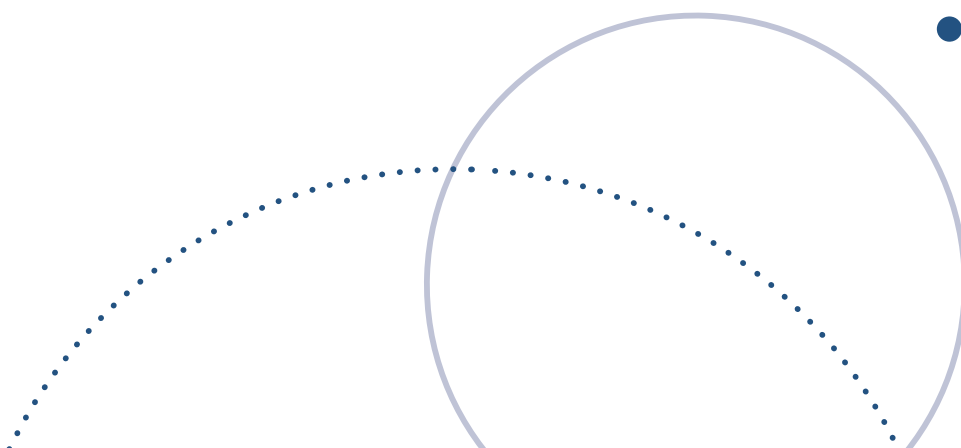
At the **Marcegaglia Carbon Steel** plant in **Gazoldo degli Ippoliti**, R&D has guaranteed improvements in terms of safety, productivity and product quality. The same applies in **Ravenna** with a focus on process innovation and cost reduction. As far as process development is concerned, we would just like to mention the 'Tensil-Pro' project (continuous measurement system of mechanical and microstructural characteristics) which has reached its final stage of industrial application on all lines in Ravenna (pickling, cold rolling and galvanizing). Among the process innovations we should also mention the project 'Improvement of Flatness and Defect Reduction of Cold-Rolled Products through Neural Network Models' developed in collaboration with the main Italian (CSM, Istituto S. Anna of Pisa) and European (BFI, CETIC) research centers and which consists in the development of a special 4.0 platform through Machine Learning models for the prediction of specific defects. Innovative products at an advanced stage of development include the 'Fully Pro-

cessed' (NGOES) Non-Grain Oriented Magnetic Steel R&D project. Also in Ravenna, a production cycle has been defined with some significantly innovative elements that, from the first industrial tests, have shown to have improved magnetic properties compared to the conventional cycle. Thanks to this R&D project, the first magnetic steel coils in Italy were produced at industrial level after almost 20 years of total absence of production. Finally, as far as cost reduction is concerned, we mention the R&D projects for the production of structural steels ('recovery annealed' and 'fully annealed'). These projects have made it possible to define manufacturing cycles for products with significantly higher quality, profitability and productivity.

In the field of welded tubes, at the **Marcegaglia Specialties** plant in **Forlimpopoli**, R&D activities for the production of "special" tubes for solar thermal applications have been completed; the product has been developed and approved, and has allowed our customers to sign contracts for the largest CSP (Concentrated Solar Power) plant in the world. This "special high-end tube" is able to maintain excellent mechanical properties and high temperature creep and must guarantee uniform and reliable performance throughout its length. In the field

of cold-drawn bars, the **EuMarc®** trademark has also been registered. Thanks to a controlled supply chain and an optimisation of the transformation processes, it is able to guarantee not only a 100% European origin but also an improved chemical composition and mechanical characteristics. The usual and profitable cooperation with leading suppliers continues to guarantee a strong capitalisation of know-how.

Marcegaglia Plates has focused its research and development activities on reducing consumption and improving production cycles, as well as extending certification for the supply of special sectors. With the aim of making the best use of the production capacity of the **San Giorgio di Nogaro** plant, several automation systems have been implemented that have allowed a good recovery both in terms of energy and volume, intended as exceeding the production budget in tonnes.



The following table summarises the main projects implemented (some of which already started last year) in the various plants:

| Project Title | Main Objective | Plant |
|--|--|--|
| Study of innovative solutions in the Pickling section Line 1 | Improvement of productivity and product quality | Marcegaglia Gazoldo Inox |
| Development of new predictive maintenance systems | Improvement of reliability and product quality | Marcegaglia Gazoldo Inox |
| Optimisation of the operating conditions at the Sendzimir rolling mill | Improved product quality | Marcegaglia Gazoldo Inox |
| Study for the improvement of the pickling conditions of stainless steels using ecological solutions | Improved yield and 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 |
| Study for automatic blade insertion robot loading on CEX04 | Improved operations and safety | Marcegaglia Carbon Steel Gazoldo degli Ippoliti |
| Conversion of the strip pickling process from sulphuric acid to hydrochloric acid. Industrial testing. | Improved product quality | Marcegaglia Carbon Steel Gazoldo degli Ippoliti |
| Digitisation of production and maintenance processes. | Improved reliability and efficiency | Marcegaglia Carbon Steel Gazoldo degli Ippoliti |
| Improvement of the quality of the sheared belt edge for automotive tube and heat exchanger | Improved quality of laser welding | Marcegaglia Specialties Forlimpopoli |
| Study of continuous control of flap misalignment in HF welding for automotive applications | Improved product quality and customer satisfaction | Marcegaglia Specialties Forlimpopoli |
| Study of the influence of process parameters on the quality of welding with Fibre Laser technology | Improvement in product quality and productivity | Marcegaglia Specialties Forlimpopoli |
| Study and development of chamfering systems | Product quality improvement | Marcegaglia Specialties Contino |
| Development of clamping systems for grinding | Improved safety and efficiency | Marcegaglia Specialties Contino |
| Improvement of flatness of cold-rolled products through Neural Network Models (EU funded project) | Process innovation Increased productivity Improved quality Cost reduction | Marcegaglia Ravenna |
| Technical feasibility of finished NGOES products | Product development | Marcegaglia Ravenna |
| Tom Tom Plates project | Improved process efficiency | Marcegaglia Plates |

Sustainability and safety

Marcegaglia has always considered the objectives of sustainability and safety of workers, respect for the physical and moral integrity of its workers and respect for the environment to be of primary and priority importance, considering them not to be in conflict with other objectives in the production field. Therefore, consistent with this belief, in 2019, Marcegaglia fully implemented its policy of social and ethical responsibility, based on the commitment and involvement of all levels of the company, towards the pursuit of the following objectives:

- complete compliance with environmental and occupational health and safety legislation;
- prevention and continuous monitoring aimed at minimising risks to health and safety at work, accidents and pollution;
- implementation of the best technologies available for the construction and maintenance of production facilities;
- application of the approach to continuous improvement, with reference to each process, management system, environmental performance and, above all, safety and health at work.

In the first quarter of 2020, the group companies were faced with the outbreak of the Coronavirus epidemic, with particularly serious effects in Italy. Right from the very early stages, even before knowing the recommendations of the Government and the World Health Organisation, the Marcegaglia group activated an extraordinary protocol containing the prevention measures functional to ensure the health and safety of workers; these include, but are not limited to, extraordinary cleaning, disinfection and sanitisation interventions, installation of totems for dispensing hand washing

alcohol gel, control of body temperature at entrances to the company, restricted access to common areas, including the company canteen and changing rooms, supply of PPE, activation of smart working mode for part of the staff and partial and temporary reductions in operational activity.

ENVIRONMENTAL AND SAFETY MANAGEMENT SYSTEMS

In 2019, all the auditing activities carried out by the RINA certification body, for all the integrated environmental, safety and energy management systems according to UNI EN ISO 14001:2015, OHSAS18001:2007 and UNI CEI EN ISO 50001:2011 standards and for all the production units sampled, were successfully completed and the certifications were confirmed. Some sites have already completed the transition from OHSAS18001 to ISO 45001:2018. For 2020, activities have already been planned for the completion on the other sites of the transition of safety management systems to UNI EN ISO 45001:2018 and for the transition to ISO 50001:2018.

INITIATIVES TO PROMOTE A CULTURE OF SAFETY AND HEALTH

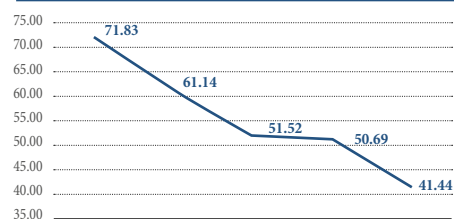
In 2019, activities continued to raise people's awareness of the culture of safety, including the "Zero Accident Project" initiative, which has been in place for several years and has now become a cornerstone on which the brilliant results achieved are based. The project also includes activities to promote a culture of safety, as well as specific training, in particular on safety officers. The BBS (Behaviour Based Safety) project has been extended,

with general improvement in safety and health awareness and competence by all staff. As early as January 2020, there will also be a communication campaign to raise awareness of safety and environmental issues. The Group collaborates and actively participates in the meetings of the Federacciai Safety Observatory.

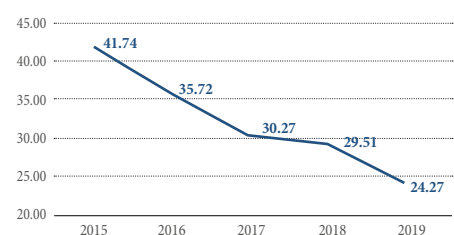
Accident trends

The efforts and investments in prevention, put in place continuously, are yielding excellent results, in terms of concrete numbers, but also certainly in terms of growing attention and culture towards working in safety. As far as the accident

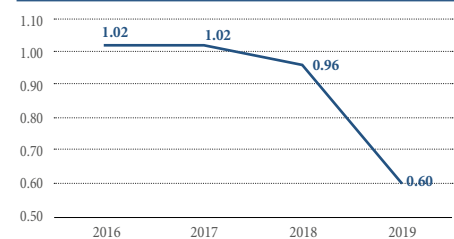
MARCEGAGLIA - INCIDENCE INDEX



MARCEGAGLIA - FREQUENCY INDEX



MARCEGAGLIA - GRAVITY INDEX



rates are concerned, an examination of the aggregated data for the last five years (2015-2019) shows a constant and marked decrease in all accident indices, frequency, incidence and seriousness, with a significant reduction also in the number of accidents. In particular, in the year just ended, this trend was confirmed, maintaining a reduction of around 40% compared to the previous year, with a significant reduction in the number of days lost due to accidents and their average duration. This has taken place against a background of constant growth in both hours worked and the number of workers and is therefore of even greater value. The data referring to all production units as a whole is also reported, in order to have a representation of the temporal trend of the accident phenomenon in the last 5 years, from a group perspective.

Promotion of social and cultural activities of the group

In 2019 the Marcegaglia group celebrated the 60th anniversary of its foundation with a series of initiatives and events that will involve its **employees** (for having contributed to consecrate the company to success and world leadership in its sector), the **Marcegaglia Onlus Foundation** (to expand its activities in the field of human solidarity in Italy and in the poorest areas of the world) and, above all, its **territory** with its community (as the main force and propulsive resource of its continuous and profitable development). Precisely in relation to the territory of Mantua, which has today become the “world capital of steel transformation”, the Marcegaglia group has reserved its greatest celebratory commitment with the “**Casa Marcegaglia**” project, capable of exalting all the historical, artistic, cultural, economic and social values expressed.

In March 2019 Marcegaglia's official “app” for smartphones and tablets was launched on-line at the App Store and Google Play Store. Available in Italian and English, the application allows you to have at your fingertips the main news regarding the life of the company, its pro-

ducts, plants, present and future projects, fairs and events in which the group participates, as well as some news from the national and international steel scene.

Casa Marcegaglia

Casa Marcegaglia will be officially opened in spring 2021 and will represent an important innovative reality consisting of a permanent museum structure, which will be built on a 1,300 square metres space in the headquarters of Gazoldo degli Ippoliti. Through a dynamic story, it will retrace the history of the founder, the family and the company Marcegaglia in all their evolutionary periods.

The exhibition will be divided into eight themed stages, each of which will be equipped with various interactive installations and multifunctional illustrative spaces. Casa Marcegaglia will also host the group's Corporate Academy, which aims to follow the highly specialised educational path for the permanent training of the staff of all the companies of the group and whose training initiatives will also be open to all those, organisations or individuals outside the group, who wish to take advantage of them. A great deal of space will be devoted to experimenting with new approaches to training, both in dealing with management issues and those related to safety at work, environmental protection and sustainability.

Support for the territory

The relationship between the company and the territory consists of a mutual exchange: the company creates work by contributing to the economic and social development of the community which, in turn, participates profitably in the activities of the company itself.

In this spirit, initiatives to support the values of business culture for the benefit of the community in the areas where Marcegaglia's production facilities are located, have continued. These include the partnership with Festivalletteratura, the support to the activities of the Palazzo Te Foundation, the Orchestra da

Camera di Mantova and FAI - the Italian Environment Fund. In addition to various sports, social and cultural activities including the biennial exhibition of ancient mosaics in Ravenna and the exhibition “Dialoghi di teatro contemporaneo” of the Mantua “cinema del carbone”.

As far as the Marcegaglia Foundation is concerned, what has just passed was a year of strengthening the projects underway both in Italy and abroad. In 2019 an important and ambitious project was carried out in Rwanda: the construction of the Centre for the Development of Early Childhood in Rilima, which will welcome about 100 children from disadvantaged or single parent families from the beginning of 2020.

In Italy, the Marcegaglia Foundation has offered its continuing support of two realities active in the fight against violence against women: the CAV of Mantua and the CIF of Carrara. In both contexts, the training of volunteers and operators continued and, at the same time, accompanying services for women in fragile situations were activated.

Following the spread of the Coronavirus, the Marcegaglia Foundation also donated financial resources to the Poma Hospital in Mantua to strengthen emergency therapy with an additional 10 beds and to purchase two radiology equipment to enhance diagnostics. Some of the company's unitary trade union representatives have also promptly taken action in the area.

Finally, thanks to the “Marcegaglia employee project”, the Foundation awarded 10 scholarships to deserving university students who are the children of Marcegaglia employees and supported 5 schools in the purchase of scientific and technological equipment.

Human resources

In 2019, the average number of Steel employees, attributable to the consolidated companies, reached 5,718 compared to 5,598 employees in 2018.

There was substantial stability in employment in the various companies and the 2.1% increase is mainly due to the acquisition of Marcegaglia Palini e Bertoli in November 2019.

Italian units accounted for 66.7% of total employment with 3,815 employees. The foreign companies employ a total of 1,883 employees. The data, with a further slight increase in the percentage of Italian employment as a percentage of the total, confirms the strategic centrality of the national industrial reality, even though the group's presence on global markets is still very important.

In 2019, programmes were launched and implemented to revise the organisation and efficiency of all Italian plants with particular reference to the revision of production flows (supply chain project). Training investment in human resources has continued in all production facilities. With more than 50,000 hours of training focused on occupational safety and technical and professional issues.

The new "Academy Marcegaglia" area is currently being built at the group's headquarters in Gazoldo degli Ippoliti.

As part of the broader "Casa Marcegaglia" project, this new area will focus on the sharing and dissemination of company know-how to employees through dedicated training activities.

In 2019, as consolidation and confirmation of the constant action taken by management, in agreement with the trade unions and all employees, the accident indices recorded showed a further significant drop.

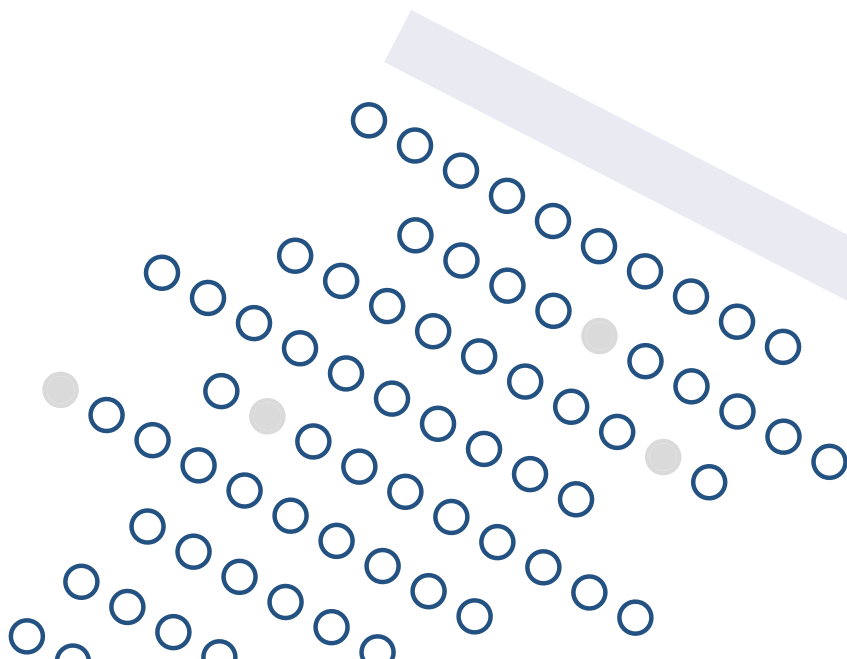
In all Steel units, the company's supplementary contracts have been renewed for the next three years and, in substantial continuity with the company policy that has been followed for over 10 years, they award employees bonuses linked to productivity and efficiency improvements recorded.

The Steel sector expanded with the completion of acquisitions in 2018 of Marcegaglia Novero, a manufacturer of cold-drawn tubes located in Rivoli (TO) with 85 employees, and in 2019 of Marcegaglia Palini e Bertoli, a manufacturer of heavy plates located in San Giorgio di

Nogaro (UD) with over 100 employees. The process of organisational integration of the new Italian acquisitions into the group's structures is at an advanced stage of completion.

Careful and timely management, implemented with the consent of the trade unions and public authorities, has made it possible to mitigate the negative effects on the overall operations of the companies, highlighting a climate of great collaboration on the part of employees.

The constant evolution of the organisation 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, to which goes the appreciation of the company.



The average number of employees in 2019, taking into account the differences in the scope of consolidation, is broken down as follows on 2018:

EMPLOYEES

| Company | 2019 | 2018 | var |
|--|--------------|--------------|-------------|
| MARCEGAGLIA CARBON STEEL | 1,920 | 2,604 | |
| MARCEGAGLIA RAVENNA | 818 | 135 | |
| MARCEGAGLIA CARBON STEEL + MARCEGAGLIA RAVENNA (*) | 2,738 | 2,739 | 0.0% |
| MARCEGAGLIA SPECIALTIES | 629 | 775 | |
| MARCEGAGLIA GAZOLDO INOX | 177 | 29 | |
| MARCEGAGLIA SPECIALTIES + MARCEGAGLIA GAZOLDO INOX (*) | 806 | 804 | 0.2% |
| MARCEGAGLIA PLATES | 88 | 87 | 1.1% |
| NOVERO | 78 | 77 | |
| MARCEGAGLIA PALINI BERTOLI (**) | 105 | | |
| Outsourcing inox (**) | 0 | 8 | -100.0% |
| Total Italy | 3,815 | 3,715 | 2.7% |
| Marcegaglia Poland | 545 | 541 | 0.7% |
| Marcegaglia UK | 137 | 140 | -2.1% |
| Marcegaglia do Brasil | 473 | 475 | -0.4% |
| Marcegaglia RU | 84 | 78 | 7.7% |
| Marcegaglia USA | 0 | 2 | -100.0% |
| Marcegaglia Turkey | 60 | 57 | 5.3% |
| Marcegaglia Mexico (***) | 466 | 470 | -0.9% |
| Marcegaglia Colombia (***) | 138 | 120 | 15.0% |
| Marcegaglia Central America (***) | 604 | 590 | 2.4% |
| Total export | 1,903 | 1,883 | 1.1% |
| Consolidated total | 5,718 | 5,598 | 2.1% |
| Marfin | 137 | 135 | 1.5% |
| Total | 5,855 | 5,733 | 2.1% |

(*) in 2018 Marcegaglia Ravenna and Marcegaglia Gazoldo Inox were present only for 2 months

(**) the total number is indicated, however, it participated in the consolidation for 1/12

(***) in 2018 not included with the full consolidation method





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, 2019, 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, 2019, 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

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TEL: +39 045 4753200 - FAX: +39 045 4647314 - www.mazars.it

SpA - CAPITALE SOCIALE DELIBERATO, SOTTOSCRITTO E VERSATO € 120.000,00 - SEDE LEGALE: VIA CERESIO, 7 - 20154 MILANO

REA MI-2076227 - COD. FISC. E P. IVA 11178891001 - 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:

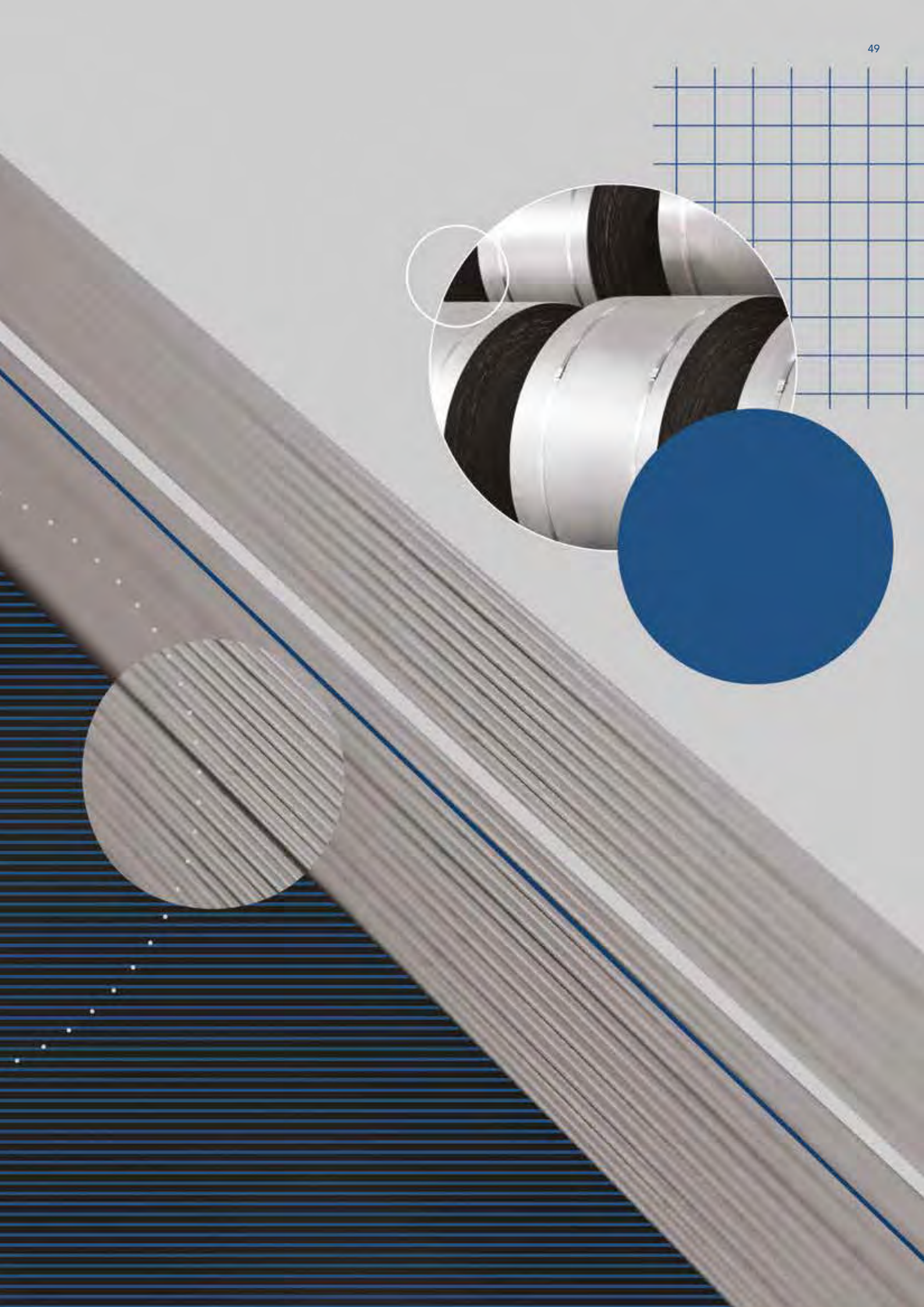
- we identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures in response to those risks; we obtained sufficient and appropriate audit evidence on which to base our opinion. The risk 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, 2020

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 2019

ASSETS currency Euro

12/31/2019

12/31/2018

| A RECEIVABLES FROM SHAREHOLDERS FOR OUTSTANDING CONTRIBUTIONS | | | |
|--|--|----------------------|----------------------|
| 1 | not previously called | 5,174,811 | 5,174,811 |
| 2 | previously called | - | - |
| | Total Receivables from shareholders for outstanding contributions A | 5,174,811 | 5,174,811 |
| B FIXED ASSETS | | | |
| I | <i>Intangible fixed assets</i> | | |
| 1 | Start-up and expansion costs | 562,334 | 665,786 |
| 2 | Development costs | - | - |
| 3 | Industrial patent rights and intellectual property rights | 1,027,165 | 386,847 |
| 4 | Concessions, licenses, trademarks and similar rights | 117,327,594 | 137,447,875 |
| 5 | Goodwill | 18,593,853 | 19,531,143 |
| 6 | Fixed assets in progress and advance payments | 254,533 | 180,581 |
| 7 | Other intangible assets | 72,369 | 52,498 |
| | Total Intangible fixed assets (B-I) | 137,837,848 | 158,264,730 |
| II | <i>Property, plant and equipment</i> | | |
| 1 | Land and buildings | 654,340,003 | 656,806,372 |
| 2 | Plant and machinery | 689,237,630 | 710,119,401 |
| 3 | Industrial and commercial equipment | 19,263,003 | 22,866,832 |
| 4 | Other assets | 8,101,769 | 8,607,359 |
| 5 | Fixed assets in progress and advance payments | 41,810,198 | 30,963,070 |
| | Total Property, plant and equipment (B-II) | 1,412,752,603 | 1,429,363,034 |
| III | <i>Financial fixed assets</i> | | |
| 1 | Equity investments in: | | |
| | a) Non consolidated subsidiaries | 3,229,486 | 10,029,815 |
| | b) Associates | 954,622 | 954,622 |
| | d-bis) Other companies | 1,772,326 | 1,772,326 |
| | | 5,956,434 | 12,756,763 |
| 2 | Receivables | | |
| | d-bis) from others | | |
| | - due within the following year | 20,299 | - |
| | - due after the following year | 2,448,502 | 395,857 |
| | | 2,468,801 | 395,857 |
| 3 | Other securities | 406,121 | 364,010 |
| 4 | Financial derivatives reported as assets | - | - |
| | Total Financial assets (B-III) | 8,831,356 | 13,516,630 |
| | Total Fixed assets B | 1,559,421,807 | 1,601,144,394 |
| C CURRENT ASSETS | | | |
| I | <i>Inventory</i> | | |
| 1 | Raw and ancillary materials and consumables | 738,723,869 | 619,873,709 |
| 2 | Work in progress and semi-finished products | 444,152,818 | 431,830,907 |
| 3 | Contract work in progress | 54,784 | 295,889 |
| 4 | Finished products and goods | 494,453,123 | 461,281,677 |
| 5 | Advance payments | 32,550,117 | 25,640,108 |
| | Total Inventory (C-I) | 1,709,934,711 | 1,538,922,290 |
| II | <i>Receivables</i> | | |
| 1 | Trade receivables | | |
| | - due within the following year | 125,128,761 | 78,860,806 |
| | | 125,128,761 | 78,860,806 |
| 2 | From subsidiaries | | |
| | - due within the following year | 282,888 | 448,074 |
| | | 282,888 | 448,074 |
| 3 | From associated companies | | |
| | - due within the following year | 1,960,284 | 2,545,484 |
| | | 1,960,284 | 2,545,484 |
| 4 | From parent companies | | |
| | - due within the following year | 26,927,105 | 5,685,676 |
| | | 26,927,105 | 5,685,676 |
| 5 | From companies subject to control of parent companies | | |
| | - due within the following year | 291,094,942 | 276,306,535 |
| | | 291,094,942 | 276,306,535 |
| 5-bis | Tax credits | | |
| | - due within the following year | 17,618,867 | 46,585,667 |
| | - due after the following year | 4,799,339 | 105,337 |
| | | 22,418,206 | 46,691,004 |
| 5-ter | Deferred tax assets | | |
| | | 33,718,161 | 33,478,564 |
| 5-quarter | From others | | |
| | - due within the following year | 35,191,700 | 39,900,127 |
| | - due after the following year | 2,631 | 1,086,683 |
| | | 35,194,331 | 40,986,810 |
| | Total receivables (C-II) | 536,724,678 | 485,002,953 |
| III | <i>Financial assets not held as fixed assets</i> | | |
| 4 | Other equity investments | 187,740 | 182,186 |
| 5 | Financial derivatives reported as assets | 68,260 | 74,048 |
| 6 | Other securities | 2,683,988 | 5,102,639 |
| | Total Financial assets not held as fixed assets (C-III) | 2,939,988 | 5,358,873 |
| IV | <i>Cash and cash equivalents</i> | | |
| 1 | Bank and postal deposits | 232,977,955 | 61,803,198 |
| 2 | Cheques | 1,420,216 | 722,481 |
| 3 | Cash on hand and cash equivalents | 41,518 | 29,241 |
| | Total cash and cash equivalents (C-IV) | 234,439,689 | 62,554,920 |
| | Totale Current assets C | 2,484,039,066 | 2,091,839,036 |
| D ACCRUED INCOME AND PREPAID EXPENSES | | | |
| | Accruals and deferrals | 3,137,946 | 2,060,048 |
| | Total accrued income and prepaid expenses D | 3,137,946 | 2,060,048 |
| | TOTAL ASSETS | 4,051,773,630 | 3,700,218,289 |

LIABILITIES currency Euro

12/31/2019

12/31/2018

| A SHAREHOLDERS' EQUITY | | | |
|--|--|----------------------|----------------------|
| I | Share capital | 695,318,116 | 695,318,116 |
| II | Share premium reserve | - | - |
| III | Revaluation reserve | - | - |
| IV | Legal reserve | 766,624 | - |
| VI | Other reserves | | |
| | - extraordinary reserve | - | - |
| | - consolidation reserve | 50,390,789 | 44,716,455 |
| | - reserve from conversion differences | (2,429,617) | (3,466,026) |
| | - 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 | (4) | (1) |
| | Total other reserves (VI) | 47,961,168 | 41,250,428 |
| VII | Reserve for projected cash flow hedges | (6,826,257) | (2,859,065) |
| VIII | Profits (losses) carried forward | 19,173,664 | (74,652,642) |
| IX | Profit (loss) for the year | 23,521,355 | 99,546,360 |
| | Total group shareholders' equity | 779,914,670 | 758,603,197 |
| | Minority interests in capital and reserves | 20,279,363 | 20,960,549 |
| | Profit/(Loss) pertaining to minority interest | 689,404 | (2,411,984) |
| | Total minority interest shareholders' equity | 20,968,767 | 18,548,565 |
| | Total Consolidated Shareholder's Equity A | 800,883,437 | 777,151,762 |
| B PROVISIONS FOR RISKS AND CHARGES | | | |
| 1 | For post-retirement benefits and similar obligations | 3,892,267 | 3,091,497 |
| 2 | For taxes, including deferred taxes | 233,161,937 | 252,720,943 |
| 3 | Financial derivatives reported as liabilities | 17,235,054 | 21,412,900 |
| 4 | Other | 2,465,022 | 156,000 |
| 5 | Consolidated provision for future risks and charges | - | 7,574,575 |
| | Total Provisions for future risks and charges B | 256,754,280 | 284,955,915 |
| C EMPLOYEE SEVERANCE PAY | | | |
| | Total employee severance pay C | 14,000,774 | 14,252,537 |
| D PAYABLES | | | |
| 3 | to shareholders for loans | | |
| | - due within the following year | 10,919,400 | 10,795,400 |
| | | 10,919,400 | 10,795,400 |
| 4 | to banks | | |
| | - due within the following year | 256,695,740 | 306,923,090 |
| | - due after the following year | 498,374,388 | 436,393,610 |
| | | 755,070,128 | 743,316,700 |
| 5 | to other lenders | | |
| | - due within the following year | 494,860 | 866,096 |
| | - due after the following year | 226,692 | 663,231 |
| | | 721,552 | 1,529,327 |
| 6 | Advances | | |
| | - due within the following year | 1,896,318 | 1,108,248 |
| | | 1,896,318 | 1,108,248 |
| 7 | Trade payables | | |
| | - due within the following year | 1,970,093,957 | 1,624,517,245 |
| | | 1,970,093,957 | 1,624,517,245 |
| 9 | Payables to subsidiaries | | |
| | - due within the following year | 4,327,303 | 9,988,252 |
| | | 4,327,303 | 9,988,252 |
| 10 | Payables to associates | | |
| | - due within the following year | 722,305 | 1,476,082 |
| | | 722,305 | 1,476,082 |
| 11 | Payables to parent companies | | |
| | - due within the following year | 33,969,893 | 22,969,598 |
| | | 33,969,893 | 22,969,598 |
| 11bis | Payables to companies subject to control of parent companies | | |
| | - due within the following year | 3,281,393 | 9,748,582 |
| | | 3,281,393 | 9,748,582 |
| 12 | Tax payables | | |
| | - due within the following year | 23,005,214 | 40,448,015 |
| | - due after the following year | - | 10,912 |
| | | 23,005,214 | 40,458,927 |
| 13 | Payables to welfare and social security organizations | | |
| | - due within the following year | 15,525,884 | 16,416,194 |
| | | 15,525,884 | 16,416,194 |
| 14 | Other payables | | |
| | - due within the following year | 158,072,746 | 139,482,162 |
| | - due after the following year | 826,903 | 243 |
| | | 158,899,649 | 139,482,405 |
| | Total Payables D | 2,978,432,996 | 2,621,806,960 |
| E ACCRUED EXPENSES AND DEFERRED INCOME | | | |
| | Accruals and deferrals | 1,702,143 | 2,051,115 |
| | Total Accrued liabilities and deferred incomes E | 1,702,143 | 2,051,115 |
| | TOTAL LIABILITIES | 4,051,773,630 | 3,700,218,289 |

MARCEGAGLIA STEEL S.P.A.

CONSOLIDATED PROFIT AND LOSS ACCOUNT COVERING FINANCIAL YEAR 2019

| currency Euro | | year 2019 | year 2018 |
|---------------|--|------------------------|------------------------|
| A | VALUE OF PRODUCTION | | |
| 1 | Revenues from sales and services | 4,896,806,929 | 5,060,969,169 |
| 2 | Changes in inventories of work in progress, semi-finished and finished products | 36,263,435 | 111,404,644 |
| 3 | Changes in contract work in progress | (272,642) | 47,050 |
| 4 | Increase in fixed assets for internal work | 7,313,781 | 1,329,607 |
| 5 | Other revenues and income | | |
| | - contributions during the year | 4,626,328 | 1,077,921 |
| | - other | 14,040,685 | 65,593,678 |
| | Total other revenues and income (5) | 18,667,013 | 66,671,599 |
| | Total Value of production A | 4,958,778,516 | 5,240,422,069 |
| B | COST OF PRODUCTION | | |
| 6 | Raw and ancillary materials, consumables and goods | (3,984,908,088) | (4,016,302,693) |
| 7 | Services | (524,704,069) | (549,811,839) |
| 8 | Lease and rental expense | (8,334,001) | (7,120,867) |
| 9 | Personnel costs | | |
| | a) salaries and wages | (176,108,999) | (169,757,797) |
| | b) social security contributions | (56,258,717) | (54,450,111) |
| | c) employee severance pay | (10,860,474) | (10,762,857) |
| | d) post-retirement benefits and similar obligations | (240,982) | (238,017) |
| | e) other personnel costs | (4,174,420) | (2,649,285) |
| | Total personnel costs (9) | (247,643,592) | (237,858,067) |
| 10 | Amortisation, depreciation and write-downs | | |
| | a) amortisation | (23,764,918) | (24,403,988) |
| | b) depreciation | (146,607,012) | (143,235,868) |
| | c) other write downs of fixed assets | (2,444,902) | (4,372,658) |
| | d) write-downs of receivables included in current assets and cash and cash equivalents | (5,788,706) | (3,799,370) |
| | Total amortisation, depreciation and write-downs (10) | (178,605,538) | (175,811,884) |
| 11 | Changes in the inventory of raw and ancillary materials, consumables and goods | 95,497,187 | (23,539,409) |
| 12 | Provisions for risks | - | (31,000) |
| 13 | Other provisions | - | - |
| 14 | Other operating expenses | (15,431,459) | (13,871,890) |
| | Total Cost of Production B | (4,864,129,560) | (5,024,347,649) |
| | Difference between Value of Production and Costs of Production A - B | 94,648,956 | 216,074,420 |
| C | FINANCIAL INCOMES AND CHARGES | | |
| 15 | Income from equity investments: | | |
| | - in subsidiaries | 350,000 | - |
| | - in associates | - | - |
| | - in other companies | - | 24,995,985 |
| | Total income from equity investments (15) | 350,000 | 24,995,985 |
| 16 | Other financial incomes: | | |
| | a) from receivables recorded as fixed assets | | |
| | - from companies subject to control of the parent companies | - | - |
| | - from other companies | 53 | 92 |
| | Total income from receivables recorded as fixed assets (a) | 53 | 92 |
| | c) from securities reported as current assets other than equity investments | 175,267 | 235,770 |
| | d) income other than the above | | |
| | - from subsidiaries | 8,949 | 13,269 |
| | - from associates | - | - |
| | - from parent companies | 225,840 | 88,271 |
| | - from companies subject to control of the parent companies | 8,982,232 | 9,157,329 |
| | - from others | 2,920,792 | 3,183,360 |
| | Total income other than the above (d) | 12,137,813 | 12,442,229 |
| | Total other financial incomes (16) | 12,313,133 | 12,678,091 |
| 17 | Interests and other financial charges | | |
| | - paid to subsidiaries | (220,097) | (118,429) |
| | - paid to parent companies | (3,044,163) | (272,987) |
| | - paid to companies subject to control of parent company | (392,671) | (1,729) |
| | - paid to banks | (33,701,071) | (46,108,737) |
| | - other financial expenses | (42,291,548) | (51,955,502) |
| | Total Interests and other financial charges (17) | (79,649,550) | (98,457,384) |
| 17-bis | Exchange rate gains and losses | (687,879) | (26,474,103) |
| | Total Financial incomes and Charges C | (67,674,296) | (87,257,411) |
| D | VALUE ADJUSTMENTS OF FINANCIAL ASSETS | | |
| 18 | Revaluations | | |
| | of equity investments | - | - |
| | of financial fixed assets other than equity investments | 42,111 | - |
| | of securities recognised in current assets | 5,554 | - |
| | of financial derivatives | 9,289,510 | 23,696,552 |
| | Total revaluations (18) | 9,337,175 | 23,696,552 |
| 19 | Write-downs | | |
| | of equity investments | (167,320) | (7,574,575) |
| | of financial fixed assets other than equity investments | - | - |
| | of securities recognised in current assets | - | (99,485) |
| | of financial derivatives | (1,156,792) | (14,956,620) |
| | Total write-downs (19) | (1,324,112) | (22,630,680) |
| | Total Value Adjustments of Financial Assets D | 8,013,063 | 1,065,872 |

currency Euro

year 2019

year 2018

| PROFIT/(LOSS) BEFORE TAXES A-B+/-C+/-D | | | |
|---|--|--------------|--------------|
| Profit/(loss) before taxation A-B+/-C+/-D | | 34,987,723 | 129,882,881 |
| 20 | Current, deferred and pre-paid income taxes for the year | | |
| | - direct taxes for the year | (38,719,252) | (58,376,332) |
| | - direct taxes for previous years | 417,974 | - |
| | - deferred taxes | 26,377,724 | 25,607,583 |
| | - pre-paid taxes | (3,122,788) | (1,710,302) |
| | - charges and income related to the tax consolidation scheme | 4,269,378 | 1,730,546 |
| Total current, deferred and pre-paid income taxes for the year (20) | | (10,776,964) | (32,748,505) |
| | | | |
| 21 | NET PROFIT/(LOSS) | 24,210,759 | 97,134,376 |
| | | | |
| PROFIT/(LOSS) PERTAINING TO MINORITY INTERESTS | | 689,404 | (2,411,984) |
| | | | |
| PROFIT/(LOSS) PERTAINING TO THE GROUP | | 23,521,355 | 99,546,360 |

MARCEGAGLIA STEEL S.P.A.

CASH FLOW STATEMENT AS OF 31 DECEMBER 2019

currency Euro

12/31/2019 12/31/2018

| A CASH FLOWS FROM INCOME-GENERATING OPERATIONS (INDIRECT METHOD) | | | |
|---|---|---------------------|----------------------|
| | Profit (loss) for the year | 24,210,759 | 97,134,376 |
| | Income Tax | 10,776,964 | 32,748,505 |
| | Interest expenses /(income) | 67,250,651 | 60,783,308 |
| | (Dividends) | (350,000) | 0 |
| | (Gains)/Losses resulting from the disposal of assets | 98,774 | (6,967,645) |
| 1 | Profit (loss) for the year, before income taxes, interest, dividends and gains and losses from asset sales | 101,987,148 | 183,698,544 |
| | Adjustments for non-cash items with no balancing entry in working capital | | |
| | - provisions to funds | 11,418,109 | 13,209,477 |
| | - amortisation/Depreciation of fixed assets | 170,371,930 | 167,639,856 |
| | - write-downs due to permanent impairment | 2,444,902 | 4,372,658 |
| | - value adjustments of financial assets and financial liabilities on derivative financial instruments that do not involve cash transactions | (8,013,063) | (1,065,872) |
| | - other adjustments for non-cash items | (7,313,781) | (1,329,607) |
| | Total Adjustments for non-cash items with no balancing entry in working capital | 168,908,098 | 182,826,512 |
| 2 | Cash flow before changes in net working capital | 270,895,246 | 366,525,056 |
| | Changes in net working capital | | |
| | - decrease/(increase) in inventories | (138,162,006) | (94,286,938) |
| | - decrease/(increase) in trade receivables | (30,280,163) | 71,358,247 |
| | - increase/(decrease) in trade payables | 255,797,141 | 103,167,396 |
| | - decrease/(increase) in accrued incomes and prepaid expenses | (837,768) | (1,187,786) |
| | - increase/(decrease) in accrued expenses and deferred incomes | (356,173) | (446,954) |
| | - other changes in net working capital | (35,594,982) | (93,392,672) |
| | Total changes in net working capital | 50,566,048 | (14,788,707) |
| 3 | Cash flow after changes in net working capital | 321,461,294 | 351,736,349 |
| | Other adjustments | | |
| | - interests received/(paid) | (68,839,670) | (61,226,573) |
| | - (income taxes paid) | 0 | 0 |
| | - dividends received | 350,000 | 0 |
| | - (utilisation of funds) | (12,200,387) | (15,740,987) |
| | - other collections/(payments) | 0 | 0 |
| | Total other adjustments | (80,690,058) | (76,967,560) |
| | Cash flow from income-producing operations A | 240,771,236 | 274,768,789 |
| B CASH FLOWS FROM INVESTMENT ACTIVITIES | | | |
| | Property, plant and equipment | | |
| | - (investments) | (74,217,731) | (57,097,075) |
| | - divestitures | 903,684 | 2,697,671 |
| | Intangible fixed assets | | |
| | - (investments) | (1,634,392) | (548,555) |
| | - divestitures | 28,636 | 0 |
| | Financial fixed assets | | |
| | - (investments) | (18,429,560) | (7,104,632) |
| | - divestitures | 351,943 | 110,201 |
| | Current financial assets | | |
| | - (investments) | 0 | (2,212,024) |
| | - divestitures | 2,436,127 | 0 |
| | (Purchase or sale of subsidiaries or business divisions net of liquid assets) | 10,234,087 | 193,378 |
| | Sale of subsidiaries or business divisions net of liquid assets | 0 | 13,072,419 |
| | Cash flows from investment activities B | (80,327,204) | (50,888,617) |
| C CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| | Third party resources | | |
| | - increase/(decrease) in short-term liabilities to banks | (120,113,511) | (207,739,134) |
| | - new loans | 194,171,511 | 454,912,582 |
| | - (repayments of loans) | (62,704,614) | (424,363,222) |
| | Capital and reserves | | |
| | - paid-in capital increase | 0 | 9,198,097 |
| | - (reimbursement of paid-in capital increase) | 0 | 0 |
| | - sale/(purchase) of own shares | 0 | 0 |
| | - (dividends and advances on dividends paid) | 0 | 0 |
| | Cash flows from financing activities C | 11,353,385 | (167,991,677) |
| | INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS A ± B ± C | 171,797,418 | 55,888,495 |
| | Exchange rate effect on cash and cash equivalents | 87,352 | (584,211) |
| | Cash and cash equivalents at beginning of year | 62,554,920 | 7,250,636 |
| | 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 are not freely usable | 13,425,006 | 636,864 |
| | Cash and cash equivalents at year end | 234,439,689 | 62,554,920 |
| | Bank and postal deposits | 232,977,955 | 61,803,198 |
| | Checks | 1,420,216 | 722,481 |
| | Cash on hand and cash equivalents | 41,518 | 29,241 |
| | of which not freely usable | 43,301,736 | 13,425,006 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statement preparation criteria and structure

The consolidated financial statements for the year ended 31 December 2019 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 statutory 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 dif-

ferences”, 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 required 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 2019, the amount for the same item for the previous year has been indicated.

Convenzioni di classificazione

In preparing the financial statements as of 31 December 2019, the following classification conventions have been adopted:

- line items in the asset section of the bal-

ance 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 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 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, associates, 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 2019, consolidated using the line-by-line method pursuant to Art. 31 of Legislative Decree 127/91:

| Name Registered office | Share capital | Direct share | Indirect share | Company |
|--|-------------------|-----------------|-------------------|--|
| Marcegaglia Steel S.p.A. via Bresciani, 16 - Gazoldo degli Ippoliti, Mn | 695,318,116 EUR | | | parent company |
| Marcegaglia Carbon Steel S.p.A. via Bresciani, 16 - Gazoldo degli Ippoliti, Mn | 396,218,598 EUR | 100% | | |
| Marcegaglia Specialties S.p.A. via Bresciani, 16 - Gazoldo degli Ippoliti, Mn | 131,100,000 EUR | 100% | | |
| Marcegaglia Plates S.p.A. via Bresciani, 16 - Gazoldo degli Ippoliti, Mn | 35,000,000 EUR | 100% | | |
| Marcegaglia Ravenna S.p.A. via Bresciani, 16 - Gazoldo degli Ippoliti, Mn | 105,307,498 EUR | 94.96% | | |
| Marcegaglia Gazoldo Inox S.p.A. via Bresciani, 16 - Gazoldo degli Ippoliti, Mn | 31,592,250 EUR | 94.96% | | |
| Marcegaglia Novero S.p.A. via Acqui, 85 - 10098 Rivoli, To | 3,120,000 EUR | | 80% | Marcegaglia Carbon Steel S.p.A. |
| Marcegaglia do Brasil Ltda Rodovia BR 101 km 11 Garuva (SC) (Brasile) | 321,120,000 BRL | | 99.81302% | Marcegaglia Carbon Steel S.p.A. |
| Marcegaglia Poland Sp.z.o.o. Kaliska 72 int - Praszka (Polonia) | 108,400,000 PLN | | 91.8819% | Marcegaglia Carbon Steel S.p.A. |
| Marcegaglia UK Ltd New Road, Netherton, Dudley (UK) | 16,650,200 GBP | | 100% | Marcegaglia Carbon Steel S.p.A. |
| Marcegaglia USA Inc. 1001 East Waterfront Drive, Munhall, (Pa) (USA) | 86,876,440 USD | | 100% | Marcegaglia Specialties S.p.A. |
| Outsourcing Inox S.r.l. via Bresciani, 16 - Gazoldo degli Ippoliti, Mn | 10,000 EUR | | 100% | Marcegaglia Specialties S.p.A. |
| Marcegaglia TR Paslanmaz Çelik Sanayi Ve Ticaret Anonim Şirketi Kazimiye Mahallesi, Yakut Sokak, Nova Center 39/27, Çorlu, Tekirdağ (Turchia) | 84,610,000 TRY | | 51.02% | Marcegaglia Specialties S.p.A. |
| Mariven S.r.l. via Bresciani, 16 - Gazoldo degli Ippoliti, Mn | 100,000 EUR | | 65% | Marcegaglia Specialties S.p.A. |
| Marcegaglia RU Bolshajia Nizegorodskaja 92B Vladimir - Federazione Russa | 1,099,325,274 RUB | | 100% | Mariven S.r.l. |
| Marcegaglia Central America Sapi de CV Av. Antea 1088 - Jurica, 76100 Santiago de Queretaro, Queretaro - Messico | 280,075,060 MXN | | 51.23% | Marcegaglia Carbon Steel S.p.A. |
| Marcegaglia Messico Circuito Balvanera n.22, Complejo Industrial Balvanera, 76900 Corregidora - Queretaro - Messico | 110,038,593 MXN | | 99.9983% | Marcegaglia Central America Sapi de CV |
| | | | 0.0017% | Marcegaglia Specialties spa |
| Marcegaglia Colombia km 1.5 vía Funza Siberia Parque Industrial San Diego Bodega | 8,977,599 COP | | 99.9999% | Marcegaglia Central America Sapi de CV |
| | | | 0.0001% | Marcegaglia Specialties spa |
| Marcegaglia Palini e Bertoli S.p.A. via Bresciani, 16 - Gazoldo degli Ippoliti, Mn | 20,000,000 EUR | | 100% | Marcegaglia Plates S.p.A. |

Compared to 2018, the scope of consolidation changed as follows:

- On 20 September 2018, the company Marcegaglia Central America, controlled by Marcegaglia Carbon Steel, was 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 Decem-

ber 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 few months of FY 2018, it was not possible to obtain, within the required time, all the information necessary for the consolidation process, therefore in FY 2018, these companies were excluded from the consolidation area. The first consolidation was therefore carried out during the current year;

- on 02 December 2019, the subsidiary Marcegaglia Plates spa acquired 100% of the investment in Evraz Palini e Bertoli s.r.l. from Evraz Group S.A. Also on that date, the Extraordinary Shareholders' Meeting resolved to transform the Company from a limited liability company into a joint-stock company, also changing the name from Evraz Palini e Bertoli s.r.l. to Marcegaglia Palini e Bertoli S.p.A. Therefore, the company was consolidated on a line-by-line basis in 2019, but only in December from an economic point of view.

Direct or indirect subsidiaries measured at cost:

The subsidiary Marcegaglia Benelux was assigned for liquidation in FY 2019 and then closed in December 2019.

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.

| Name Registered office | Share capital | Direct share | Indirect share | Company |
|---|------------------|-----------------|-------------------|------------------------------------|
| Marcegaglia Deutschland GmbH Opitzstr 12, 40470 Dusseldorf - Germania | EUR 153,388 | | 100% | Marcegaglia Carbon Steel S.p.A. |
| Marcegaglia France Sarl Le Bois des Cotes II Route Nationale 6 n.300 - Limonest | EUR 50,000 | | 100% | Marcegaglia Carbon Steel S.p.A. |
| Marcegaglia Iberica s.a. Calle Solsona,3 - S.P. de Magoda-B (ES) | EUR 120,220 | | 51% | Marcegaglia Carbon Steel S.p.A. |
| Marcegaglia India Private Limited 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. |
| Marcegaglia North Europe s.a. 8, Um Woeller, L-4410 Soleuvre - Lussemburgo | EUR 31,000 | | 100% | Marcegaglia Carbon Steel S.p.A. |
| Novero Polska Sp.oz.o. 00-867 Varsavia, Polonia, ul. Chlodna 51 | PLN 5,000 | | 80% | Marcegaglia Carbon Steel S.p.A. |

Equity investments in associates

Direct or indirect associates measured at cost:

| Name Registered office | Share capital | Direct share | Indirect share | Company |
|---|------------------|-----------------|-------------------|------------------------------------|
| SIM S.r.l. Zona Industriale S.Atto – Teramo | EUR 780,000 | | 50.00% | Marcegaglia Carbon Steel S.p.A. |
| | | | 12.50% | Marcegaglia Carbon Steel S.p.A. |
| Consorzio Absolute scarl Pozzuolo del Friuli (UD) - frazione Cargnacco, Via Buttrio, n. 28 | EUR 50,000 | | 12.50% | Marcegaglia Specialties S.p.A. |
| | | | 12.50% | Marcegaglia Ravenna S.p.A. |
| | | | 12.50% | Marcegaglia Gazoldo Inox S.p.A. |

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.

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 converted 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 31/12/2019 | Avg. exchange rate for FY 2019 |
|-------------------------|-----------------------------|--------------------------------|
| US Dollar (USD) | 1.1234 | 1.1195 |
| UK Pound Sterling (GBP) | 0.85080 | 0.87777 |
| Brazilian Real (BRL) | 4.5157 | 4.4134 |
| Polish Zloty (PLN) | 4.2568 | 4.2976 |
| Russian Rouble (RUB) | 69.9563 | 72.4553 |
| Turkish Lira (TRY) | 6.6843 | 6.3578 |
| Mexican Peso (MXN) | 21.2202 | 21.5565 |
| Colombian Peso (COP) | 3.688.66 | 3.674.52 |

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 2019.

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.

Property, plant and equipment

Property, plant and equipment 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 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 during the two previous financial years, 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 basic steel raw materials on the basis of incremental LIFO amounted to approximately Euro 54 million, net of the related IRES and IRAP tax.

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 (31/12/2019). 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 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 (31/12/2019). 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 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.

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 CONSOLIDATED FI-

NANCIAL STATEMENTS – ASSETS

Changes in receivables from shareholders for outstanding contributions

| Receivables from shareholders for outstanding contributions | Amount at beginning of the year | Changes during the year | Amount at end of the year |
|---|---------------------------------|-------------------------|---------------------------|
| Previously called | - | - | - |
| Part not previously called | 5,174,811 | - | 5,174,811 |
| Total | 5,174,811 | | 5,174,811 |

Receivables due from shareholders refer 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.

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, Marcegaglia Central America SAPI de CV and Marcegaglia Palini e Bertoli spa, 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 at the purchase date. We believe that this difference can be classified as goodwill since it meets the requirements of Accounting Standard OIC 24 – Intangible Fixed Assets, paragraph 54 et seq. With reference to Marcegaglia Central America and Marcegaglia Palini e Bertoli spa, goodwill is newly recognised, following the first full consolidation of the two companies in 2019. In addition, in the case of Marcegaglia Palini e Bertoli spa, it should be noted that goodwill represents the residual value of the initial positive difference on the cancellation of the investment after the allocation to the assets of capital gains resulting from a specific appraisal of the company carried out by independent third parties. A more detailed explanation of this part is provided in the section of this Report entitled “Changes in property, plant and equipment”.

| | Initial recording value | Accumulated amortisation/write-down | Amount at beginning of the year | New posts | Amort./Dep. | Write-downs | Amount at end of the year |
|--|-------------------------|-------------------------------------|---------------------------------|------------------|------------------|------------------|---------------------------|
| Marcegaglia USA Inc. | 21,614,263 | 15,763,342 | 5,850,921 | - | 856,232 | 1,790,132 | 3,204,557 |
| Marcegaglia do Brasil Lda | 38,194,797 | 24,514,575 | 13,680,222 | - | 2,001,984 | - | 11,678,238 |
| Marcegaglia Central America Sapi de Cv | - | - | - | 448,533 | 44,853 | - | 403,680 |
| Marcegaglia Palini e Bertoli spa | - | - | - | 3,335,171 | 27,793 | - | 3,307,378 |
| Total | 59,809,060 | 40,277,917 | 19,531,143 | 3,783,704 | 2,930,862 | 1,790,132 | 18,593,853 |

The goodwill previously recognised following the first consolidation of the investee Marcegaglia USA was written down in 2019 to align its value with the company’s expected future profits from the contractual agreements entered into following the sale of the business in 2017.

The goodwill previously recorded following the first-time consolidation of the subsidiary 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 31.12.2019.

All goodwill, including newly recognised goodwill, is amortised over ten years, with annual amortisation calculated over the months in which it is actually held. 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 statutory 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/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 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 mate-

rials, 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 spa, 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 31/12/2019 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 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) confirmed that the value of the trademark booked is easily recoverable from the expected future economic results.

| | Initial recording value | Accumulated amortisation | Amount at beginning of the year | Amortisation | Amount at end of the year |
|-----------------------|-------------------------|--------------------------|---------------------------------|-------------------|---------------------------|
| Marcegaglia trademark | 201,000,000 | 63,650,000 | 137,350,000 | 20,100,000 | 117,250,000 |
| Total | 201,000,000 | 63,650,000 | 137,350,000 | 20,100,000 | 117,250,000 |

START-UP AND EXPANSION COSTS AND DEVELOPMENT COSTS

| Start-up and expansion costs | Gross amount | Changes in historical cost of the year | Accumulated amortisation | Net amount |
|--|------------------|--|--------------------------|----------------|
| Start-up costs capitalised by the subsidiary Marcegaglia do Brasil Ltd | 3,055,626 | -27,459 | 2,595,984 | 432,183 |
| Other | 247,830 | 101,480 | 219,159 | 130,151 |
| Total | 3,303,456 | 74,021 | 2,815,143 | 562,334 |

There are no capitalised development costs.

The increase in start-up and expansion costs is attributable to the subsidiary Marcegaglia Novero spa, which reclassified Euro 101,480 between tangible fixed assets in progress and intangible fixed assets for improvements to buildings not owned.

Property, plant and equipment

Changes in property, plant and equipment

See ANNEX 1B for changes in 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.

In relation to the subsidiary Marcegaglia Palini e Bertoli spa, in accordance with OIC 17 par.69, part of the positive difference of cancellation of the value of the shareholding was allocated against the share of shareholders' equity held as an increase in the value of property, plant and equipment for Euro 16,245,471, on the basis of appropriate appraisals carried out by independent third parties. These gains are amortised over the useful life of the assets to which they refer. The corresponding deferred taxes have also been allocated. The following table shows the allocation of capital gains, amortisation and depreciation for the year (made at one-twelfth of the annual amount, given the acquisition of Marcegaglia Palini e Bertoli spa in early December 2019) and the trend in deferred taxation.

| Accounting item | Initial recording value | Depreciation | Amount at end of the year | Provision for deferred taxes-initial recognition | Effect of deferred taxes on the income statement | Provision for deferred taxes at the end of the year |
|-------------------------------------|-------------------------|----------------|---------------------------|--|--|---|
| Land and buildings | 4,499,727 | 17,201 | 4,482,526 | 1,255,424 | 4,799 | 1,250,625 |
| Plants and machinery | 11,069,092 | 114,104 | 10,954,988 | 3,088,277 | 31,835 | 3,056,442 |
| Industrial and commercial equipment | 587,676 | 12,243 | 575,433 | 163,962 | 3,416 | 160,546 |
| Other assets | 88,975 | 2,052 | 86,923 | 24,824 | 573 | 24,251 |
| Total | 16,245,471 | 145,600 | 16,099,871 | 4,532,487 | 40,622 | 4,491,865 |

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 Ravenna spa and Marcegaglia Gazoldo Inox 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 standard OIC 17, at the time of consolidation, the book values of the subsidiaries Marcegaglia Ravenna spa and Marcegaglia Gazoldo Inox spa were adjusted in order to record the leasing transactions using the finance method.

It should be noted that last year, redemption began of the assets covered by the leasing contracts in progress for several years, having reached their expiry date.

The application of the provisions of OIC 17 resulted in the following changes to equity:

| | Gross amount |
|--|-------------------|
| Decrease in the item "Plant and machinery" | 1,349,615 |
| Total assets | 1,349,615 |
| Decrease in provision for deferred tax | -376,543 |
| Economic effect of the period | -973,073 |
| Total liabilities | -1,349,615 |

The effect on the income statement was as follows:

| | Gross amount |
|---------------------------------------|----------------|
| Increase in depreciation, item B10 b) | 1,349,615 |
| Use of deferred taxation | -376,543 |
| Economic effect of the period | 973,073 |

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 | 2,468,801 | 2,468,801 |
| Other securities | 406,121 | 406,121 |
| Total | 4,647,248 | 4,647,248 |

CURRENT ASSETS

Inventories

| | Amount at beginning of the year | Exchange rate difference on beginning 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 | 619,873,709 | 2,448,942 | - | - | 22,441,430 | 97,314,989 | 742,079,071 |
| Raw and ancillary materials and consumables, write-down provision | - | -1,391 | - 3,335,017 | 1,401,284 | -1,420,079 | - | -3,355,202 |
| 1. Raw and ancillary materials and consumables | 619,873,709 | 2,447,552 | - 3,335,017 | 1,401,284 | 21,021,352 | 97,314,990 | 738,723,869 |
| Work in process and semi-finished products, gross of write-down provision | 431,830,907 | 65,939 | - | - | 522,223 | 11,735,122 | 444,154,191 |
| Work in process and semi-finished products, write-down provision | - | -187 | - | 1,936 | -3,122 | - | -1,373 |
| 2. Work in process and semi-finished goods | 431,830,907 | 65,752 | - | 1,936 | 519,100 | 11,735,123 | 444,152,818 |
| Contract work in progress, gross of write-down provision | 295,889 | 41,277 | - | - | - | - 282,382 | 54,784 |
| Contract work in progress, write-down provision | - | - | - | - | - | - | - |
| 3. Contract work in progress | 295,889 | 41,277 | - | - | - | - 282,382 | 54,784 |
| Finished products and goods, gross of write-down provision | 461,487,612 | 529,536 | - | - | 8,855,573 | 24,522,930 | 495,395,652 |
| Finished products and goods, write-down provision | -205,935 | 2,941 | -852,131 | 899,070 | -786,474 | - | -942,530 |
| 4. Finished products and goods | 461,281,677 | 532,477 | -852,131 | 899,070 | 8,069,099 | 24,522,931 | 494,453,123 |
| 5. Advance payments | 25,640,108 | 27,769 | - | - | 203,119 | 6,679,121 | 32,550,117 |
| Total inventories | 1,538,922,290 | 3,114,827 | -4,187,149 | 2,302,291 | 29,812,670 | 139,969,782 | 1,709,934,711 |

Raw materials, auxiliaries and supplies were recognised by the subsidiaries Marcegaglia Mexico (Euro 7,034), Marcegaglia Colombia (Euro 13,150), Marcegaglia Ravenna (Euro 1,278,100), Marcegaglia Carbon (Euro 885,448), Marcegaglia Specialties (Euro 308,445), Marcegaglia Plates (Euro 50,770), Marcegaglia Novero (Euro 270,000) and Marcegaglia Palini e Bertoli (Euro 542,255).

The provisions for finished products and goods for resale were recorded by the subsidiaries Marcegaglia Mexico (Euro 3,593), Marcegaglia do Brasil (Euro 78,754), Marcegaglia Palini e Bertoli (Euro 678,176) and Marcegaglia Poland (Euro 182,007).

Change in 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 | 92,378,431 | 740,281 | 15,510,474 | 33,614,428 | 142,243,614 |
| Provision for doubtful debt from customers | 13,517,625 | 2,298 | 197,210 | 3,397,719 | 17,114,853 |
| Receivables from customers recorded in current assets | 78,860,806 | 737,983 | 15,313,263 | 30,216,709 | 125,128,761 |
| Receivables from subsidiaries recorded in current assets | 448,074 | - | -9,281 | -155,905 | 282,888 |
| Receivables from associates recorded in current assets | 2,545,484 | - | - | -585,200 | 1,960,284 |
| Receivables from parent companies recorded in current assets | 5,685,676 | - | - | 21,241,429 | 26,927,105 |
| Receivables from companies subject to control of parent companies recorded in current assets | 276,306,535 | 30,804 | -70,449 | 14,828,052 | 291,094,942 |
| Tax credits recorded in current assets | 46,691,004 | -112,408 | 2,576,586 | -26,736,976 | 22,418,206 |
| Deferred tax assets recorded in current assets | 33,478,564 | 126,253 | - | 113,344 | 33,718,161 |
| Receivables from others recorded in current assets | 40,986,810 | 77,912 | 612,990 | -6,483,381 | 35,194,331 |
| Total receivables recorded in current assets | 485,002,953 | 860,544 | 18,423,109 | 32,438,072 | 536,724,678 |

| | 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 | 125,128,761 | 125,128,761 | - | - |
| Receivables from subsidiaries recorded in current assets | 282,888 | 282,888 | - | - |
| Receivables from associates recorded in current assets | 1,960,284 | 1,960,284 | - | - |
| Receivables from parent companies recorded in current assets | 26,927,105 | 26,927,105 | - | - |
| Receivables from companies subject to control of parent companies recorded in current assets | 291,094,942 | 291,094,942 | - | - |
| Tax credits recorded in current assets | 22,418,206 | 17,618,867 | 4,799,339 | 2,353,068 |
| Deferred tax assets recorded in current assets | 33,718,161 | 2,283,463 | 31,434,698 | 16,723,440 |
| Receivables from others recorded in current assets | 35,194,331 | 35,191,700 | 2,631 | - |
| Total receivables recorded in current assets | 536,724,678 | 500,488,010 | 36,236,668 | 19,076,507 |

Detail of provision for doubtful debt

| | Valore di inizio eserc. | Diff. cambio sui saldi di apertura | Utilizzi | Accantonamenti | Effetto variazione area di consolid. | Diff. cambio sui mov. dell'esercizio | Valore di fine esercizio |
|--|-------------------------|------------------------------------|-------------------|------------------|--------------------------------------|--------------------------------------|--------------------------|
| Provision for doubtful debt from customers | 13,517,625 | 2,298 | -2,389,956 | 5,788,705 | 197,210 | -1,030 | 17,114,853 |
| Total provision for doubtful debt | 13,517,625 | 2,298 | -2,389,956 | 5,788,705 | 197,210 | -1,030 | 17,114,853 |

The provisions for doubtful debt due from customers, made in 2019, can be broken down as follows: Marcegaglia Carbon Steel (Euro 4,772,358), Marcegaglia Specialties (Euro 192,519), Marcegaglia Plates (Euro 665,064), Marcegaglia Novero (Euro 124,521), Marcegaglia Poland (Euro 22,002) and Marcegaglia Colombia (Euro 12,240). The utilisations are divided as follows: Marcegaglia Carbon (Euro 2,037,763), Marcegaglia Specialties (Euro 3,146), Marcegaglia Plates (Euro 385), Marcegaglia Do Brasil (Euro 6,861), Marcegaglia Novero (Euro 287,999), Marcegaglia Poland (Euro 16,070) and Marcegaglia UK (Euro 37,732).

The change in the consolidation area refers to the first-time consolidation of Marcegaglia Palini e Bertoli (for Euro 188,627) and Marcegaglia Colombia (for Euro 8,583), as explained in the paragraph entitled “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 | 15,608,173 | 5,955,040 | 21,563,213 | 21,563,213 | - | - |
| Advances to suppliers | 2,047,098 | - 87,716 | 1,959,382 | 1,959,382 | - | - |
| Other receivables | 23,331,538 | -11,659,803 | 11,671,736 | 11,669,105 | 2,631 | - |
| Total receivables from others | 40,986,810 | -5,792,478 | 35,194,331 | 35,191,700 | 2,631 | - |

Detail of receivables from companies subject to control of parent companies

| | Valore di inizio esercizio | Variazioni nell'esercizio | Valore di fine esercizio | di cui commerciali | di cui finanziari |
|--|----------------------------|---------------------------|--------------------------|--------------------|--------------------|
| Receivables from Oskar S.r.l. | 2,367,861 | -482,801 | 1,885,060 | 1,885,060 | - |
| Receivables from Pugnochiuso S.r.l. | 2,918 | 79,240 | 82,158 | 82,158 | - |
| Receivables from Elet.ca S.r.l. | 16,713 | 37,776 | 54,489 | 54,489 | - |
| Receivables from Sc. Marcegaglia Romania S.r.l. | 3,327,297 | -16,487 | 3,310,810 | 2,470,113 | 840,697 |
| Receivables from Albarella S.p.A. | 46,971,458 | -45,889,003 | 1,082,455 | 1,082,455 | - |
| Receivables from Marcegaglia Buildtech S.r.l. | 93,250,414 | -23,643,643 | 69,606,771 | 41,412,262 | 28,194,509 |
| Receivables from Eta En. Terr. Amb. S.p.A. | 49,641,963 | -5,017,521 | 44,624,442 | 899,345 | 43,725,097 |
| Receivables from Marfin S.r.l. | 32,810,910 | 13,461,790 | 46,272,700 | 880,936 | 45,391,764 |
| Receivables from Imat S.p.A. | 1,869,373 | 331,889 | 2,201,262 | 2,201,262 | - |
| Receivables from Made HSE S.r.l. | 2,918 | -2,918 | - | - | - |
| Receivables from Marcegaglia Investments | 46,044,710 | 75,930,085 | 121,974,795 | 2,416,062 | 119,558,733 |
| Total receivables from companies subject to control of parent companies | 276,306,535 | 14,788,407 | 291,094,942 | 53,384,142 | 237,710,800 |

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 | 182,186 | - | - | 5,554 | 187,740 |
| Financial derivatives reported as assets | 74,048 | 776 | - | - 6,564 | 68,260 |
| Other securities not held as fixed assets | 5,102,639 | -78,524 | 41,628 | -2,381,755 | 2,683,988 |
| Total financial assets not held as fixed assets | 5,358,873 | -77,748 | 41,628 | -2,382,764 | 2,939,988 |

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 | 61,803,198 | 171,053 | 43,274,492 | 127,729,212 | 232,977,955 |
| Checks | 722,481 | -67,608 | - | 765,343 | 1,420,216 |
| Cash and cash on hand | 29,241 | 67 | 14,594 | -2,383 | 41,518 |
| Total cash and cash equivalents | 62,554,920 | 103,512 | 43,289,086 | 128,492,171 | 234,439,689 |

The balance of bank and postal deposits at 31.12.2019 includes the balance of several current accounts pledged to securitisation companies (Euro 43,301,736) 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 191,137,953.

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 | 2,060,048 | -11,756 | 238,322 | 851,332 | 3,137,946 |
| Total accrued income and prepaid expenses | 2,060,048 | -11,756 | 238,322 | 851,332 | 3,137,946 |

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 | 10,354 | -9,890 | 464 |
| Other | - | 5,832 | 5,832 |
| Total accrued income | 10,354 | -4,059 | 6,296 |

Breakdown of prepaid expenses

| Risconti attivi | Amount at beginning of the year | Changes during the year | Amount at end of the year |
|---|---------------------------------|-------------------------|---------------------------|
| Interest expense | 395,970 | 71,653 | 467,623 |
| Insurance premiums | 120,216 | 162,233 | 282,449 |
| Software/hardware license/maintenance fees | 31,112 | 106,215 | 137,327 |
| Telephone utilities | 1,330 | -1,330 | - |
| Other | 379,406 | -24,300 | 355,106 |
| Incidental costs of Revolving cash facility/financing measured at nominal value | 1,121,659 | 258,998 | 1,380,657 |
| Grey certificates | - | 508,488 | 508,488 |
| Total prepaid expenses | 2,049,694 | 1,081,957 | 3,131,650 |

In 2018, Marcegaglia Steel obtained a “Revolving Cash Facility” for Euro 100,833,000, consisting of short-term cash advances, guaranteed by a mortgage, with multiple re-ignition options over the years and with the final maturity on 31/12/2022. During 2019, the parent company Marcegaglia Steel also obtained a loan from the EIB (European Investment Bank) in the amount of Euro 100,000,000 disbursed in the amount of Euro 83,444,000, as described in detail later in these Notes to the Financial Statements in the section on changes in payables.

The ancillary costs relating to obtaining these credit lines were deferred when incurred in full in 2018/2019 and are charged to the income statement under item C) 17 as Other Financial Charges pro-rata temporis until the respective maturity dates.

For the purposes of determining the comprehensive value of accruals and deferrals within the next financial year, the value of Euro 3,137,946 is to be considered as short-term for the amount of Euro 2,001,058.

CAPITALISED FINANCIAL CHARGES

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

NOTES TO THE CONSOLIDATED 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 2018 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 | - | 766,624 | - | - | - | - | 766,624 |
| Statutory reserves | - | - | - | - | - | - | - |
| Other reserves | - | - | - | - | - | - | - |
| - Extraordinary reserve | - | - | - | - | - | - | - |
| - Consolidation reserve | 44,716,455 | 4,953,429 | - | 1,034,108 | -313,203 | - | 50,390,789 |
| - Reserve from conversion differences | -3,466,026 | - | - | -106,790 | 1,143,199 | - | -2,429,617 |
| - Difference from rounding to the unit of Euro | -1 | - | - | - | -3 | - | -4 |
| Total other reserves | 41,250,428 | 4,953,429 | - | 927,318 | 829,993 | - | 47,961,168 |
| Reserve for projected cash flow hedges | -2,859,065 | - | -3,967,192 | - | - | - | -6,826,257 |
| Profit (loss) carried forward | -74,652,642 | 93,826,306 | - | - | - | - | 19,173,664 |
| Profit (loss) for the year pertaining to the group | 99,546,360 | -99,546,360 | - | - | - | 23,521,355 | 23,521,355 |
| Negative treasury share reserve | - | - | - | - | - | - | - |
| Total group shareholders' equity | 758,603,197 | - | -3,967,192 | 927,318 | 829,993 | 23,521,355 | 779,914,670 |
| Minority interests in capital and reserves | 20,960,549 | -2,411,984 | 6,477 | 2,084,637 | -360,316 | - | 20,279,363 |
| Profit (loss) for the year pertaining to minority interest | -2,411,984 | 2,411,984 | - | - | - | 689,404 | 689,404 |
| Total minority interest shareholders' equity | 18,548,565 | - | 6,477 | 2,084,637 | -360,316 | 689,404 | 20,968,767 |
| Total consolidated shareholders' equity | 777,151,762 | - | -3,960,715 | 3,011,955 | 469,677 | 24,210,759 | 800,883,437 |

Reconciliation between parent company shareholders' equity and net profit (loss) at 31/12/2019 and shareholders' equity and net profit reported in consolidated financial statements at 31/12/2019

| | 2019 | | | 2018 | | |
|---|----------------------------|------------------------------|-------------|----------------------------|------------------------------|--------------|
| | 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 2019 statutory financial statements | 708,576,428 | 27,279,972 | 735,856,400 | 617,992,530 | 94,592,931 | 712,585,461 |
| Difference between shareholders' equity of consolidated companies and the book value of the relevant equity investments | -21,633,518 | - | -21,633,518 | -101,910,146 | - | -101,910,146 |
| Reserve from conversion differences resulting from the elimination of equity investments in foreign subsidiaries | -2,429,618 | - | -2,429,618 | -3,466,026 | - | -3,466,026 |
| Net profit (loss) for the year of fully consolidated companies net of minority interests | - | 19,519,899 | 19,519,899 | - | 95,039,831 | 95,039,831 |
| Derecognition of write-downs and revaluations of equity investments/receivables within the scope of consolidation | 30,408,862 | -17,392,705 | 13,016,157 | 113,613,126 | -83,233,519 | 30,379,607 |
| Derecognition of intra-group capital gains/losses and derecognition of write-downs/revaluations of other equity items other than equity investments | -1,468,712 | 27,258 | -1,441,454 | -156,065 | -1,312,647 | -1,468,712 |
| Goodwill arising from consolidation – group | 23,314,847 | -4,720,994 | 18,593,853 | 26,437,095 | -6,905,959 | 19,531,136 |
| Reallocation of negative consolidation differences due to change of scope to the values of assets or to the income statement | 11,712,983 | -104,978 | 11,608,005 | - | - | - |
| Adjustments to bring financial statements in line with the accounting standards of the consolidated financial statements (*) | 7,896,248 | -973,072 | 6,923,176 | 5,015,948 | 2,880,300 | 7,896,248 |
| Other consolidation entries | 15,799 | -114,025 | -98,226 | 1,530,376 | -1,514,577 | 15,799 |
| Increase/decrease in reserve to round amounts to whole Euros | -4 | - | -4 | -1 | - | -1 |
| Group consolidated shareholders' equity | 756,393,315 | 23,521,355 | 779,914,670 | 659,056,837 | 99,546,360 | 758,603,197 |

(*) 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;
- as a result of the capital gains, allocated to the assets, emerging at the time of cancellation of the equity investment of the subsidiary Marcegaglia Palini e Bertoli;
- 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.

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 | 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 | 10,795,400 | 4 | 444 | 123,552 | 10,919,400 |
| Payables to banks | 743,316,700 | 1,090,186 | - | 10,663,242 | 755,070,128 |
| Payables to other lenders | 1,529,327 | -44,736 | - | -763,039 | 721,552 |
| Advance payments | 1,108,248 | 18,573 | 575,551 | 193,946 | 1,896,318 |
| Trade payables | 1,624,517,245 | 1,413,173 | 88,391,848 | 255,771,690 | 1,970,093,957 |
| Payables consisting of debt securities | - | - | - | - | - |
| Payables to subsidiaries | 9,988,252 | - | - | -5,660,949 | 4,327,303 |
| Payables to associates | 1,476,082 | - | - | -753,777 | 722,305 |
| Payables to parent companies | 22,969,598 | 3,596 | - | 10,996,699 | 33,969,893 |
| Payables to companies subject to control of parent companies | 9,748,582 | 6,008 | - | -6,473,197 | 3,281,393 |
| Tax payables | 40,458,927 | 96,900 | 2,386,281 | -19,936,894 | 23,005,214 |
| Payables to welfare and social security organisations | 16,416,194 | 10,736 | 384,919 | -1,285,965 | 15,525,884 |
| Other payables | 139,482,405 | 40,595 | 1,697,507 | 17,679,142 | 158,899,649 |
| TOTAL PAYABLES | 2,621,806,960 | 2,635,034 | 93,436,551 | 260,554,451 | 2,978,432,996 |

| | 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 | 10,919,400 | 10,919,400 | - | - |
| Payables to banks | 755,070,128 | 256,695,740 | 498,374,388 | 51,143,412 |
| Payables to other lenders | 721,552 | 494,860 | 226,692 | - |
| Advance payments | 1,896,318 | 1,896,318 | - | - |
| Trade payables | 1,970,093,957 | 1,970,093,957 | - | - |
| Payables consisting of debt securities | - | - | - | - |
| Payables to subsidiaries | 4,327,303 | 4,327,303 | - | - |
| Payables to associates | 722,305 | 722,305 | - | - |
| Payables to parent companies | 33,969,893 | 33,969,893 | - | - |
| Payables to companies subject to control of parent companies | 3,281,393 | 3,281,393 | - | - |
| Tax payables | 23,005,214 | 23,005,214 | - | - |
| Payables to welfare and social security organisations | 15,525,884 | 15,525,884 | - | - |
| Other payables | 158,899,649 | 158,072,746 | 826,903 | - |
| TOTAL PAYABLES | 2,978,432,996 | 2,479,005,013 | 499,427,983 | 51,143,412 |

With reference to the trend in bank debt, it should be noted that during FY 2019 the parent company Marcegaglia Steel continued its activities to try to better balance the group's banking exposure in the short and medium/long term, obtaining two other important medium/long-term loans, both unsecured.

The first was obtained at the end of July 2019 from EIB (European Investment Bank) for an amount of Euro 100 million, disbursed in August 2019 for 83,444,000. This loan was granted on the basis of a plan of investments in innovation, digitisation, industry 4.0 and energy "efficiency" presented by the operating companies directly controlled by Marcegaglia Steel spa, for an amount of approximately Euro 240 million to be realised indicatively over the period 2019/2021 (although in view of the current economic conditions, it is very likely that these investments will expand over time).

The loan was disbursed for an amount of 83,444,000 as part of "eligible" investments in energy efficiency (construction of two cogeneration plants for the production of electricity for internal use) is still awaiting an opinion on the environmental impact assessment by the competent ministry. This loan has already been amortised during 2019 and its residual debt at 31/12/2019 amounts to Euro 77,483,714.

In December 2019, Marcegaglia Steel obtained from a banking syndicate consisting of Cassa Depositi e Prestiti, Intesa Sanpaolo and Banco Bpm, a further loan of Euro 105 million entirely disbursed in the same month to co-finance the investments described above with the EIB.

Lastly, it should be noted that the medium/long-term loan obtained by the banking syndicate during 2018 began its amortisation process in 2019.

Below are the residual amortisation plans for both the two facilities obtained from the banking syndicate during 2018 and the amortisation plans for the two major new loans obtained;

- Facility A: mortgage loan whose related mortgage guarantees were given 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
- Facility B: unsecured loan
- EIB loan
- 2019 pool loan

| Maturities | Facility A | Facility B | EIB loan | 2019 pool loan | Total |
|------------|-------------|------------|------------|----------------|-------------|
| 30/06/2020 | 31,585,770 | 8,839,260 | 5,960,286 | 7,500,000 | 53,885,316 |
| 31/12/2020 | 31,585,770 | 8,839,260 | 5,960,286 | 7,500,000 | 53,885,316 |
| 30/06/2021 | 31,585,770 | 8,839,260 | 5,960,286 | 7,500,000 | 53,885,316 |
| 31/12/2021 | 31,585,770 | 8,839,260 | 5,960,286 | 7,500,000 | 53,885,316 |
| 30/06/2022 | 31,585,770 | 8,839,260 | 5,960,286 | 7,500,000 | 53,885,316 |
| 31/12/2022 | 31,585,770 | 8,839,260 | 5,960,286 | 7,500,000 | 53,885,316 |
| 30/06/2023 | 31,585,770 | 8,839,260 | 5,960,286 | 7,500,000 | 53,885,316 |
| 31/12/2023 | 31,585,770 | 8,839,260 | 5,960,286 | 7,500,000 | 53,885,316 |
| 30/06/2024 | 31,585,770 | 8,839,260 | 5,960,286 | 7,500,000 | 53,885,316 |
| 31/12/2024 | 35,095,300 | 9,821,400 | 5,960,286 | 7,500,000 | 58,376,986 |
| 30/06/2025 | | | 5,960,286 | 7,500,000 | 13,460,286 |
| 31/12/2025 | | | 5,960,286 | 7,500,000 | 13,460,286 |
| 30/06/2026 | | | 5,960,286 | 7,500,000 | 13,460,286 |
| 27/12/2026 | | | | 7,500,000 | 7,500,000 |
| | 319,367,230 | 89,374,740 | 77,483,714 | 105,000,000 | 591,225,684 |

At 31.12.2019, the remaining principal owed for the loans concerned was as follows:

| | Valore di fine esercizio | Quota scadente entro l'esercizio | Quota scadente oltre l'esercizio | di cui di durata residua superiore a 5 anni |
|----------------|--------------------------|----------------------------------|----------------------------------|---|
| Facility A | 319,367,230 | 63,171,540 | 256,195,690 | 0 |
| Facility B | 89,374,740 | 17,678,520 | 71,696,220 | 0 |
| EIB loan | 77,483,714 | 11,920,571 | 65,563,143 | 17,880,857 |
| 2019 pool loan | 105,000,000 | 15,000,000 | 90,000,000 | 30,000,000 |
| Total | 591,225,684 | 107,770,631 | 483,455,053 | 47,880,857 |

The loans called Facility A, Facility B and the 2019 Pool Loan specified above, were measured using the amortised cost criterion in keeping with the provisions of the December 2016 updated version of standard OIC 19.

The EIB loan has not been valued at amortised cost because of the insignificance of the effects resulting from the application of this criterion.

With reference to the other three loans, a comparison between

- (i) the nominal value of the loans net of transaction costs, and
- (ii) the expected outflows for the repayment of capital

has led to calculation of the effective interest rates on the basis of which the amortised cost amortisation plan was constructed were calculated, with the determination of the relevant financial charge to be charged to the income statement. Transaction costs include the accessory costs when the loans were disbursed, 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.

| Effect of application of the amortised cost criterion | Debt at the beginning of the year | 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 | 64,574,970 | 513,741,970 | |
| Transaction costs (amortised cost criterion) | -5,233,427 | 310,371 | -4,923,056 | 310,371 |
| Total recorded in financial statements | 443,933,573 | 64,885,341 | 508,818,914 | 310,371 |

Thus, the application of the amortised cost criterion resulted in recording higher financial charges in profit and loss account (item C17) totalling Euro 1,300,901 and corresponding to the portion of interest expense applicable, calculated at the effective interest rate, net of interest paid periodically to banks.

Below is a summary of the amounts recorded in the financial statements with reference to the four 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, where applied:

| | Debito a inizio dell'esercizio | Variazioni nell'esercizio | Valore di fine esercizio | Quota scadente entro l'esercizio | Quota scadente oltre l'esercizio | di cui di durata residua superiore a 5 anni | Criterio di valutazione |
|----------------|--------------------------------|---------------------------|--------------------------|----------------------------------|----------------------------------|---|-------------------------|
| Facility A | 346,922,430 | -30,590,299 | 316,332,131 | 62,141,510 | 254,190,621 | 0 | Amortised cost |
| Facility B | 97,011,143 | -8,537,339 | 88,473,804 | 17,374,257 | 71,099,547 | 0 | Amortised cost |
| EIB loan | | 77,483,714 | 77,483,714 | 11,920,571 | 65,563,143 | 17,880,857 | Nominal value |
| 2019 pool loan | | 104,012,981 | 104,012,981 | 14,747,996 | 89,264,985 | 29,902,555 | Amortised cost |
| Total | 443,933,573 | 142,369,057 | 586,302,630 | 106,184,333 | 480,118,297 | 47,783,412 | |

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

| | Company | Importo con scadenza oltre 5 anni | Criterio di valutazione |
|--|--------------------------|-----------------------------------|----------------------------------|
| Banca IMI as agent bank for the various syndicated loans and the EIB | Marcegaglia Steel | 47,783,412 | Amortised cost/ Nominal value |
| Credit Agricole loan | Marcegaglia Carbon Steel | 3,360,000 | Nominal value |
| Total | | 51,143,412 | |

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 | 21,568,606 | 1,713,879 | 23,282,485 | 23,282,485 | - | - |
| Payables to factoring companies | 112,759,243 | 15,470,163 | 128,229,406 | 128,229,406 | - | - |
| Other payables | 5,154,555 | 2,233,203 | 7,387,758 | 6,560,855 | 826,903 | - |
| Total other payables | 139,482,405 | 19,417,244 | 158,899,649 | 158,072,746 | 826,903 | - |

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 srl | 8,408,060 | -8,595,532 | -187,472 | -187,472 | - |
| Payable to Oskar S.r.l. | 118,480 | 27,259 | 145,739 | 145,739 | - |
| Payable to Made HSE S.r.l. | 768,068 | 1,178,885 | 1,946,953 | 1,946,953 | - |
| Payable to Marcegaglia Buildtech S.r.l. | 191,156 | 748,042 | 939,198 | 939,198 | - |
| Payables to Albarella | - | 74,789 | 74,789 | 74,789 | - |
| Payables to Pugnochiuso | - | 9,595 | 9,595 | 9,595 | - |
| Payable to Sc. Marcegaglia Romania | 11,920 | 56,372 | 68,292 | 68,292 | - |
| Payable to Imat S.p.A. | 60,424 | 5,575 | 65,999 | 65,999 | - |
| Payable to Abaco Servizi S.r.l. | 183,686 | 34,614 | 218,300 | 218,300 | - |
| Payables to others | 6,788 | -6,788 | - | - | - |
| Total payables to companies subject to control of parent companies | 9,748,582 | -6,467,189 | 3,281,393 | 3,281,393 | - |

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 | - | - | - | - | 10,919,400 | 10,919,400 |
| Payables to banks | 340,248,862 | 69,013,488 | - | 409,262,350 | 345,807,778 | 755,070,128 |
| Payables to other lenders | - | 306,526 | - | 306,526 | 415,026 | 721,552 |
| Advance payments | - | - | - | - | 1,896,318 | 1,896,318 |
| Trade payables | - | - | - | - | 1,970,093,957 | 1,970,093,957 |
| Payables consisting of debt securities | - | - | - | - | - | - |
| Payables to subsidiaries | - | - | - | - | 4,327,303 | 4,327,303 |
| Payables to associates | - | - | - | - | 722,305 | 722,305 |
| Payables to parent companies | - | - | - | - | 33,969,893 | 33,969,893 |
| Payables to companies subject to control of parent companies | - | - | - | - | 3,281,393 | 3,281,393 |
| Tax payables | - | - | - | - | 23,005,214 | 23,005,214 |
| Payables to welfare and social security organisations | - | - | - | - | 15,525,884 | 15,525,884 |
| Other payables | - | - | 3,822,709 | 3,822,709 | 155,076,940 | 158,899,649 |
| Total payables | 340,248,862 | 69,320,014 | 3,822,709 | 413,391,585 | 2,565,041,411 | 2,978,432,996 |

Detail of debt secured by mortgages:

| Secured creditor | Borrower | Remaining secured debt at 31.12.2019 | |
|---|------------------------------|--------------------------------------|---|
| Bank PKO BP | Marcegaglia Poland Sp.z.o.o. | 327,702 | Mortgage on properties of the subsidiary Marcegaglia Poland |
| BANCO SANTANDER | Marcegaglia Poland Sp.z.o.o. | 9,000,000 | Mortgage on properties of the subsidiary Marcegaglia Poland |
| Bank Pekao | Marcegaglia Poland Sp.z.o.o. | 7,792,165 | Mortgage on properties of the subsidiary Marcegaglia Poland |
| BANK ZACHODNI | Marcegaglia Poland Sp.z.o.o. | 3,761,765 | Mortgage on properties of the subsidiary Marcegaglia Poland |
| BANCA IMI (POOL) Facility A | Marcegaglia Steel | 319,367,230 | Mortgage on properties consisting of the Gazoldo degli Ippoliti plant (the portion owned by the subsidiary Marcegaglia Specialties S.p.A.) and the Casalmaggiore and Lomagna plants (owned by the subsidiary Marcegaglia Carbon Steel S.p.A.), mortgage on properties consisting of the Ravenna plant (Marcegaglia Carbon Steel S.p.A.) and the Forlì and Forlimpopoli plants (Marcegaglia Specialties S.p.A.) and special lien on the assets at the same plants. |
| Total payables to banks secured by mortgage | | 340,248,862 | |
| Total payables to other lenders secured by mortgage | | - | |
| Total | | 340,248,862 | |

As mentioned when commenting on the changes in bank debt, the loans obtained in 2018 by the parent company Marcegaglia Steel entered into amortisation in 2019.

Please note that the facilities obtained in 2018 can be summarised as follows:

1) facility A: a mortgage loan for an original 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 an original Euro 98,214,000 with amortisation schedule expiring on 31/12/2024.

The loans referred to in points 1) and 2) above are mortgage loans, whose related mortgage guarantees were issued by the subsidiaries Marcegaglia Carbon Steel spa, Marcegaglia Specialties spa when the facilities were disbursed and then, as a result of the corporate demergers carried out at the end of 2018 by the same companies in favour of Marcegaglia Ravenna spa and Marcegaglia Gazoldo Inox spa respectively, in line with the assets received from the demergers.

On 05/11/2018, the four preferential companies (Marcegaglia Carbon Steel spa, Marcegaglia Specialties spa, Marcegaglia Ravenna spa and Marcegaglia Gazoldo Inox spa) thus signed a special privilege acknowledgement agreement where they substantially acknowledged the effectiveness of the merger 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 31.12.2019 | |
|--|------------------------------|--------------------------------------|-------------------------|
| BANCA IMI | Marcegaglia Carbon Steel | 5,479,617 | Lien on escrow account |
| BANCA IMI | Marcegaglia Specialties | 146,813 | Lien on escrow account |
| CREDIT AGRICOLE | Marcegaglia Carbon Steel | 1,041,441 | Lien on escrow account |
| CREDIT AGRICOLE | Marcegaglia Specialties | 3,906 | Lien on escrow account |
| UNICREDIT | Marcegaglia Carbon Steel | 17,529,497 | Lien on escrow account |
| UNICREDIT | Marcegaglia Specialties | 8,546,415 | Lien on escrow account |
| UNICREDIT | Marcegaglia Plates | 3,084,403 | Lien on escrow account |
| Polish banks | Marcegaglia Poland Sp.z.o.o. | 12,656,831 | Lien on property assets |
| Polish banks | Marcegaglia Poland Sp.z.o.o. | 17,871,435 | Lien on inventories |
| VTB | Marcegaglia Russia | 2,653,130 | Lien on property assets |
| Total payables to banks secured by lien | | 69,013,488 | |
| Polish banks and leasing firms | Marcegaglia Poland Sp.z.o.o. | 306,526 | Lien on property assets |
| Total payables to other lenders secured by lien | | 306,526 | |
| Total payables to others secured by lien | | 69,320,014 | |

Detail of debt secured by liens:

| Secured creditor | Borrower | Remaining secured debt at 31/12/2019 |
|--|------------------------------|--------------------------------------|
| BANK MILLENNIUM S.A. | Marcegaglia Poland Sp.z.o.o. | 562,422 |
| ING COMMERCIAL FINANCE POLSKA | Marcegaglia Poland Sp.z.o.o. | 729,429 |
| PEKAO FAKTORING SP. Z O.O. | Marcegaglia Poland Sp.z.o.o. | 2,064,552 |
| PKO FAKTORING S.A. | Marcegaglia Poland Sp.z.o.o. | 233,339 |
| SANTANDER FAKTORING Sp. z o.o. | Marcegaglia Poland Sp.z.o.o. | 232,967 |
| Total payables to others secured by lien | | 3,822,709 |

ACCRUED EXPENSES AND DEFERRED INCOME

| | Amount at beginning of the year | Exchange rate difference on beginning balance | Changes during the year | Amount at end of the year |
|--|---------------------------------|---|-------------------------|---------------------------|
| Other accrued expenses and deferred income | 2,051,115 | -11,172 | -337,800 | 1,702,143 |
| Total accrued expenses and deferred income | 2,051,115 | -11,172 | -337,800 | 1,702,143 |

Breakdown of accrued expenses

| Accrued expenses | Amount at beginning of the year | Changes during the year | Amount at end of the year |
|------------------------|---------------------------------|-------------------------|---------------------------|
| Interest expense | 1,649,523 | -1,021,587 | 627,937 |
| Other | 398,738 | -95,417 | 303,321 |
| Total accrued expenses | 2,048,262 | -1,117,004 | 931,258 |

Breakdown of deferred income

| Deferred income | Amount at beginning of the year | Changes during the year | Amount at end of the year |
|-----------------------|---------------------------------|-------------------------|---------------------------|
| Other | 2,853 | 768,032 | 770,885 |
| Total deferred income | 2,853 | 768,032 | 770,885 |

INCOME STATEMENT

VALUE OF PRODUCTION

Breakdown of income from sales and services by geographical area

| Geographical area | Revenue |
|-----------------------|---------------|
| Italy | 1,753,893,107 |
| EU | 2,807,380,773 |
| Other Europe | 148,248,702 |
| North America | 33,701,894 |
| South Central America | 119,976,486 |
| Middle East | 3,171,911 |
| Far East - Oceania | 10,296,714 |
| Africa | 20,137,342 |
| Total | 4,896,806,929 |

FINANCIAL INCOME AND CHARGES

Breakdown of income from equity investments

The income from investments in subsidiaries of Euro 350,000 relates to the dividend received by Marcegaglia France in 2019, a company excluded from the scope of consolidation.

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 | 53 |
| From securities recognised among fixed assets other than equity investments | - |
| From securities recorded in current assets other than equity investments | 175,267 |
| Income from other sources - subsidiaries | 8,949 |
| Income from other sources - associates | - |
| Income from other sources - parent companies | 225,840 |
| Income from other sources - companies subject to control of parent companies | 8,982,232 |
| Income from other sources - other | 2,920,792 |
| Total | 12,313,133 |

Detail of “Income from other sources - other”

| | Income from other sources - other |
|------------------------------------|-----------------------------------|
| Interest income from banks | 8,629 |
| Other interest income | 116,969 |
| Financial income on derivatives | - |
| Financial discounts from suppliers | 2,732,846 |
| Other financial income | 62,348 |
| Total | 2,920,792 |

Breakdown of interest and other financial charges by type of payable

| | Interessi e altri oneri finanziari |
|---|------------------------------------|
| Interest due to subsidiaries | 220,097 |
| Interest due to associates | - |
| Interest due to parent companies | 3,044,163 |
| Interest due to companies subject to control of parent companies | - |
| Other financial charges from companies subject to the control of the parent company | 392,671 |
| Interest due to banks | 33,701,071 |
| Other financial charges | 42,291,548 |
| Total | 79,649,550 |
| of which, financial expenses arising from the application of the amortised cost criterion and financial charges relating to loans valued at nominal value | 1,589,019 |
| Total financial charges net of financial expenses resulting from the application of the amortised cost criterion | 78,060,531 |

Detail of item “Other”

| | Other financial charges |
|--|-------------------------|
| Interest due to banks and factoring entities | 20,537,663 |
| Financial charges on derivatives | 8,564,948 |
| Other interest and financial charges | 13,188,937 |
| Total other financial charges | 42,291,548 |

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

| | Revaluations | Write-downs |
|---|------------------|------------------|
| Write-down of investment in the subsidiary Marcegaglia India | - | 147,321 |
| Write-down of investment in the subsidiary Marcegaglia Novero Polska | - | 19,999 |
| of equity investments recorded as financial fixed assets | - | 167,320 |
| Write-back of Fideuram securities | 42,111 | - |
| of financial fixed assets other than equity investments | 42,111 | - |
| Write-back of Banco Popolare securities | 5,554 | - |
| of securities recorded in current assets other than equity investments | 5,554 | - |
| of financial derivatives | 9,289,510 | 1,156,792 |
| Total | 9,337,175 | 1,324,112 |

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

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 | 4,896,806,929 | - | 4,896,806,929 |
| Change in inventories of work in process, semi-finished and finished products | 36,263,435 | - | 36,263,435 |
| Changes in contract work in progress | -272,642 | - | -272,642 |
| Increase in fixed assets for internal work | 7,313,781 | - | 7,313,781 |
| Other revenues and income | 18,667,013 | - | 18,667,013 |
| Value of production | 4,958,778,516 | - | 4,958,778,516 |
| Raw and ancillary materials, consumables and goods | -3,984,908,088 | - | -3,984,908,088 |
| Services | -524,704,069 | - | -524,704,069 |
| Lease and rental expense | -8,334,001 | - | -8,334,001 |
| Staff costs | -247,643,592 | - | -247,643,592 |
| Changes in inventories of raw and ancillary materials, consumables and goods | 95,497,187 | - | 95,497,187 |
| Provisions for risks | - | - | - |
| Other provisions | - | - | - |
| Other operating expenses | -15,431,459 | - | -15,431,459 |
| Production costs net of amortisation, depreciation and write-downs | -4,685,524,022 | - | -4,685,524,022 |
| Amortisation, depreciation and write-downs | -178,605,538 | - | -178,605,538 |
| Cost of production | -4,864,129,560 | - | -4,864,129,560 |
| Difference between value and cost of production | 94,648,956 | - | 94,648,956 |
| EBITDA | 273,254,494 | - | 273,254,494 |
| Income from equity investments | 350,000 | - | 350,000 |
| Other financial income | 12,313,133 | - | 12,313,133 |
| Interest and other financial charges | -79,649,550 | - | -79,649,550 |
| Exchange-rate gains and losses | -687,879 | - | -687,879 |
| Financial income and charges | -67,674,296 | - | -67,674,296 |
| Revaluations | 9,337,175 | - | 9,337,175 |
| Write-downs | -1,324,112 | - | -1,324,112 |
| Value adjustments of financial assets | 8,013,063 | - | 8,013,063 |
| Profit (loss) before taxes | 34,987,723 | - | 34,987,723 |
| Current, deferred and prepaid income taxes for the year | -10,776,964 | - | -10,776,964 |
| Profit (loss) for the year | 24,210,759 | - | 24,210,759 |

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 | 57 | 59 |
| Employees | 1,220 | 1,227 |
| Workers | 4,373 | 4,432 |
| Total employees | 5,650 | 5,718 |

Directors' and statutory auditors' remuneration

| | Directors | Auditors |
|------|-----------|----------|
| Fees | 3,520,000 | 199,690 |

Fees of the statutory auditor or independent auditing firm

| | Amount |
|---|----------------|
| Fees for statutory audit of annual accounts | 386,753 |
| Fees for other audit services performed | 74,236 |
| Fees for tax consultancy services | 27,063 |
| Fees for other non-auditing services | 42,128 |
| Total | 530,179 |

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 ITA-LIA 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 2019 by the independent auditors.

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

| | Amount |
|---|--------------------|
| Commitments | 201,650,091 |
| post-retirement benefits and similar obligations | - |
| to subsidiaries | - |
| to associates | - |
| to parent companies | - |
| to companies subject to control of parent companies | 1,894,210 |
| Guarantees | 745,310,231 |
| of which collateral | - |
| Contingent liabilities | - |

Detail

| | 31/12/2019 | 31/12/2018 |
|--|--------------------|--------------------|
| RISKS TAKEN BY THE COMPANY | | |
| Sureties | | |
| - to subsidiaries | | 3,088,852 |
| - to associates | 1,000,000 | 1,000,000 |
| - to companies subject to control of parent companies | 642,746 | 312,105 |
| - to other companies | 140,024,089 | 39,530,583 |
| Total sureties | 141,666,835 | 43,931,540 |
| Total endorsements | - | - |
| Other personal guarantees | | |
| - to other companies | 603,643,396 | 501,646,873 |
| Total other personal guarantees | 603,643,396 | 501,646,873 |
| Total collateral | - | - |
| Total guarantees | 745,310,231 | 545,578,413 |
| Total other risks | - | - |
| Total risks taken by the company | - | - |
| COMMITMENTS ENTERED INTO BY THE COMPANY | | |
| - commitments entered into with companies subject to parent companies' control | 1,894,210 | 2,053,660 |
| - other commitments | 199,755,881 | 199,975,329 |
| Total commitments entered into by the Company | 201,650,091 | 202,028,989 |
| Total third-party property held by the Company | - | - |
| Total other contingent liabilities | - | - |
| Total | 946,960,322 | 747,607,402 |

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 the financial years 2017/2018, the company entered into forward purchase agreements for raw materials, with final maturity in 2021.

The commitments entered into in 2017, as reviewed in FY 2019 provide for a purchase for a value of about 119 million, in monthly tranches starting from January 2020 until April 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

In FY 2019, the Interest Rate Swaps held by the parent company Marcegaglia Steel spa since FY 2018 to hedge facilities A and B (previously commented) obtained in 2018, did not change except for the contractual payment of the periodic differentials established.

By means of appropriate calculations and appraisals, the fair value at 31-12-19 of these IRSs was recalculated, identifying the change in the year of the effective and ineffective portion.

The tables below show all the economic and equity effects of the year.

The new pool loan obtained by Marcegaglia Steel spa at the end of December 2019 for an amount of Euro 105 million, is index-linked to period Euribor.

The related hedge was implemented by entering into two Interests Rate Swap contracts in the first few days of January 2020, therefore these contracts do not have a fair value at 31/12/2019, despite the backdating of the start date of the loan.

The EIB loan obtained by Marcegaglia Steel spa in 2019 for Euro 100 million, of which Euro 83,444,000 was used in 2019, provides for a fixed rate for which no hedges were activated.

Still on the subject of Interests Rate Swap contracts, it should be noted that during FY 2019, the subsidiary Marcegaglia Carbon Steel spa stipulated a small contract to cover a loan obtained for Euro 5,600,000.00 to support the investments made, pursuant to Law no. 100 of 1990, by the company itself in 2019 for the acquisition of two South American companies (Mexico and Colombia) operating in the refrigeration pipe sector, whose final expiry date is November 2027, with a notional amount of the same amount and obviously the same amortisation plan. This IRS is to be considered as hedging in accordance with OIC no. 32, therefore the relative fair value at 31/12/2019 has been entirely allocated to the Reserve for hedging transactions of expected cash flows as indicated in the tables below.

On the other hand, the IRS derivative already in the portfolio of the company Marcegaglia Carbon Steel spa for several years, is not a hedge within the meaning of OIC no. 32, given the substantial invariance of the underlying rates and conditions. The same as a result of the payment of differentials during 2019 improved, substantially in a mirror-like fashion, its negative fair value at 31/12/2019. This resulted in the recognition of a positive income component recognised under item D) 18) d) of the Income Statement.

The subsidiary Marcegaglia Poland also holds an IRS portfolio to hedge mortgages pursuant to Article 2426, paragraph 11bis et seq. of the Italian Civil Code and OIC no. 32. The fair value of this IRS has improved as shown in the tables below.

In accounting terms, the ineffective positive changes of the fair value portion were recorded under item D) 18) revaluation of derivative financial instruments in the income statement, while the negative changes 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.

Similar accounting treatment was reserved for commodity derivatives (zinc) held by Marcegaglia Steel as at 31/12/2019 with the aim of mitigating the price risk in connection with the various zinc purchases the subsidiary Marcegaglia Carbon Steel spa makes on a regular basis in going about its core industrial business. Those commodity 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.

Just like the subsidiary Marcegaglia Po-

land, the company Marcegaglia Steel spa also holds no currency derivatives in its portfolio at 31/12/2019.

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

| | Opening balance as at 31/12/2018 | Exchange rate exchange diff. | INCREASES | | | DECREASES | | | Exchange rate in exchange differences | Closing balance as at 31/12/2019 |
|---|----------------------------------|------------------------------|---|---------------------------------------|---|---|---------------------------------------|---|---------------------------------------|----------------------------------|
| | | | Item D) 18) d) Write-backs of financial derivatives | with group reserve as balancing entry | with minority interest reserve as balancing entry | Item D) 19) d) Write-downs of financial derivatives | with group reserve as balancing entry | with minority interest reserve as balancing entry | | |
| Marcegaglia Poland Sp.z.o.o. <i>Currency derivatives</i> | 74,048 | 776 | | - | - | -74,113 | - | - | -711 | - |
| Marcegaglia Steel <i>Commodity derivatives</i> | - | | 68,260 | - | - | | - | - | - | 68,260 |
| Financial assets not held as fixed assets – financial derivatives held as assets | 74,048 | 776 | 68,260 | - | - | -74,113 | - | - | -711 | 68,260 |
| Marcegaglia Carbon Steel <i>Hedging IRSs</i> | - | - | - | - | - | - | -31,468 | - | - | -31,468 |
| Marcegaglia Carbon Steel <i>Non-hedge IRSs</i> | -4,437,566 | - | 2,931,697 | - | - | - | - | - | - | -1,505,869 |
| Marcegaglia Steel <i>Hedging IRSs</i> | -15,292,929 | - | 4,809,705 | - | - | - | -4,009,033 | - | - | -14,492,257 |
| Marcegaglia Steel <i>Currency derivatives</i> | -1,467,807 | | 1,467,807 | | | | | | | - |
| Marcegaglia Steel <i>Commodity derivatives</i> | - | - | - | - | - | -1,082,679 | | | | -1,082,679 |
| Marcegaglia Poland Sp.z.o.o. <i>Hedging IRSs</i> | -202,568 | -2,122 | | 74,545 | 6,586 | - | - | - | 778 | -122,781 |
| Marcegaglia Poland Sp.z.o.o. <i>Currency derivatives</i> | -12,030 | -126 | 12,041 | | | | | | 115 | - |
| Provisions for risks and charges – financial derivatives held as liabilities | -21,412,900 | -2,248 | 9,221,250 | 74,545 | 6,586 | -1,082,679 | -4,040,501 | - | 893 | -17,235,054 |

Changes in reserve for hedges:

| | Opening balance as at 31/12/2018 | | DCA | Increases | | Decreases | | DCM | Closing balance as at 31/12/2019 | |
|---|----------------------------------|--------------------|---------------|---------------|--------------------|-------------------|--------------------|------------|----------------------------------|--------------------|
| | group portion | minority interests | | group portion | minority interests | group portion | minority interests | | group portion | minority interests |
| Marcegaglia Carbon Steel | - | - | - | - | | -31,468 | - | - | -31,468 | - |
| Marcegaglia Steel | -2,672,942 | - | - | - | - | -4,009,033 | - | - | -6,681,975 | - |
| Marcegaglia Poland Sp.z.o.o. | -186,123 | -16,599 | -1,950 | 74,545 | 6,586 | - | - | 714 | -112,814 | -10,013 |
| Total reserve for projected cash flow hedges | -2,859,065 | -16,599 | -1,950 | 74,545 | 6,586 | -4,040,501 | - | 714 | -6,826,257 | -10,013 |

Detail of impact on income statement

| | 31/12/2019 |
|---|------------------|
| Write-off of provisions for financial instruments payable on currencies existing at the beginning of the year for contracts expiring in 2019 Marcegaglia Steel | 1,467,807 |
| Write-off of provisions for financial instruments payable on currencies existing at the beginning of the year for contracts expiring in 2019 Marcegaglia Poland | 12,041 |
| Revaluation of currency derivatives (not held for hedging purposes) | 1,479,848 |
| Negative fair value adjustment of IRS hedges in the portfolio as at 31/12/2019 (ineffective portion) Marcegaglia Steel | 4,809,705 |
| Revaluation of IRS hedging derivatives (speculative portion) | 4,809,705 |
| Change in fair value of non-hedging IRSs Marcegaglia Carbon Steel | 2,931,697 |
| Write-back of IRS non-hedging derivatives | 2,931,697 |
| Positive fair value of commodity derivatives Marcegaglia Steel | 68,260 |
| Revaluation of commodity derivatives (not held for hedging purposes) | 68,260 |
| Total item D) 18d - Revaluation of financial derivatives | 9,289,510 |

| | 31/12/2019 |
|---|------------------|
| Write-off of positive fair value currency derivatives existing at the beginning of the year for contracts expiring in 2019 Marcegaglia Poland | 74,113 |
| Write-downs of currency derivatives (not held for hedging purposes) | 74,113 |
| Negative fair value of commodity derivatives Marcegaglia Steel | 1,082,679 |
| Write-downs of commodity derivatives (not held for hedging purposes) | 1,082,679 |
| Total item D) 19d - Write-downs of financial derivatives | 1,156,792 |

The following table provides details on derivative contracts held at 31/12/2019 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 |
|---|---|------------------------|-----------------|------------------------------------|--------------------------|--|---|
| Interests rate swap | Marcegaglia Steel spa | -14,492,257 | EUR 408,741,970 | for hedging | 31/12/2024 | - | -14,492,257 |
| Forward commodity Special High Grade Zinc | Marcegaglia Steel spa | 68,260 | EUR 4,990,000 | not for hedging pursuant to OIC 32 | 15/06/2020 | 68,260 | - |
| Forward commodity Special High Grade Zinc | Marcegaglia Steel spa | -1,082,679 | EUR 21,061,000 | not for hedging pursuant to OIC 32 | 15/09/2020 18/12/2020 | - | -1,082,679 |
| Interests rate swap | Marcegaglia Carbon Steel spa | -1,505,869 | EUR 50,000,000 | not for hedging pursuant to OIC 32 | 11/05/2020 | - | -1,505,869 |
| Interests rate swap | Marcegaglia Carbon Steel spa | -31,468 | EUR 5,600,000 | for hedging | 18/11/2027 | - | -31,468 |
| Interests rate swap | Marcegaglia Poland | -17,336 | EUR 5,000,000 | for hedging | 31/12/2020 | - | -17,336 |
| Interests rate swap | Marcegaglia Poland | -27,329 | EUR 4,000,000 | for hedging | 31/03/2021 | - | -27,329 |
| Interests rate swap | Marcegaglia Poland | -78,116 | EUR 7,381,000 | for hedging | 30/09/2022 | - | -78,116 |
| Total | | -17,166,794 | | | | 68,260 | -17,235,054 |

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.

In the derivative contracts subject to analysis and estimation of market values (Fair Value or Mark to Market), there are no optional components, therefore it is not necessary to indicate any reference models.

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, 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:

| Receiving company | Lender | Amount received (€) | Cause/ Type contribution | Plant | Regulatory ref. |
|--------------------------|----------------------------------|---------------------|---|--|--|
| Marcegaglia Carbon Steel | GSE spa | 640,630 | 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 | 39,374 | 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 | 9,172 | 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-BG | 62,238 | 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 | 55,395 | 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 | 63,207 | Exemption from excise duties on electricity | Lomagna | Legislative Decree 504/95 Art. 52 paragraph 2 lett. e |
| Marcegaglia Carbon Steel | Customs and Monopolies Agency-BG | 21,692 | Exemption of gas excise duties | Boltiere | Legislative Decree 504/95 Art.21 paragraph 13 |
| Marcegaglia Carbon Steel | Customs and Monopolies Agency-CR | 37,927 | Exemption of gas excise duties | Casalmaggiore | Legislative Decree 504/95 Art.21 paragraph 13 |
| Marcegaglia Carbon Steel | Customs and Monopolies Agency-MN | 27,066 | Exemption of gas excise duties | Gazoldo degli Ippoliti | Legislative Decree 504/95 Art.21 paragraph 13 |
| Marcegaglia Carbon Steel | Revenue Agency - Treasury | 1,811,582 | Tax credit for R&D activities | Gazoldo degli Ippoliti/ Casalmaggiore/Boltiere | Legislative Decree 145 of 23/12/13 Art. 3 |
| Marcegaglia Carbon Steel | Revenue Agency - Treasury | 430,112 | Superamortisation | Various | Law 208 of 28/12/2015 |
| Marcegaglia Carbon Steel | Revenue Agency - Treasury | 75,602 | Hyper-amortisation | Various | Law 232 of 11/12/2016 |
| Marcegaglia Carbon Steel | Simest spa | 141,456 | Interest account contributions | Various | Law 190 art. 4 as subs. amend. |
| Total | | 3,415,454 | | | |
| Marcegaglia Specialties | Customs and Monopolies Agency-MN | 30,392 | Esenzione accise energia elettrica | Volta Mantovana | Legislative Decree 504/95 Art. 52 paragraph 4 lett. e |
| Marcegaglia Specialties | Revenue Agency - Treasury | 4,181,908 | Detassazione redditi per utilizzo indiretto patent box | Volta Mantovana /Gazoldo | Law 190/2014 |
| Marcegaglia Specialties | Revenue Agency - Treasury | 268,240 | Superammortamento | Various | Law 208 of 28/12/2015 |
| Marcegaglia Specialties | Revenue Agency - Treasury | 67,653 | Credito imposta per attività R&S | Gazoldo degli Ippoliti/ Volta Mantovana/Forli | Legislative Decree 145 of 23/12/13 Art. 3 |
| Marcegaglia Specialties | European Commission | 193,421 | ACE Pick - Decapaggio elettrolitico corrente alternata | Gazoldo degli Ippoliti | RFCS (contract RFSP-CT-2014-13) |
| Total | | 4,741,614 | | | |
| Marcegaglia Plates | Customs and Monopolies Agency-UD | 30,399 | Esenzione accise energia elettrica | S. Giorgio di Nogaro | Legislative Decree 504/95 Art. 52 paragraph 2 lett.e |
| Marcegaglia Plates | Customs and Monopolies Agency-UD | 137,119 | Esenzione accise gas | S. Giorgio di Nogaro | Legislative Decree 504/95 Art. 21 paragraph 2 lett. 13 |
| Marcegaglia Plates | Revenue Agency - Treasury | 6,440 | Iperammortamento | S. Giorgio di Nogaro | Law 232 of 11/12/2016 |
| Marcegaglia Plates | Revenue Agency - Treasury | 40,944 | Superammortamento | S. Giorgio di Nogaro | Law 208 of 28/12/2015 |
| Marcegaglia Plates | Revenue Agency - Treasury | 53,929 | Credito imposta per attività R&S | S. Giorgio di Nogaro | Legislative Decree 145 of 23/12/13 Art. 3 |
| Total | | 268,831 | | | |
| Marcegaglia Ravenna | GSE spa | 227,503 | Tariffa incentivante per produzione energia da fonti rinnovabili | Ravenna | MD 19/02/17-MD 05/05/11 |
| Marcegaglia Ravenna | Customs and Monopolies Agency-RA | 1,010,447 | Esenzione accise gas | Ravenna | Legislative Decree 504/95 Art. 21 paragraph 2 lett. 13 |
| Marcegaglia Ravenna | Revenue Agency - Treasury | 397,070 | Credito imposta per attività R&S | Ravenna | Legislative Decree 145 of 23/12/13 Art. 3 |
| Marcegaglia Ravenna | Revenue Agency - Treasury | 42,803 | Superammortamento | Ravenna | Law 208 of 28/12/2015 |
| Marcegaglia Ravenna | Revenue Agency - Treasury | 15,120 | Iperammortamento | Ravenna | Law 232 of 11/12/2016 |
| Total | | 1,692,942 | | | |
| Marcegaglia Gazoldo Inox | Customs and Monopolies Agency-MN | 170,512 | Esenzione accise gas | Gazoldo degli Ippoliti | Legislative Decree 504/95 Art. 21 paragraph 2 lett. 13 |
| Marcegaglia Gazoldo Inox | Revenue Agency - Treasury | 17,318 | Credito imposta per attività R&S | Gazoldo degli Ippoliti | Legislative Decree 145 of 23/12/13 Art. 3 |
| Marcegaglia Gazoldo Inox | Revenue Agency - Treasury | 19,732 | Superammortamento | Gazoldo degli Ippoliti | Law 208 of 28/12/2015 |
| Total | | 207,562 | | | |

SIGNIFICANT SUBSEQUENT EVENTS

With reference to point 22-quater of Article 2427 of the Italian Civil Code, it should be noted that after 31 December 2019 and up to the date of approval of these financial statements, no events occurred in the company such as to have a material impact on the balance sheet and income statement figures shown therein.

It should, however, be pointed out that as at the date on which these financial statements are prepared, the Company is monitoring the evolution of the instability that has recently emerged in connection with the public health emergency deriving from the cases of COVID-19 contagion (the “Coronavirus”), that, during the first few weeks of 2020 initially impacted China and thereafter spread to the other countries.

At present, once the necessary assessments have been made, it is not possible to predict the evolution that this phenomenon could have, including in Italy, and, consequently, the impact it could have on the economy, given that this emergency could fall in the following months depending on the outcome of the containment measures planned by the governments and central banks of the countries affected by the spread of the virus. However, based on the information available and also on a forecast up to the end of 2020, we assessed the impact of the COVID-19 emergency, considering that it does not affect the group’s ability to continue to operate as a going concern.

In view of the above, it is believed that this emergency, which is still ongoing at present, will certainly cause a reduction in turnover in 2020, albeit with a forecast of maintaining sufficient economic margins and cash flows to meet its commitments. In this regard, the group will continue to monitor the evolution of the scenario in order to promptly take all appropriate actions to limit the impacts as far as possible.

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 property, plant and equipment, intangible fixed assets and financial fixed assets

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

Gazoldo degli Ippoliti, 30/04/2020

The Chairman
of the Board of Directors

Antonio Marcegaglia



Annex 1a - STATEMENT OF CHANGES IN INTANGIBLE FIXED ASSETS

| | | Balance at beginning of year | Exchange rate at beginning of year | Increases | Decreases | Reclassifications | Changes in exchange differences | Change in scope of consoli- dation | Extraordinary transactions | Balance at end of year |
|--|------------------------------|------------------------------------|---|--------------------|---------------|-------------------|---------------------------------------|---|-------------------------------|------------------------------|
| Start-up and expansion costs | Original cost | 3,352,757 | -49,300 | 0 | 28,096 | 101,480 | 637 | 0 | 0 | 3,377,478 |
| | Revaluations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Write-downs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Ordinary accum. amortisation | 2,686,971 | -40,105 | 170,833 | 0 | 0 | -2,555 | 0 | 0 | 2,815,144 |
| | Total | 665,786 | -9,195 | -170,833 | 28,096 | 101,480 | 3,192 | 0 | 0 | 562,334 |
| Development costs | Original 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 |
| | Ordinary accum. amortisation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Total | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ind. patent rights and intell. prop. rights | Original cost | 1,816,132 | -14,460 | 1,062,836 | 540 | 74,339 | 12 | 0 | 0 | 2,938,319 |
| | Revaluations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Write-downs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Ordinary accum. amortisation | 1,429,285 | -13,811 | 495,911 | 0 | 0 | -231 | 0 | 0 | 1,911,154 |
| | Total | 386,847 | -649 | 566,925 | 540 | 74,339 | 243 | 0 | 0 | 1,027,165 |
| Conc., lic., tradem. and similar rights | Original cost | 201,161,682 | 1,680 | 3,750 | 0 | 0 | 98 | 0 | 0 | 201,167,210 |
| | Revaluations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Write-downs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Ordinary accum. amortisation | 63,713,807 | 662 | 20,124,889 | 0 | 0 | 258 | 0 | 0 | 83,839,616 |
| | Total | 137,447,875 | 1,018 | -20,121,139 | 0 | 0 | -160 | 0 | 0 | 117,327,594 |
| Goodwill | Original cost | 70,902,136 | 0 | 0 | 0 | 0 | 0 | 3,783,704 | 0 | 74,685,840 |
| | Revaluations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Write-downs | 34,874,904 | 0 | 1,790,132 | 0 | 0 | 0 | 0 | 0 | 36,665,036 |
| | Ordinary accum. amortisation | 16,496,089 | 0 | 2,930,862 | 0 | 0 | 0 | 0 | 0 | 19,426,951 |
| | Total | 19,531,143 | 0 | -4,720,994 | 0 | 0 | 0 | 3,783,704 | 0 | 18,593,853 |
| Fixed assets in progress | Original cost | 180,581 | 1,579 | 110,024 | 0 | -41,089 | 3,438 | 0 | 0 | 254,533 |
| | Revaluations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Write-downs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Total | 180,581 | 1,579 | 110,024 | 0 | -41,089 | 3,438 | 0 | 0 | 254,533 |
| Advance paym. on intang. fixed assets | Original 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 |
| | Total | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other intangibles | Original cost | 511,190 | -3,042 | 9,248 | 11,806 | 7,355 | -452 | 266,178 | 0 | 778,671 |
| | Revaluations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Write-downs | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| | Ordinary accum. amortisation | 458,691 | -1,312 | 42,423 | 11,806 | 7,355 | -392 | 211,342 | 0 | 706,301 |
| | Total | 52,498 | -1,730 | -33,175 | 0 | 0 | -60 | 54,836 | 0 | 72,369 |
| i - intangible fixed assets | Original cost | 277,924,478 | -63,543 | 1,185,858 | 40,442 | 142,085 | 3,733 | 4,049,882 | 0 | 283,202,051 |
| | Revaluations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Write-downs | 34,874,905 | 0 | 1,790,132 | 0 | 0 | 0 | 0 | 0 | 36,665,037 |
| | Ordinary accum. amortisation | 84,784,843 | -54,566 | 23,764,918 | 11,806 | 7,355 | -2,920 | 211,342 | 0 | 108,699,166 |
| | Total | 158,264,730 | -8,977 | -24,369,192 | 28,636 | 134,730 | 6,653 | 3,838,540 | 0 | 137,837,848 |

For more detailed comments on write-downs of goodwill, refer to the paragraph "Intangible fixed assets".

The company Marcegaglia Novero spa has reclassified Euro 101,480 from property, plant and equipment to intangible fixed assets in relation to leasehold improvements.

The company Marcegaglia Gazoldo Inox spa has reclassified Euro 33,250 from property, plant and equipment to intangible fixed assets.

The change in the scope of consolidation column refers to the first consolidation of Marcegaglia Central America and Marcegaglia Palini and Bertoli spa. For further comments please refer to the specific paragraph of the Explanatory Notes.

Annex 1b - STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT

| | | Balance at beginning of year | Exch. diff. at beginning of year | Increases | Decreases | Reclassifications | Changes in exchange differences | Change in scope of consolidation | Extraordinary transactions | Balance at end of year |
|--|------------------------------|------------------------------------|---|--------------------|------------------|--------------------|---------------------------------------|---|-------------------------------|------------------------------|
| Land and buildings | Original cost | 763,605,670 | 567,200 | 6,287,804 | 0 | 790,098 | 3,135 | 30,015,532 | 0 | 801,269,439 |
| | Revaluations | 8,265,271 | -131,235 | 0 | 0 | 0 | 0 | 0 | 0 | 8,134,036 |
| | Write-downs | 4,639,341 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4,639,341 |
| | Ordinary accum. depreciation | 110,425,228 | 50,078 | 25,933,925 | 0 | 0 | -30,616 | 14,045,516 | 0 | 150,424,131 |
| | Total | 656,806,372 | 385,887 | -19,646,121 | 0 | 790,098 | 33,751 | 15,970,016 | 0 | 654,340,003 |
| Plants and machinery | Original cost | 1,126,796,313 | 2,263,699 | 45,622,566 | 577,965 | 9,908,298 | 23,693 | 132,879,805 | 0 | 1,316,916,409 |
| | Revaluations | 9,057,870 | -143,820 | 54,178 | 0 | 0 | -208 | 0 | 0 | 8,968,020 |
| | Write-downs | 7,470 | 0 | 192,770 | 0 | 0 | -4,367 | 0 | 0 | 195,873 |
| | Ordinary accum. depreciation | 425,727,312 | 2,132,065 | 108,625,157 | 261,296 | 0 | 41,476 | 100,186,212 | 0 | 636,450,926 |
| | Total | 710,119,401 | -12,186 | -63,141,183 | 316,669 | 9,908,298 | -13,624 | 32,693,593 | 0 | 689,237,630 |
| Industrial and commercial equipment | Original cost | 58,865,465 | 62,849 | 6,288,520 | 73,999 | 111,011 | 390 | 4,230,975 | 0 | 69,485,211 |
| | Revaluations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Write-downs | 265 | 37 | 0 | 0 | 0 | 0 | 0 | 0 | 302 |
| | Ordinary accum. depreciation | 35,998,368 | 66,923 | 11,178,168 | 42,357 | 0 | 767 | 3,020,037 | 0 | 50,221,906 |
| | Total | 22,866,832 | -4,111 | -4,889,648 | 31,642 | 111,011 | -377 | 1,210,938 | 0 | 19,263,003 |
| Other assets | Original cost | 22,281,148 | 215,465 | 1,478,562 | 994,843 | 101,237 | -164 | 1,570,261 | 0 | 24,651,666 |
| | Revaluations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Write-downs | 1,457 | 203 | 0 | 0 | 0 | 0 | 0 | 0 | 1,660 |
| | Ordinary accum. depreciation | 13,672,332 | 188,902 | 2,350,380 | 926,462 | 0 | 2,563 | 1,260,522 | 0 | 16,548,237 |
| | Total | 8,607,359 | 26,360 | -871,818 | 68,381 | 101,237 | -2,727 | 309,739 | 0 | 8,101,769 |
| Fixed assets in progress | Original cost | 27,044,516 | 29,286 | 15,662,233 | 33,553 | -11,040,933 | -2,789 | 1,400,071 | 0 | 33,058,831 |
| | Revaluations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Write-downs | 5,860,742 | 7,023 | 462,000 | 0 | 0 | 0 | 420,600 | 0 | 6,750,365 |
| | Ordinary accum. depreciation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Total | 21,183,774 | 22,263 | 15,200,233 | 33,553 | -11,040,933 | -2,789 | 979,471 | 0 | 26,308,466 |
| Advance payments | Original cost | 9,779,296 | 46 | 11,238,218 | 5,512,838 | -4,440 | 1,450 | 0 | 0 | 15,501,732 |
| | Revaluations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Write-downs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Ordinary accum. depreciation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Total | 9,779,296 | 46 | 11,238,218 | 5,512,838 | -4,440 | 1,450 | 0 | 0 | 15,501,732 |
| ii - property plant and equip. | Original cost | 2,008,372,408 | 3,138,545 | 86,577,903 | 7,193,198 | -134,729 | 25,715 | 170,096,644 | 0 | 2,260,883,288 |
| | Revaluations | 17,323,141 | -275,055 | 54,178 | 0 | 0 | -208 | 0 | 0 | 17,102,056 |
| | Write-downs | 10,509,275 | 7,263 | 654,770 | 0 | 0 | -4,367 | 420,600 | 0 | 11,587,541 |
| | Ordinary accum. depreciation | 585,823,240 | 2,437,968 | 148,087,630 | 1,230,115 | 0 | 14,190 | 118,512,287 | 0 | 853,645,200 |
| | Total | 1,429,363,034 | 418,259 | -62,110,319 | 5,963,083 | -134,729 | 15,684 | 51,163,757 | 0 | 1,412,752,603 |

The increase in “land and buildings” is mainly due to Marcegaglia Carbon Steel spa (Euro 3,528,283), Marcegaglia Specialties spa (Euro 1,264,153) and Marcegaglia Colombia (Euro 1,030,840). The increase in “plant and machinery” is mainly due to Marcegaglia Carbon Steel spa (Euro 16,389,742), Marcegaglia Ravenna spa (Euro 16,664,776), Marcegaglia Specialties spa (Euro 5,909,891) and Marcegaglia Gazoldo Inox spa (Euro 3,802,168).

The increase in “industrial and commercial equipment” is mainly due to Marcegaglia Carbon Steel spa (Euro 3,418,015), Marcegaglia Ravenna spa (Euro 1,069,626) and Marcegaglia Specialties (Euro 1,261,289).

The increase in “assets under construction” is mainly due to Marcegaglia Carbon Steel spa (Euro 2,069,710), Marcegaglia Ravenna spa (Euro 7,805,284), Marcegaglia Specialties spa (Euro 3,146,989) and Marcegaglia Gazoldo Inox spa (Euro 1,480,088).

The change in the consolidation area is due to the line-by-line consolidation of Marcegaglia Mexico, Marcegaglia Colombia and Marcegaglia Palini e Bertoli. Reference should be made to the paragraphs in the notes to the financial statements entitled “scope of consolidation” and “movements in property, plant and equipment” for a more detailed explanation of the transactions that took place during the year.

It should also be noted that the increase in the provision for depreciation and amortisation differs from the amount reported in the consolidated income statement by an amount of Euro 1,480,618. This figure represents the effect of the adjustment of the accumulated depreciation of assets of the subsidiary Marcegaglia Mexico recalculated applying group depreciation rates instead of local depreciation rates. The offsetting entry for this adjustment was classified as a movement in shareholders’ equity.

Annex 1c - STATEMENT OF CHANGES IN FINANCIAL FIXED ASSETS

| | | Balance at beginning of year | Exch. diff. at beginning of year | Acquisitions/ subscriptions | Capital increases/ deposits in capital account | Increases | Decreases | Change in scope of conso- lidation | Reclassifica- tions | Extraordi- nary tran- sactions | Changes in exchange differences | Balance at end of year |
|--|----------------------|---------------------------------------|---|--------------------------------|--|------------------|----------------|---|------------------------|--------------------------------------|---------------------------------------|------------------------------|
| 1) Equity investments | | | | | | | | | | | | |
| equity investments | Original cost | 115,123,862 | 0 | 0 | 60,517 | 0 | 107,109 | -6,585,753 | -664 | 0 | 0 | 108,490,853 |
| in subsidiaries | Write-down provision | 105,094,047 | 0 | 0 | 0 | 167,320 | 0 | 0 | 0 | 0 | 0 | 105,261,367 |
| measured at cost | Revaluation reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| equity investments | Original cost | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| in subsidiaries | Write-down provision | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| measured at equity | Revaluation reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| equity investments | Total | 10,029,815 | 0 | 0 | 60,517 | -167,320 | 107,109 | -6,585,753 | -664 | 0 | 0 | 3,229,486 |
| equity investments | Original cost | 954,622 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 954,622 |
| in subsidiaries | Write-down 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 |
| equity investments | Original cost | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| in associates | Write-down provision | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| measured at equity | Revaluation reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| equity investments | Total | 954,622 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 954,622 |
| equity investments | Original cost | 0 | 0 | 0 | 0 | 0 | 0 | -664 | -664 | 0 | 0 | 0 |
| in companies | Write-down provision | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| subject to control | Revaluation reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| of parent companies | | | | | | | | | | | | |
| other companies | Total | 0 | 0 | 0 | 0 | 0 | 0 | -664 | 664 | 0 | 0 | 0 |
| equity investments | Original cost | 1,772,326 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,772,326 |
| in other companies | Write-down provision | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| other companies | Total | 1,772,326 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,772,326 |
| total | Original cost | 117,850,810 | 0 | 0 | 60,517 | 0 | 107,109 | -6,586,417 | 0 | 0 | 0 | 111,217,801 |
| | Write-down provision | 105,094,047 | 0 | 0 | 0 | 167,320 | 0 | 0 | 0 | 0 | 0 | 105,261,367 |
| | Revaluation reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| total equity | Total | 12,756,763 | 0 | 0 | 60,517 | -167,320 | 107,109 | -6,586,417 | 0 | 0 | 0 | 5,956,434 |
| 2) Receivables included in financial fixed assets | | | | | | | | | | | | |
| <i>Receivables due after the following year</i> | | | | | | | | | | | | |
| receivables from | Gross value | 0 | 0 | 0 | 0 | 0 | | | 0 | 0 | 0 | 0 |
| non-consolidated | Write-down provision | 0 | 0 | 0 | 0 | 0 | | | 0 | 0 | 0 | 0 |
| subsidiaries | | | | | | | | | | | | |
| non-consolidated | Total | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| receivables | Gross value | 395,857 | 0 | 0 | 0 | 2,321,327 | 330,600 | 54,330 | -19,675 | 0 | 27,263 | 2,448,502 |
| from others | Write-down provision | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| other | Total | 395,857 | 0 | 0 | 0 | 2,321,327 | 330,600 | 54,330 | -19,675 | 0 | 27,263 | 2,448,502 |
| total | Gross value | 395,857 | 0 | 0 | 0 | 2,321,327 | 330,600 | 54,330 | -19,675 | 0 | 27,263 | 2,448,502 |
| | Write-down provision | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total receivables | Total | 395,857 | 0 | 0 | 0 | 2,321,327 | 330,600 | 54,330 | -19,675 | 0 | 27,263 | 2,448,502 |
| <i>Receivables due within the following year</i> | | | | | | | | | | | | |
| receivables due | Gross value | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 19,675 | 0 | 624 | 20,299 |
| within the following | Write-down provision | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| year | | | | | | | | | | | | |
| other | Total | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 19,675 | 0 | 624 | 20,299 |
| total | Gross value | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 19,675 | 0 | 624 | 20,299 |
| | Write-down provision | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total receivables | Total | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 19,675 | 0 | 624 | 20,299 |
| 3) Other securities | | | | | | | | | | | | |
| | | 364,010 | 0 | | | 42,111 | 0 | 0 | 0 | 0 | 0 | 406,121 |
| Total financial fixed assets | | 13,516,630 | 0 | 0 | 60,517 | 2,196,118 | 437,709 | -6,532,087 | 0 | 0 | 27,887 | 8,831,356 |

The change in the consolidation area is due to the full consolidation of Marcegaglia Central America (for the amount of investments in subsidiaries) and Marcegaglia Palini e Bertoli spa. For more information, refer to the explanations given in the descriptive part of the notes. The investment in the subsidiary Marcegaglia Central America was valued at cost in 2018.

Annex 2 - STATEMENT OF CHANGES IN PROVISIONS FOR RISK AND CHARGES AND EMPLOYEE SEVERANCE PAY

| | Balance at beginning of year | Exch. diff. at beginning of year | Provisions | Utilisation | Reclas-sifications | Other movements of provisions | Changes in exchange differences | Change in scope of consolidation | Extraordi-nary tran-sactions | Balance at end of year |
|---|------------------------------|----------------------------------|------------------|-------------------|--------------------|-------------------------------|---------------------------------|----------------------------------|------------------------------|------------------------|
| for post-retirement benefits and similar obligations | 3,091,497 | 17,812 | 249,169 | 212,538 | 0 | 0 | -1,173 | 747,500 | 0 | 3,892,267 |
| 1) for post-retirement benefits and sim. obligations | 3,091,497 | 17,812 | 249,169 | 212,538 | 0 | 0 | -1,173 | 747,500 | 0 | 3,892,267 |
| for taxes, including deferred taxes | 252,720,943 | -30,764 | 702,846 | 27,178,465 | 0 | 0 | 6,394 | 6,940,983 | 0 | 233,161,937 |
| 2) for taxes, including deferred taxes | 252,720,943 | -30,764 | 702,846 | 27,178,465 | 0 | 0 | 6,394 | 6,940,983 | 0 | 233,161,937 |
| financial derivatives reported as liabilities | 21,412,900 | 2,248 | 5,123,180 | 9,302,382 | 0 | 0 | -892 | 0 | 0 | 17,235,054 |
| 3) financial derivatives reported as liabilities | 21,412,900 | 2,248 | 5,123,180 | 9,302,382 | 0 | 0 | -892 | 0 | 0 | 17,235,054 |
| other | 156,000 | 234 | 308,466 | 25,676 | 0 | 0 | -78 | 2,026,076 | 0 | 2,465,022 |
| 4) Other | 156,000 | 234 | 308,466 | 25,676 | 0 | 0 | -78 | 2,026,076 | 0 | 2,465,022 |
| from consolidation for future risks and charges | 7,574,575 | 0 | 0 | 7,574,575 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5) from cons. for future risks and charges | 7,574,575 | 0 | 0 | 7,574,575 | 0 | 0 | 0 | 0 | 0 | 0 |

As mentioned above in the paragraph "Provisions for risks and charges", the utilisation of deferred tax provision refers primarily to the offsetting of the deferred taxes that arose from the contribution through the amortisation of the greater values assigned on the basis of the useful lives of the various assets indicated by the appraiser in the relevant appraisals. In 2019, the use of the provision in relation to higher depreciation in the financial statements compared to fiscal depreciation amounted to Euro 7.7 million (Marcegaglia Carbon Steel), Euro 8.3 million (Marcegaglia Specialties), Euro 1.1 (Marcegaglia Plates), Euro 5.3 million (Marcegaglia Ravenna) and Euro 1.7 million (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.

The use of Euro 7,574,575 of the provision for the consolidation of future risks and charges refers to the buy-back by the subsidiary Marcegaglia Carbon Steel of the minority share held by Simest in the subsidiary Marcegaglia Do Brasil.

The change in the scope of consolidation is due to the line-by-line consolidation of Marcegaglia Mexico, Marcegaglia Colombia and Marcegaglia Palini e Bertoli. For further explanations, please refer to the paragraph "scope of consolidation" of the explanatory notes.

| | Balance at beginning of year | Exch. diff. at beginning of year | Provisions | Utilisation | Reclassifica-tions | Other movements of provisions | Changes in exchange differences | Change in scope of consolidation | Extraordi-nary transactions | Balance at end of year |
|--|------------------------------|----------------------------------|-------------------|-------------------|--------------------|-------------------------------|---------------------------------|----------------------------------|-----------------------------|------------------------|
| B) PROVISIONS FOR RISKS AND CHARGES | 284,955,915 | -10,470 | 6,383,661 | 44,293,636 | 0 | 0 | 4,251 | 9,714,559 | 0 | 256,754,280 |
| C) EMPLOYEE SEVERANCE PAY | 14,252,537 | 34,824 | 10,860,474 | 11,962,173 | 0 | 0 | -80 | 815,192 | 0 | 14,000,774 |



The background of the cover is a photograph of an industrial steel mill. In the foreground, there are large, dark, coiled steel sheets. In the background, a worker wearing a blue hard hat and a dark blue jacket with 'MARCEGAGLIA' on the back is walking away from the camera. The scene is filled with industrial structures, pipes, and machinery.

Financial Statements 2019 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, 2019, 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, 2019, 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.

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SpA - CAPITALE SOCIALE DELIBERATO, SOTTOSCRITTO E VERSATO € 120.000,00 - SEDE LEGALE: VIA CERESIO, 7 - 20154 MILANO

REA MI-2076227 - COD. FISC. E P. IVA 11178891001 - ISCRIZIONE AL REGISTRO DEI REVISORI LEGALI N. 163788 CON D.M. DEL 14/07/2011 G.U. N. 57 DEL 19/07/2011

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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 Carbon Steel S.p.A. are responsible for preparing a directors' report of Marcegaglia Carbon Steel S.p.A. as at December 31, 2019, 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, 2019 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, 2019 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, 2020

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 2019

ASSETS values in EUR

31 Dec. 2019

31 Dec. 2018

| B FIXED ASSETS | | | |
|--|---|----------------------|----------------------|
| I | Intangible fixed asset | | |
| 1 | Start-up and expansion costs | 18,891 | 41,559 |
| 3 | Industrial patent rights and intellectual property rights | 816,666 | 186,880 |
| 4 | Concessions, licences, trademarks and similar rights | 570 | 760 |
| 6 | Fixed assets in progress and advance payments | 141,963 | 169,260 |
| 7 | Other | 910 | 34,011 |
| | Total intangible fixed assets (B-I) | 979,000 | 432,470 |
| II | Property, plant and equipment | | |
| 1 | Land and buildings | 435,480,446 | 447,225,635 |
| 2 | Plant and machinery | 182,073,880 | 189,242,558 |
| 3 | Industrial and commercial equipment | 9,256,993 | 11,918,815 |
| 4 | Other assets | 1,257,114 | 1,410,538 |
| 5 | Fixed assets in progress and advance payments | 5,974,777 | 7,432,577 |
| | Total property, plant and equipment (B-II) | 634,043,210 | 657,230,123 |
| III | Financial fixed assets | | |
| 1 | Equity investments in: | | |
| | a) Subsidiaries | 138,139,608 | 130,293,284 |
| | b) Associates | 935,872 | 935,872 |
| | d-bis) Other companies | 379,750 | 379,750 |
| | | 139,455,230 | 131,608,906 |
| 2 | Receivables | | |
| | d-bis) from others | | |
| | - due after the following year | 35,724 | 35,574 |
| | | 35,724 | 35,574 |
| | Total financial assets (B-III) | 139,490,954 | 131,644,480 |
| | Total Fixed Assets B | 774,513,164 | 789,307,073 |
| C CURRENT ASSETS | | | |
| I | Inventories | | |
| 1 | Raw and ancillary materials and consumables | 314,871,305 | 248,497,744 |
| 2 | Work in progress and semi-finished products | 295,634,104 | 273,370,195 |
| 4 | Finished products and goods | 240,699,671 | 218,991,479 |
| 5 | Advance payments | 30,457,618 | 23,442,197 |
| | Total inventories (C-I) | 881,662,698 | 764,301,615 |
| II | Receivables | | |
| 1 | from customer | | |
| | - due within the following year | 46,067,805 | 30,193,085 |
| | | 46,067,805 | 30,193,085 |
| 2 | from subsidiaries | | |
| | - due within the following year | 40,006,888 | 39,863,987 |
| | | 40,006,888 | 39,863,987 |
| 3 | from associates | | |
| | - due within the following year | 628,813 | 1,925,834 |
| | | 628,813 | 1,925,834 |
| 4 | from parent companies | | |
| | - due within the following year | 9,729,094 | 1,974,306 |
| | | 9,729,094 | 1,974,306 |
| 5 | from companies subject to control of parent companies | | |
| | - due within the following year | 79,392,132 | 102,088,599 |
| | | 79,392,132 | 102,088,599 |
| 5-bis | Tax credit | | |
| | - due within the following year | 2,240,233 | 28,693,906 |
| | | 2,240,233 | 28,693,906 |
| 5-ter | Deferred tax assets | | |
| | | 3,598,513 | 6,598,527 |
| | | 3,598,513 | 6,598,527 |
| 5-quater | from others | | |
| | - due within the following year | 16,371,043 | 18,410,854 |
| | | 16,371,043 | 18,410,854 |
| | Total receivables (C-II) | 198,034,521 | 229,749,098 |
| IV | Cash and cash equivalents | | |
| 1 | Bank and postal deposits | 65,338,585 | 18,143,675 |
| 3 | Cash on hand and cash equivalents | 13,858 | 14,628 |
| | Total cash and cash equivalents (C-IV) | 65,352,443 | 18,158,303 |
| | Totale Current Assets C | 1,145,049,662 | 1,012,209,016 |
| D ACCRUED INCOME AND PREPAID EXPENSES | | | |
| | Accrued income and prepaid expenses | 555,606 | 86,495 |
| | Total Accrued income and prepaid expenses D | 555,606 | 86,495 |
| | TOTAL ASSETS | 1,920,118,432 | 1,801,602,584 |

LIABILITIES values in EUR

31 Dec. 2019

31 Dec. 2018

| A SHAREHOLDERS' EQUITY | | | |
|---|--|----------------------|----------------------|
| I | Share capital | 396,218,598 | 396,218,598 |
| II | Share premium reserve | 6,859,343 | 6,859,343 |
| IV | Legal reserve | 1,981,831 | 1,896,179 |
| VI | Other reserves, represented by: | | |
| | - Contributions on future capital increase | 20,000 | 20,000 |
| | - Reserve for unrealized exchange gains | 0 | 8,728,952 |
| | - Difference from rounding to the unit of Euro | (1) | 3 |
| | Total other reserves (VI) | 19,999 | 8,748,955 |
| VII | Reserve for projected cash flow hedges | (31,468) | 0 |
| VIII | Profit/(loss) carried forward | (89,909,141) | (100,265,478) |
| IX | Profit/(loss) for the year | (23,706,521) | 1,713,036 |
| | Total equity A | 291,432,641 | 315,170,633 |
| B RESERVES FOR RISKS AND EXPENSES | | | |
| 1 | for post-retirement benefits and similar obligations | 1,932,523 | 1,821,829 |
| 2 | for taxes, including deferred taxes | 95,488,860 | 104,832,778 |
| 3 | financial derivatives reported as liabilities | 1,537,337 | 4,437,566 |
| 4 | other | 292,702 | 7,611,575 |
| | Total Reserves for Risks and Expenses B | 99,251,422 | 118,703,748 |
| C EMPLOYEE SEVERANCE PAY | | | |
| | Employee severance pay C | 8,111,299 | 8,872,121 |
| D PAYABLES | | | |
| 4 | Payables to banks | | |
| | - due within the following year | 27,325,144 | 19,322,447 |
| | - due after the following year | 5,600,000 | 5,400,000 |
| | | 32,925,144 | 24,722,447 |
| 6 | Advance payments | | |
| | - due within the following year | 0 | 320,000 |
| | | 0 | 320,000 |
| 7 | Trade payables | | |
| | - due within the following year | 1,156,491,770 | 1,007,173,554 |
| | | 1,156,491,770 | 1,007,173,554 |
| 9 | Payables to subsidiaries | | |
| | - due within the following year | 11,567,298 | 9,580,256 |
| | | 11,567,298 | 9,580,256 |
| 10 | Payables to associates | | |
| | - due within the following year | 712,633 | 1,471,310 |
| | | 712,633 | 1,471,310 |
| 11 | Payables to parent companies | | |
| | - due within the following year | 200,853,312 | 173,234,876 |
| | | 200,853,312 | 173,234,876 |
| 11-bis | Payables to companies subject to control of parent companies | | |
| | - due within the following year | 3,364,498 | 22,008,301 |
| | | 3,364,498 | 22,008,301 |
| 12 | Tax payables | | |
| | - due within the following year | 10,725,729 | 25,080,524 |
| | | 10,725,729 | 25,080,524 |
| 13 | payables to welfare and social security organizations | | |
| | - due within the following year | 7,454,400 | 7,742,406 |
| | | 7,454,400 | 7,742,406 |
| 14 | Other payables | | |
| | - due within the following year | 97,218,019 | 87,391,135 |
| | | 97,218,019 | 87,391,135 |
| | Total Payables D | 1,521,312,803 | 1,358,724,809 |
| E ACCRUED EXPENSES AND DEFERRED INCOME | | | |
| | Accrued expenses and deferred income | 10,267 | 131,273 |
| | Total Accrued expenses and deferred income E | 10,267 | 131,273 |
| | TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 1,920,118,432 | 1,801,602,584 |

MARCEGAGLIA CARBON STEEL S.P.A.

PROFIT AND LOSS ACCOUNT AS OF 31 DECEMBER 2019

| values in EUR | | 2019 | 2018 |
|---------------|---|----------------------|----------------------|
| A | VALUE OF PRODUCTION | | |
| 1 | Revenues from sales and services | 2,762,551,958 | 3,143,860,498 |
| 2 | Changes in inventories of work in progress, semi-finished and finished products | 43,972,101 | 33,358,117 |
| 4 | Increase in fixed assets for internal work | 2,176,991 | 2,650,310 |
| 5 | Other revenues and income | | |
| - | - Operating grants | 2,747,487 | 1,008,464 |
| - | - Other | 12,566,720 | 21,865,062 |
| | Total other revenues and income (5) | 15,314,207 | 22,873,526 |
| | Total Value of production A | 2,824,015,257 | 3,202,742,451 |
| B | PRODUCTION COSTS | | |
| 6 | Raw and ancillary materials, consumables and goods | 2,231,801,957 | 2,419,528,953 |
| 7 | Services | 442,406,532 | 407,481,938 |
| 8 | Lease and rental expense | 25,950,319 | 31,708,270 |
| 9 | Personnel costs | | |
| a) | a) wages and salaries | 78,848,322 | 106,930,006 |
| b) | b) social security contributions | 26,127,708 | 35,367,664 |
| c) | c) employee severance pay | 5,645,232 | 7,665,829 |
| e) | e) other personnel costs | 851,039 | 575,744 |
| | Total personnel costs (9) | 111,472,301 | 150,539,243 |
| 10 | Amortisation, depreciation and write-downs | | |
| a) | a) amortisation of intangible assets | 382,932 | 240,478 |
| b) | b) depreciation of property, plant and equipment | 50,457,412 | 82,864,509 |
| d) | d) write-downs of receivables included in current assets and cash and cash equival. | 4,772,359 | 2,322,729 |
| | Total amortisation, depreciation and write-downs (10) | 55,612,703 | 85,427,716 |
| 11 | Changes in the inventory of raw and ancillary mater., consumables and goods | (66,373,562) | 48,502,346 |
| 14 | Sundry operating costs | 6,236,095 | 9,160,940 |
| | Total Production Costs B | 2,807,106,345 | 3,145,200,663 |
| | Difference between Value and Cost of Production A - B | 16,908,912 | 57,541,788 |
| C | FINANCIAL INCOME AND EXPENSES | | |
| 15 | Income from equity investments | | |
| - | - from associates | 3,223,462 | 0 |
| - | - from other companies | 0 | 24,995,985 |
| | Total income from equity investments (15) | 3,223,462 | 24,995,985 |
| 16 | Other financial income: | | |
| a) | a) from receivables recorded as fixed assets | | |
| - | - from other companies | 53 | 92 |
| | Total financial income from receivables recorded as fixed assets (a) | 53 | 92 |
| d) | d) income other than the above: | | |
| - | - from subsidiaries | 1,371,583 | 1,010,939 |
| - | - from companies subject to the control of parent companies | 1,128,404 | 1,100,051 |
| - | - from others | 75,242 | 365,327 |
| | Total income other than the above (d) | 2,575,229 | 2,476,317 |
| | Total other financial income (16) | 2,575,282 | 2,476,409 |
| 17 | Interests and other financial charges: | | |
| - | - paid to subsidiaries | 467,623 | 318,513 |
| - | - paid to parent companies | 21,974,075 | 25,153,732 |
| - | - paid to companies subject to the control of parent companies | 1,791,651 | 87,240 |
| - | - other financial expenses | 24,539,582 | 30,411,565 |
| | Total interests and other financial charges (17) | 48,772,931 | 55,971,050 |
| 17-bis | Exchange-rate gains and losses | (3,674,683) | (11,045,187) |
| | Total Financial Income and Expenses C | (46,648,870) | (39,543,843) |
| D | VALUE ADJUSTMENTS OF FINANCIAL ASSETS | | |
| 18 | Revaluations | | |
| d) | d) of financial derivatives | 2,931,698 | 2,815,694 |
| | Total revaluations (18) | 2,931,698 | 2,815,694 |
| 19 | Write-downs | | |
| a) | a) of equity investments | 582,623 | 16,418,592 |
| | Total write-downs (19) | 582,623 | 16,418,592 |
| | Total Value Adjustments of Financial Assets D | 2,349,075 | (13,602,898) |
| | PROFIT (LOSS) BEFORE TAXES (A-B+/-C+/-D) | | |
| | Profit (Loss) Before Taxes A-B+/-C+/-D | (27,390,883) | 4,395,047 |
| 20 | Current, deferred and pre-paid income taxes for the year | | |
| - | - direct taxes for the year | 4,558,476 | 14,682,803 |
| - | - direct taxes for previous years | (95,924) | 0 |
| - | - deferred taxes | (6,343,904) | (12,000,792) |
| - | - Income (costs) from participation in tax consolidation scheme | 1,803,010 | 0 |
| | Total current, deferred and pre-paid income taxes for the year (20) | (3,684,362) | 2,682,011 |
| | PROFIT (LOSS) FOR THE YEAR | (23,706,521) | 1,713,036 |

STATEMENT OF CASH FLOWS AS OF 31 DECEMBER 2019

values in EUR

31 Dec 2019

31 Dec 2018

| | | | |
|--|---|---------------|--------------|
| A | CASH FLOWS FROM INCOME-GENERATING OPERATIONS (INDIRECT METHOD) | | |
| | Profit (loss) for the year | (23,706,521) | 1,713,036 |
| | Income Tax | (3,684,362) | 2,682,011 |
| | Interest expenses/(income) | 46,111,882 | 28,498,656 |
| | (Dividends) | (3,223,462) | - |
| | (Gains)/Losses resulting from the disposal of assets | 99,970 | 359,668 |
| | 1 Profit (loss) for the year, before income taxes, interest, dividends and gains/losses from asset sales | 15,597,507 | 33,253,371 |
| | Adjustments for non-cash items with no balancing entry in net working capital | | |
| | - Provisions to funds | 6,048,770 | 7,812,255 |
| | - Amortisation/Depreciation of fixed assets | 50,840,344 | 83,104,987 |
| | - Value adjustments of financial assets and liabilities on derivative financial instruments that do not involve cash transactions | (2,349,075) | 13,602,898 |
| | - Other adjustments for non-cash items | (2,176,990) | (2,650,310) |
| | Total adjustments for non-cash items with no balancing entry in working capital | 52,363,049 | 101,869,830 |
| | 2 Cash flow before changes in net working capital | 67,960,556 | 135,123,201 |
| | Changes in net working capital | | |
| | - Decrease/(Increase) in inventories | (117,361,083) | 8,274,052 |
| | - Decrease/(Increase) in trade receivables | (15,874,721) | 75,653,855 |
| | - Increase/(Decrease) in trade payables | 149,318,216 | 7,050,911 |
| | - Decrease/(Increase) in accrued income and prepaid expenses | (469,111) | (86,427) |
| | - Increase/(Decrease) in accrued expenses and deferred income | (121,006) | (401,346) |
| - Other changes in net working capital | 49,870,284 | (106,524,807) | |
| Total changes in net working capital | 65,362,579 | (16,033,762) | |
| 3 Cash flow after changes in net working capital | 133,323,135 | 119,089,439 | |
| Other adjustments | | | |
| - Interest received/(paid) | (46,111,882) | (28,498,658) | |
| - dividends received | 350,000 | - | |
| - (Utilisation of funds) | (6,443,197) | (9,630,041) | |
| Total other adjustments | (52,205,079) | (38,128,699) | |
| Cash flow from income-generating operations A | 81,118,056 | 80,960,740 | |
| B | CASH FLOWS FROM INVESTMENT ACTIVITIES | | |
| | Property, plant and equipment | | |
| | - (Investments) | (25,156,575) | (29,165,405) |
| | - Divestitures | 48,863 | 859,719 |
| | Intangible fixed assets | | |
| | - (Investments) | (929,462) | (237,387) |
| | Financial fixed assets | | |
| | - (Investments) | (16,110,782) | (10,742,796) |
| | - Divestitures | 21,343 | 96,660 |
| | - (Purchase of subsidiaries or business divisions net of liquid assets) | - | (241) |
| | Cash flows from investment activities B | (42,126,613) | (39,189,450) |
| | CASH FLOWS FROM FINANCING ACTIVITIES | | |
| | Third party resources | | |
| | - Increase/(Decrease) in short-term liabilities to banks | 15,282,697 | (15,455,196) |
| - New loans | 5,600,000 | - | |
| - (Repayments of loans) | (12,680,000) | (8,812,604) | |
| Cash flows from financing activities C | 8,202,697 | (24,267,800) | |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS A ± B ± C | | | |
| Cash and cash equivalents at beginning of year | 18,158,303 | 654,813 | |
| Bank and postal deposits | 18,143,675 | 636,100 | |
| Cash on hand and cash equivalents | 14,628 | 18,713 | |
| Cash and cash equivalents at year end | 65,352,443 | 18,158,303 | |
| Bank and postal deposits | 65,338,585 | 18,143,675 | |
| Cash on hand and cash equivalents | 13,858 | 14,628 | |
| of which not freely usable | 26,510,405 | 10,892,262 | |

NOTES

BACKGROUND

After the important reorganisation of the Marcegaglia group, which began and ended in 2015, the company is part of the Carbon Steel division of the Marcegaglia group, which includes the processing of carbon steel.

Basis of presentation

Financial statement preparation criteria and structure

The financial statements for the financial year ended on 31 December 2019 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 2019 have been drawn up in Euros. Any differences arising from rounding amounts expressed in whole Euros were allocated to a special sharehol-

ders' 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 2019, the amount for the same item for the previous year has been indicated. In order to make the items in the financial statements comparable, the balances for the previous year have been reclassified where necessary.

Classification conventions

In preparing the financial statements as of 31 December 2019, 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, associates, parent compa-

nies 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.

MEASUREMENT CRITERIA APPLIED

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 in-

curred. 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 impairment no longer apply, the original value 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 | Amortisation rate | Amortisation 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) | 1,422,054 | 33.33% | 326,972 |
| Know-how (B.I.4) | 1,900 | 10.00% | 190 |
| Goodwill (B.I.5) | | | |
| Intangible assets in progress (B.I.6) | 141,963 | | |
| Other multi-year costs (B.I.7) | 3,622,952 | 20% / 17% / 13% | 33,101 |

Property, plant and equipment

Property, plant and equipment 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, property, plant and equipment 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 impairment no longer apply, 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 property, plant and equipment recorded in the balance sheet, the relative depreciation criteria and the amount of depreciation recorded in FY 2019.

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) | 480,719,356 | 2.5-3.5% | 14,068,605 |
| Light constructions (B.II.1) | 14,342,227 | 10.00% | 1,296,275 |
| Large plants and machinery (B.II.2) | 209,416,429 | 8-12% | 19,922,704 |
| General and specific plant assets (B.II.2) | 79,210,299 | 8.00% | 8,490,215 |
| Miscellaneous equipment (B.II.3) | 29,516,552 | 15.00% | 5,295,073 |
| Internal handling equipment (B.II.3) | 4,652,136 | 15.00% | 763,245 |
| Furniture and ordinary office equipment (B.II.4) | 194,701 | 12.00% | 5,714 |
| Electronic machinery (B.II.4) | 1,260,736 | 20.00% | 282,227 |
| Motor vehicles (B.II.4) | 1,607,546 | 25.00% | 271,086 |
| Trucks and trailers (B.II.4) | 476,163 | 20.00% | 17,789 |
| Ordinary furniture and furnishings (B.II.4) | 359,597 | 10.00% | 44,479 |
| Fixed assets in progress and advance payments (B.II.5) | 6,411,517 | = | - |

With regard to the property, plant and equipment 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 |
|--|-------------------|
| 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% |

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 impairment 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.

The estimated amount of the “LIFO reserve” deriving from the measurement of steel raw materials on the basis of incremental LIFO, net of the related deferred tax, amounted to approximately 37 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 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 (31/12/2019). 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 re-

corded 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 valued at amortised cost are entered 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 (31/12/2019). 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, 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

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 |
|---|------------------------------|---|--|--|-------------------------------|-------------------------------|
| Amount at beginning of the year | | | | | | |
| 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 |
| Write-downs | - | - | - | - | - | - |
| Book value | 41,559 | 186,880 | 760 | 169,260 | 34,011 | 432,470 |
| Changes during the year | | | | | | |
| Increases for acquisitions | - | 915,670 | - | 13,792 | - | 929,462 |
| Reclassification (of book value) | - | 41,089 | - | (41,089) | - | - |
| Period amortisation/depreciation | 22,668 | 326,973 | 190 | - | 33,101 | 382,932 |
| Total changes | (22,668) | 629,786 | (190) | (27,297) | (33,101) | 546,530 |
| Amount at end of the year | | | | | | |
| Cost | 113,343 | 1,422,054 | 1,900 | 141,963 | 3,622,952 | 5,302,212 |
| Amortisation/depreciation (Provision for amortisation/depreciation) | 94,452 | 605,388 | 1,330 | - | 3,622,042 | 4,323,212 |
| Book value | 18,891 | 816,666 | 570 | 141,963 | 910 | 979,000 |

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 capitalised development costs.

| Start-up and expansion costs | Gross amount | Accumulated amortisation | Net amount | Reason for recording | Amortisation criterion |
|-----------------------------------|----------------|--------------------------|---------------|----------------------|------------------------|
| Company organisation costs | 113,343 | 94,452 | 18,891 | | 20% |
| Total | 113,343 | 94,452 | 18,891 | | |

Financial charges capitalised

During FY 2019, no financial charges were capitalised.

PROPERTY, PLANT AND EQUIPMENT

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

| | Land and buildings | Plants and machinery | Industrial and commercial equipment | Other property, plant and equipment | Assets under construction and payments on account | Total property, plant and equipment |
|---|---------------------|----------------------|-------------------------------------|-------------------------------------|---|-------------------------------------|
| Amount at beginning of the year | | | | | | |
| 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 |
| Book value | 447,225,635 | 189,242,558 | 11,918,815 | 1,410,538 | 7,432,577 | 657,230,123 |
| Changes during the year | | | | | | |
| Increases for acquisitions | 3,528,283 | 16,712,743 | 3,418,015 | 492,260 | 4,719,823 | 28,871,124 |
| Reclassification (of book value) | 91,408 | 4,548,657 | - | - | (4,640,065) | - |
| Decreases for sales and cancellations (of book value) | - | 17,158 | 21,520 | 24,389 | 1,537,558 | 1,600,625 |
| Period amortisation/depreciation | 15,364,880 | 28,412,920 | 6,058,317 | 621,295 | - | 50,457,412 |
| Total changes | (11,745,189) | (7,168,678) | (2,661,822) | (153,424) | (1,457,800) | (23,186,913) |
| Amount at end of the year | | | | | | |
| Cost | 500,444,153 | 293,190,083 | 34,168,687 | 4,391,004 | 6,411,518 | 838,605,445 |
| Amortisation/depreciation (Provision for amortisation/depreciation) | 63,199,653 | 111,116,203 | 24,911,694 | 3,133,890 | - | 202,361,440 |
| Write-downs | 1,764,054 | - | - | - | 436,741 | 2,200,795 |
| Book value | 435,480,446 | 182,073,880 | 9,256,993 | 1,257,114 | 5,974,777 | 634,043,210 |

Value reductions to property, plant and equipment

No fixed assets were written down during the year.

Financial charges capitalised

During FY 2019, 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 subsidiaries | Equity investments in associates | Equity investments in other companies | Total equity investments |
|--|---------------------------------------|-------------------------------------|--|-----------------------------|
| Amount at beginning of the year | | | | |
| Cost | 275,700,740 | 935,872 | 379,750 | 277,016,362 |
| Write-backs | 4,967,375 | - | - | 4,967,375 |
| Write-downs | 150,374,831 | - | - | 150,374,831 |
| Book value | 130,293,284 | 935,872 | 379,750 | 131,608,906 |
| Changes during the year | | | | |
| Increases for acquisitions | 16,050,114 | - | - | 16,050,114 |
| Write-downs during the year | 8,157,198 | - | - | 8,157,198 |
| Other changes | (46,592) | - | - | (46,592) |
| Total changes | 7,846,324 | - | - | 7,846,324 |
| Amount at end of the year | | | | |
| Cost | 291,704,262 | 935,872 | 379,750 | 293,019,884 |
| Write-backs | 4,967,375 | - | - | 4,967,375 |
| Write-downs | 158,532,039 | - | - | 158,532,039 |
| Book value | 138,139,608 | 935,872 | 379,750 | 139,455,230 |

The increase in equity investments in subsidiaries refers for Euro 16,047,714 to the re-purchase of the share of capital held by Simest spa in accordance with the relevant agreements. At the same time, the investment was written down by Euro 7,574,575 using the risk provision set up the previous year.

Other changes in equity investments in subsidiaries concern:

- an increase of Euro 60,517 for payments on account of future capital increase made in favour of the subsidiary Marcegaglia India. In this regard, it should be noted that the above-mentioned equity investment was written down by Euro 147,321 because the company will be put into liquidation; as a result of this transaction, the book value of the investment in the Indian subsidiary is 1 Euro;
- a decrease of Euro 107,109 due to the closure of the liquidation of Marcegaglia Benelux during the current year.

Finally, write-downs include:

- Euro 415,303 relating to the subsidiary Marcegaglia Novero spa whose book value has been realigned to the portion of shareholders' equity held as at 31.12.2019;
- Euro 19,999 relating to the subsidiary Marcegaglia Novero Polska, whose book value has been increased to 1 Euro.

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 | 35,574 | 150 | 35,724 | 35,724 |
| Total receivables held as fixed assets | 35,574 | 150 | 35,724 | 35,724 |

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 | Shareholders' equity in Euros | Share held in Euros | % share held | Book value or corresponding receivable |
|----------------------------------|---|--|---------------------|--|-------------------------------------|------------------------|-----------------|--|
| Marcegaglia Benelux | Belgium | | - | - | - | - | - | - |
| Marcegaglia France Sarl | France | | 50,000 | 218,839 | 768,541 | 768,541 | 100.00% | 512,474 |
| Marcegaglia Poland Sp.z.o.o. | Poland | | 25,465,138 | (4,404,816) | 66,294,182 | 60,912,354 | 91.88% | 41,218,220 |
| Marcegaglia do Brasil Ltda | Brazil | | 51,181,434 | 2,135,778 | 47,804,138 | 47,713,310 | 99.81% | 60,361,035 |
| Marcegaglia UK | United Kingdom | | 19,570,052 | 723,897 | 28,743,819 | 28,743,819 | 100.00% | 23,183,302 |
| Marcegaglia Central America | Mexico | | 13,198,512 | 411,764 | 13,053,844 | 6,687,484 | 51.23% | 6,585,753 |
| Marcegaglia Iberica | Spain | | 120,220 | 71,431 | 743,239 | 379,052 | 51.00% | 325,307 |
| Marcegaglia India Ltd | India | | 1,254 | (18,818) | (53,216) | (47,894) | 90.00% | 1 |
| Marcegaglia North Europe | Luxembourg | | 31,000 | 170,798 | 126,271 | 126,271 | 100.00% | 31,000 |
| Marcegaglia Deutschland Gmbh | Germany | | 153,388 | 265,780 | 3,365,815 | 3,365,815 | 100.00% | 2,360,570 |
| Marcegaglia Novero spa | Italy | 02693570018 | 3,120,000 | (240,232) | 4,452,430 | 3,561,944 | 80.00% | 3,561,945 |
| Marcegaglia Novero Polska Sp zoo | Poland | | 1,162 | (57,429) | (55,734) | (44,587) | 80.00% | 1 |
| Total | | | | | | | | 138,139,608 |

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 France, Marcegaglia North Europe and Marcegaglia Iberica, the figures shown still refer to the provisional 2019 financial statements, while for Marcegaglia Novero Polska the figures refer to the 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 EQUITY INVESTMENTS IN ASSOCIATES

| Name | City (if in Italy) or foreign country | Tax code (for Italian companies) | Capital in Euros | Profit (loss) for the last year in Euros | Shareholders' equity in Euros | Share held in Euros | % share held | Book value or corresponding receivable |
|--------------------------|---|--|---------------------|--|-------------------------------------|------------------------|-----------------|--|
| SIM S.r.l. | Italy | 00696290675 | 780,000 | 33,598 | 2,005,175 | 1,002,588 | 50.00% | 929,622 |
| Consorzio Absolute scarl | Italy | 02844650305 | 50,000 | - | 50,000 | 6,250 | 12.50% | 6,250 |
| Total | | | | | | | | 935,872 |

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 2019.

BREAKDOWN OF RECEIVABLES HELD AS FIXED ASSETS BY GEOGRAPHICAL AREA

| Geographical area | Receivables from others held as fixed assets | Total receivables held as fixed assets |
|-------------------|---|---|
| Italy | 35,724 | 35,724 |
| Total | 35,724 | 35,724 |

VALUE OF FINANCIAL FIXED ASSETS

| Description | Book value | Fair value |
|---------------------------------------|---------------|---------------|
| Equity investments in other companies | 379,750 | 379,750 |
| Receivables from others | 35,724 | 35,724 |

BREAKDOWN OF THE VALUE OF EQUITY INVESTMENTS IN OTHER COMPANIES

| Description | Book value | Fair value |
|--------------|----------------|----------------|
| Fontana spa | 379,750 | 379,750 |
| Total | 379,750 | 379,750 |

BREAKDOWN OF AMOUNT OF RECEIVABLES FROM OTHERS HELD AS FINANCIAL ASSETS

| Description | Book value | Fair value |
|----------------------------------|---------------|---------------|
| ENEL security deposits | 611 | 611 |
| Lease contract security deposits | 3,000 | 3,000 |
| Sundry security deposits | 19,475 | 19,475 |
| Employee advances | 12,638 | 12,638 |
| Total | 35,724 | 35,724 |

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 | 248,497,744 | 66,373,561 | 314,871,305 |
| Work in process and semi-finished goods | 273,370,195 | 22,263,909 | 295,634,104 |
| Finished products and goods | 218,991,479 | 21,708,192 | 240,699,671 |
| Advance payments | 23,442,197 | 7,015,421 | 30,457,618 |
| Total inventories | 764,301,615 | 117,361,083 | 881,662,698 |

The following table shows details of the provisions for inventory write-downs.

| | Gross value | Provision for write-downs | Net amount |
|--|--------------------|---------------------------|--------------------|
| Raw and ancillary materials and consumables | 315,756,753 | 885,448 | 314,871,305 |
| Total | 315,756,753 | 885,448 | 314,871,305 |

The write-down provision set aside in 2019 refers to inventories of miscellaneous materials and in particular to spare parts for slow-moving and obsolete plant and machinery.

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 | 30,193,085 | 15,874,720 | 46,067,805 | 46,067,805 |
| Receivables from subsidiaries recorded in current assets | 39,863,987 | 142,901 | 40,006,888 | 40,006,888 |
| Receivables from associates recorded in current assets | 1,925,834 | (1,297,021) | 628,813 | 628,813 |
| Receivables from parent companies recorded in current assets | 1,974,306 | 7,754,788 | 9,729,094 | 9,729,094 |
| Receivables from companies subject to control of parent companies recorded in current assets | 102,088,599 | (22,696,467) | 79,392,132 | 79,392,132 |
| Tax credits recorded in current assets | 28,693,906 | (26,453,673) | 2,240,233 | 2,240,233 |
| Deferred tax assets recorded in current assets | 6,598,527 | (3,000,014) | 3,598,513 | |
| Receivables from others recorded in current assets | 18,410,854 | (2,039,811) | 16,371,043 | 16,371,043 |
| Total receivables recorded in current assets | 229,749,098 | (31,714,577) | 198,034,521 | 194,436,008 |

Receivables are recorded at their estimated realisable value through the allocation of specific adjustment provisions, the movements of which are shown below.

| Descrizione | Amount at beginning of the year | Utilisation | Provisions | Amount at end of the year |
|--|---------------------------------|------------------|------------------|---------------------------|
| Provision for doubtful debt from customers | 5,928,392 | 2,037,763 | 4,772,358 | 8,662,987 |
| Total provision for doubtful debt | 5,928,392 | 2,037,763 | 4,772,358 | 8,662,987 |

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 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 | Portion due after the year | of which, portion with remaining term over 5 years |
|--|---------------------------------------|-------------------------------|---------------------------------|-----------------------------------|----------------------------------|--|
| Oskar Srl | 1,391,164 | -305,714 | 1,085,450 | 1,085,450 | - | - |
| Albarella | 4,392 | - | 4,392 | 4,392 | - | - |
| Marcegaglia Ravenna | 66,347 | -9,784 | 56,563 | 56,563 | - | - |
| Marcegaglia Gazoldo Inox | 482,234 | 2,218,871 | 2,701,105 | 2,701,105 | - | - |
| Marcegaglia Romania | 3,201,951 | -21,728 | 3,180,223 | 3,180,223 | - | - |
| Marfin Srl | 4,831 | 1,030 | 5,861 | 5,861 | - | - |
| Marcegaglia Buildtech Srl | 92,082,775 | -24,712,840 | 67,369,935 | 67,369,935 | - | - |
| Marcegaglia USA | 1,365,712 | -774,878 | 590,834 | 590,834 | - | - |
| Marcegaglia Specialties Spa | 3,245,564 | 877,978 | 4,123,542 | 4,123,542 | - | - |
| Marcegaglia Plates Spa | 8,692 | -1,593 | 7,099 | 7,099 | - | - |
| I.M.A.T. Spa | 215,306 | - | 215,306 | 215,306 | - | - |
| Marcegaglia RU | 19,631 | 32,191 | 51,822 | 51,822 | - | - |
| Total receivables from companies subject to control of parent companies | 102,088,599 | -22,696,467 | 79,392,132 | 79,392,132 | - | - |

The reduction in tax receivables is due to the 2019 transfer of the 2018 VAT credit balance to the parent company Marcegaglia Holding spa, which manages the group VAT procedure.

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 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 | Portion due after the year | of which, portion with remaining term over 5 years |
|--|---------------------------------------|-------------------------------|---------------------------------|-----------------------------------|----------------------------------|--|
| Receivables from factoring companies | 9,285,307 | 5,030,892 | 14,316,199 | 14,316,199 | - | - |
| Advances to suppliers | 339,667 | -142,201 | 197,466 | 197,466 | - | - |
| Social security receivables | 1,668,398 | -388,983 | 1,279,415 | 1,279,415 | - | - |
| Advances to employees | 21,605 | 11,097 | 32,702 | 32,702 | - | - |
| Receivables from credit institutions for customer collections | 624 | -624 | - | - | - | - |
| Other receivables | 7,095,253 | -6,549,992 | 545,261 | 545,261 | - | - |
| Total receivables from others | 18,410,854 | -2,039,811 | 16,371,043 | 16,371,043 | - | - |

The reduction in receivables from others essentially refers to the collection of some insurance reimbursements for damages that occurred in 2018.

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 | 35,606,552 | 770,199 | 5,816,854 | 115,173 | 3,759,027 | - | 46,067,805 |
| Receivables due from subsidiaries recorded in current assets | 483,520 | 9,034 | 722,538 | 38,725,977 | - | 65,819 | 40,006,888 |
| Receivables from associates recorded in current assets | 628,813 | - | - | - | - | - | 628,813 |
| Receivables from parent companies recorded in current assets | 9,729,094 | - | - | - | - | - | 9,729,094 |
| Receivables from companies subject to control of parent companies recorded in current assets | 75,569,256 | - | 3,232,045 | 590,831 | - | - | 79,392,132 |
| Tax credits recorded in current assets | 2,228,886 | 2,045 | 9,302 | - | - | - | 2,240,233 |
| Deferred tax assets recorded in current assets | 3,598,513 | - | - | - | - | - | 3,598,513 |
| Receivables from others recorded in current assets | 16,369,743 | 1,300 | - | - | - | - | 16,371,043 |
| Total receivables recorded in current assets | 144,214,377 | 782,578 | 9,780,739 | 39,431,981 | 3,759,027 | 65,819 | 198,034,521 |

CASH AND CASH EQUIVALENTS

| | Amount at beginning of the year | Changes during the year | Amount at end of the year |
|--|---------------------------------|-------------------------|---------------------------|
| Bank and postal deposits | 18,143,675 | 47,194,910 | 65,338,585 |
| Cash and securities | 14,628 | (770) | 13,858 |
| Total cash and cash equivalents | 18,158,303 | 47,194,140 | 65,352,443 |

ACCRUED INCOME AND PREPAID EXPENSES

| | Amount at beginning of the year | Changes during the year | Amount at end of the year |
|--|---------------------------------|-------------------------|---------------------------|
| Accrued income | 10,274 | (5,286) | 4,988 |
| Prepaid expenses | 76,221 | 474,397 | 550,618 |
| Total accrued income and prepaid expenses | 86,495 | 469,111 | 555,606 |

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 | 10,274 | -5,286 | 4,988 |
| Total accrued income | 10,274 | -5,286 | 4,988 |

| Prepaid expenses | Amount at beginning of the year | Changes during the year | Amount at end of the year |
|--------------------------------------|---------------------------------|-------------------------|---------------------------|
| Motor vehicle tax | 14,349 | -2,411 | 11,938 |
| Machinery and plant maintenance fees | 16,834 | 6,646 | 23,480 |
| Hardware maintenance fees | 16,448 | -147 | 16,301 |
| Supervision | 239 | -239 | - |
| Miscellaneous policies | 6,587 | 63,634 | 70,221 |
| Real estate leases | 5,919 | -5,705 | 214 |
| Subscription fees | 4,240 | 526 | 4,766 |
| Other | 11,605 | -8,796 | 2,809 |
| Other taxes and duties | - | 2,788 | 2,788 |
| Travel and transfers | - | 7,505 | 7,505 |
| Grey certificates | - | 358,879 | 358,879 |
| Commissions on sureties | - | 1,142 | 1,142 |
| Interest | - | 11,164 | 11,164 |
| Loan application fees | - | 39,411 | 39,411 |
| Total prepaid expenses | 76,221 | 474,397 | 550,618 |

NOTES TO THE FINANCIAL STATEMENTS – LIABILITIES AND SHAREHOLDERS' EQUITY

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 | 396,218,598 | - | - | | 396,218,598 |
| Share premium reserve | 6,859,343 | - | - | | 6,859,343 |
| Legal reserve | 1,896,179 | 85,652 | - | | 1,981,831 |
| Other reserves | | | | | |
| Contributions on future capital increase | 20,000 | - | - | | 20,000 |
| Reserve for unrealised exchange gains | 8,728,952 | (8,728,952) | - | | 0 |
| Sundry other reserves | 3 | - | 4 | | (1) |
| Total other reserves | 8,748,955 | (8,728,952) | 4 | | 19,999 |
| Reserve for projected cash flow hedges | 0 | - | 31,468 | | (31,468) |
| Profit (loss) carried forward | (100,265,478) | 10,356,337 | - | | (89,909,141) |
| Profit (loss) for the year | 1,713,036 | (1,713,036) | - | (23,706,521) | (23,706,521) |
| Total Equity | 315,170,633 | 1 | 31,472 | (23,706,521) | 291,432,641 |

BREAKDOWN OF SUNDRY OTHER RESERVES

| Description | Amount |
|------------------------------|------------|
| Rounding to the unit of Euro | (1) |
| Total | (1) |

AVAILABILITY AND USE OF SHAREHOLDERS' EQUITY

| | Amount | Origin/nature | Possible use | Available portion |
|--|--------------------|---|--------------|----------------------|
| Share capital | 396,218,598 | contribution of shareholders | | - |
| Share premium reserve | 6,859,343 | | A-B-C | 6,859,343 |
| Legal reserve | 1,981,831 | period profit | B | - |
| Other reserves | | | | |
| Contributions on future capital increase | 20,000 | shareholder payments | A-B-C | 20,000 |
| Reserve for unrealised exchange gains | 0 | | | - |
| Sundry other reserves | (1) | Rounding off to the nearest whole Euro | | - |
| Total other reserves | 19,999 | | | 20,000 |
| Reserve for projected cash flow hedges | (31,468) | derivatives | A-B | - |
| Profit/(loss) carried forward | (89,909,141) | | | - |
| Total | 315,139,162 | | | 6,879,343 |
| Non-distributable portion | | | | 6,879,343 |

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 |
|------------------------------|------------|
| Rounding to the unit of Euro | (1) |
| Total | (1) |

CHANGES TO THE FORECAST CASH FLOW HEDGING RESERVE

| Description | Reserve for forecast cash flow hedges |
|------------------------------------|--|
| Amount at beginning of the year | 0 |
| Changes during the year | |
| Decrease for fair value change | 31,468 |
| Amount at end of the year | (31,468) |

For further details, please refer to the specific paragraph of these notes.

PROVISIONS FOR RISKS AND CHARGES

| | Provision for post-retirement benefits and similar obligations | Tax provision, including deferred taxes | Financial derivatives reported as liabilities | Other provisions | Total provisions for risks and charges |
|--|---|---|---|---------------------|--|
| Amount at beginning of the year | 1,821,829 | 104,832,778 | 4,437,566 | 7,611,575 | 118,703,748 |
| Changes during the year | | | | | |
| <i>Provisions for the year</i> | 132,159 | 524,538 | 31,468 | 271,378 | 959,543 |
| <i>Usage for the year</i> | 21,716 | 9,868,456 | 2,931,697 | 7,590,251 | 20,412,120 |
| <i>Other changes</i> | 251 | - | - | - | 251 |
| Total changes | 110,694 | (9,343,918) | (2,900,229) | (7,318,873) | (19,452,326) |
| Amount at end of the year | 1,932,523 | 95,488,860 | 1,537,337 | 292,702 | 99,251,422 |

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 bargaining 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 | 1,598,083 | - | 110,552 | 251 | 1,708,886 |
| Indemnity provision for termination of agency agreement | 223,746 | 21,716 | 21,607 | - | 223,637 |
| Total | 1,821,829 | 21,716 | 132,159 | 251 | 1,932,523 |

| 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 | 104,832,778 | 9,868,456 | 524,538 | - | 95,488,860 |
| Total | 104,832,778 | 9,868,456 | 524,538 | - | 95,488,860 |

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 property, plant and equipment 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 2019, 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 7.7 million Euros.

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.

| Description | Amount at beginning of the year | Usage for the year | Provisions for the year | Other changes | Amount at end of the year |
|--|---------------------------------------|-----------------------|----------------------------|------------------|---------------------------------|
| Financial derivatives reported as liabilities | 4,437,566 | 2,931,697 | 31,468 | - | 1,537,337 |
| Total | 4,437,566 | 2,931,697 | 31,468 | - | 1,537,337 |

Use of the provision refers to the mark-to-market adjustment as at 31.12.2019 of an IRS derivative already in the portfolio as at 31.12.2018 which does not meet all the requirements to be considered as a hedge under OIC 32. As a counter-entry, a positive income component was recorded under item D18) letter d of the income statement.

The provision refers to the recognition of the negative mark to market as at 31.12.2019 of a new IRS derivative stipulated in 2019, linked to the Credit Agricole loan granted in 2019, which meets all the requirements to be considered as a hedge pursuant to OIC 32. A corresponding amount with a negative sign was recorded as a balancing entry in the “Reserve for projected cash flow hedges”.

For further details, please refer to the specific paragraph of these notes.

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 | 37,000 | 15,676 | 271,378 | - | 292,702 |
| Provision for risks on the repurchase of Simest's equity investment in Mrc do Brasil | 7,574,575 | 7,574,575 | - | - | - |
| Total | 7,611,575 | 7,590,251 | 271,378 | - | 292,702 |

Uses of other provisions refer almost entirely (Euro 7,574,575) to the repurchase by the company of the minority interest held by Simest in the subsidiary Marcegaglia Do Brasil.

EMPLOYEE SEVERANCE PAY

The following table shows the changes in the provision for employee severance indemnities in relation to the 2019 financial year and also considers the amounts allocated to supplementary pension schemes. On the basis of the information provided by the Italian Accounting Organisation 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 2019 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 | 8,872,121 |
| Changes during the year | |
| Provisions for the year | 5,645,232 |
| Usage for the year | 6,406,054 |
| Total changes | (760,822) |
| Amount at end of the year | 8,111,299 |

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 |
|---|---|--|--|------------|
| 915,104 | 2,172,992 | 2,942,151 | 375,807 | 6,406,054 |

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 | Portion due after the year | Of which with residual duration exceeding 5 years |
|--|---------------------------------------|-------------------------------|---------------------------------|-----------------------------------|----------------------------------|---|
| Payables to banks | 24,722,447 | 8,202,697 | 32,925,144 | 27,325,144 | 5,600,000 | 3,360,000 |
| Advance payments | 320,000 | (320,000) | - | - | - | - |
| Trade payables | 1,007,173,554 | 149,318,216 | 1,156,491,770 | 1,156,491,770 | - | - |
| Payables to subsidiaries | 9,580,256 | 1,987,042 | 11,567,298 | 11,567,298 | - | - |
| Payables to associates | 1,471,310 | (758,677) | 712,633 | 712,633 | - | - |
| Payables to parent companies | 173,234,876 | 27,618,436 | 200,853,312 | 200,853,312 | - | - |
| Payables to companies subject to control of parent companies | 22,008,301 | (18,643,803) | 3,364,498 | 3,364,498 | - | - |
| Tax payables | 25,080,524 | (14,354,795) | 10,725,729 | 10,725,729 | - | - |
| Payables to welfare and social security organisations | 7,742,406 | (288,006) | 7,454,400 | 7,454,400 | - | - |
| Other payables | 87,391,135 | 9,826,884 | 97,218,019 | 97,218,019 | - | - |
| Total payables | 1,358,724,809 | 162,587,994 | 1,521,312,803 | 1,515,712,803 | 5,600,000 | 3,360,000 |

In 2019, the two Intesa loans stipulated in 2013, secured by collateral, expired; the Interbanca unsecured loan stipulated in 2018 was also repaid early.

Also in 2019, a new loan of Euro 5,600,000 was stipulated with the Credite Agricole bank in support of the investments made, pursuant to Law no. 100 of 1990, for the acquisition of two South American companies (Mexico and Colombia) operating in the refrigeration pipe sector; the repayment plan provides for a pre-amortisation period of three years and ten six-monthly instalments in constant capital instalments, the first of which expires in May 2023 and the last in November 2027. This loan is recorded in the financial statements at nominal value; the amortised cost method was not used as the amount of the related accessory charges is insignificant (Euro 40,000), just as the effects of the application of this method on the representation of the company's financial situation would have been insignificant. As provided for by the OIC19, ancillary charges have been recorded under prepaid expenses and charged on an accrual basis to the income statement under financial expenses.

Below are details of medium/long-term bank debt.

| Bank | total debt at 31/12/2019 | Portion of debt due by 31.12.2020 and reclassified under short-term payables to banks | Total portion of debt due after 31.12.2020 | of which, portion of debt due after 31.12.2020 but before 31.12.2024 | of which, portion of debt due after 5 years from year end, i.e. after 31.12.2024 | Debt maturity |
|------------------|--------------------------------|--|---|--|---|------------------|
| Credite Agricole | 5,600,000 | 0 | 5,600,000 | 2,240,000 | 3,360,000 | 18/11/2027 |
| total | 5,600,000 | 0 | 5,600,000 | 2,240,000 | 3,360,000 | |

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 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 | 27,259 | 145,739 | 145,739 | - | - |
| Made HSE Srl | 286,880 | 177,276 | 464,156 | 464,156 | - | - |
| Marfin Srl | 7,148,089 | -7,596,344 | -448,255 | -448,255 | - | - |
| Marcegaglia Specialties Spa | 14,050,953 | -1,695,546 | 12,355,407 | 12,355,407 | - | - |
| Marcegaglia Plates Spa | 28,645 | - 28,645 | - | - | - | - |
| Marcegaglia Romania | - | 58,851 | 58,851 | 58,851 | - | - |
| Marcegaglia Ravenna | 319,470 | -11,267,225 | -10,947,755 | -10,947,755 | - | - |
| Marcegaglia Gazoldo Inox | 2,724 | 843,206 | 845,930 | 845,930 | - | - |
| Marcegaglia Buildtech Srl | - | 811,232 | 811,232 | 811,232 | - | - |
| Abaco Servizi Srl | 47,305 | 22,293 | 69,598 | 69,598 | - | - |
| Outsourcing Inox | 2,872 | -2,872 | - | - | - | - |
| Dalmine LS | 2,883 | -2,883 | - | - | - | - |
| Pugnochiuso | - | 9,595 | 9,595 | 9,595 | - | - |
| Total payables to companies subject to control of parent companies | 22,008,301 | -18,643,803 | 3,364,498 | 3,364,498 | - | - |

| Detail of Other payables | Amount at beginning of the year | Changes during the year | Amount at end 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 | 74,562,688 | 10,675,731 | 85,238,419 | 85,238,419 | - | - |
| Payables to staff | 11,351,823 | - 150,232 | 11,201,591 | 11,201,591 | - | - |
| Other payables | 1,476,624 | - 698,615 | 778,009 | 778,009 | - | - |
| Total other payables | 87,391,135 | 9,826,884 | 97,218,019 | 97,218,019 | - | - |

BREAKDOWN OF PAYABLES BY GEOGRAPHICAL AREA

| | Italy | EU | Other Europe | America | Africa - Middle East | Asia - Oceania | Total |
|--|--------------------|-------------------|--------------------|------------------|-------------------------|-------------------|----------------------|
| Payables to banks | 32,925,144 | - | - | - | - | - | 32,925,144 |
| Advance payments | - | - | - | - | - | - | - |
| Trade payables | 344,883,917 | 20,225,516 | 684,217,012 | 8,981,997 | 57,173,114 | 41,010,214 | 1,156,491,770 |
| Payables to subsidiaries | 611,506 | 3,592,392 | 7,360,157 | - | - | 3,243 | 11,567,298 |
| Payables to associates | 712,633 | - | - | - | - | - | 712,633 |
| Payables to parent companies | 200,853,312 | - | - | - | - | - | 200,853,312 |
| Payables to companies subject to control of parent companies | 3,364,498 | - | - | - | - | - | 3,364,498 |
| Tax payables | 8,505,783 | 714,674 | 1,505,272 | - | - | - | 10,725,729 |
| Payables to welfare and social security organisations | 7,454,400 | - | - | - | - | - | 7,454,400 |
| Other payables | 97,190,022 | 27,997 | - | - | - | - | 97,218,019 |
| Payables | 696,501,215 | 24,560,579 | 693,082,441 | 8,981,997 | 57,173,114 | 41,013,457 | 1,521,312,803 |

DEBT SECURED BY COMPANY ASSETS

| | Debt secured by collateral | | Unsecured debt | Total |
|--|----------------------------|----------------------------------|----------------------|----------------------|
| | Debt secured by liens | Total debt secured by collateral | | |
| Payables to banks | 26,510,405 | 26,510,405 | 6,414,739 | 32,925,144 |
| Advance payments | - | - | - | - |
| Trade payables | - | - | 1,156,491,770 | 1,156,491,770 |
| Payables to subsidiaries | - | - | 11,567,298 | 11,567,298 |
| Payables to associates | - | - | 712,633 | 712,633 |
| Payables to parent companies | - | - | 200,853,312 | 200,853,312 |
| Payables to companies subject to control of parent companies | - | - | 3,364,498 | 3,364,498 |
| Tax payables | - | - | 10,725,729 | 10,725,729 |
| Payables to welfare and social security organisations | - | - | 7,454,400 | 7,454,400 |
| Other payables | - | - | 97,218,019 | 97,218,019 |
| Total payables | 26,510,405 | 26,510,405 | 1,494,802,398 | 1,521,312,803 |

With the repayment of the two Intesa loans entered into in 2013, the first and second mortgage and the special lien on the property and movable property of the Boltiere (BG) plant also came to an end.

It should be noted that in relation to securitisation transactions of trade receivables without notification, the company has established a pledge in favour of the securitisers on the amounts that are held on special current accounts.

ACCRUED EXPENSES AND DEFERRED INCOME

| | Amount at beginning of the year | Changes during the year | Amount at end of the year |
|---|---------------------------------|-------------------------|---------------------------|
| Accrued expenses | 131,273 | (121,006) | 10,267 |
| Total accrued expenses and deferred income | 131,273 | (121,006) | 10,267 |

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 | 131,273 | -121,006 | 10,267 |
| Total accrued expenses | 131,273 | -121,006 | 10,267 |

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 | 807,211,181 |
| Flats | 1,807,324,841 |
| Other steel products | 148,015,936 |
| Total | 2,762,551,958 |

BREAKDOWN OF INCOME FROM SALES AND SERVICES BY GEOGRAPHICAL AREA

| Geographical area | Current value |
|-------------------------|----------------------|
| Italy | 1,259,937,868 |
| EU | 1,398,830,039 |
| Other Europe | 68,324,861 |
| North America | 10,387,090 |
| South - Central America | 2,863,233 |
| Middle East | 1,194,582 |
| Far East - Oceania | 8,847,881 |
| Africa | 12,166,404 |
| Total | 2,762,551,958 |

FINANCIAL INCOME AND EXPENSES

Breakdown of income from equity investments

| Income other than dividends | |
|-----------------------------|------------------|
| From subsidiaries | 2,873,462 |
| Total | 2,873,462 |

In FY 2019, the subsidiary Marcegaglia do Brasil benefited from a special Brazilian tax concession called “juros sobre capital proprio” (in short “JSCP”). In practice, this is a specific form of distribution of dividends, calculated by applying a legally established rate of return to the share capital, which is deductible from the tax income of the paying company. The company has therefore recognised under financial income, with a counter-entry in the form of a receivable due from the subsidiary, the amount corresponding to a dividend of Euro 2,873,462. The amount receivable from the subsidiary was recorded net of

the withholding tax that the subsidiary itself has paid in Brazil and which will be recovered from Italian taxes.

For the purposes of balancing with the number shown in the financial statements, income from investments in subsidiaries includes Euro 350,000 relating to the dividend received by Marcegaglia France in 2019.

Breakdown of interest and other financial charges by type of payable

| Interest and other financial charges | |
|--------------------------------------|-------------------|
| Payables to banks | 606,554 |
| Other | 23,933,028 |
| Total | 24,539,582 |

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 | 14,166,760 |
| Financial charges on derivatives | 2,978,986 |
| Interest due to suppliers | 239,883 |
| Other interest and financial charges | 6,547,399 |
| Total other financial charges | 23,933,028 |

VALUE ADJUSTMENTS OF FINANCIAL ASSETS AND LIABILITIES

DETAIL OF WRITE-BACKS AND WRITE-DOWNS

| | Write-backs | Write-downs |
|--|------------------|----------------|
| Write-down Marcegaglia India | - | 147,321 |
| Write-down Marcegaglia Novero | - | 415,303 |
| Write-down Marcegaglia Novero Polska | - | 19,999 |
| of equity investments recorded as financial fixed assets | - | 582,623 |
| of financial derivatives | 2,931,698 | - |
| Total | 2,931,698 | 582,623 |

Item D18) d) Write-back of Financial Derivative Instruments equal to Euro 2,931,698 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 derivative (IRS) in the company's portfolio at 31/12/2019. 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 582,623 refers:

- Euro 147,321 for the reduction in the carrying value of the investment in the subsidiary Marcegaglia India, now increased to 1 Euro. This reduction was deemed necessary as the company will be closed during the next year;
- Euro 415,303 for the alignment of the carrying value of the investment in the subsidiary Marcegaglia Novero spa to the corresponding portion of shareholders' equity;
- Euro 19,999 for the reduction of the carrying value of the investment in the subsidiary Marcegaglia Novero Polska to 1 Euro. This reduction was deemed necessary as the company will be closed during the next year.

CURRENT, DEFERRED AND PREPAID INCOME TAXES FOR THE YEAR

The deferred taxes recognised in the financial statements as at 31.12.2019 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 |
|--|-------------|-------------|
| A) Temporary differences | | |
| Total deductible temporary differences | 13,379,229 | 9,935,789 |
| Total taxable temporary differences | 346,056,481 | 318,853,909 |
| Net temporary differences | 332,677,252 | 308,918,120 |
| B) Tax effects | | |
| Opening provision for deferred (prepaid) tax | 85,143,994 | 13,090,257 |
| Period deferred (prepaid) tax | (5,301,454) | (1,042,451) |
| Closing provision for deferred (prepaid) tax | 79,842,540 | 12,047,806 |

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) | 1,614,118 | (6,001) | 1,608,117 | 24.00% | 385,948 | - | - |
| Exchange-rate losses from valuation | 10,061,166 | (7,207,335) | 2,853,831 | 24.00% | 684,919 | - | - |
| Write-down of inventories | 13,058,996 | (4,666,110) | 8,392,886 | 24.00% | 2,014,293 | 3.90% | 327,323 |
| Membership fees | 196,509 | (134,539) | 61,970 | 24.00% | 14,873 | - | - |
| Agents' severance indemnity provision | 166,868 | - | 166,868 | 24.00% | 40,048 | - | - |
| Late payment interest | 2,854 | - | 2,854 | 24.00% | 685 | - | - |
| Provisions for risks for IRES purposes | 37,001 | 255,702 | 292,703 | 24.00% | 70,249 | - | - |
| Provision for risks for IRAP purposes | - | 161,809 | 161,809 | - | - | 3.90% | 6,311 |
| Write-down of assets from contribution (IRAP) | 1,441,580 | (60,486) | 1,381,094 | - | - | 3.90% | 53,863 |

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) | 370,913,018 | (27,042,111) | 343,870,907 | 24.00% | 82,529,018 | - | - |
| Exchange-rate gains from valuation | 8,991,138 | (6,805,564) | 2,185,574 | 24.00% | 524,538 | - | - |
| Write-back of assets from contribution (IRAP) | 350,148,188 | (31,294,279) | 318,853,909 | - | - | 3.90% | 12,435,302 |

BREAKDOWN OF DEFERRED AND PREPAID TAXES OVER TIME

| Description | Year 2020 | Year 2021 | Year 2022 | Year 2023 | Beyond year 2023 or unforeseeable | Total |
|--|-------------------|-------------------|-------------------|-------------------|--------------------------------------|--------------------|
| A) Taxable temporary differences | | | | | | |
| <i>Ires</i> | | | | | | |
| Exchange-rate gains from valuation | 2,185,574 | | | | | 2,185,574 |
| Write-back of assets | 23,887,896 | 24,407,748 | 26,535,048 | 29,108,006 | 239,932,210 | 343,870,907 |
| <i>total</i> | 26,073,470 | 24,407,748 | 26,535,048 | 29,108,006 | 239,932,210 | 346,056,481 |
| <i>Irap</i> | | | | | | |
| Write-back of assets | 28,161,780 | 27,665,290 | 25,485,270 | 25,482,049 | 212,059,519 | 318,853,909 |
| <i>total</i> | 28,161,780 | 27,665,290 | 25,485,270 | 25,482,049 | 212,059,519 | 318,853,909 |
| Total deferred tax | 7,355,942 | 6,936,805 | 7,362,337 | 7,979,721 | 65,854,051 | 95,488,856 |
| B) Deductible temporary differences | | | | | | |
| <i>Ires</i> | | | | | | |
| Interest on late payments | | | | | 2,854 | 2,854 |
| Loss on exchange rate valuation | 2,853,831 | | | | | 2,853,831 |
| Agents' severance indemnity provision | | | | | 166,868 | 166,868 |
| Write-down of inventories | | | | | 8,392,887 | 8,392,887 |
| Write-down of assets | 6,001 | | | | 1,602,116 | 1,608,117 |
| Membership fees | 61,970 | | | | | 61,970 |
| Provision for transaction risks | 21,324 | | | | | 21,324 |
| Tax losses | | | | | | 0 |
| <i>total</i> | 2,943,125 | 0 | 0 | 0 | 10,164,725 | 13,107,850 |
| <i>Irap</i> | | | | | | |
| Write-down of inventories | | | | | 8,392,887 | 8,392,887 |
| Write-down of assets | 60,486 | | | | 1,320,609 | 1,381,095 |
| Provision for risks | 161,809 | | | | | 161,809 |
| <i>total</i> | 222,295 | 0 | 0 | 0 | 9,713,495 | 9,935,791 |
| Total prepaid tax | 780,151 | 0 | 0 | 0 | 2,818,360 | 3,598,511 |

Information on the national consolidated tax return

The option to adopt the consolidated tax regime on a national basis was communicated in September 2019 by the parent company Marcegaglia Holding S.p.A. using the 2019 Income Form and is valid for the three-year period 2019/2020/2021.

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 9,798,684 and the recording in item 20 of the Income Statement of a tax charge for IRES of Euro 2,351,684, calculated considering the current rate of 24%. In addition, the company transferred to the consolidating company non-deductible interest expense of Euro 15,025,080, which resulted in the recognition by the consolidating company of a gain of Euro 1,803,010, 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)

| 2019 | | |
|---|--------------------|--------------------|
| Statutory Profit (+) / Loss (-) for the year before tax | -27,390,883 | |
| Theoretical tax 24% on statutory profit before tax | | -6,573,812 |
| Effect of changes in increase (+) / decrease (-) compared to the ordinary rate | | IRES effect |
| Increase in temporary differences | 3,125,210 | 750,050 |
| Decrease in temporary differences | -2,185,574 | -524,538 |
| Resorption of temporary decreases | -12,083,533 | -2,900,048 |
| Resorption of temporary increases | 36,159,088 | 8,678,181 |
| Permanent increases | 23,197,276 | 5,567,346 |
| Permanent decreases | -11,022,900 | -2,645,496 |
| Total increases and decreases | 37,189,567 | 8,925,495 |
| Previous years' tax losses that can be carried forward | | 0 |
| Period fiscal profit | 9,798,684 | 2,351,683 |

RECONCILIATION BETWEEN THE EFFECTIVE TAX CHARGE AND THE THEORETICAL TAX CHARGE (IRAP)

| 2019 | | |
|---|---------------------|--------------------|
| Difference between value and cost of production | 16,908,912 | |
| Costs not relevant for IRAP | 116,244,660 | |
| Theoretical IRAP taxable income | 133,153,571 | |
| Theoretical tax 3.9% on theoretical IRAP taxable income | | 5,192,989 |
| Effect of changes in increase (+) / decrease (-) compared to the ordinary rate | | IRAP effect |
| Increase in temporary differences | 0 | 0 |
| Resorption of temporary increases | 31,233,793 | 1,218,118 |
| Resorption of temporary decreases | -6,477,692 | -252,630 |
| Permanent increases | 5,628,242 | 219,501 |
| Permanent decreases | -2,452,292 | -95,639 |
| Gross production value IRAP | 161,085,623 | 6,282,339 |
| IRAP deductions | -104,501,220 | -4,075,548 |
| IRAP taxable income | 56,584,403 | 2,206,791 |

NOTES TO THE FINANCIAL STATEMENTS – FURTHER INFORMATION

EMPLOYMENT FIGURES

| | Average number |
|------------------------|----------------|
| Executives | 17 |
| Middle managers | 25 |
| Employees | 354 |
| Workers | 1,517 |
| Total employees | 1,913 |

The following table also shows the detailed data on the number of employees as at 31 December 2019:

| | Spot number at year end |
|------------------------|-------------------------|
| Executives | 17 |
| Middle managers | 25 |
| Employees | 350 |
| Workers | 1,490 |
| Other employees | 0 |
| Total employees | 1,882 |

FEEs, ADVANCES AND RECEIVABLES GRANTED TO DIRECTORS AND STATUTORY AUDITORS AND COMMITMENTS UNDERTAKEN ON THEIR BEHALF

| | Directors | Auditors |
|-------------|------------------|---------------|
| Fees | 1,340,002 | 43,680 |

STATUTORY AUDITOR OR INDEPENDENT AUDITORS' FEES

| | Value |
|--|---------------|
| Statutory audit of annual accounts | 65,973 |
| Other auditing services performed | 18,628 |
| Tax consulting services | 2,500 |
| Total statutory auditor or independent auditors' fees | 87,101 |

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 FY 2018 (carried out in 2019) is Euro 58,905. In addition, MAZARS ITALIA SPA was appointed as limited auditor of the half-yearly financial statements as at 30.06.2019 for a fee of Euro 16,632, again net of travel expenses.

CATEGORIES OF SHARES ISSUED BY THE COMPANY

| Description | Initial amount, number | Initial amount, face value | Final amount, number | Final amount, face value |
|-----------------|------------------------|----------------------------|----------------------|--------------------------|
| Ordinary | 396,218,598 | 1 | 396,218,598 | 1 |
| Total | 396,218,598 | 1 | 396,218,598 | 1 |

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.

COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES NOT REPORTED IN THE BALANCE SHEET

| | Amount |
|--|---------------|
| Commitments | 201,396,380 |
| <i>to companies subject to control of parent companies</i> | 1,592,711 |
| Guarantees | 1,716,854,507 |
| <i>of which collateral</i> | 497,777,815 |
| Contingent liabilities | 1,918,250,887 |

The table below provides details on existing commitments and guarantees at 31.12.2019.

| | 31/12/2019 | 31/12/2018 |
|--|----------------------|----------------------|
| RISKS TAKEN BY THE COMPANY | | |
| Sureties | | |
| - to subsidiaries | - | 4,500,450 |
| - to associates | 500,000 | 500,000 |
| - to parent companies | 1,201,005,366 | 1,028,365,158 |
| - to other companies | 17,571,326 | 2,765,558 |
| Total sureties | 1,219,076,692 | 1,036,131,166 |
| Collateral | | |
| - to parent companies | 497,777,815 | 497,777,815 |
| Total collateral | 497,777,815 | 497,777,815 |
| Total guarantees | 1,716,854,507 | 1,533,908,981 |
| COMMITMENTS ENTERED INTO BY THE COMPANY | | |
| - commitments entered into with companies subject to parent companies' control | 1,592,771 | 2,053,660 |
| - other commitments | 199,803,609 | 199,755,880 |
| Total commitments entered into by the Company | 201,396,380 | 201,809,540 |
| Total | 1,918,250,887 | 1,735,718,521 |

Collateral issued in the interest of parent companies refers to mortgages registered on properties at the Casalmaggiore (CR), Ravenna, Lomagna (LC), Gazoldo degli Ippoliti (MN), Corsico (MI) and Lainate (MI) plants to guarantee a pooled bank loan stipulated in 2018 by the parent company Marcegaglia Steel spa.

The maximum amount conventionally guaranteed by the company is Euro 497,777,815. As a guarantee for the pooled bank loan, a special lien has been established on the movable assets present at the same establishments; the maximum

amount conventionally guaranteed by the pool is Euro 173,259,743.

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 entered into with Oskar srl, owner of the site.

In the financial years 2017/2018, the company entered into forward purchase agreements for raw materials, with final maturity in 2021. The commitments entered into in 2017, as reviewed in FY 2019 provide for a purchase for a value of about 119 million, in monthly tranches starting from January 2020 until April 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.

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 characterised 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

With reference to point 22-quater of Art. 2427 of the Italian Civil Code, it should be noted that after 31 December 2019 and up to the date of approval of these financial statements, no events occurred in the company such as to have a material impact on the balance sheet and income statement figures shown therein.

It should, however, be pointed out that as at the date on which these financial statements are prepared, the Company is monitoring the evolution of the instability that has recently emerged in connection with the public health emergency deriving from the cases of COVID-19 contagion (the "Coronavirus"), that, during the first few weeks of 2020 initially impacted China and thereafter spread to the other countries.

At present, once the necessary assessments have been made, it is not possible to predict the evolution that this phenomenon could have, including in Italy, and, consequently, the impact it could have on the economy, given that this emergency could fall in the following months depending on the outcome of the containment measures planned by the governments and central banks of the countries affected by the spread of the virus.

However, based on the information available and also on a forecast up to the end of FY 2020, we assessed the impact of the COVID-19 emergency, considering that it does not affect the Company's (or group's) ability to continue to operate as a going concern.

In view of the above, it is believed that this emergency, which is still ongoing at present, will certainly cause a reduction in turnover in 2020, albeit with a forecast of maintaining sufficient economic margins and cash flows to meet its commitments. In this regard, the Company (or the group) will continue to monitor the evolution of the scenario in order to promptly take all appropriate actions to limit the impacts as far as possible.

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

As already mentioned, in FY 2019, the company stipulated an IRS to hedge a loan obtained for Euro 5,600,000.00 to support the investments made, pursuant to Law no. 100 of 1990, by the company itself in 2019 for the acquisition of two South American companies (Mexico and Colombia) operating in the refrigeration pipe sector, whose final expiry date is November 2027, with a notional amount of the same amount and obviously the same amortisation plan. This IRS is to be considered as hedging in accordance with OIC no. 32, therefore the relative fair value at 31/12/2019 has been entirely allocated to the Reserve for hedging transactions of expected cash flows as indicated in the tables below.

On the other hand, the IRS derivative already in the portfolio of the company for several years, is not a hedge within the meaning of OIC32, given the substantial invariance of the underlying rates and conditions. The same as a result of the payment of differentials during 2019 improved, substantially in a mirror-like fashion, its negative fair value at 31/12/2019. This resulted in the recognition of a positive income component recognised under item D) 18) d) of the Income Statement.

| | Opening balance as at 31/12/2018 | Increases Item D) 18) d) Write-back of financial derivatives | with reserve as balancing entry | Decreases Item D) 19) d) Write-downs of financial derivatives | with reserve as balancing entry | Total |
|---|----------------------------------|--|---------------------------------|---|---------------------------------|------------|
| Marcegaglia Carbon Steel <i>Non-hedge IRS</i> | -4,437,566 | 2,931,697 | - | - | - | -1,505,869 |
| Marcegaglia Carbon Steel <i>Hedging IRS</i> | - | - | - | - | -31,468 | -31,468 |
| Provisions for risks and charges – financial derivatives held as liabilities | -4,437,566 | 2,931,697 | - | - | -31,468 | -1,537,337 |

Changes in reserve for hedges:

| | Opening balance as at 31/12/2018 | Increases | Decreases | Closing balance as at 31/12/2019 |
|---|----------------------------------|-----------|-----------|----------------------------------|
| Marcegaglia Carbon Steel | - | - | -31,468 | -31,468 |
| Total reserve for projected cash flow hedges | - | - | -31,468 | -31,468 |

Detail of impact on income statement:

| | 31/12/2019 |
|---|------------------|
| Change in fair value of non-hedging IRSs Marcegaglia Carbon Steel | 2,931,697 |
| Write-back of IRS non-hedging derivatives | 2,931,697 |
| Total item D) 18d - Write-back of financial derivatives | 2,931,697 |

Details of derivative contracts held in portfolio at 31/12/2019

| 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 |
|----------------------|---|------------------------|-----------------|------------------------------------|------------|--|---|
| Interest rate swaps | Marcegaglia Carbon Steel spa | -1,505,869 | EUR 50,000,000 | not for hedging pursuant to OIC 32 | 11/05/2020 | - | -1,505,869 |
| Interest rate swaps | Marcegaglia Carbon Steel spa | -31,468 | EUR 5,600,000 | hedging | 18/11/2027 | - | -1,537,337 |

IRS derivative contracts held by 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:

-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;

- 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.

In the derivative contracts subject to analysis and estimation of market values (Fair Value or Mark to Market), there are no optional components, therefore it is not necessary to indicate any reference models.

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.

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 | 31/12/2018 | 31/12/2017 |
| B) Fixed assets | 115,154,356 | 116,204,872 |
| C) Current assets | 221,863 | 71,568 |
| Total assets | 115,376,219 | 116,276,440 |
| A) Shareholders' equity | | |
| Share capital | 40,000 | 40,000 |
| Reserves | 25,188,434 | 27,176,968 |
| Profit (loss) for the year | -953,385 | -2,058,532 |
| Total Equity | 24,275,049 | 25,158,436 |
| B) Provisions for risks and charges | 6,152 | 5,965 |
| D) Payables | 91,094,984 | 91,112,005 |
| E) Accrued charges and deferred income | 34 | 34 |
| Total liabilities | 115,376,219 | 116,276,440 |

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 | 31/12/2018 | 31/12/2017 |
| A) Value of production | 145,853 | - |
| B) Production costs | 39,186 | 43,523 |
| C) Financial income and charges | 818 | 3,357 |
| D) Write-downs of financial assets | -1,050,098 | -2,017,537 |
| Income taxes for the year | 10,772 | 829 |
| Profit (loss) for the year | -953,385 | -2,058,532 |

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. |
|----------------------------------|------------------------|---|--|--|
| GSE spa | 640,630 | Reimbursement of excise duties on diesel fuel for vehicles not registered | Casalmaggiore / Ravenna / Lomagna | MD 19/02/17-MD 05/05/11 |
| Customs and Monopolies Agency-CR | 39,374 | Exemption from excise duties on electricity | Casalmaggiore | Legislative Decree 504/95 point 9 as subsequently amended and supplemented |
| Customs and Monopolies Agency-AL | 9,172 | Exemption from excise duties on electricity | Dusino S. Michele | Legislative Decree 504/95 point 9 as subsequently amended and supplemented |
| Customs and Monopolies Agency-BG | 62,238 | Exemption from excise duties on electricity | Boltiere | Legislative Decree 504/95 Art. 52 paragraph 2 lett. e |
| Customs and Monopolies Agency-AL | 55,395 | Exemption of gas excise duties | Dusino S. Michele | Legislative Decree 504/95 Art. 52 paragraph 2 lett. e |
| Customs and Monopolies Agency-CO | 63,207 | Exemption of gas excise duties | Lomagna | Legislative Decree 504/95 Art. 52 paragraph 2 lett. e |
| Customs and Monopolies Agency-BG | 21,692 | Exemption of gas excise duties | Boltiere | Legislative Decree 504/95 Art. 21 paragraph 13 |
| Customs and Monopolies Agency-CR | 37,927 | Tax credit for R&D activities | Casalmaggiore | Legislative Decree 504/95 Art. 21 paragraph 13 |
| Customs and Monopolies Agency-MN | 27,066 | Superamortisation | Gazoldo degli Ippoliti | Legislative Decree 504/95 Art. 21 paragraph 13 |
| Revenue Agency - Treasury | 1,811,582 | Hyper-amortisation | Gazoldo degli Ippoliti / Casalmaggiore/ Boltiere | Legislative Decree 145 of 23/12/13 Art. 3 |
| Revenue Agency - Treasury | 430,112 | Interest account contributions | Various | Law 208 of 28/12/15 |
| Revenue Agency - Treasury | 75,602 | Iperammortamento | Various | Law 232 of 11/12/2016 |
| Simest spa | 141,456 | Contributo in conto interessi | Various | Law 190 art. 4 as subs. amend. |
| Total | 3,415,454 | | | |

PROPOSAL FOR THE ALLOCATION OF PROFITS OR COVERAGE OF LOSSES

With reference to the loss for FY 2019, equal to Euro 23,706,521.10, it is proposed to partially cover the loss for Euro 1,981,830.98 and to carry forward the remaining Euro 21,724,690.12.

NOTES TO THE FINANCIAL STATEMENTS

Final Part

Significant changes in currency exchange rates

Using the exchange rates at 20.04.2020, 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 3.5 million Euros.

This deterioration is due to the impact of the COVID-19 emergency on the world economy.

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

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 2020

Chairman
of the Board of Directors
Antonio Marcegaglia





Financial Statements 2019

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, 2019, 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, 2019, 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.

Emphasis of matter

Without qualifying our opinion, we draw attention to the paragraph "Comparability with the previous years" in the explanatory notes in which the directors described that the profit & loss figures for the year 2019 are not comparable with the same figures for the year 2018 since the latter relate to only two months of activity as the contributions of the demerger, by which Marcegaglia Carbon Steel S.p.A. partially transferred its assets and liabilities to Marcegaglia Ravenna S.p.A., went into effect on 1 November 2018.

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,

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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.

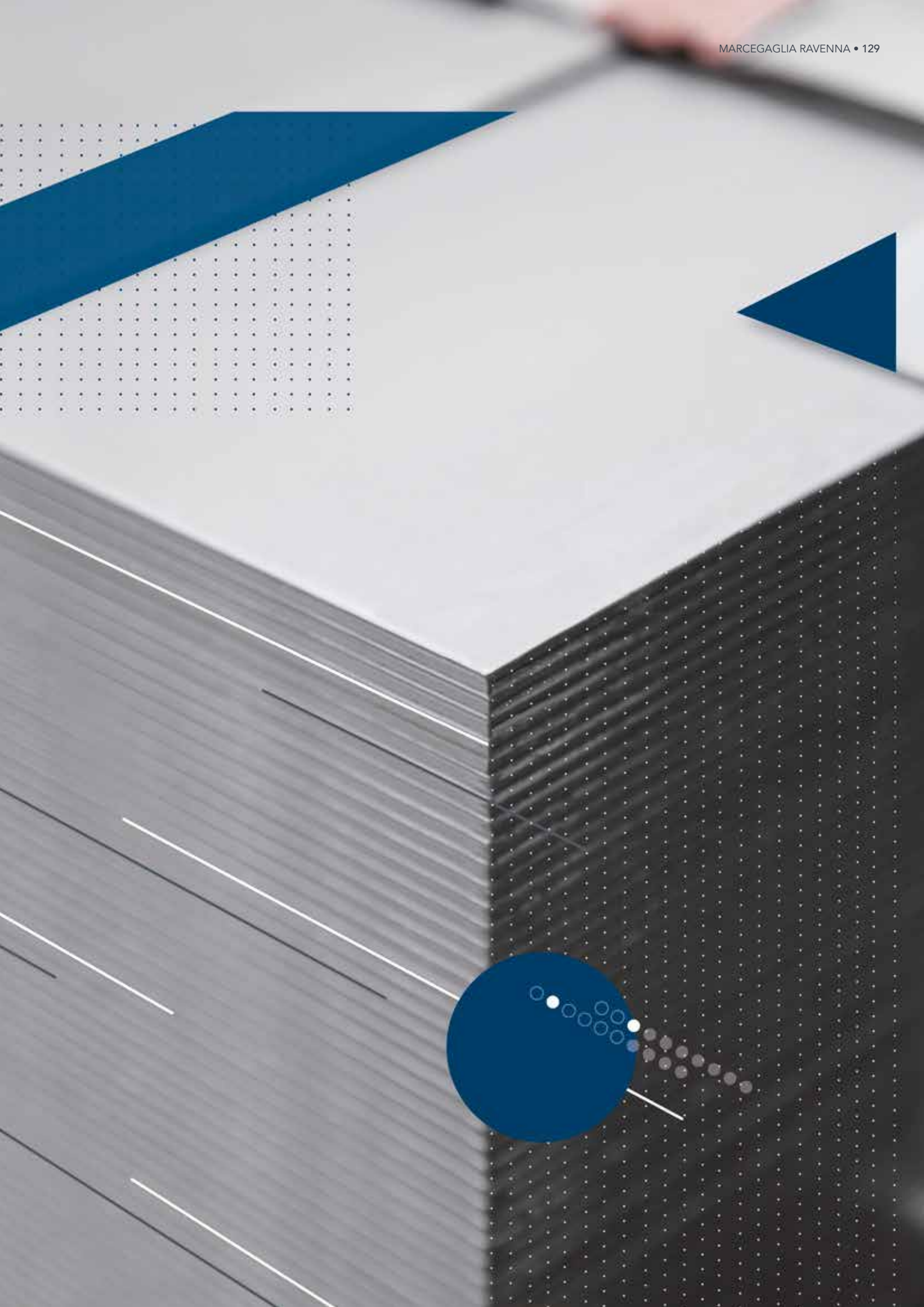
In our opinion, the directors' report is consistent with the financial statements of Marcegaglia Carbon Steel S.p.A. as at December 31, 2019 and is prepared in compliance with the law.

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, 2020

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 2019

ASSETS values in EUR

31/12/2019

31/12/2018

| A RECEIVABLES FROM SHAREHOLDERS FOR OUTSTANDING CONTRIBUTIONS | | | |
|--|--|--------------------|--------------------|
| 1 | previously called | 3,980,624 | 3,980,624 |
| | Total Receivables from shareholders for outstanding contributions A | 3,980,624 | 3,980,624 |
| B FIXED ASSETS | | | |
| I Intangible fixed asset | | | |
| 1 | Start-up and expansion costs | 0 | 0 |
| 3 | Industrial patent rights and intellectual property rights | 18,774 | 21,332 |
| 4 | Concessions, licences, trademarks and similar rights | 0 | 0 |
| 6 | Fixed assets in progress and advance payments | 0 | 0 |
| 7 | Other | 0 | 0 |
| | Total intangible fixed assets (B-I) | 18,774 | 21,332 |
| II Property, plant and equipment | | | |
| 1 | Land and buildings | 0 | 0 |
| 2 | Plant and machinery | 265,144,683 | 285,746,704 |
| 3 | Industrial and commercial equipment | 2,815,941 | 3,641,072 |
| 4 | Other assets | 811,754 | 890,609 |
| 5 | Fixed assets in progress and advance payments | 22,307,793 | 10,850,990 |
| | Total property, plant and equipment (B-II) | 291,080,171 | 301,129,375 |
| III Financial fixed assets | | | |
| 1 | Equity investments in: | | |
| | a) Subsidiaries | 0 | 0 |
| | b) Associates | 6,250 | 6,250 |
| | d-bis) Other companies | 1,392,566 | 1,392,566 |
| | | 1,398,816 | 1,398,816 |
| 2 | Receivables | | |
| | d-bis) from others | | |
| | - due after the following year | 1,442,077 | 4,620 |
| | | 1,442,077 | 4,620 |
| | Total financial assets (B-III) | 2,840,893 | 1,403,436 |
| | Total Fixed Assets B | 293,939,838 | 302,554,143 |
| C CURRENT ASSETS | | | |
| I Inventories | | | |
| 1 | Raw and ancillary materials and consumables | 35,057,701 | 38,592,153 |
| 2 | Work in progress and semi-finished products | 0 | 0 |
| 4 | Finished products and goods | 0 | 0 |
| 5 | Advance payments | 167,062 | 635,805 |
| | Total inventories (C-I) | 35,224,763 | 39,227,958 |
| II Receivables | | | |
| 1 | from customer | | |
| | - due within the following year | 7,593,062 | 3,510,648 |
| | | 7,593,062 | 3,510,648 |
| 2 | from subsidiaries | | |
| | - due within the following year | 0 | 0 |
| | | 0 | 0 |
| 3 | from associates | | |
| | - due within the following year | 1,049,222 | 313,637 |
| | | 1,049,222 | 313,637 |
| 4 | from parent companies | | |
| | - due within the following year | 1,149,577 | 984,871 |
| | | 1,149,577 | 984,871 |
| 5 | from companies subject to control of parent companies | | |
| | - due within the following year | 342,455 | 462,409 |
| | | 342,455 | 462,409 |
| 5-bis | Tax credit | | |
| | - due within the following year | 1,597,018 | 1,954,669 |
| | | 1,597,018 | 1,954,669 |
| 5-ter | Deferred tax assets | | |
| | | 1,246,199 | 1,242,407 |
| | | 1,246,199 | 1,242,407 |
| 5-quater | from others | | |
| | - due within the following year | 293,917 | 319,870 |
| | | 293,917 | 319,870 |
| | Total receivables (C-II) | 13,271,450 | 8,788,511 |
| IV Cash and cash equivalents | | | |
| 1 | Bank and postal deposits | 2,604 | 0 |
| 3 | Cash on hand and cash equivalents | 2,768 | 2,149 |
| | Total cash and cash equivalents (C-IV) | 5,372 | 2,149 |
| | Totale Current Assets C | 48,501,585 | 48,018,618 |
| D ACCRUED INCOME AND PREPAID EXPENSES | | | |
| | Accrued income and prepaid expenses | 113,919 | 1,793 |
| | Total Accrued income and prepaid expenses D | 113,919 | 1,793 |
| | TOTAL ASSETS | 346,535,966 | 354,555,178 |

LIABILITIES values in EUR

31/12/2019

31/12/2018

| A EQUITY | | | |
|---|--|--------------------|--------------------|
| I | Share capital | 105,307,498 | 105,307,498 |
| 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 | 2 | 1 |
| | Total other reserves (VI) | 2 | 1 |
| VIII | Profit/(loss) carried forward | (5,393,752) | 0 |
| IX | Profit/(loss) for the year | 2,200,343 | (5,393,752) |
| | Total equity A | 102,114,091 | 99,913,747 |
| B RESERVES FOR RISKS AND EXPENSES | | | |
| 1 | for post-retirement benefits and similar obligations | 0 | 0 |
| 2 | for taxes, including deferred taxes | 41,615,862 | 46,958,412 |
| 3 | financial derivatives reported as liabilities | 0 | 0 |
| 4 | other | 16,688 | 0 |
| | Total Reserves for Risks and Expenses B | 41,632,550 | 46,958,412 |
| C EMPLOYEE SEVERANCE PAY | | | |
| | Employee severance pay C | 1,681,994 | 1,758,643 |
| D PAYABLES | | | |
| 4 | Payables to banks | | |
| | - due within the following year | 968 | 510 |
| | | 968 | 510 |
| 6 | Advance payments | | |
| | - due within the following year | 0 | 0 |
| | | 0 | 0 |
| 7 | Trade payables | | |
| | - due within the following year | 65,867,878 | 69,982,357 |
| | | 65,867,878 | 69,982,357 |
| 9 | Payables to subsidiaries | | |
| | - due within the following year | 0 | 0 |
| | | 0 | 0 |
| 10 | Payables to associates | | |
| | - due within the following year | 767 | 367 |
| | | 767 | 367 |
| 11 | Payables to parent companies | | |
| | - due within the following year | 109,095,926 | 124,404,935 |
| | | 109,095,926 | 124,404,935 |
| 11-bis | Payables to companies subject to control of parent companies | | |
| | - due within the following year | 11,071,447 | 602,877 |
| | | 11,071,447 | 602,877 |
| 12 | Tax payables | | |
| | - due within the following year | 4,814,776 | 1,812,514 |
| | | 4,814,776 | 1,812,514 |
| 13 | payables to welfare and social security organizations | | |
| | - due within the following year | 3,329,168 | 4,203,848 |
| | | 3,329,168 | 4,203,848 |
| 14 | Other payables | | |
| | - due within the following year | 6,926,401 | 4,916,968 |
| | | 6,926,401 | 4,916,968 |
| | Total Payables D | 201,107,331 | 205,924,376 |
| E ACCRUED EXPENSES AND DEFERRED INCOME | | | |
| | Accrued expenses and deferred income | 0 | 0 |
| | Total Accrued expenses and deferred income E | 0 | 0 |
| | TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 346,535,966 | 354,555,178 |

MARCEGAGLIA RAVENNA S.P.A.**PROFIT AND LOSS ACCOUNT AS OF 31 DECEMBER 2019**

| values in EUR | | 2019 | 2018 |
|---------------|--|--------------------|--------------------|
| A | VALUE OF PRODUCTION | | |
| 1 | Revenues from sales and services | 227,071,176 | 36,071,075 |
| 2 | Changes in inventories of work in progress, semi-finished and finished products | 0 | (136,664) |
| 4 | Increase in fixed assets for internal work | 3,729,737 | 0 |
| 5 | Other revenues and income | | |
| | - Operating grants | 708,470 | 11,928 |
| | - Other | 970,104 | 121,180 |
| | Total other revenues and income (5) | 1,678,574 | 133,108 |
| | Total Value of production A | 232,479,487 | 36,067,519 |
| B | PRODUCTION COSTS | | |
| 6 | Raw and ancillary materials, consumables and goods | 31,413,289 | 5,933,748 |
| 7 | Services | 87,556,456 | 16,129,782 |
| 8 | Lease and rental expense | 9,366,981 | 1,526,659 |
| 9 | Personnel costs | | |
| | a) wages and salaries | 33,826,186 | 7,946,201 |
| | b) social security contributions | 11,496,645 | 2,193,575 |
| | c) employee severance pay | 2,385,985 | 395,468 |
| | e) other personnel costs | 294,120 | 16,285 |
| | Total personnel costs (9) | 48,002,936 | 10,551,529 |
| 10 | Amortisation, depreciation and write-downs | | |
| | a) amortisation of intangible assets | 26,229 | 5,507 |
| | b) depreciation of property, plant and equipment | 42,366,859 | 6,700,529 |
| | d) write-downs of receivables included in current assets and cash and cash equivalent. | 0 | 0 |
| | Total amortisation, depreciation and write-downs (10) | 42,393,088 | 6,706,036 |
| 11 | Changes in the inventory of raw and ancillary mater., consumables and goods | 3,534,452 | 1,435,073 |
| 14 | Sundry operating costs | 3,400,898 | 138,106 |
| | Total Production Costs B | 225,668,100 | 42,420,933 |
| | Difference between Value and Cost of Production A - B | 6,811,387 | (6,353,414) |
| C | FINANCIAL INCOME AND EXPENSES | | |
| 15 | Income from equity investments | | |
| | - from associates | 0 | 0 |
| | - from other companies | 0 | 0 |
| | Total income from equity investments (15) | 0 | 0 |
| 16 | Other financial income: | | |
| | a) from receivables recorded as fixed assets | | |
| | - from other companies | 0 | 0 |
| | Total financial income from receivables recorded as fixed assets (a) | 0 | 0 |
| | d) income other than the above: | | |
| | - from parent companies | 0 | 328 |
| | - from companies subject to the control of parent companies | 1,784,726 | 86,663 |
| | - from others | 0 | 5 |
| | Total income other than the above (d) | 1,784,726 | 86,996 |
| | Total other financial income (16) | 1,784,726 | 86,996 |
| 17 | Interests and other financial charges: | | |
| | - paid to subsidiaries | 0 | 0 |
| | - paid to parent companies | 6,776,635 | 942,871 |
| | - paid to companies subject to the control of parent companies | 0 | 2,831 |
| | - other financial expenses | 57,507 | 21 |
| | Total interests and other financial charges (17) | 6,834,142 | 945,723 |
| 17-bis | Exchange-rate gains and losses | 19,708 | (265) |
| | Total Financial Income and Expenses C | (5,029,708) | (858,992) |
| | PROFIT (LOSS) BEFORE TAXES (A-B+/-C+/-D) | | |
| | Profit (Loss) Before Taxes A-B+/-C+/-D | 1,781,679 | (7,212,406) |
| 20 | Current, deferred and pre-paid income taxes for the year | | |
| | - direct taxes for the year | 6,074,719 | 16,504 |
| | - direct taxes for previous years | (7,041) | 0 |
| | - deferred taxes | (5,346,342) | (850,617) |
| | - Income (costs) from participation in tax consolidation scheme | 1,140,000 | 984,541 |
| | Total current, deferred and pre-paid income taxes for the year (20) | (418,664) | (1,818,654) |
| | PROFIT (LOSS) FOR THE YEAR | 2,200,343 | (5,393,752) |

MARCEGAGLIA RAVENNA S.P.A.
FINANCIAL STATEMENTS AS AT 31.12.2019

MARCEGAGLIA RAVENNA • 133

values in EUR

31/12/2019

31/12/2018

| A CASH FLOWS FROM INCOME-GENERATING OPERATIONS (INDIRECT METHOD) | | |
|---|---|---------------------|
| | Profit (loss) for the year | 2,200,343 |
| | Income Tax | (418,664) |
| | Interest expenses/(income) | 5,049,416 |
| | (Gains)/Losses resulting from the disposal of assets | (17,954) |
| 1 | Profit (loss) for the year, before income taxes, interest, dividends and gains/losses from asset sales | 6,813,141 |
| | Adjustments for non-cash items with no balancing entry in net working capital | |
| | - Provisions to funds | 2,402,673 |
| | - Amortisation/Depreciation of fixed assets | 42,393,088 |
| | - Other adjustments for non-cash items | (3,729,739) |
| | Total adjustments for non-cash items with no balancing entry in working capital | 41,066,022 |
| 2 | Cash flow before changes in net working capital | 47,879,163 |
| | Changes in net working capital | |
| | - Decrease/(Increase) in inventories | 4,003,195 |
| | - Decrease/(Increase) in trade receivables | (4,082,413) |
| | - Increase/(Decrease) in trade payables | (4,114,479) |
| | - Decrease/(Increase) in accrued income and prepaid expenses | (112,127) |
| | - Other changes in net working capital | (6,027,433) |
| | Total changes in net working capital | (10,333,257) |
| 3 | Cash flow after changes in net working capital | 37,545,906 |
| | Other adjustments | |
| | - Interest received/(paid) | (5,049,416) |
| | - (Utilisation of funds) | (2,462,634) |
| | Total other adjustments | (7,512,050) |
| | Cash flow from income-generating operations A | 30,033,856 |
| B CASH FLOWS FROM INVESTMENT ACTIVITIES | | |
| | Property, plant and equipment | |
| | - (Investments) | (28,672,007) |
| | - Divestitures | 102,042 |
| | Intangible fixed assets | |
| | - (Investments) | (23,670) |
| | Financial fixed assets | |
| | - (Investments) | (1,437,457) |
| | Cash flows from investment activities B | (30,031,092) |
| C CASH FLOWS FROM FINANCING ACTIVITIES | | |
| | Third party resources | |
| | - Increase/(Decrease) in short-term liabilities to banks | 459 |
| | Cash flows from financing activities C | 459 |
| | INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS A ± B ± C | 3,223 |
| | <i>Cash and cash equivalents at beginning of year</i> | <i>2,149</i> |
| | Cash on hand and cash equivalents | 2,149 |
| | <i>Cash and cash equivalents at year end</i> | <i>5,372</i> |
| | Bank and postal deposits | 2,604 |
| | Cash on hand and cash equivalents | 2,768 |

NOTES TO THE FINANCIAL STATEMENTS INITIAL PART

BACKGROUND

After the demerger transaction initiated and completed during 2018, the year ended 31.12.2019 is the first full year of operation of Marcegaglia Ravenna Spa.

In particular, Marcegaglia Ravenna S.p.A. which, as a result of the spin-off, has become the owner of the plants used to process carbon steel at 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.

Basis of presentation

Financial statement preparation criteria and structure

The financial statements for the financial year ended on 31 December 2019 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 2019 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, income statement and cash flow statement, next to the amount for the year 2019, the amount for the same item for the previous year has been indicated. In order to make the items in the financial statements comparable, the balances for the previous year have been reclassified where necessary. It should be noted, however, that the economic balances for 2019 are not comparable with those for 2018 as the latter are the result of operations lasting only two months since the demerger transaction, with which Marcegaglia Carbon Steel Spa partially transferred its assets and liabilities to Marcegaglia Ravenna Spa, became effective from 1 November 2018.

As far as the cash flow statement is concerned, it should be noted that the 2018 column has not been filled in because last year the relevant statement was not prepared, as this was the first year of the company's activity.

Classification conventions

In preparing the financial statements as of 31 December 2019, 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 classi-

fication 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, associates, 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.

MEASUREMENT CRITERIA APPLIED

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.

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 impairment no longer apply, the original value 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 | Amortisation rate | Amortisation for the year |
|--|-----------------------------|-------------------|---------------------------|
| Licensed software (B.I.3) | 198,661 | 33.33% | 26,229 |
| Other multi-year costs (B.I.7) | 120,985 | 20%/17%/13% | - |

Property, plant and equipment

Property, plant and equipment 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, property, plant and equipment 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 impairment no longer apply, 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 property, plant and equipment recorded in the balance sheet, the relative depreciation criteria and the amount of depreciation recorded in FY 2019.

| Line items of the Financial Statements | Purchase or production cost | Depreciation rate | Depreciation for the year |
|--|-----------------------------|-------------------|---------------------------|
| Large plants and machinery (B.II.2) | 337,738,466 | 8-12% | 32,830,741 |
| General and specific plant assets (B.II.2) | 82,520,953 | 8.00% | 7,299,673 |
| Miscellaneous equipment (B.II.3) | 8,365,468 | 15.00% | 1,547,717 |
| Internal handling equipment (B.II.3) | 2,382,524 | 15.00% | 352,086 |
| Furniture and ordinary office equipment (B.II.4) | 396,834 | 12.00% | 11,118 |
| Electronic machinery (B.II.4) | 992,817 | 20.00% | 190,483 |
| Motor vehicles (B.II.4) | 309,911 | 25.00% | 43,438 |
| Trucks and trailers (B.II.4) | 200,986 | 20.00% | 15,724 |
| Ordinary furniture and furnishings (B.II.4) | 653,796 | 10.00% | 75,879 |
| Fixed assets in progress and advance payments (B.II.5) | 26,760,100 | = | - |

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 impairment 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 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 (31/12/2019). 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 valued at amortised cost are entered 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 (31/12/2019). 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 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.

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 |
|----------------------------|------------------------------------|----------------------------|------------------------------|
| Previously called | 0 | 0 | 0 |
| Part not previously called | 3,980,624 | 0 | 3,980,624 |
| Total | 3,980,624 | 0 | 3,980,624 |

Receivables from shareholders for outstanding payments refer to receivables from the minority shareholder Engie Servizi spa which, in 2018, subscribed a reserved share capital increase of Euro 5,307,498, only partially paid in.

FIXED ASSETS

INTANGIBLE FIXED ASSETS

CHANGES IN INTANGIBLE FIXED ASSETS

| | Industrial patent rights and intellectual property rights | Total intangible fixed assets |
|---|---|----------------------------------|
| Amount at beginning of the year | | |
| Cost | 26,839 | 26,839 |
| Amortisation/depreciation (Provision for amortisation/ depreciation) | 5,507 | 5,507 |
| Book value | 21,332 | 21,332 |
| Changes during the year | | |
| Increases for acquisitions | 23,671 | 23,671 |
| Period amortisation/depreciation | 26,229 | 26,229 |
| Total changes | (2,558) | (2,558) |
| Amount at end of the year | | |
| Cost | 50,510 | 50,510 |
| Amortisation/depreciation (Provision for amortisation/ depreciation) | 31,736 | 31,736 |
| Book value | 18,774 | 18,774 |

Start-up and expansion costs and development costs

There are no start-up and expansion costs, nor development costs capitalised.

Financial charges capitalised

No financial charges were capitalised during the year.

PROPERTY, PLANT AND EQUIPMENT

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

| | Plants and machinery | Industrial and commercial equipment | Other property, plant and equipment | Assets under construction and payments on account | Total property, plant and equipment |
|---|----------------------|-------------------------------------|-------------------------------------|---|-------------------------------------|
| Amount at beginning of the year | | | | | |
| 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 |
| Book value | 285,746,704 | 3,641,072 | 890,609 | 10,850,990 | 301,129,375 |
| Changes during the year | | | | | |
| Increases for acquisitions | 16,664,777 | 1,069,625 | 257,787 | 17,326,604 | 35,318,793 |
| Reclassification (of book value) | 2,947,600 | 5,151 | - | (2,952,751) | - |
| Decreases for sales and cancellations (of book value) | 83,984 | 104 | - | 2,917,050 | 3,001,138 |
| Period amortisation/depreciation | 40,130,414 | 1,899,803 | 336,642 | - | 42,366,859 |
| Total changes | (20,602,021) | (825,131) | (78,855) | 11,456,803 | (10,049,204) |
| Amount at end of the year | | | | | |
| Cost | 311,536,037 | 5,051,330 | 1,172,172 | 22,307,793 | 340,067,332 |
| Amortisation/depreciation (Provision for amortisation/depreciation) | 46,391,354 | 2,235,389 | 360,418 | - | 48,987,161 |
| Book value | 265,144,683 | 2,815,941 | 811,754 | 22,307,793 | 291,080,171 |

Value reductions to property, plant and equipment

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 |
|--|----------------------------------|---------------------------------------|--------------------------|
| Amount at beginning of the year | | | |
| Cost | 6,250 | 1,392,566 | 1,398,816 |
| Book value | 6,250 | 1,392,566 | 1,398,816 |
| Valore di fine esercizio | | | |
| Cost | 6,250 | 1,392,566 | 1,398,816 |
| Book value | 6,250 | 1,392,566 | 1,398,816 |

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 | 4,620 | 1,437,457 | 1,442,077 | 1,442,077 |
| Total receivables held as fixed assets | 4,620 | 1,437,457 | 1,442,077 | 1,442,077 |

DETAILS ON EQUITY INVESTMENTS IN ASSOCIATES

| Name | City (if in Italy) or foreign country | Tax code (for Italian companies) | Capital in Euros | Sharehol- ders' 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 |
| Total | | | | | | | 6,250 |

BREAKDOWN OF RECEIVABLES HELD AS FIXED ASSETS BY GEOGRAPHICAL AREA

| Geographical area | Receivables from others held as fixed assets | Total receivables held as fixed assets |
|-------------------|--|--|
| Italy | 1,442,077 | 1,442,077 |
| Total | 1,442,077 | 1,442,077 |

VALUE OF FINANCIAL FIXED ASSETS

| | Book value |
|---------------------------------------|------------|
| Equity investments in other companies | 1,392,566 |
| Receivables from others | 1,442,077 |

BREAKDOWN OF THE VALUE OF EQUITY INVESTMENTS IN OTHER COMPANIES

| | Book value |
|----------------------------------|------------|
| Gas Intensive consortium company | 1,391,566 |
| Metal Interconnector | 1,000 |
| Total | 1,392,566 |

BREAKDOWN OF AMOUNT OF RECEIVABLES FROM OTHERS HELD AS FIXED ASSETS

| | Book value |
|--|------------|
| Security deposits for leases | 6,120 |
| Terna Guarantee Fund | 168,358 |
| Shareholder loan vs Metal Interconnector | 1,214,875 |
| Gas network security deposit | 2,000 |
| Water service security deposit | 50,724 |
| Total | 1,442,077 |

CURRENT ASSETS

| Inventories | Amount at beginning of the year | Changes during the year | Amount at end of the year |
|--|------------------------------------|-------------------------|------------------------------|
| Raw and ancillary materials and consumables | 38,592,153 | (3,534,452) | 35,057,701 |
| Advance payments | 635,805 | (468,743) | 167,062 |
| Total inventories | 39,227,958 | (4,003,195) | 35,224,763 |

Below are details of provisions for inventory write-downs

| | Gross value | Provision for write-downs | Net amount |
|--|-------------|---------------------------|------------|
| Raw and ancillary materials and consumables | 36,335,801 | -1,278,100 | 35,057,701 |
| Total | 36,335,801 | -1,278,100 | 35,057,701 |

The write-down provision refers to inventories of miscellaneous materials and in particular to spare parts for slow-moving and obsolete plant and machinery.

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 | 3,510,648 | 4,082,414 | 7,593,062 | 7,593,062 |
| Receivables from associates recorded in current assets | 313,637 | 735,585 | 1,049,222 | 1,049,222 |
| Receivables from parent companies recorded in current assets | 984,871 | 164,706 | 1,149,577 | 1,149,577 |
| Receivables from companies subject to control of parent companies recorded in current assets | 462,409 | (119,954) | 342,455 | 342,455 |
| Tax credits recorded in current assets | 1,954,669 | (357,651) | 1,597,018 | 1,597,018 |
| Deferred tax assets recorded in current assets | 1,242,407 | 3,792 | 1,246,199 | |
| Receivables from others recorded in current assets | 319,870 | (25,953) | 293,917 | 293,917 |
| Total receivables recorded in current assets | 8,788,511 | 4,482,939 | 13,271,450 | 12,025,251 |

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, 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 | - | - |
| Marcegaglia Specialties Spa | 140,263 | 202,192 | 342,455 | 342,455 |
| Total receivables from companies subject to control of parent companies | 462,409 | -119,954 | 342,455 | 342,455 |

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 | -140,295 | 144,560 | 144,560 |
| Social security receivables | 21,083 | 41,190 | 62,273 | 62,273 |
| Advances to employees | 2,000 | 805 | 2,805 | 2,805 |
| Receivables from credit institutions for customer collections | 4 | -4 | - | - |
| Other receivables | 11,928 | 72,351 | 84,279 | 84,279 |
| Total receivables from others | 319,870 | -25,953 | 293,917 | 293,917 |

BREAKDOWN OF THE RECEIVABLES RECORDED IN THE CURRENT ASSETS BY GEOGRAPHICAL AREA

| | Italy | EU | Other Europe | Total |
|--|-------------------|----------------|----------------|-------------------|
| Receivables from customers recorded in current assets | 6,942,020 | 570,129 | 80,913 | 7,593,062 |
| Receivables from associates recorded in current assets | 1,049,222 | - | - | 1,049,222 |
| Receivables from parent companies recorded in current assets | 1,149,577 | - | - | 1,149,577 |
| Receivables from companies subject to control of parent companies recorded in current assets | 342,455 | - | - | 342,455 |
| Tax credits recorded in current assets | 1,597,018 | - | - | 1,597,018 |
| Deferred tax assets recorded in current assets | 1,246,199 | - | - | 1,246,199 |
| Receivables from others recorded in current assets | 168,567 | 100,000 | 25,350 | 293,917 |
| Total receivables recorded in current assets | 12,495,058 | 670,129 | 106,263 | 13,271,450 |

CASH AND CASH EQUIVALENTS

| | Amount at beginning of the year | Changes during the year | Amount at end of the year |
|--|---------------------------------|-------------------------|---------------------------|
| Bank and postal deposits | 0 | 2,604 | 2,604 |
| Cash and securities | 2,149 | 619 | 2,768 |
| Total cash and cash equivalents | 2,149 | 3,223 | 5,372 |

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 | 112,126 | 113,919 |
| Total accrued income and prepaid expenses | 1,793 | 112,126 | 113,919 |

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 | 3,039 | 4,122 |
| Newspaper subscriptions | 224 | -224 | - |
| Motor vehicle tax | 440 | 2,476 | 2,916 |
| Chamber of commerce secretarial fees | 46 | -46 | - |
| Bper loan investigation costs | - | 84,384 | 84,384 |
| Maintenance charges | - | 21,417 | 21,417 |
| Insurance policies | - | 688 | 688 |
| Other taxes and duties | - | 392 | 392 |
| Total prepaid expenses | 1,793 | 112,126 | 113,919 |

NOTES TO THE FINANCIAL STATEMENTS – LIABILITIES AND SHAREHOLDERS' EQUITY

EQUITY

CHANGES IN SHAREHOLDERS' EQUITY ITEMS

| | Amount at beginning of the year | Use of previous year result Other uses | Other changes Increases | Profit (loss) for the year | Amount at end of the year |
|--------------------------------------|---------------------------------|---|----------------------------|----------------------------|---------------------------|
| Share capital | 105,307,498 | - | - | | 105,307,498 |
| Other reserves | | | | | |
| <i>Sundry other reserves</i> | 1 | - | 1 | | 2 |
| Total other reserves | 1 | - | 1 | | 2 |
| Profit (loss) carried forward | 0 | (5,393,752) | - | | (5,393,752) |
| Profit (loss) for the year | (5,393,752) | 5,393,752 | - | 2,200,343 | 2,200,343 |
| Total Equity | 99,913,747 | - | 1 | 2,200,343 | 102,114,091 |

BREAKDOWN OF SUNDRY OTHER RESERVES

| Description | Amount |
|------------------------------|----------|
| Rounding to the unit of Euro | 2 |
| Total | 2 |

AVAILABILITY AND USE OF SHAREHOLDERS' EQUITY

| | Amount | Origin/nature | Possible use |
|--------------------------------------|-------------------|------------------------------|--------------|
| Share capital | 105,307,498 | contribution of shareholders | A-B-C |
| Other reserves | | | |
| <i>Sundry other reserves</i> | 2 | rounding to the unit of Euro | |
| Total other reserves | 2 | | |
| Profit/(loss) carried forward | (5,393,752) | | |
| Total | 99,913,748 | | |

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 |
|------------------------------|----------|
| Rounding to the unit of Euro | 2 |
| Total | 2 |

PROVISIONS FOR RISKS AND CHARGES

| | Tax provision, including deferred taxes | Other provisions | Total provisions for risks and charges |
|--|---|------------------|--|
| Amount at beginning of the year | 46,958,412 | 0 | 46,958,412 |
| Changes during the year | | | |
| <i>Provisions for the year</i> | 85 | 16,688 | 16,773 |
| <i>Usage for the year</i> | 5,342,635 | - | 5,342,635 |
| Total changes | (5,342,550) | 16,688 | (5,325,862) |
| Amount at end of the year | 41,615,862 | 16,688 | 41,632,550 |

As a result of the 2018 spin-off, the provision for deferred taxes includes the effect of latent taxation 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 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 2019, 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 5,320,028.

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 2019 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 2019 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 | 1,758,643 |
| Changes during the year | |
| <i>Provisions for the year</i> | 2,385,985 |
| <i>Usage for the year</i> | 2,462,634 |
| Total changes | (76,649) |
| Amount at end of the year | 1,681,994 |

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 |
|---|---|--|--|------------|
| 107,264 | 1,003,325 | 1,188,314 | 163,731 | 2,462,634 |

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 | 510 | 458 | 968 | 968 |
| Trade payables | 69,982,357 | (4,114,479) | 65,867,878 | 65,867,878 |
| Payables to associates | 367 | 400 | 767 | 767 |
| Payables to parent companies | 124,404,935 | (15,309,009) | 109,095,926 | 109,095,926 |
| Payables to companies subject to control of parent companies | 602,877 | 10,468,570 | 11,071,447 | 11,071,447 |
| Tax payables | 1,812,514 | 3,002,262 | 4,814,776 | 4,814,776 |
| Payables to welfare and social security organisations | 4,203,848 | (874,680) | 3,329,168 | 3,329,168 |
| Other payables | 4,916,968 | 2,009,433 | 6,926,401 | 6,926,401 |
| Total payables | 205,924,376 | (4,817,045) | 201,107,331 | 201,107,331 |

It should be noted that payables to 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, to which the settlements of commercial and/or financial transactions are transferred.

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 | 10,927,387 | 10,994,506 | 10,994,506 |
| Made HSE Srl | 119,146 | 359,159 | 478,305 | 478,305 |
| Marfin Srl | 349,498 | -835,825 | -486,327 | -486,327 |
| Abaco servizi | 67,114 | -988 | 66,126 | 66,126 |
| Marcegaglia Buildtech | - | 10,086 | 10,086 | 10,086 |
| Marcegaglia Specialties | - | 8,751 | 8,751 | 8,751 |
| Total payables to companies subject to control of parent companies | 602,877 | 10,468,570 | 11,071,447 | 11,071,447 |

Finally, details and changes in payables to 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 |
|-----------------------------|---------------------------------|-------------------------|---------------------------|-----------------------------|
| Payables to staff | 4,787,732 | -239,086 | 4,548,646 | 4,548,646 |
| Other payables | 129,236 | 2,248,519 | 2,377,755 | 2,377,755 |
| Total other payables | 4,916,968 | 2,009,433 | 6,926,401 | 6,926,401 |

BREAKDOWN OF PAYABLES BY GEOGRAPHICAL AREA

| | Italy | EU | Other Europe | America | Total |
|--|--------------------|------------------|----------------|----------------|--------------------|
| Payables to banks | 968 | - | - | - | 968 |
| Trade payables | 63,098,848 | 1,749,384 | 864,033 | 155,613 | 65,867,878 |
| Payables to associates | 767 | - | - | - | 767 |
| Payables to parent companies | 109,095,926 | - | - | - | 109,095,926 |
| Payables to companies subject to control of parent companies | 11,071,447 | - | - | - | 11,071,447 |
| Tax payables | 4,814,776 | - | - | - | 4,814,776 |
| Payables to welfare and social security organisations | 3,329,168 | - | - | - | 3,329,168 |
| Other payables | 6,926,401 | - | - | - | 6,926,401 |
| Payables | 198,338,301 | 1,749,384 | 864,033 | 155,613 | 201,107,331 |

DEBT SECURED BY COMPANY ASSETS

| | Unsecured debt | Total |
|--|--------------------|--------------------|
| Payables to banks | 968 | 968 |
| Trade payables | 65,867,878 | 65,867,878 |
| Payables to associates | 767 | 767 |
| Payables to parent companies | 109,095,926 | 109,095,926 |
| Payables to companies subject to control of parent companies | 11,071,447 | 11,071,447 |
| Tax payables | 4,814,776 | 4,814,776 |
| Payables to welfare and social security organisations | 3,329,168 | 3,329,168 |
| Other payables | 6,926,401 | 6,926,401 |
| Total payables | 201,107,331 | 201,107,331 |

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 | 40,308,590 |
| Infragr. steel products transformation service | 186,762,586 |
| Total | 227,071,176 |

BREAKDOWN OF INCOME FROM SALES AND SERVICES BY GEOGRAPHICAL AREA

| Geographical area | Current value |
|-------------------|--------------------|
| Italy | 220,643,867 |
| EU | 6,427,309 |
| Total | 227,071,176 |

FINANCIAL INCOME AND CHARGES

BREAKDOWN OF INTEREST AND OTHER FINANCIAL CHARGES BY TYPE OF PAYABLE

| | Interest and other financial charges |
|-------------------|--------------------------------------|
| Payables to banks | 239 |
| Other | 57,268 |
| Total | 57,507 |

Details of the item “interest to others” is detailed below:

| | Other |
|---|---------------|
| Interest due to factor | 22,274 |
| Interest due to suppliers | 22,787 |
| Interest due to others for late payment | 12,207 |
| Total other financial charges | 57,268 |

CURRENT, DEFERRED AND PREPAID INCOME TAXES FOR THE YEAR

The deferred taxes recognised in the financial statements as at 31.12.2019 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 |
|--|-------------|-------------|
| A) Temporary differences | | |
| Total deductible temporary differences | 4,468,995 | 4,452,307 |
| Total taxable temporary differences | 152,042,065 | 131,429,922 |
| Net temporary differences | 147,573,070 | 126,977,615 |
| B) Tax effects | | |
| Opening provision for deferred (prepaid) tax | 39,881,737 | 5,834,269 |
| Period deferred (prepaid) tax | (4,464,200) | (882,141) |
| Closing provision for deferred (prepaid) tax | 35,417,537 | 4,952,127 |

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 | - | - |
| Exchange-rate losses from valuation | 887 | (887) | - | - | - | - | - |
| Provisions for risks | - | 16,688 | 16,688 | 24.00% | 4,005 | - | - |
| Write-down of assets from contribution (IRAP) | 4,452,307 | - | 4,452,307 | - | - | 3.90% | 173,640 |

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) | 170,626,201 | (18,584,492) | 152,041,709 | 24.00% | 36,490,010 | - | - |
| Exchange-rate gains from valuation | 902 | (546) | 356 | 24.00% | 85 | - | - |
| Write-back of assets from contribution (IRAP) | 154,048,923 | (22,619,001) | 131,429,922 | - | - | 3.90% | 5,125,767 |

BREAKDOWN OF DEFERRED AND PREPAID TAXES OVER TIME

ESTIMATED RECOVERY OF DEFERRED AND PREPAID TAXES

| Description | Year 2020 | Year 2021 | Year 2022 | Year 2023 | Beyond year 2023 or unforeseeable | Total |
|--|-------------------|-------------------|-------------------|-------------------|-----------------------------------|--------------------|
| A) Taxable temporary differences | | | | | | |
| <i>Ires</i> | | | | | | |
| Write-back of demerged assets | 18,483,011 | 19,337,336 | 20,572,352 | 23,547,646 | 70,101,363 | 152,041,709 |
| Exchange gains | 356 | | | | | 356 |
| total | 18,483,367 | 19,337,336 | 20,572,352 | 23,547,646 | 70,101,363 | 152,042,065 |
| <i>Irap</i> | | | | | | |
| Write-back of demerged assets | 21,510,644 | 21,325,865 | 20,401,968 | 20,371,962 | 47,819,484 | 131,429,922 |
| total | 21,510,644 | 21,325,865 | 20,401,968 | 20,371,962 | 47,819,484 | 131,429,922 |
| Total deferred tax | 5,274,923 | 5,472,670 | 5,733,042 | 6,445,942 | 18,689,287 | 41,615,864 |
| B) Deductible temporary differences | | | | | | |
| <i>Ires</i> | | | | | | |
| Write-down of assets (SET) | | | | | 4,452,307 | 4,452,307 |
| Provisions for risks and charges (labour litigation) | 16,688 | | | | | 16,688 |
| total | 16,688 | 0 | 0 | 0 | 4,452,307 | 4,468,995 |
| <i>Irap</i> | | | | | | |
| Write-down of assets (SET) | | | | | 4,452,307 | 4,452,307 |
| total | 0 | 0 | 0 | 0 | 4,452,307 | 4,452,307 |
| Total prepaid tax | 4,005 | 0 | 0 | 0 | 1,242,194 | 1,246,199 |

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, the participation in the tax consolidation resulted in the contribution to the group's total income of a tax profit of Euro 20,120,586, corresponding to a theoretical IRES (corporation tax) of Euro 4,828,941, recorded in item 20) of the income statement with 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 9,500,000, which resulted in the recognition by the consolidating company of a tax gain of Euro 1,140,000, 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)

| 2019 | | |
|---|-------------------|--------------------|
| Statutory Profit (+) / Loss (-) for the year before tax | 1,781,679 | |
| Theoretical tax 24% on statutory profit before tax | | 427,603 |
| Effect of changes in increase (+) / decrease (-) compared to the ordinary rate | | IRES effect |
| Increase in temporary differences | 0 | 0 |
| Decrease in temporary differences | -356 | -85 |
| Resorption of temporary decreases | -887 | -213 |
| Resorption of temporary increases | 18,602,082 | 4,464,500 |
| Permanent increases | 1,515,531 | 363,727 |
| Permanent decreases | -1,777,464 | -426,591 |
| Total increases and decreases | 18,338,906 | 4,401,338 |
| Previous years' tax losses that can be carried forward | | 0 |
| Period fiscal profit | 20,120,585 | 4,828,941 |

RECONCILIATION BETWEEN THE EFFECTIVE TAX CHARGE AND THE THEORETICAL TAX CHARGE (IRAP)

| 2019 | | |
|---|--------------------|---------------------|
| Difference between value and cost of production | 6,811,388 | |
| Costs not relevant for IRAP | 48,002,936 | |
| Theoretical IRAP taxable income | 54,814,324 | |
| Theoretical tax 3.9% on theoretical IRAP taxable income | | 2,137,759 |
| Effect of changes in increase (+) / decrease (-) compared to the ordinary rate | | Effetto IRAP |
| Increase in temporary differences | 0 | 0 |
| Resorption of temporary increases | 22,538,744 | 879,011 |
| Resorption of temporary decreases | 0 | 0 |
| Permanent increases | 1,644,235 | 64,125 |
| Permanent decreases | 0 | 0 |
| Gross production value IRAP | 78,997,303 | 3,080,895 |
| IRAP deductions | -47,054,277 | -1,835,117 |
| IRAP taxable income | 31,943,026 | 1,245,778 |

NOTES TO THE FINANCIAL STATEMENTS FURTHER INFORMATION

EMPLOYMENT FIGURES

| Average number | |
|------------------------|------------|
| Executives | 4 |
| Middle managers | 12 |
| Employees | 199 |
| Workers | 597 |
| Total employees | 812 |

The following table also shows the detailed data on the number of employees as at 31 December 2019:

| Spot number at year end | |
|-------------------------|------------|
| Executives | 4 |
| Middle managers | 12 |
| Employees | 200 |
| Workers | 601 |
| Other employees | 0 |
| Total employees | 817 |

FEES, ADVANCES AND RECEIVABLES GRANTED TO DIRECTORS AND STATUTORY AUDITORS AND COMMITMENTS UNDERTAKEN ON THEIR BEHALF

| | Directors | Auditors |
|-------------|-----------|----------|
| Fees | 180,000 | 7,280 |

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 2019, is Euro 5,000, which includes the fee for the audit of the accounts.

| | Value |
|---|-------|
| Statutory audit of annual accounts | 5,000 |
| Tax consulting services | 1,000 |
| Total statutory auditor or independent auditors' fees | 6,000 |

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.

By deed dated 26/10/2018, the share capital was increased by Euro 99,900,000 as a result of the spin-off indicated in the introduction.

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 was reserved for Engie Servizi Spa.

COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES NOT REPORTED IN THE BALANCE SHEET

Dettaglio

| | 31/12/2019 | 31/12/2018 |
|--|--------------------|--------------------|
| RISKS TAKEN BY THE COMPANY | | |
| <i>Sureties</i> | | |
| - to parent companies | 273,020,000 | 181,720,000 |
| - to other companies | 12,600 | 0 |
| Total sureties | 273,032,600 | 181,720,000 |
| <i>Collateral</i> | | |
| - to parent companies | 301,748,057 | 301,748,057 |
| Total collateral | 301,748,057 | 301,748,057 |
| Total guarantees | 574,780,657 | 483,468,057 |
| COMMITMENTS ENTERED INTO BY THE COMPANY | | |
| - commitments entered into with companies subject to parent companies' control | 40,960,000 | 49,000,000 |
| - other commitments | 91,028 | 117,717 |
| Total commitments entered into by the Company | 41,051,028 | 49,117,717 |
| Total | 615,831,685 | 532,585,774 |

Collateral on corporate assets issued in the interest of parent companies refers to the special lien on plant and machinery located at the Ravenna plant to guarantee the loan stipulated in 2018 by the parent company Marcegaglia Steel spa. The maximum amount conventionally guaranteed by Marcegaglia Ravenna spa is 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 reference to point 22-quater of Art. 2427 of the Italian Civil Code, it should be noted that after 31 December 2019 and up to the date of approval of these financial statements, no events occurred in the company such as to have a material impact on the balance sheet and income statement figures shown therein.

It should, however, be pointed out that as at the date on which these financial statements are prepared, the Company is monitoring the evolution of the instability that has recently emerged in connection with the public health emergency deriving from the cases of COVID-19 contagion (the "Coronavirus"), that, during the first few weeks of 2020 initially impacted China and thereafter spread to the other countries.

At present, once the necessary assessments have been made, it is not possible to predict the evolution that this phenomenon could have, including in Italy, and, consequently, the impact it could have on the economy, given that this emergency could fall in the following months depending on the outcome of the containment measures planned by the governments and central banks of the countries affected by the spread of the virus.

However, based on the information available and also on a forecast up to the end of FY 2020, we assessed the impact of the COVID-19 emergency, considering that it does not affect the Company's (or group's) ability to continue to operate as a going concern.

In view of the above, it is believed that this emergency, which is still ongoing at present, will certainly cause a reduction in turnover in 2020, albeit with a forecast of maintaining sufficient economic margins and cash flows to meet its commitments. In this regard, the Company (or the group) will continue to monitor the evolution of the scenario in order to promptly take all appropriate actions to limit the impacts as far as possible.

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 94.96% of the share capital of the company.

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 | 31/12/2018 | 31/12/2017 |
| B) Fixed assets | 115,154,356 | 116,204,872 |
| C) Current assets | 221,863 | 71,568 |
| Total assets | 115,376,219 | 116,276,440 |
| A) Shareholders' equity | | |
| Share capital | 40,000 | 40,000 |
| Reserves | 25,188,434 | 27,176,968 |
| Profit (loss) for the year | -953,385 | -2,058,532 |
| Total Equity | 24,275,049 | 25,158,436 |
| B) Provisions for risks and charges | 6,152 | 5,965 |
| D) Payables | 91,094,984 | 91,112,005 |
| E) Accrued charges and deferred income | 34 | 34 |
| Total liabilities | 115,376,219 | 116,276,440 |

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 | 31/12/2018 | 31/12/2017 |
| A) Value of production | 145,853 | - |
| B) Production costs | 39,186 | 43,523 |
| C) Financial income and charges | 818 | 3,357 |
| D) Write-downs of financial assets | -1,050,098 | -2,017,537 |
| Income taxes for the year | 10,772 | 829 |
| Profit (loss) for the year | -953,385 | -2,058,532 |

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 2019 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 | 227,503 | Incentive tariff for energy production from renewable sources | Ravenna | MD 19/02/17-MD 05/05/11 |
| Customs and Monopolies Agency-RA | 1,010,447 | Exemption of gas excise duties | Ravenna | Legislative Decree 504/95 Art. 21 paragraph 2 lett. 13 |
| Revenue Agency - Treasury | 397,070 | Tax credit for R&D activities | Ravenna | Legislative Decree 145 of 23/12/13 Art. 3 |
| Revenue Agency - Treasury | 42,803 | Superamortisation | Ravenna | Law 208 of 28/12/15 |
| Revenue Agency - Treasury | 15,120 | Hyper-amortisation | Ravenna | Law 232 of 11/12/2016 |
| Total | 1,692,942.50 | | | |

PROPOSAL FOR THE ALLOCATION OF PROFITS OR COVERAGE OF LOSSES

We propose allocating the period profit of Euro 2,200,343.45:

- 5%, equal to Euro 110,017.17, to the legal reserve;
- the difference, equal to Euro 2,090,326.28, to partially cover losses carried forward, which amount to Euro 5,393,752.06. As a result of this allocation, losses of Euro 3,303,425.78 remain in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Final Part

Significant changes in currency exchange rates

The COVID-19 emergency, which occurred in the first months of 2020 worldwide and is still ongoing today, led to significant changes in currency exchange rates after year-end. However, the impact of these changes on the company's income statement and balance sheet is not significant, as items denominated in currencies other than the Euro are very small.

Using the exchange rates at 20.04.2020, 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

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.

Gazoldo degli Ippoliti, 30 April 2020

Chairman
of the Board of Directors
Antonio Marcegaglia





Financial Statements 2019 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, 2019, 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, 2019, 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

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SpA - CAPITALE SOCIALE DELIBERATO, SOTTOSCRITTO E VERSATO € 120.000,00 - SEDE LEGALE: VIA CERESIO, 7 - 20154 MILANO

REA MI-2076227 - COD. FISC. E P. IVA 11178891001 - ISCRIZIONE AL REGISTRO DEI REVISORI LEGALI N. 163788 CON D.M. DEL 14/07/2011 G.U. N. 57 DEL 19/07/2011

Praxity
PROFESIONE
VERBALE DI AUDIT

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, 2019, 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, 2019 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, 2019 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, 2020

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**

MARCEGAGLIA SPECIALTIES S.P.A.

BALANCE SHEET AS OF 31 DECEMBER 2019

ASSETS values in EUR

31/12/2019

31/12/2018

| A RECEIVABLES FROM SHAREHOLDERS FOR OUTSTANDING CONTRIBUTIONS | | | |
|---|---|-------------|-------------|
| 1 | not previously called | 0 | 0 |
| 2 | previously called | 0 | 0 |
| | Total receivables from shareholders for outstanding contributions A | 0 | 0 |
| B FIXED ASSETS | | | |
| I | Intangible fixed asset | | |
| 1 | Start-up and expansion costs | 9,980 | 21,957 |
| 2 | Development costs | 0 | 0 |
| 3 | Industrial patent rights and intellectual property rights | 64,386 | 48,420 |
| 4 | Concessions, licences, trademarks and similar rights | 117,250,000 | 137,350,000 |
| 5 | Goodwill | 0 | 0 |
| 6 | Fixed assets in progress and advance payments | 0 | 0 |
| 7 | Other | 0 | 0 |
| | Total intangible fixed assets (B-I) | 117,324,366 | 137,420,377 |
| II | Property, plant and equipment | | |
| 1 | Land and buildings | 112,316,535 | 115,370,236 |
| 2 | Plant and machinery | 57,761,271 | 60,211,204 |
| 3 | Industrial and commercial equipment | 3,779,226 | 4,638,164 |
| 4 | Other assets | 542,382 | 484,859 |
| 5 | Fixed assets in progress and advance payments | 9,116,205 | 9,543,289 |
| | Total property, plant and equipment (B-II) | 183,515,619 | 190,247,752 |
| III | Financial fixed assets | | |
| 1 | Equity investments in: | | |
| | - Subsidiaries | 6,759,935 | 7,474,981 |
| | - Associates | 6,250 | 6,250 |
| | - Companies subject to control of parent companies | 797 | 797 |
| | - Other companies | 5 | 5 |
| | | 6,766,987 | 7,482,033 |
| 2 | Receivables d-bis) from others | | |
| | - due after the following year | 19,215 | 349,815 |
| | | 19,215 | 349,815 |
| | Total financial assets (B-III) | 6,786,202 | 7,831,848 |
| | Total Fixed Assets B | 307,626,187 | 335,499,977 |
| C CURRENT ASSETS | | | |
| I | Inventories | | |
| 1 | Raw and ancillary materials and consumables | 225,248,934 | 180,960,869 |
| 2 | Work in progress and semi-finished products | 129,802,308 | 142,531,951 |
| 3 | Contract work in progress | 0 | 0 |
| 4 | Finished products and goods | 189,713,631 | 187,928,793 |
| 5 | Advance payments | 1,010,582 | 1,255,486 |
| | Total inventories (C-I) | 545,775,455 | 512,677,099 |
| II | Receivables | | |
| 1 | from customer | | |
| | - due within the following year | 15,475,472 | 2,679,096 |
| | - due after the following year | 0 | 0 |
| | | 15,475,472 | 2,679,096 |
| 2 | from subsidiaries | | |
| | - due within the following year | 19,543,255 | 20,865,876 |
| | - due after the following year | 0 | 0 |
| | | 19,543,255 | 20,865,876 |
| 3 | from associates | | |
| | - due within the following year | 145,142 | 276,549 |
| | - due after the following year | 0 | 0 |
| | | 145,142 | 276,549 |
| 4 | from parent companies | | |
| | - due within the following year | 13,382,780 | 22,106 |
| | - due after the following year | 0 | 0 |
| | | 13,382,780 | 22,106 |
| 5 | from companies subject to control of parent companies | | |
| | - due within the following year | 21,458,880 | 67,019,254 |
| | - due after the following year | 0 | 0 |
| | | 21,458,880 | 67,019,254 |
| 5-bis | Tax credit | | |
| | - due within the following year | 5,467,264 | 4,662,181 |
| | - due after the following year | 0 | 0 |
| | | 5,467,264 | 4,662,181 |
| 5-ter | Deferred tax assets | | |
| | | 1,557,065 | 1,470,266 |
| | | 1,557,065 | 1,470,266 |
| 5-quater | from others | | |
| | - due within the following year | 8,165,840 | 17,500,866 |
| | - due after the following year | 0 | 0 |
| | | 8,165,840 | 17,500,866 |
| | Total receivables (C-II) | 85,195,698 | 114,496,194 |

| | 31/12/2019 | 31/12/2018 |
|---|----------------------|--------------------|
| IV Cash and cash equivalents | | |
| 1 Bank and postal deposits | 62,155,224 | 2,119,389 |
| 2 Cheques | 0 | 0 |
| 3 Cash on hand and cash equivalents | 4,210 | 5,031 |
| Total cash and cash equivalents (C-IV) | 62,159,434 | 2,124,420 |
| Total Current Assets C | 693,130,587 | 629,297,713 |
| D ACCRUED INCOME AND PREPAID EXPENSES | | |
| Accrued income and prepaid expenses | 134,892 | 50,197 |
| Total Accrued income and prepaid expenses D | 134,892 | 50,197 |
| TOTAL ASSETS | 1,000,891,666 | 964,847,887 |

LIABILITIES values in EUR

| | 31/12/2019 | 31/12/2018 |
|---|----------------------|--------------------|
| A SHAREHOLDERS' EQUITY | | |
| I Share capital | 131,100,000 | 131,100,000 |
| II Share premium reserve | 2,518,961 | 2,518,961 |
| III Revaluation reserve | 0 | 0 |
| IV Legal reserve | 6,463,635 | 2,157,253 |
| VI Other reserves, represented by: | | |
| - Extraordinary reserve | 113,738,583 | 32,629,779 |
| - Reserve for unrealized exchange gains | 712,456 | 0 |
| - Difference from rounding to the unit of Euro | (2) | (4) |
| Total other reserves (VI) | 114,451,037 | 32,629,775 |
| VIII Profit/(loss) carried forward | 0 | 0 |
| IX Profit/(loss) for the year | 33,842,305 | 86,127,643 |
| Total equity A | 288,375,938 | 254,533,632 |
| B RESERVES FOR RISKS AND EXPENSES | | |
| 1 for post-retirement benefits and similar obligations | 27,391 | 21,207 |
| 2 for taxes, including deferred taxes | 61,667,713 | 69,923,902 |
| 3 other | 13,102,476 | 13,102,476 |
| Total Reserves for risks and expenses B | 74,797,580 | 83,047,585 |
| C EMPLOYEE SEVERANCE PAY | | |
| Employee severance pay C | 2,443,727 | 2,592,754 |
| D PAYABLES | | |
| 4 Payables to banks | | |
| - due within the following year | 8,743,637 | 3,554,060 |
| - due after the following year | 0 | 0 |
| | 8,743,637 | 3,554,060 |
| 6 Advance payments | | |
| - due within the following year | 419,944 | 400,000 |
| - due after the following year | 0 | 0 |
| | 419,944 | 400,000 |
| 7 Trade payables | | |
| - due within the following year | 542,363,322 | 381,795,674 |
| - due after the following year | 0 | 0 |
| | 542,363,322 | 381,795,674 |
| 9 Payables to subsidiaries | | |
| - due within the following year | 5,761,396 | 5,727,321 |
| - due after the following year | 0 | 0 |
| | 5,761,396 | 5,727,321 |
| 10 Payables to associates | | |
| - due within the following year | 8,138 | 4,038 |
| - due after the following year | 0 | 0 |
| | 8,138 | 4,038 |
| 11 Payables to parent companies | | |
| - due within the following year | 37,113,457 | 189,367,144 |
| - due after the following year | 0 | 0 |
| | 37,113,457 | 189,367,144 |
| 11-bis Payables to companies subject to control of parent companies | | |
| - due within the following year | 822,908 | 4,137,266 |
| - due after the following year | 0 | 0 |
| | 822,908 | 4,137,266 |
| 12 Tax payables | | |
| - due within the following year | 2,790,895 | 7,282,125 |
| - due after the following year | 0 | 0 |
| | 2,790,895 | 7,282,125 |
| 13 payables to welfare and social security organizations | | |
| - due within the following year | 2,355,763 | 2,275,588 |
| - due after the following year | 0 | 0 |
| | 2,355,763 | 2,275,588 |
| 14 Other payables | | |
| - due within the following year | 34,894,961 | 30,130,603 |
| - due after the following year | 0 | 0 |
| | 34,894,961 | 30,130,603 |
| Total Payables D | 635,274,421 | 624,673,819 |
| E ACCRUED EXPENSES AND DEFERRED INCOME | | |
| Accrued expenses and deferred income | 0 | 97 |
| Total Accrued expenses and deferred income E | 0 | 97 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 1,000,891,666 | 964,847,887 |

MARCEGAGLIA SPECIALTIES S.P.A.

PROFIT AND LOSS ACCOUNT AS OF 31 DECEMBER 2019

| values in EUR | | 2019 | 2018 |
|---|--|----------------------|----------------------|
| A VALUE OF PRODUCTION | | | |
| 1 | Revenues from sales and services | 1,365,071,560 | 1,205,340,289 |
| 2 | Changes in inventories of work in progress, semi-finished and finished products | (10,944,805) | 76,838,506 |
| 3 | Changes in contract work in progress | 0 | 0 |
| 4 | Increase in fixed assets for internal work | 1,180,913 | 0 |
| 5 | Other revenues and income | | |
| | - Operating grants | 1,083,464 | 55,582 |
| | - Other | 37,250,753 | 49,115,578 |
| | Total other revenues and income (5) | 38,334,217 | 49,171,160 |
| | Total Value of Production A | 1,393,641,885 | 1,331,349,955 |
| B PRODUCTION COSTS | | | |
| 6 | Raw and ancillary materials, consumables and goods | 1,181,753,729 | 1,038,483,628 |
| 7 | Services | 121,086,370 | 104,260,663 |
| 8 | Lease and rental expense | 782,794 | 5,678,880 |
| 9 | Personnel costs | | |
| | a) wages and salaries | 25,426,401 | 30,751,007 |
| | b) social security contributions | 8,431,108 | 10,088,603 |
| | c) employee severance pay | 1,786,365 | 2,205,193 |
| | d) post-retirement benefits and similar obligations | 0 | 0 |
| | e) other personnel costs | 480,739 | 240,985 |
| | Total personnel costs (9) | 36,124,613 | 43,285,788 |
| 10 | Amortisation, depreciation and write-downs | | |
| | a) amortisation of intangible assets | 20,167,867 | 20,171,178 |
| | b) depreciation of property, plant and equipment | 15,867,425 | 23,997,116 |
| | c) other write-downs of fixed assets | 462,000 | 0 |
| | d) write-downs of receiv. included in current assets and cash and cash equivalents | 192,519 | 105,438 |
| | Total amortisation, depreciation and write-downs (10) | 36,689,811 | 44,273,732 |
| 11 | Changes in the inventory of raw and ancillary mater., consumables and goods | (44,288,065) | (26,334,307) |
| 12 | Provisions for risks | 0 | 0 |
| 13 | Other provisions | 0 | 0 |
| 14 | Sundry operating costs | 2,180,295 | 1,673,894 |
| | Total Production Costs B | 1,334,329,547 | 1,211,322,278 |
| | Difference Between Value and Cost of Production A - B | 59,312,338 | 120,027,677 |
| C FINANCIAL INCOME AND EXPENSES | | | |
| 16 | Other financial income | | |
| | from receivables recorded as fixed assets: | | |
| | - from others | 0 | 0 |
| | Total financial income from receivables recorded as fixed assets (a) | 0 | 0 |
| | d) income other than the above: | | |
| | - from subsidiaries | 27,381 | 177,764 |
| | - from parent companies | 12,095 | 0 |
| | - from companies subject to the control of parent companies | 902,820 | 1,832,052 |
| | - from others | 68,337 | 37,738 |
| | Total income other than the above (d) | 1,010,633 | 2,047,554 |
| | Total other financial income (16) | 1,010,633 | 2,047,554 |
| 17 | Interests and other financial charges: | | |
| | - paid to subsidiaries | 47,817 | 73,864 |
| | - paid to parent companies | 6,371,965 | 10,738,223 |
| | - paid to companies subject to the control of parent companies | 451,545 | 30,625 |
| | - other financial expenses | 11,157,421 | 12,685,341 |
| | Total interests and other financial charges (17) | 18,028,748 | 23,528,053 |
| 17-bis | Exchange-rate gains and losses | 109,469 | (2,395,136) |
| | Total Financial Income and Expenses C | (16,908,646) | (23,875,635) |
| D VALUE ADJUSTMENTS OF FINANCIAL ASSETS | | | |
| 18 | Revaluations | | |
| | of equity investments | 0 | 14,189,526 |
| | Total revaluations (18) | 0 | 14,189,526 |
| 19 | Write-downs | | |
| | of equity investments | 715,046 | 1,766,491 |
| | Total write-downs (19) | 715,046 | 1,766,491 |
| | Total Value Adjustments of Financial Assets D | (715,046) | 12,423,035 |
| PROFIT (LOSS) BEFORE TAXES (A-B+/-C+/-D) | | | |
| | Profit (loss) before taxes (A-B+/-C+/-D) | 41,688,646 | 108,575,077 |
| 20 | Current, deferred and pre-paid income taxes for the year | | |
| | - direct taxes for the year | 17,187,778 | 32,199,877 |
| | - direct taxes for previous years | (38,449) | 0 |
| | - deferred taxes | (8,342,988) | (9,152,443) |
| | - Income (costs) from participation in tax consolidation scheme | 960,000 | 600,000 |
| | Total current, deferred and pre-paid income taxes for the year (20) | 7,846,341 | 22,447,434 |
| 21) | PROFIT (LOSS) FOR THE YEAR | 33,842,305 | 86,127,643 |

STATEMENT OF CASH FLOWS AS OF 31 DECEMBER 2019

values in EUR

31/12/2019

31/12/2018

| A CASH FLOWS FROM INCOME-GENERATING OPERATIONS (INDIRECT METHOD) | | |
|---|---------------------|----------------------|
| Profit (loss) for the year | 33,842,305 | 86,127,643 |
| Income Tax | 7,846,341 | 22,447,434 |
| Interest expenses/(income) | 17,018,115 | 21,480,499 |
| (Gains)/Losses resulting from the disposal of assets | 122,996 | (255,392) |
| 1 Profit (loss) for the year, before income taxes, interest, dividends and gains/losses from asset sales | 58,829,757 | 129,800,184 |
| Adjustments for non-cash items with no balancing entry in net working capital | | |
| - Provisions to funds | 1,793,568 | 2,212,350 |
| - Amortisation/Depreciation of fixed assets | 36,035,292 | 44,168,294 |
| - Write-downs due to permanent impairment | 462,000 | - |
| - Value adjustments of financial assets and liabilities on derivative financial instruments that do not involve cash transactions | 715,045 | (12,423,035) |
| - Other adjustments for non-cash items | (1,180,913) | - |
| Total adjustments for non-cash items with no balancing entry in working capital | 37,824,992 | 33,957,609 |
| 2 Cash flow before changes in net working capital | 96,654,749 | 163,757,793 |
| Changes in net working capital | | |
| - Decrease/(Increase) in inventories | (33,098,355) | (102,928,299) |
| - Decrease/(Increase) in trade receivables | (12,796,376) | 1,689,398 |
| - Increase/(Decrease) in trade payables | 160,567,648 | 94,645,918 |
| - Decrease/(Increase) in accrued income and prepaid expenses | (84,694) | 1,106,307 |
| - Increase/(Decrease) in accrued expenses and deferred income | (97) | (11,117) |
| - Other changes in net working capital | (129,162,281) | (107,942,155) |
| Total changes in net working capital | (14,574,155) | (113,439,948) |
| 3 Cash flow after changes in net working capital | 82,080,594 | 50,317,845 |
| Other adjustments | | |
| - Interest received/(paid) | (17,018,115) | (21,480,501) |
| - (Income taxes paid) | - | - |
| - Dividends received | - | - |
| - (Utilisation of funds) | (1,936,412) | (2,406,355) |
| - Other collections/(payments) | - | - |
| Total other adjustments | (18,954,527) | (23,886,856) |
| Cash flow from income-generating operations A | 63,126,067 | 26,430,989 |
| B CASH FLOWS FROM INVESTMENT ACTIVITIES | | |
| Property, plant and equipment | | |
| - (Investments) | (8,630,940) | (17,065,180) |
| - Divestitures | 91,567 | 683,293 |
| Intangible fixed assets | | |
| - (Investments) | (71,857) | (51,017) |
| - Divestitures | - | - |
| Financial fixed assets | | |
| - (Investments) | - | (8,319,233) |
| - Divestitures | 330,600 | - |
| 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 | (8,280,630) | (24,752,137) |
| C CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Third party resources | | |
| - Increase/(Decrease) in short-term liabilities to banks | 5,189,577 | 203,606 |
| - 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 | 5,189,577 | 203,606 |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A ± B ± C) | 60,035,014 | 1,882,458 |
| Exchange rate effect on cash and cash equivalents | - | - |
| Cash and cash equivalents at beginning of year | 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 | 180,939 | 180,939 |
| Cash and cash equivalents at year end | 62,159,434 | 2,124,420 |
| Bank and postal deposits | 62,155,224 | 2,119,389 |
| Checks | - | - |
| Cash on hand and cash equivalents | 4,210 | 5,031 |
| of which not freely usable | 11,916,817 | 2,033,893 |

NOTES TO THE FINANCIAL STATEMENTS

BACKGROUND

After the important reorganisation 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.

Basis of presentation

Financial statement preparation criteria and structure

The financial statements for the financial year ended on 31 December 2019 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 2019 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, income statement and cash flow statement, next to the amount for the year 2019, the amount for the same item for the previous year has been indicated. In order to make the items in the financial statements comparable, the balances for the previous year have been reclassified where necessary.

Classification conventions

In preparing the financial statements as of 31 December 2019, 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, associates, 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.

MEASUREMENT CRITERIA APPLIED

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 amor-

tised over a period of up to five years.

Goodwill is recognised only if it has been purchased, for up to the cost incurred.

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 impairment no longer apply, the original value 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 | Amortisation rate | Amortisation for the year |
|--|-----------------------------|-------------------|---------------------------|
| Start-up and expansion costs (B.I.1) | 59,882 | 20.00% | 11,977 |
| Licensed software (B.I.3) | 261,821 | 33.00% | 55,890 |
| Know-how (B.I.4) | 201,000,000 | 10.00% | 20,100,000 |
| Other multi-year costs (B.I.7) | 12,035 | 33.00% | 0 |

Property, plant and equipment

Property, plant and equipment 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, property, plant and equipment 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 impairment no longer apply, 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 property, plant and equipment 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 | | 0 |
| Buildings (B.II.1) | 122,013,039 | 2.5% - 3.5% - 4.17% | 4,146,822 |
| Light constructions (B.II.1) | 1,866,757 | 9.09% - 10% | 171,033 |
| Large plants and machinery (B.II.2) | 77,653,583 | 8% - 11.11% | 7,989,317 |
| Annealing furnaces (B.II.2) | 200,019 | 12% - 33.33% | 0 |
| General and specific plant assets (B.II.2) | 15,737,673 | 8% - 5% | 1,254,970 |
| Purification plants (B.II.2) | 16,960 | 10.00% | 1,696 |
| Miscellaneous equipment (B.II.3) | 11,014,612 | 15% - 25% | 1,893,641 |
| Internal handling equipment (B.II.3) | 1,162,534 | 15% - 25% | 225,891 |
| Furniture and ordinary office equipment (B.II.4) | 148,628 | 12% - 14.29% | 19,236 |
| Electronic machinery (B.II.4) | 408,356 | 20% - 33% | 26,707 |
| Motor vehicles (B.II.4) | 572,617 | 25.00% | 115,154 |
| Trucks and trailers (B.II.4) | 57,559 | 20% - 50% | 2,370 |
| Ordinary furniture and furnishings (B.II.4) | 188,113 | 10% - 12.5% - 15% | 20,588 |
| Fixed assets in progress and advance payments (B.II.5) | 9,116,205 | | 0 |

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 impairment 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.

The estimated amount of the “LIFO reserve” deriving from the measurement of steel raw materials on the basis of incremental LIFO, net of the related deferred tax, amounted to approximately 9.8 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 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 (31/12/2019). 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 valued at amortised cost are entered 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 (31/12/2019). 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.

Revenue

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;
- 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 | Concessions, licences, trademarks and similar rights | Total intangible fixed assets |
|--|------------------------------|---|--|-------------------------------|
| Amount at beginning of the year | | | | |
| Cost | 59,882 | 189,965 | 201,000,000 | 201,249,847 |
| Amortisation/depreciation (Provision for amortisation/depreciation) | 37,925 | 141,545 | 63,650,000 | 63,829,470 |
| Book value | 21,957 | 48,420 | 137,350,000 | 137,420,377 |
| Changes during the year | | | | |
| Increases for acquisitions | - | 71,856 | - | 71,856 |
| Period amortisation/depreciation | 11,977 | 55,890 | 20,100,000 | 20,167,867 |
| Total changes | (11,977) | 15,966 | (20,100,000) | (20,096,011) |
| Amount at end of the year | | | | |
| Cost | 59,882 | 261,821 | 201,000,000 | 201,321,703 |
| Amortisation/depreciation (Provision for amortisation/depreciation) | 49,902 | 197,435 | 83,750,000 | 83,997,337 |
| Book value | 9,980 | 64,386 | 117,250,000 | 117,324,366 |

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 tubes; 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 |
|------------------------------|-------------------------|--------------------------|---------------------------------|-------------------|---------------------------|
| Marcegaglia trademark | 201,000,000 | 63,650,000 | 137,350,000 | 20,100,000 | 117,250,000 |
| Total | 201,000,000 | 63,650,000 | 137,350,000 | 20,100,000 | 117,250,000 |

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 higher than the book value of the brand itself (Euro 117.25 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 capitalised development costs.

| Start-up and expansion costs | Gross amount | Accumulated amortisation | Net amount | Reason for recording | Amortisation criterion |
|-----------------------------------|---------------|--------------------------|--------------|--|---------------------------------------|
| Company organisation costs | 59,882 | 49,902 | 9,980 | Expenses with recognised long-term value | On a straight-line basis over 5 years |
| Total | 59,882 | 49,902 | 9,980 | | |

Financial charges capitalised

No financial charges on intangible fixed assets were capitalised during the year.

PROPERTY, PLANT AND EQUIPMENT

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

| | Land and buildings | Plants and machinery | Industrial and commercial equipment | Other property, plant and equipment | Assets under construction and payments on account | Total property, plant and equipment |
|---|--------------------|----------------------|-------------------------------------|-------------------------------------|---|-------------------------------------|
| Amount at beginning of the year | | | | | | |
| 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 |
| Book value | 115,370,236 | 60,211,204 | 4,638,164 | 484,859 | 9,543,289 | 190,247,752 |
| Changes during the year | | | | | | |
| Increases for acquisitions | 1,264,154 | 5,909,891 | 1,261,290 | 237,343 | 3,437,467 | 12,110,145 |
| Reclassification (of book value) | - | 1,099,611 | - | 4,650 | (1,104,261) | - |
| Decreases for sales and cancellations (of book value) | - | 213,451 | 695 | 417 | 2,298,290 | 2,512,853 |
| Period amortisation/depreciation | 4,317,855 | 9,245,984 | 2,119,533 | 184,053 | - | 15,867,425 |
| Write-downs during the year | - | - | - | - | 462,000 | 462,000 |
| Total changes | (3,053,701) | (2,449,933) | (858,938) | 57,523 | (427,084) | (6,732,133) |
| Amount at end of the year | | | | | | |
| Cost | 129,950,625 | 93,608,235 | 12,177,147 | 1,375,273 | 9,578,205 | 246,689,485 |
| Amortisation/depreciation (Provision for amortisation/depreciation) | 17,634,090 | 35,839,494 | 8,397,921 | 832,891 | - | 62,704,396 |
| Write-downs | - | 7,470 | - | - | 462,000 | 469,470 |
| Book value | 112,316,535 | 57,761,271 | 3,779,226 | 542,382 | 9,116,205 | 183,515,619 |

Value reductions to property, plant and equipment

During the year, a partial write-down was made to the off-line pneumatically tested hose control system plant located at the Forlì plant, which has not yet come into operation. The plant, placed among assets under construction, was purchased for Euro 1,540,000 in 2016 and was written down by Euro 462,000.

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 subsidiaries | Equity investments in associates | Equity inv. in companies subject to control of parent companies | Equity investments in other companies | Total equity investments |
|--|------------------------------------|----------------------------------|---|---------------------------------------|--------------------------|
| Amount at beginning of the year | | | | | |
| Cost | 41,979,300 | 6,250 | 797 | 5 | 41,986,352 |
| Write-downs | 34,504,319 | - | - | - | 34,504,319 |
| Book value | 7,474,981 | 6,250 | 797 | 5 | 7,482,033 |
| Changes during the year | | | | | |
| Write-downs during the year | 715,046 | - | - | - | 715,046 |
| Total changes | (715,046) | - | - | - | (715,046) |
| Amount at end of the year | | | | | |
| Cost | 41,979,300 | 6,250 | 797 | 5 | 41,986,352 |
| Write-downs | 35,219,365 | - | - | - | 35,219,365 |
| Book value | 6,759,935 | 6,250 | 797 | 5 | 6,766,987 |

In regard to the impairment of equity investments held in subsidiaries, it should also be noted that the value of the investment in the subsidiary Marcegaglia Turkey has been

aligned with the corresponding portion of shareholders' equity existing at 31/12/2019, thus resulting in a write-down of Euro 715,046.00 included in the line "Write-downs during the year".

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 | 349,815 | (330,600) | 19,215 | 19,215 |
| Total receivables held as fixed assets | 349,815 | (330,600) | 19,215 | 19,215 |

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 | Shareholders' equity in Euros | Share held in Euros | % share held | Book value or corresponding receivable |
|----------------------|---------------------------------------|----------------------------------|------------------|--|-------------------------------|---------------------|--------------|--|
| Outsourcing Inox srl | Gazoldo degli Ippoliti (MN) | 02315020202 | 10,000 | (3,777) | 4,885,545 | 4,885,545 | 100.00% | 1,540,471 |
| Marcegaglia Turkey | Turkey | | 12,658,020 | (329,109) | 10,230,226 | 5,219,461 | 51.02% | 5,219,461 |
| Mariven srl | Gazoldo degli Ippoliti (MN) | 02238870204 | 100,000 | 280,553 | 5,313,924 | 3,454,051 | 65.00% | 1 |
| Marcegaglia USA Inc. | United States | | 77,333,488 | 1,658,573 | (14,347,122) | (14,347,122) | 100.00% | 2 |
| Total | | | | | | | | 6,759,935 |

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 ON EQUITY INVESTMENTS IN ASSOCIATES

| Name | City (if in Italy) or foreign country | Tax code (for Italian companies) | Capital in Euros | Shareholders' 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 |
| Total | | | | | | | 6,250 |

BREAKDOWN OF RECEIVABLES HELD AS FIXED ASSETS BY GEOGRAPHICAL AREA

| Geographical area | Receivables from others held as fixed assets | Total receivables held as fixed assets |
|-------------------|--|--|
| Italy | 19,215 | 19,215 |
| Total | 19,215 | 19,215 |

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 | 19,215 | 19,215 |

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 |
| Bundy Mexico | 664 | 664 |
| Total | 797 | 797 |

BREAKDOWN OF THE VALUE OF EQUITY INVESTMENTS IN OTHER COMPANIES

| | Book value | Fair value |
|------------------|------------|------------|
| Conai Consortium | 5 | 5 |
| Total | 5 | 5 |

BREAKDOWN OF AMOUNT OF RECEIVABLES FROM OTHERS HELD AS FIXED ASSETS

| | Book value | Fair value |
|-------------------|---------------|---------------|
| Security deposits | 18,337 | 18,337 |
| Other | 878 | 878 |
| Total | 19,215 | 19,215 |

CURRENT ASSETS

INVENTORIES

| | Amount at beginning of the year | Changes during the year | Amount at end of the year |
|--|------------------------------------|----------------------------|------------------------------|
| I - Inventories | | | |
| Raw and ancillary materials and consumables | 180,960,869 | 44,288,065 | 225,248,934 |
| Work in process and semi-finished goods | 142,531,951 | (12,729,643) | 129,802,308 |
| Finished products and goods | 187,928,793 | 1,784,838 | 189,713,631 |
| Advance payments | 1,255,486 | (244,904) | 1,010,582 |
| Total inventories | 512,677,099 | 33,098,356 | 545,775,455 |

Details of provisions for inventory write-downs

| | Valore lordo | Fondo svalutazione | Valore netto |
|---|--------------------|--------------------|--------------------|
| Raw and ancillary materials and consumables | 225,557,379 | 308,445 | 225,248,934 |
| Work in process and semi-finished goods | 129,802,308 | 0 | 129,802,308 |
| Contract work in progress | 0 | 0 | 0 |
| Finished products and goods | 189,713,631 | 0 | 189,713,631 |
| Other non-instrumental inventories | 0 | 0 | 0 |
| Advance payments | 1,010,582 | 0 | 1,010,582 |
| Total | 546,083,900 | 308,445 | 545,775,455 |

The write-down provision set aside in 2019 refers to inventories of miscellaneous materials and in particular to spare parts for slow-moving and obsolete plant and machinery.

RECEIVABLES RECORDED IN CURRENT ASSETS

CHANGES AND MATURITY OF RECEIVABLES RECORDED IN CURRENT ASSETS

| Current assets | Valore di inizio esercizio | Variazione nell'esercizio | Valore di fine esercizio | Quota scadente entro l'esercizio |
|--|-------------------------------|------------------------------|-----------------------------|-------------------------------------|
| Receivables from customers recorded in current assets | 2,679,096 | 12,796,376 | 15,475,472 | 15,475,472 |
| Receivables from subsidiaries recorded in current assets | 20,865,876 | (1,322,621) | 19,543,255 | 19,543,255 |
| Receivables from associates recorded in current assets | 276,549 | (131,407) | 145,142 | 145,142 |
| Receivables from parent companies recorded in current assets | 22,106 | 13,360,674 | 13,382,780 | 13,382,780 |
| Receivables from companies subject to control of parent companies recorded in current assets | 67,019,254 | (45,560,374) | 21,458,880 | 21,458,880 |
| Tax credits recorded in current assets | 4,662,181 | 805,083 | 5,467,264 | 5,467,264 |
| Deferred tax assets recorded in current assets | 1,470,266 | 86,799 | 1,557,065 | |
| Receivables from others recorded in current assets | 17,500,866 | (9,335,026) | 8,165,840 | 8,165,840 |
| Total receivables recorded in current assets | 114,496,194 | (29,300,496) | 85,195,698 | 83,638,633 |

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 | 583,669 | 3,145 | 192,519 | 773,043 |
| Provision for doubtful debt from subsidiaries | 18,072,862 | 220,344 | 0 | 17,852,518 |
| Provision for doubtful debt from associates | 0 | 0 | 0 | 0 |
| Provision for doubtful debt from parent companies | 0 | 0 | 0 | 0 |
| Provision for doubtful debt from companies subject to control of parent companies | 103,810 | 103,810 | 0 | 0 |
| Provision for doubtful tax credits | 0 | 0 | 0 | 0 |
| Provision for doubtful debt from others | 0 | 0 | 0 | 0 |
| Total provision for doubtful debt | 18,760,341 | 327,299 | 192,519 | 18,625,561 |

Utilisations of the provision for doubtful debt due from subsidiaries refer to the adjustment of the balance of the provision itself due to a collection received from Marcegaglia USA for Euro 220,344, relating to receivables previously written down. As a counter-entry, the contingent assets account, recorded under item A 5) of the income statement, was used.

Therefore, at 31.12.2019, the provision amounted to Euro 17,852,518, comprising Euro 12,852,518.00 referring to the subsidiary Marcegaglia USA and Euro 5 million to the subsidiary Mariven srl.

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 |
|--|---------------------------------------|-------------------------------|---------------------------------|-----------------------------------|
| Receivables from factoring companies | 5,974,346 | 681,894 | 6,656,240 | 6,656,240 |
| Advances to suppliers | 1,192,371 | 41,456 | 1,233,827 | 1,233,827 |
| Social security receivables | 432,538 | -158,180 | 274,358 | 274,358 |
| Advances to employees | 5,295 | -4,395 | 900 | 900 |
| Receivables from credit institutions for customer collections | 747 | -747 | - | - |
| Other receivables | 9,895,569 | -9,895,054 | 515 | 515 |
| Total receivables from others | 17,500,866 | -9,335,026 | 8,165,840 | 8,165,840 |

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 |
|--|---------------------------------------|-------------------------------|---------------------------------|-----------------------------------|
| Eletca S.r.l. | 16,713 | 37,776 | 54,489 | 54,489 |
| Oskar S.r.l. | 73,863 | 7,554 | 81,417 | 81,417 |
| Made HSE S.r.l. | 0 | -3,671 | -3,671 | -3,671 |
| Marcegaglia UK | 558,237 | -260,723 | 297,514 | 297,514 |
| Sc. Marcegaglia Romania srl | 119,673 | 805 | 120,478 | 120,478 |
| Marcegaglia Do Brasil limitada | 1,267,149 | 582,292 | 1,849,441 | 1,849,441 |
| Marcegaglia China | 1 | -1 | 0 | 0 |
| Marcegaglia Investments | 2,146 | 0 | 2,146 | 2,146 |
| Albarella srl | 46,920,668 | -45,887,694 | 1,032,974 | 1,032,974 |
| Pugnochiuso | 0 | 79,241 | 79,241 | 79,241 |
| Marcegaglia Poland z.o.o. | 946,067 | -3,705 | 942,362 | 942,362 |
| Marcegaglia Buildtech srl | 1,103,803 | 1,078,399 | 2,182,202 | 2,182,202 |
| Imat spa | 929,998 | 157,731 | 1,087,729 | 1,087,729 |
| Marcegaglia Ravenna | 0 | 8,751 | 8,751 | 8,751 |
| Marcegaglia Gazoldo Inox | 12,627 | -10,351 | 2,276 | 2,276 |
| Marcegaglia Mexico | 0 | 201,488 | 201,488 | 201,488 |
| Marcegaglia Colombia | 0 | 42,969 | 42,969 | 42,969 |
| Marcegaglia Palini e Bertoli | 0 | 65,218 | 65,218 | 65,218 |
| Marcegaglia Novero | 103,658 | 178,317 | 281,975 | 281,975 |
| Marcegaglia Carbon Steel spa | 14,050,953 | -1,695,546 | 12,355,407 | 12,355,407 |
| Marcegaglia Plates spa | 913,698 | -139,224 | 774,474 | 774,474 |
| Total receivables from companies subject to control of parent companies | 67,019,254 | -45,560,374 | 21,458,880 | 21,458,880 |

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 | 10,076,445 | 844,019 | 3,989,369 | - | 565,639 | 15,475,472 |
| Receivables due from subsidiaries recorded in current assets | 14,716,545 | - | 844,376 | 599,525 | 3,382,809 | 19,543,255 |
| Receivables from associates recorded in current assets | 145,142 | - | - | - | - | 145,142 |
| Receivables from parent companies recorded in current assets | 13,382,780 | - | - | - | - | 13,382,780 |
| Receivables from companies subject to control of parent companies recorded in current assets | 18,013,896 | - | 1,340,579 | 2,104,405 | - | 21,458,880 |
| Tax credits recorded in current assets | 5,466,418 | 34 | 812 | - | - | 5,467,264 |
| Deferred tax assets recorded in current assets | 1,557,065 | - | - | - | - | 1,557,065 |
| Receivables from others recorded in current assets | 7,105,066 | 31,469 | 1,029,305 | - | - | 8,165,840 |
| Total receivables recorded in current assets | 70,463,357 | 875,522 | 7,204,441 | 2,703,930 | 3,948,448 | 85,195,698 |

CASH AND CASH EQUIVALENTS

| | Amount at beginning of the year | Changes during the year | Amount at end of the year |
|--|------------------------------------|----------------------------|------------------------------|
| Bank and postal deposits | 2,119,389 | 60,035,835 | 62,155,224 |
| Cash and securities | 5,031 | (821) | 4,210 |
| Total cash and cash equivalents | 2,124,420 | 60,035,014 | 62,159,434 |

ACCRUED INCOME AND PREPAID EXPENSES

| | Amount at beginning of the year | Changes during the year | Amount at end of the year |
|--|------------------------------------|----------------------------|------------------------------|
| Prepaid expenses | 50,197 | 84,695 | 134,892 |
| Total accrued income and prepaid expenses | 50,197 | 84,695 | 134,892 |

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 |
|--|------------------------------------|----------------------------|------------------------------|
| Advertising expenses | 26,667 | -26,667 | 0 |
| Machinery maintenance | 8,001 | -1,015 | 6,986 |
| Stamps, taxes and duties | 7,658 | -3,859 | 3,799 |
| Leases | 2,878 | -622 | 2,256 |
| Subscriptions to newspapers and magazines | 0 | 9,849 | 9,849 |
| Interest expense | 0 | 107,444 | 107,444 |
| Other | 4,993 | -435 | 4,558 |
| Total prepaid expenses | 50,197 | 84,695 | 134,892 |

NOTES TO THE FINANCIAL STATEMENTS – LIABILITIES AND SHAREHOLDERS' EQUITY

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 | 131,100,000 | - | - | | 131,100,000 |
| Share premium reserve | 2,518,961 | - | - | | 2,518,961 |
| Legal reserve | 2,157,253 | 4,306,382 | - | | 6,463,635 |
| Other reserves | | | | | |
| Extraordinary reserve | 32,629,779 | 81,108,804 | - | | 113,738,583 |
| Reserve for unrealised exchange gains | 0 | 712,456 | - | | 712,456 |
| Sundry other reserves | (4) | - | (2) | | (2) |
| Total other reserves | 32,629,775 | 81,821,260 | (2) | | 114,451,037 |
| Profit (loss) for the year | 86,127,643 | (86,127,643) | - | 33,842,305 | 33,842,305 |
| Total Equity | 254,533,632 | (1) | (2) | 33,842,305 | 288,375,938 |

BREAKDOWN OF SUNDRY OTHER RESERVES

| Description | Amount |
|---------------------|------------|
| Rounding difference | (2) |
| Total | (2) |

AVAILABILITY AND USE OF SHAREHOLDERS' EQUITY

| | Amount | Origin/nature | Possible use | Available portion |
|---------------------------------------|--------------------|---------------------------------|-----------------|----------------------|
| Share capital | 131,100,000 | contribution of shareholders | | - |
| Share premium reserve | 2,518,961 | conferment of branch | A-B-C | 2,518,961 |
| Legal reserve | 6,463,635 | previous years' profits | A-B-C | 113,738,583 |
| Other reserves | | | | |
| Extraordinary reserve | 113,738,583 | previous years' profits | A-B-C | 113,738,583 |
| Reserve for unrealised exchange gains | 712,456 | | B | - |
| Sundry other reserves | (2) | | | - |
| Total other reserves | 114,451,037 | | | 113,738,583 |
| total | 254,533,633 | | | 116,257,544 |
| Non-distributable portion | | | | 2,518,961 |
| Residual distributable portion | | | | 113,738,583 |

Key: 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 difference | (2) | Rounding off |
| Total | (2) | |

Key: A capital increase - B loss cover - C distribution to shareholders

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 | 21,207 | 69,923,902 | 13,102,476 | 83,047,585 |
| Changes during the year | | | | |
| Provisions for the year | 7,203 | 166,038 | - | 173,241 |
| Usage for the year | 1,019 | 8,422,227 | - | 8,423,246 |
| Total changes | 6,184 | (8,256,189) | - | (8,250,005) |
| Amount at end of the year | 27,391 | 61,667,713 | 13,102,476 | 74,797,580 |

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 bargaining 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 | 18,406 | - | 6,005 | - | 24,411 |
| Indemnity provision for termination of agency agreement | 2,801 | 1,019 | 1,198 | - | 2,980 |
| Total | 21,207 | 1,019 | 7,203 | - | 27,391 |

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 | 69,923,902 | 8,422,227 | 166,038 | - | 61,667,713 |
| Total | 69,923,902 | 8,422,227 | 166,038 | - | 61,667,713 |

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 property, plant and equipment 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 2019, 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 8,300,013.00.

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 | 13,102,476 | 0 | | 0 | 13,102,476 |
| Total | 13,102,476 | 0 | 0 | 0 | 13,102,476 |

EMPLOYEE SEVERANCE PAY

The following table shows the changes in the provision for employee severance indemnities in relation to the 2019 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 | 2,592,754 |
| Changes during the year | |
| Provisions for the year | 1,786,365 |
| Usage for the year | 1,935,392 |
| Total changes | (149,027) |
| Amount at end of the year | 2,443,727 |

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 | Total uses |
|---|---|--|--|------------|
| 194,266 | 674,957 | 948,097 | 118,072 | 1,935,392 |

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 | 3,554,060 | 5,189,577 | 8,743,637 | 8,743,637 |
| Advance payments | 400,000 | 19,944 | 419,944 | 419,944 |
| Trade payables | 381,795,674 | 160,567,648 | 542,363,322 | 542,363,322 |
| Payables to subsidiaries | 5,727,321 | 34,075 | 5,761,396 | 5,761,396 |
| Payables to associates | 4,038 | 4,100 | 8,138 | 8,138 |
| Payables to parent companies | 189,367,144 | (152,253,687) | 37,113,457 | 37,113,457 |
| Payables to companies subject to control of parent companies | 4,137,266 | (3,314,358) | 822,908 | 822,908 |
| Tax payables | 7,282,125 | (4,491,230) | 2,790,895 | 2,790,895 |
| Payables to welfare and social security organisations | 2,275,588 | 80,175 | 2,355,763 | 2,355,763 |
| Other payables | 30,130,603 | 4,764,358 | 34,894,961 | 34,894,961 |
| Total payables | 624,673,819 | 10,600,602 | 635,274,421 | 635,274,421 |

The item “Other payables” is made up as follows:

| | 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 | 25,389,598 | 5,646,748 | 31,036,346 | 31,036,346 |
| Payables to staff | 3,206,390 | 264,683 | 3,471,073 | 3,471,073 |
| Other payables | 1,534,615 | -1,147,073 | 387,542 | 387,542 |
| Total other payables | 30,130,603 | 4,764,358 | 34,894,961 | 34,894,961 |

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 | 238,529 | -148,912 | 89,617 | 89,617 |
| Made HSE srl | 129,242 | -41,893 | 87,349 | 87,349 |
| Marcegaglia Poland z.o.o. | 24,436 | -1,966 | 22,470 | 22,470 |
| Marcegaglia Buildtech srl | 57,015 | -15,015 | 42,000 | 42,000 |
| Marcegaglia Romania srl | 10,263 | -861 | 9,402 | 9,402 |
| Marcegaglia Deutschland gmbh | 19,640 | 5,925 | 25,565 | 25,565 |
| Imat spa | 12,557 | 188 | 12,745 | 12,745 |
| Marcegaglia Carbon Steel spa | 3,245,564 | 837,061 | 4,082,625 | 4,082,625 |
| Marcegaglia Plates spa | 174,406 | 38,423 | 212,829 | 212,829 |
| Marcegaglia France sarl | 2,414 | -113 | 2,301 | 2,301 |
| Marcegaglia Iberica sa | 9,528 | -5,823 | 3,705 | 3,705 |
| Marcegaglia India PVT. Ltd. | 712 | -1,457 | -745 | -745 |
| Dalmine LS | 3,905 | -3,905 | 0 | 0 |
| Marcegaglia Ravenna spa | 140,263 | 202,192 | 342,455 | 342,455 |
| Marcegaglia Gazoldo Inox spa | 28,959 | -4,281,335 | -4,252,376 | -4,252,376 |
| Abaco Servizi srl | 39,547 | 28,630 | 68,177 | 68,177 |
| Marcegaglia do Brasil | 286 | -286 | 0 | 0 |
| Albarella | 0 | 74,789 | 74,789 | 74,789 |
| Totale debiti verso imprese sottoposte al controllo delle controllanti | 4,137,266 | -3,314,358 | 822,908 | 822,908 |

BREAKDOWN OF PAYABLES BY GEOGRAPHICAL AREA

| | Italy | UE | Other Europe | Africa Middle East | Asia Oceania | Total |
|--|--------------------|-------------------|--------------------|-----------------------|-------------------|--------------------|
| Payables to banks | 8,743,637 | - | - | - | - | 8,743,637 |
| Advance payments | 19,944 | - | 400,000 | - | - | 419,944 |
| Trade payables | 217,836,968 | 59,508,165 | 249,865,765 | 790,443 | 14,361,981 | 542,363,322 |
| Payables to subsidiaries | 5,013,544 | - | - | 747,852 | - | 5,761,396 |
| Payables to associates | 8,138 | - | - | - | - | 8,138 |
| Payables to parent companies | 37,113,457 | - | - | - | - | 37,113,457 |
| Payables to companies subject to control of parent companies | 774,873 | 25,565 | 22,470 | - | - | 822,908 |
| Tax payables | 1,589,184 | 12,755 | 1,188,956 | - | - | 2,790,895 |
| Payables to welfare and social security organisations | 2,355,763 | - | - | - | - | 2,355,763 |
| Other payables | 34,894,961 | - | - | - | - | 34,894,961 |
| Payables | 308,350,469 | 59,546,485 | 251,477,191 | 1,538,295 | 14,361,981 | 635,274,421 |

DEBT SECURED BY COMPANY ASSETS

| | Debt secured by collateral | | Unsecured debt | Total |
|--|----------------------------|----------------------------------|--------------------|--------------------|
| | Debt secured by liens | Total debt secured by collateral | | |
| Payables to banks | 8,738,126 | 8,738,126 | 5,511 | 8,743,637 |
| Advance payments | - | - | 419,944 | 419,944 |
| Trade payables | - | - | 542,363,322 | 542,363,322 |
| Payables to subsidiaries | - | - | 5,761,396 | 5,761,396 |
| Payables to associates | - | - | 8,138 | 8,138 |
| Payables to parent companies | - | - | 37,113,457 | 37,113,457 |
| Payables to companies subject to control of parent companies | - | - | 822,908 | 822,908 |
| Tax payables | - | - | 2,790,895 | 2,790,895 |
| Payables to welfare and social security organisations | - | - | 2,355,763 | 2,355,763 |
| Other payables | - | - | 34,894,961 | 34,894,961 |
| Total payables | 8,738,126 | 8,738,126 | 626,536,295 | 635,274,421 |

It should be noted that in relation to securitisation transactions of trade receivables without notification, the company has established a pledge in favour of the securitisers on the amounts that are held on special current accounts.

ACCRUED EXPENSES AND DEFERRED INCOME

| | Amount at beginning of the year | Changes during the year | Amount at end of the year |
|---|---------------------------------|-------------------------|---------------------------|
| Accrued expenses | 97 | (97) | - |
| Total accrued expenses and deferred income | 97 | (97) | - |





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 | 142,566,818 |
| Stainless steel products | 1,092,246,253 |
| Other steel products | 130,258,489 |
| Total | 1,365,071,560 |

BREAKDOWN OF INCOME FROM SALES AND SERVICES BY GEOGRAPHICAL AREA

| | Current value |
|--------------------|----------------------|
| Italy | 392,570,422 |
| EU | 917,079,246 |
| Other Europe | 46,002,141 |
| North America | 1,015,466 |
| Middle East | 992,391 |
| Far East - Oceania | 1,392,079 |
| Africa | 6,019,815 |
| Total | 1,365,071,560 |

FINANCIAL INCOME AND EXPENSES

Breakdown of interest and other financial charges by type of payable

| | Interest and other financial charges |
|-------------------|--------------------------------------|
| Payables to banks | 277,168 |
| Other | 10,880,253 |
| Total | 11,157,421 |

During 2019, no financial charges were capitalised.

Detail of item “Other”

| | Other |
|--|-------------------|
| Interest due to banks and factoring entities | 5,368,490 |
| Other interest and financial charges | 5,511,763 |
| Total other financial charges | 10,880,253 |

VALUE ADJUSTMENTS OF FINANCIAL ASSETS AND LIABILITIES

Detail of revaluations and write-downs

| | Write-backs | Write-downs |
|---|-------------|----------------|
| Marcegaglia Turkey | - | 715,046 |
| of equity investments recorded as financial fixed assets | - | 715,046 |

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”.

CURRENT, DEFERRED AND PREPAID INCOME TAXES FOR THE YEAR

The deferred taxes recorded in the financial statements as at 31.12.2019 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 |
|--|-------------|-------------|
| A) Temporary differences | | |
| Total deductible temporary differences | 5,731,040 | 4,656,816 |
| Total taxable temporary differences | 221,815,471 | 216,205,043 |
| Net temporary differences | 216,084,431 | 211,548,227 |
| B) Tax effects | | |
| Opening provision for deferred (prepaid) tax | 59,009,523 | 9,444,112 |
| Period deferred (prepaid) tax | (7,149,260) | (1,193,731) |
| Closing provision for deferred (prepaid) tax | 51,860,263 | 8,250,381 |

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 | 941,525 | 131,138 | 1,072,663 | 24.00% | 257,439 | - | - |
| Write-down of inventories | 4,403,501 | (212,697) | 4,190,804 | 24.00% | 1,005,793 | 3.90% | 163,441 |
| Write-down of assets from conferment (IRES) | 547 | (298) | 249 | 24.00% | 60 | - | - |
| Write-down of assets from contribution (IRAP) | 4,842 | (830) | 4,012 | - | - | 3.90% | 156 |
| Impairment of property, plant and equipment | - | 462,000 | 462,000 | 24.00% | 110,880 | 3.90% | 18,018 |
| Membership fees | 64,178 | (58,854) | 5,324 | 24.00% | 1,278 | - | - |

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) | 250,773,533 | (29,649,886) | 221,123,647 | 24.00% | 53,069,675 | - | - |
| Exchange-rate gains from valuation | 509,230 | 182,594 | 691,824 | 24.00% | 166,038 | - | - |
| Write-back of assets from contribution (IRAP) | 246,565,042 | (30,359,999) | 216,205,043 | - | - | 3.90% | 8,431,997 |

ESTIMATED RECOVERY OF DEFERRED AND PREPAID TAXES

| Description | Year 2020 | Year 2021 | Year 2022 | Year 2023 | Beyond year 2023 or unforeseeable | Total |
|---|------------------|------------------|------------------|------------------|-----------------------------------|-------------------|
| A) Taxable temporary differences | | | | | | |
| <i>Ires</i> | | | | | | |
| Write-back of assets from contribution | 28,845,468 | 29,047,657 | 29,529,872 | 30,186,161 | 103,514,488 | 221,123,647 |
| Exchange-rate gains from valuation | 691,824 | | | | | 691,824 |
| <i>total</i> | 29,537,292 | 29,047,657 | 29,529,872 | 30,186,161 | 103,514,488 | 221,815,471 |
| <i>Irap</i> | | | | | | |
| Write-back of assets from contribution | 29,430,972 | 29,430,142 | 29,428,697 | 29,420,563 | 98,494,670 | 216,205,044 |
| <i>total</i> | 29,430,972 | 29,430,142 | 29,428,697 | 29,420,563 | 98,494,670 | 216,205,044 |
| Total deferred tax | 8,236,758 | 8,119,214 | 8,234,888 | 8,392,081 | 28,684,769 | 61,667,710 |
| B) Deductible temporary differences | | | | | | |
| <i>Ires</i> | | | | | | |
| Exchange-rate losses from valuation | 1,072,663 | | | | | 1,072,663 |
| Write-down of assets from contribution | 249 | | | | | 249 |
| Write-down of inventories | | | | | 4,190,804 | 4,190,804 |
| membership fees | 5,324 | | | | | 5,324 |
| impairment of property, plant and equipment | | | | | 462,000 | 462,000 |
| Tax losses | | | | | | 0 |
| <i>total</i> | 1,078,236 | 0 | 0 | 0 | 4,652,804 | 5,731,039 |
| <i>Irap</i> | | | | | | |
| Write-down of assets from contribution | | | | | 4,012 | 4,012 |
| Write-down of inventories of raw materials | | | | | 4,190,804 | 4,190,804 |
| impairment of property, plant and equipment | | | | | 462,000 | 462,000 |
| <i>total</i> | 0 | 0 | 0 | 0 | 4,656,816 | 4,656,816 |
| Total prepaid tax | 258,777 | 0 | 0 | 0 | 1,298,289 | 1,557,066 |

RECONCILIATION BETWEEN THE EFFECTIVE TAX CHARGE AND THE THEORETICAL TAX CHARGE (IRES)

| 2019 | | |
|---|-------------------|--------------------|
| Statutory Profit (+) / Loss (-) for the year before tax | 41,688,646 | |
| Theoretical tax 24% on statutory profit before tax | | 10,005,275 |
| Effect of changes in increase (+) / decrease (-) compared to the ordinary rate | | IRES effect |
| Increase in temporary differences | 1,534,663 | 368,319 |
| Decrease in temporary differences | -691,824 | -166,038 |
| Resorption of temporary decreases | -1,096,106 | -263,065 |
| Resorption of temporary increases | 30,164,142 | 7,239,394 |
| Permanent increases | 2,582,149 | 619,716 |
| Permanent decreases | -15,855,960 | -3,805,430 |
| Total increases and decreases | 16,637,064 | 3,992,896 |
| Previous years' tax losses that can be carried forward | 0 | 0 |
| Period fiscal profit | 58,325,710 | 13,998,171 |

RECONCILIATION BETWEEN THE EFFECTIVE TAX CHARGE AND THE THEORETICAL TAX CHARGE (IRAP)

| 2019 | | |
|---|--------------------|--------------------|
| Difference between value and cost of production | 59,312,337 | |
| Costs not relevant for IRAP | 36,779,131 | |
| Theoretical IRAP taxable income | 96,091,468 | |
| Theoretical tax 3.9% on theoretical IRAP taxable income | | 3,747,567 |
| Effect of changes in increase (+) / decrease (-) compared to the ordinary rate | | IRAP effect |
| Increase in temporary differences | 0 | 0 |
| Resorption of temporary increases | 30,821,170 | 1,202,026 |
| Resorption of temporary decreases | -433,041 | -16,889 |
| Permanent increases | 2,170,414 | 84,646 |
| Permanent decreases | -13,590,247 | -530,020 |
| Gross production value IRAP | 115,059,764 | 4,487,330 |
| IRAP deductions | -33,274,930 | -1,297,722 |
| IRAP taxable income | 81,784,834 | 3,189,608 |

Information on the national consolidated tax return

The option to adopt the consolidated tax regime on a national basis was renewed in November 2019 by the company Marcegaglia Holding S.p.A. using the 2019 Tax Return and is valid for the three-year period 2019/2020/2021.

For 2019, the option involved the transfer to the consolidating company of taxable income for IRES purposes of Euro 58,325,709, corresponding to a theoretical IRES of Euro 13,998,170, 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 8,000,000, which resulted in the recognition by the consolidating company of a gain of Euro 960,000, recorded in item 20 of the Income Statement.

NOTES TO THE FINANCIAL STATEMENTS – FURTHER INFORMATION

EMPLOYMENT FIGURES

| | Average number |
|------------------------|----------------|
| Executives | 4 |
| Middle managers | 7 |
| Employees | 111 |
| Workers | 507 |
| Total employees | 629 |

The following is the number of employees on the workforce at 31.12.2019:

| | Spot number at year end |
|------------------------|-------------------------|
| Executives | 4 |
| Middle managers | 6 |
| Employees | 115 |
| Workers | 504 |
| Other employees | - |
| Total employees | 629 |

FEES, ADVANCES AND RECEIVABLES GRANTED TO DIRECTORS AND STATUTORY AUDITORS AND COMMITMENTS UNDERTAKEN ON THEIR BEHALF

| | Directors | Auditors |
|------|-----------|----------|
| Fees | 1,020,000 | 43,680 |

STATUTORY AUDITOR OR INDEPENDENT AUDITORS' FEES

| | Value |
|--|---------------|
| Statutory audit of annual accounts | 51,408 |
| Other auditing services performed | 14,676 |
| Tax consulting services | 1,500 |
| Total statutory auditor or independent auditors' fees | 67,584 |

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 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 131,100,000.00, divided into 131,100,000 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 | 131,100,000 | 131,100,000 | 131,100,000 | 131,100,000 |
| Total | 131,100,000 | 131,100,000 | 131,100,000 | 131,100,000 |

COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES NOT REPORTED IN THE BALANCE SHEET

| | Amount |
|----------------------------|--------------------|
| Commitments | 152,283 |
| Guarantees | 1,486,182,227 |
| of which collateral | 134,722,585 |

The table below provides details on existing commitments and guarantees at 31.12.2019.

| | 31/12/2019 | 31/12/2018 |
|--|----------------------|----------------------|
| RISKS TAKEN BY THE COMPANY | | |
| SURETIES | | |
| - to subsidiaries | 8,593,288 | 9,456,790 |
| - to associates | 500,000 | 500,000 |
| - to parent companies | 1,341,784,538 | 1,181,862,286 |
| - to other companies | 581,816 | 1,964,578 |
| Total sureties | 1,351,459,642 | 1,193,783,654 |
| COLLATERAL | | |
| - to parent companies | 134,722,585 | 134,722,585 |
| Total collateral | 134,722,585 | 134,722,585 |
| Total guarantees | 1,486,182,227 | 1,328,506,239 |
| COMMITMENTS ENTERED INTO BY THE COMPANY | | |
| - other commitments | 152,283 | 86,530 |
| Total commitments entered into by the Company | 152,283 | 86,530 |
| Total | 1,486,334,510 | 1,328,592,769 |

Collateral issued in the interest of parent companies refers to mortgages registered on properties at the Casalmaggiore (CR), Ravenna, Lomagna (MN), Gazoldo degli Ippoliti (MN), Contino di Volta Mantovana (MN) and Forlì/Forlimpopoli plants to guarantee a pooled bank loan stipulated in 2018 by the parent company Marcegaglia

Steel spa. The maximum amount conventionally guaranteed by the company is Euro 134,722,585. As a guarantee for the pooled bank loan, a special lien has been established on the movable assets present at the same establishments; the maximum amount conventionally guaranteed by the pool is 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 characterised 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

With reference to point 22-quater of Art. 2427 of the Italian Civil Code, it should be noted that after 31 December 2019 and up to the date of approval of these financial statements, no events occurred in the company such as to have a material impact on the balance sheet and income statement figures shown therein.

It should, however, be pointed out that as at the date on which these financial statements are prepared, the Company is monitoring the evolution of the instability that has recently emerged in connection with the public health emergency deriving from the cases of COVID-19 contagion (the "Coronavirus"), that, during the first few weeks of 2020 initially impacted China and thereafter spread to the other countries.

At present, once the necessary assessments have been made, it is not possible to predict the evolution that this pheno-

menon could have, including in Italy, and, consequently, the impact it could have on the economy, given that this emergency could fall in the following months depending on the outcome of the containment measures planned by the governments and central banks of the countries affected by the spread of the virus.

However, based on the information available and also on a forecast up to the end of FY 2020, we assessed the impact of the COVID-19 emergency, considering that it does not affect the Company's (or group's) ability to continue to operate as a going concern. In view of the above, it is believed that this emergency, which is still ongoing at present, will certainly cause a reduction in turnover in 2020, albeit with a forecast of maintaining sufficient economic margins and cash flows to meet its commitments. In this regard, the Company (or the group) will continue to monitor the evolution of the scenario in order to promptly take all appropriate actions to limit the impacts as far as possible.

COMPANIES DRAFTING THE FINANCIAL STATEMENTS OF THE LARGER/ SMALLER BUSINESSES OF WHICH THEY ARE A PART, AS A SUBSIDIARY/ PICCOLO DI IMPRESE DI CUI SI FA PARTE IN QUANTO CONTROLLATA

| | 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 31/12/2018.

SUMMARY STATEMENT OF THE BALANCE SHEET OF THE COMPANY THAT EXERCISES MANAGEMENT AND COORDINATION ACTIVITIES

| Date of last approved financial statements | Last 31/12/2018 | 31/12/2017 |
|--|--------------------|--------------------|
| B) Fixed assets | 115,154,356 | 116,204,872 |
| C) Current assets | 221,863 | 71,568 |
| Total assets | 115,376,219 | 116,276,440 |
| A) Shareholders' equity | | |
| Share capital | 40,000 | 40,000 |
| Reserves | 25,188,434 | 27,176,968 |
| Profit (loss) for the year | -953,385 | -2,058,532 |
| Total Equity | 24,275,049 | 25,158,436 |
| B) Provisions for risks and charges | 6,152 | 5,965 |
| D) Payables | 91,094,984 | 91,112,005 |
| E) Accrued charges and deferred income | 34 | 34 |
| Total liabilities | 115,376,219 | 116,276,440 |

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 | 31/12/2018 | 31/12/2017 |
| A) Value of production | 145,853 | - |
| B) Production costs | 39,186 | 43,523 |
| C) Financial income and charges | 818 | 3,357 |
| D) Write-downs of financial assets | -1,050,098 | -2,017,537 |
| Income taxes for the year | 10,772 | 829 |
| Profit (loss) for the year | -953,385 | -2,058,532 |

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 2019 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 | 30,392 | Exemption from excise duties on electricity | Volta Mantovana | Legislative Decree 504/95 Art. 52 paragraph 4 lett. e |
| Revenue Agency - Treasury | 4,181,908 | Income tax deduction for indirect use patent box | Volta Mantovana Gazoldo degli Ippoliti | Law 190/2014 |
| Revenue Agency - Treasury | 268,240 | Superamortisation | Various | Law 208 of 28/12/15 |
| Revenue Agency - Treasury | 67,653 | Tax credit for R&D activities | Gazoldo degli Ippoliti Volta Mantovana Forlì | Legislative Decree 145 of 23/12/13 Art. 3 |
| European Commission | 193,421 | ACE Pick - Alternating current electrolytic pickling | Gazoldo degli Ippoliti | RFCS (contract RFSP-CT-2014-13) |
| Total | 4,741,614 | | | |

Proposal for the allocation of profits or coverage of losses

The year closed with a net profit of Euro 33,842,304.70, which it is proposed to allocate as follows:

- Euro 1,692,115.24 (equal to 5% of net income) to the legal reserve;
- Euro 32,150,189.46 to the extraordinary reserve.

It is also proposed to reclassify to the extraordinary reserve, for an amount of Euro 660,999.34, the existing foreign exchange valuation reserve created in accordance with Art. 2426 paragraph 8bis of the Italian Civil Code when allocating the 2018 result for Euro 712,456.27, which will therefore be reduced to Euro 51,456.93.

NOTES TO THE FINANCIAL STATEMENTS

Final Part

Significant changes in currency exchange rates

The COVID-19 emergency, which occurred in the first months of 2020 worldwide and is still ongoing today, led to significant changes in currency exchange rates after year-end. Using the exchange rates at 20.04.2020, in fact, 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 431,000.

Fixed assets acquired before 17 April 1991 (Article 45, paragraph 2, of Legislative Decree no. 127 of 9 April 1991)

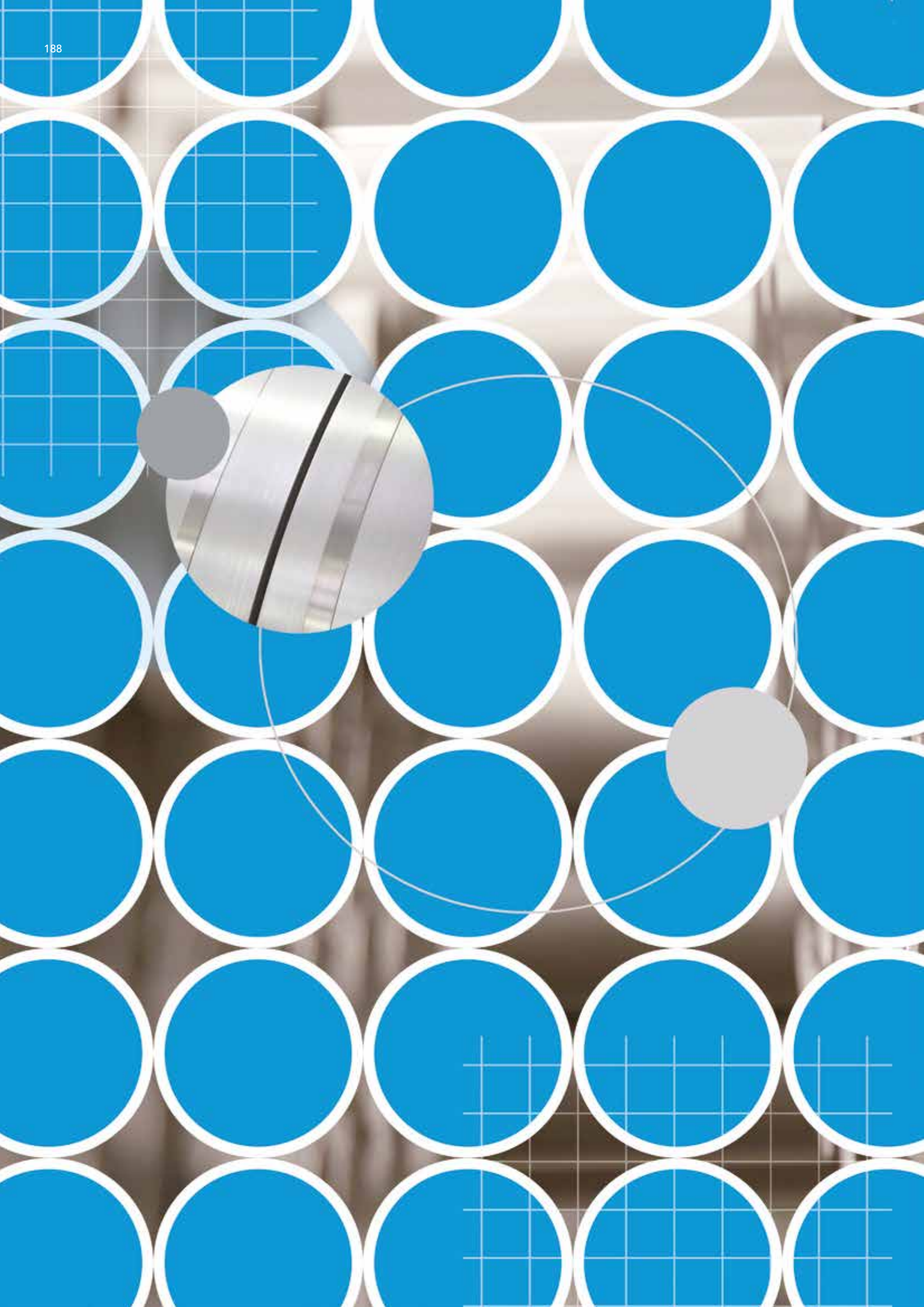
We certify that for fixed assets acquired or produced before 17 April 1991 the original cost has already been determined and represented in the accounts.

STATEMENT OF FINANCIAL STATEMENT COMPLIANCE

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.

Gazoldo degli Ippoliti, 30 April 2020

Chairman
of the Board of Directors
Antonio Marcegaglia





Financial Statements 2019

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, 2019, 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, 2019, 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.

Emphasis of matter

Without qualifying our opinion, we draw attention to the paragraph "Comparability with the previous years" in the explanatory notes in which the directors described that the profit & loss figures for the year 2019 are not comparable with the same figures for the year 2018 since the latter relate to only two months of activity as the contributions of the demerger, by which Marcegaglia Specialties S.p.A. partially transferred its assets and liabilities to Marcegaglia Gazoldo Inox S.p.A., went into effect on 1 November 2018.

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,

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VERBALE AUDIT 11.01

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, 2019, 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, 2019 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, 2019 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, 2020

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 2019

| ASSETS values in EUR | | 31/12/2019 | 31/12/2018 |
|----------------------|--|-------------------|-------------------|
| A | RECEIVABLES FROM SHAREHOLDERS FOR OUTSTANDING CONTRIBUTIONS | | |
| 1 | not previously called | 0 | 0 |
| 2 | previously called | 1,194,188 | 1,194,188 |
| | Total receivables from shareholders for outstanding contributions A | 1,194,188 | 1,194,188 |
| B | FIXED ASSETS | | |
| I | <i>Intangible fixed asset</i> | | |
| 1 | Start-up and expansion costs | 0 | 0 |
| 2 | Development costs | 0 | 0 |
| 3 | Industrial patent rights and intellectual property rights | 43,675 | 22,452 |
| 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 |
| | Total intangible fixed assets (B-I) | 43,675 | 22,452 |
| II | <i>Property, plant and equipment</i> | | |
| 1 | Land and buildings | 0 | 0 |
| 2 | Plant and machinery | 75,640,928 | 82,491,019 |
| 3 | Industrial and commercial equipment | 725,940 | 1,273,468 |
| 4 | Other assets | 164,150 | 198,923 |
| 5 | Fixed assets in progress and advance payments | 2,964,946 | 1,508,817 |
| | Totale property, plant and equipment (B-II) | 79,495,964 | 85,472,227 |
| III | <i>Financial fixed assets</i> | | |
| 1 | Equity investments in: | | |
| | - Subsidiaries | 0 | 0 |
| | - Associates | 6,250 | 6,250 |
| | - Companies subject to control of parent companies | 0 | 0 |
| | - Other companies | 0 | 0 |
| | | 6,250 | 6,250 |
| 2 | Receivables d-bis) from others | | |
| | - due after the following year | 4,800 | 800 |
| | | 4,800 | 800 |
| | Total financial assets (B-III) | 11,050 | 7,050 |
| | Total Fixed Assets B | 79,550,689 | 85,501,729 |
| C | CURRENT ASSETS | | |
| I | <i>Inventories</i> | | |
| 1 | Raw and ancillary materials and consumables | 4,284,628 | 2,319,969 |
| 2 | Work in progress and semi-finished products | 0 | 0 |
| 3 | Contract work in progress | 0 | 0 |
| 4 | Finished products and goods | 0 | 0 |
| 5 | Advance payments | 20,988 | 14,100 |
| | Totale inventories (C-I) | 4,305,616 | 2,334,069 |
| II | <i>Receivables</i> | | |
| 1 | from customer | | |
| | - due within the following year | 809,680 | 1,009,900 |
| | - due after the following year | 0 | 0 |
| | | 809,680 | 1,009,900 |
| 3 | from associates | | |
| | - due within the following year | 137,108 | 29,464 |
| | - due after the following year | 0 | 0 |
| | | 137,108 | 29,464 |
| 4 | from parent companies | | |
| | - due within the following year | 0 | 379 |
| | - due after the following year | 0 | 0 |
| | | 0 | 379 |
| 5 | from companies subject to control of parent companies | | |
| | - due within the following year | 853,555 | 31,683 |
| | - due after the following year | 0 | 0 |
| | | 853,555 | 31,683 |
| 5-bis | Tax credit | | |
| | - due within the following year | 602,793 | 90,298 |
| | - due after the following year | 0 | 0 |
| | | 602,793 | 90,298 |
| 5-ter | Deferred tax assets | 0 | 240 |
| | | 0 | 240 |
| 5-quater | from others | | |
| | - due within the following year | 89,919 | 13,838 |
| | - due after the following year | 0 | 0 |
| | | 89,919 | 13,838 |
| | Total receivables (C-II) | 2,493,055 | 1,175,802 |
| IV | <i>Cash and cash equivalents</i> | | |
| 1 | Bank and postal deposits | 0 | 0 |
| 2 | Cheques | 0 | 0 |
| 3 | Cash on hand and cash equivalents | 589 | 926 |
| | Total cash and cash equivalents (C-IV) | 589 | 926 |
| | Totale Current Assets C | 6,799,260 | 3,510,797 |
| D | ACCRUED INCOME AND PREPAID EXPENSES | | |
| | Accrued income and prepaid expenses | 4,755 | 23 |
| | Total Accrued income and prepaid expenses D | 4,755 | 23 |
| | TOTAL ASSETS | 87,548,892 | 90,206,737 |

LIABILITIES values in EUR

31/12/2019

31/12/2018

| A SHAREHOLDERS' EQUITY | | | |
|--|--|------------|------------|
| I | Share capital | 31,592,250 | 31,592,250 |
| 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 | 0 | 1 |
| | Total other reserves (VI) | 0 | 1 |
| VIII | Profit/(loss) carried forward | (116,763) | 0 |
| IX | Profit/(loss) for the year | 148,391 | (116,763) |
| | Total equity A | 31,623,878 | 31,475,488 |
| B RESERVES FOR RISKS AND EXPENSES | | | |
| 1 | for post-retirement benefits and similar obligations | 0 | 0 |
| 2 | for taxes, including deferred taxes | 14,565,966 | 16,213,811 |
| 3 | other | 0 | 0 |
| | Total Reserves for risks and expenses B | 14,565,966 | 16,213,811 |
| C EMPLOYEE SEVERANCE PAY | | | |
| | Employee severance pay C | 279,233 | 299,024 |
| D PAYABLES | | | |
| 4 | Payables to banks | | |
| | - due within the following year | 419 | 324 |
| | - due after the following year | 0 | 0 |
| | | 419 | 324 |
| 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 | 15,680,159 | 19,451,368 |
| | - due after the following year | 0 | 0 |
| | | 15,680,159 | 19,451,368 |
| 9 | Payables to subsidiaries | | |
| | - due within the following year | 0 | 0 |
| | - due after the following year | 0 | 0 |
| | | 0 | 0 |
| 10 | Payables to associates | | |
| | - due within the following year | 767 | 367 |
| | - due after the following year | 0 | 0 |
| | | 767 | 367 |
| 11 | Payables to parent companies | | |
| | - due within the following year | 13,604,431 | 19,398,378 |
| | - due after the following year | 0 | 0 |
| | | 13,604,431 | 19,398,378 |
| 11-bis | Payables to companies subject to control of parent companies | | |
| | - due within the following year | 8,017,730 | 793,392 |
| | - due after the following year | 0 | 0 |
| | | 8,017,730 | 793,392 |
| 12 | Tax payables | | |
| | - due within the following year | 1,627,991 | 478,169 |
| | - due after the following year | 0 | 0 |
| | | 1,627,991 | 478,169 |
| 13 | payables to welfare and social security organizations | | |
| | - due within the following year | 722,610 | 1,069,734 |
| | - due after the following year | 0 | 0 |
| | | 722,610 | 1,069,734 |
| 14 | Other payables | | |
| | - due within the following year | 1,425,708 | 1,026,682 |
| | - due after the following year | 0 | 0 |
| | | 1,425,708 | 1,026,682 |
| | Total Payables D | 41,079,815 | 42,218,414 |
| E ACCRUED EXPENSES AND DEFERRED INCOME | | | |
| | Accrued expenses and deferred income | 0 | 0 |
| | Total Accrued expenses and deferred income E | 0 | 0 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 87,548,892 | 90,206,737 |

MARCEGAGLIA GAZOLDO INOX S.P.A.

PROFIT AND LOSS ACCOUNT AS OF 31 DECEMBER 2019

| values in EUR | | 2019 | 2018 |
|---------------|--|-------------------|------------------|
| A | VALUE OF PRODUCTION | | |
| 1 | Revenues from sales and services | 57,354,875 | 9,475,784 |
| 2 | Changes in inventories of work in progress, semi-finished and finished products | 0 | (132,391) |
| 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 | 17,318 | 0 |
| | - Other | 521,230 | 3,734 |
| | Total other revenues and income (5) | 538,548 | 3,734 |
| | Total Value of Production A | 57,893,423 | 9,347,127 |
| B | PRODUCTION COSTS | | |
| 6 | Raw and ancillary materials, consumables and goods | 9,016,638 | 1,631,711 |
| 7 | Services | 24,987,139 | 3,995,023 |
| 8 | Lease and rental expense | 1,589,968 | 259,713 |
| 9 | Personnel costs | | |
| | a) wages and salaries | 7,884,590 | 1,426,344 |
| | b) social security contributions | 2,618,282 | 498,790 |
| | c) employee severance pay | 521,610 | 86,782 |
| | d) post-retirement benefits and similar obligations | 0 | 0 |
| | e) other personnel costs | 34,294 | 6,062 |
| | Total personnel costs (9) | 11,058,776 | 2,017,978 |
| 10 | Amortisation, depreciation and write-downs | | |
| | a) amortisation of intangible assets | 32,989 | 2,486 |
| | b) depreciation of property, plant and equipment | 11,005,943 | 1,602,359 |
| | 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 |
| | Total amortisation, depreciation and write-downs (10) | 11,038,932 | 1,604,845 |
| 11 | Changes in the inventory of raw and ancillary mater., consumables and goods | (1,964,659) | (160,450) |
| 12 | Provisions for risks | 0 | 0 |
| 13 | Other provisions | 0 | 0 |
| 14 | Sundry operating costs | 1,278,014 | 15,394 |
| | Total Production Costs B | 57,004,808 | 9,364,214 |
| | Difference Between Value and Cost of Production A - B | 888,615 | (17,087) |
| C | FINANCIAL INCOME AND EXPENSES | | |
| 16 | Other financial income | | |
| | from receivables recorded as fixed assets: | | |
| | - from others | 0 | 0 |
| | Total financial income from receivables recorded as fixed assets (a) | 0 | 0 |
| | d) income other than the above: | | |
| | - from subsidiaries | 0 | 0 |
| | - from parent companies | 0 | 379 |
| | - from companies subject to the control of parent companies | 451,366 | 29,536 |
| | - from others | 0 | 5 |
| | Total income other than the above (d) | 451,366 | 29,920 |
| | Total other financial income (16) | 451,366 | 29,920 |
| 17 | Interests and other financial charges: | | |
| | - paid to subsidiaries | 0 | 0 |
| | - paid to parent companies | 1,221,629 | 173,786 |
| | - paid to companies subject to the control of parent companies | 7,061 | 2 |
| | - other financial expenses | 11,431 | 21 |
| | Total interests and other financial charges (17) | 1,240,121 | 173,809 |
| 17-bis | Exchange-rate gains and losses | 0 | 0 |
| | Total Financial Income and Expenses C | (788,755) | (143,889) |
| D | VALUE ADJUSTMENTS OF FINANCIAL ASSETS | | |
| 18 | Revaluations | | |
| | of equity investments | 0 | 0 |
| | Total revaluations (18) | 0 | 0 |
| 19 | Write-downs | | |
| | of equity investments | 0 | 0 |
| | Total write-downs (19) | 0 | 0 |
| | Total Value Adjustments of Financial Assets D | 0 | 0 |
| | PROFIT (LOSS) BEFORE TAXES (A-B+/-C+/-D) | | |
| | Profit (loss) before taxes (A-B+/-C+/-D) | 99,860 | (160,976) |
| 20 | Current, deferred and pre-paid income taxes for the year | | |
| | - direct taxes for the year | 1,601,944 | 178,780 |
| | - direct taxes for previous years | (2,870) | 0 |
| | - deferred taxes | (1,647,605) | (222,993) |
| | - Income (costs) from participation in tax consolidation scheme | 0 | 0 |
| | Total current, deferred and pre-paid income taxes for the year (20) | (48,531) | (44,213) |
| 21) | PROFIT (LOSS) FOR THE YEAR | 148,391 | (116,763) |

STATEMENT OF CASH FLOWS AS OF 31 DECEMBER 2019

values in EUR

31/12/2019

31/12/2018

| A CASH FLOWS FROM INCOME-GENERATING OPERATIONS (INDIRECT METHOD) | | |
|---|--------------------|----------|
| Profit (loss) for the year | 148,391 | - |
| Income Tax | (48,531) | - |
| Interest expenses/(income) | 788,755 | - |
| (Gains)/Losses resulting from the disposal of assets | (4,924) | - |
| 1 Profit (loss) for the year, before income taxes, interest, dividends and gains/losses from asset sales | 883,691 | - |
| Adjustments for non-cash items with no balancing entry in net working capital | | |
| - Provisions to funds | 521,611 | - |
| - Amortisation/Depreciation of fixed assets | 11,038,932 | - |
| Total adjustments for non-cash items with no balancing entry in working capital | 11,560,543 | - |
| 2 Cash flow before changes in net working capital | 12,444,234 | - |
| Changes in net working capital | | |
| - Decrease/(Increase) in inventories | (1,971,547) | - |
| - Decrease/(Increase) in trade receivables | 200,220 | - |
| - Increase/(Decrease) in trade payables | (3,771,209) | - |
| - Decrease/(Increase) in accrued income and prepaid expenses | (4,732) | - |
| - Other changes in net working capital | (484,274) | - |
| Total changes in net working capital | (6,031,542) | - |
| 3 Cash flow after changes in net working capital | 6,412,692 | - |
| Other adjustments | | |
| - Interest received/(paid) | (788,755) | - |
| - (Income taxes paid) | - | - |
| - Dividends received | - | - |
| - (Utilisation of funds) | (541,402) | - |
| - Other collections/(payments) | - | - |
| Total other adjustments | (1,330,157) | - |
| Cash flow from income-generating operations A | 5,082,535 | - |
| B CASH FLOWS FROM INVESTMENT ACTIVITIES | | |
| Property, plant and equipment | | |
| - (Investments) | (5,559,462) | - |
| - Divestitures | 501,457 | - |
| Intangible fixed assets | | |
| - (Investments) | (20,962) | - |
| - Divestitures | - | - |
| Financial fixed assets | | |
| - (Investments) | (4,000) | - |
| - Divestitures | - | - |
| 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 | (5,082,967) | - |
| C CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Third party resources | | |
| - Increase/(Decrease) in short-term liabilities to banks | 95 | - |
| - 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 | 95 | - |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A ± B ± C) | (337) | - |
| Exchange rate effect on cash and cash equivalents | - | - |
| Cash and cash equivalents at beginning of year | 926 | - |
| Bank and postal deposits | - | - |
| Checks | - | - |
| Cash on hand and cash equivalents | 926 | - |
| Cash and cash equivalents at year end | 589 | - |
| Bank and postal deposits | - | - |
| Checks | - | - |
| Cash on hand and cash equivalents | 589 | - |

NOTES TO THE FINANCIAL STATEMENTS – INITIAL PART

BACKGROUND

After the demerger transaction initiated and completed during 2018, the year ended 31.12.2019 is the first full year of operation of Marcegaglia Gazoldo Inox Spa. In particular, Marcegaglia Gazoldo Inox S.p.A. which, as a result of the spin-off, has become 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.

Basis of presentation

Financial statement preparation criteria and structure

The financial statements for the financial year ended on 31 December 2019 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 2019 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 2019, the amount for the same item for the previous year has been indicated. In order to make the items in the financial statements comparable, the balances for the previous year have been reclassified where necessary. It should be noted, however, that the economic balances for 2019 are not comparable with those for 2018 as the latter are the result of operations lasting only two months since the demerger transaction, with which Marcegaglia Specialties Spa partially and proportionally transferred its assets and liabilities to Marcegaglia Gazoldo Inox Spa, became effective from 1 November 2018.

As far as the cash flow statement is concerned, it should be noted that the 2018 column has not been filled in because last year the relevant statement was not prepared as this was the first year of the company's activity.

Classification conventions

In preparing the financial statements as of 31 December 2019, 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 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, associates, 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.

MEASUREMENT CRITERIA APPLIED

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 it has been purchased, for up to the cost incurred.

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 impairment no longer apply, the original value 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 | Amortisation rate | Amortisation for the year |
|--|-----------------------------|-------------------|---------------------------|
| Licensed software (B.I.3) | 102,672 | 33.33% | 32,989 |
| Other multi-year costs (B.I.7) | 12,035 | 20%/17%/13% | 0 |

Property, plant and equipment

Property, plant and equipment 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, property, plant and equipment 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 impairment no longer apply, 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 property, plant and equipment 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) | 89,915,121 | 8-12% | 8,482,145 |
| General and specific plant assets (B.II.2) | 22,265,523 | 8.00% | 1,782,308 |
| Miscellaneous equipment (B.II.3) | 3,290,727 | 15.00% | 637,681 |
| Internal handling equipment (B.II.3) | 334,920 | 15.00% | 50,962 |
| Furniture and ordinary office equipment (B.II.4) | 3,002 | 12.00% | 360 |
| Electronic machinery (B.II.4) | 8,864 | 20.00% | 573 |
| Motor vehicles (B.II.4) | 50,268 | 25.00% | 12,567 |
| Trucks and trailers (B.II.4) | 185,402 | 20.00% | 33,747 |
| Ordinary furniture and furnishings (B.II.4) | 58,476 | 10.00% | 5,600 |
| Fixed assets in progress and advance payments (B.II.5) | 2,964,946 | = | 0 |

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 |
|--|-------------------|
| 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 impairment 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 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 (31/12/2019). 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 valued at amortised cost are entered 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 (31/12/2019). 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, 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.

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 |
|-----------------------------------|---------------------------------|-------------------------|---------------------------|
| Previously called | 0 | 0 | 0 |
| Part not previously called | 1,194,188 | 0 | 1,194,188 |
| Total | 1,194,188 | 0 | 1,194,188 |

Receivables from shareholders for outstanding payments refer to receivables from the minority shareholder Engie Servizi spa which, in 2018, subscribed a reserved share capital increase of Euro 1,592,250, only partially paid in.

FIXED ASSETS

INTANGIBLE FIXED ASSETS

CHANGES IN INTANGIBLE FIXED ASSETS

| | Industrial patent rights and intellectual property rights | Total intangible fixed assets |
|---|---|-------------------------------|
| Amount at beginning of the year | | |
| Cost | 24,938 | 24,938 |
| Amortisation/depreciation (Provision for amortisation/depreciation) | 2,486 | 2,486 |
| Book value | 22,452 | 22,452 |
| Changes during the year | | |
| Increases for acquisitions | 20,962 | 20,962 |
| Reclassification (of book value) | 33,250 | 33,250 |
| Period amortisation/depreciation | 32,989 | 32,989 |
| Total changes | 21,223 | 21,223 |
| Amount at end of the year | | |
| Cost | 79,150 | 79,150 |
| Amortisation/depreciation (Provision for amortisation/depreciation) | 35,475 | 35,475 |
| Book value | 43,675 | 43,675 |

Start-up and expansion costs and development costs

There were no start-up or expansion costs in 2019, nor any development costs capitalised.

Financial charges capitalised

During FY 2019, no financial charges were capitalised.

PROPERTY, PLANT AND EQUIPMENT

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

| | Plants and machinery | Industrial and commercial equipment | Other property, plant and equipment | Assets under construction and payments on account | Total property, plant and equipment |
|--|-------------------------|---|---|---|---|
| Amount at beginning of the year | | | | | |
| 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 |
| Book value | 82,491,019 | 1,273,468 | 198,923 | 1,508,817 | 85,472,227 |
| Changes during the year | | | | | |
| Increases for acquisitions | 3,802,168 | 141,116 | 18,074 | 1,746,598 | 5,707,956 |
| Reclassification (of book value) | 108,726 | - | - | (141,976) | (33,250) |
| Decreases for sales and cancellations (of book value) | 496,533 | - | - | 148,493 | 645,026 |
| Period amortisation/depreciation | 10,264,452 | 688,644 | 52,847 | - | 11,005,943 |
| Total changes | (6,850,091) | (547,528) | (34,773) | 1,456,129 | (5,976,263) |
| Amount at end of the year | | | | | |
| Cost | 87,312,513 | 1,539,112 | 221,419 | 2,964,946 | 92,037,990 |
| Amortisation/depreciation (Provision for amortisation/depreciation) | 11,671,585 | 813,172 | 57,269 | - | 12,542,026 |
| Book value | 75,640,928 | 725,940 | 164,150 | 2,964,946 | 79,495,964 |

Value reductions to property, plant and equipment

No fixed assets were written down during the year.

Financial charges capitalised

During FY 2019, 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 |
|--|-------------------------------------|-----------------------------|
| Amount at beginning of the year | | |
| Cost | 6,250 | 6,250 |
| Book value | 6,250 | 6,250 |
| Amount at end of the year | | |
| Cost | 6,250 | 6,250 |
| Book value | 6,250 | 6,250 |

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 | 800 | 4,000 | 4,800 | 4,800 |
| Total receivables held as fixed assets | 800 | 4,000 | 4,800 | 4,800 |

DETAILS ON EQUITY INVESTMENTS IN ASSOCIATES

| Name | City (if in Italy) or foreign country | Tax code (for Italian companies) | Capital in Euros | Shareholders' 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 |
| Total | | | | | | | 6,250 |

BREAKDOWN OF RECEIVABLES HELD AS FIXED ASSETS BY GEOGRAPHICAL AREA

| Geographical area | Receivables from others held as fixed assets | Total receivables held as fixed assets |
|-------------------|---|---|
| Italy | 4.800 | 4.800 |
| Total | 4.800 | 4.800 |

VALUE OF FINANCIAL FIXED ASSETS

| | Book value | Fair value |
|-------------------------|------------|------------|
| Receivables from others | 4,800 | 4,800 |

BREAKDOWN OF AMOUNT OF RECEIVABLES FROM OTHERS HELD AS FIXED ASSETS

| | Book value | Fair value |
|------------------------------|--------------|--------------|
| Security deposits for leases | 800 | 800 |
| Gas network security deposit | 4,000 | 4,000 |
| Total | 4,800 | 4,800 |

CURRENT ASSETS

INVENTORIES

| | Amount at beginning of the year | Changes during the year | Amount at end of the year |
|--|------------------------------------|----------------------------|------------------------------|
| I - Inventories | | | |
| Raw and ancillary materials and consumables | 2,319,969 | 1,964,659 | 4,284,628 |
| Advance payments | 14,100 | 6,888 | 20,988 |
| Total inventories | 2,334,069 | 1,971,547 | 4,305,616 |

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 | 1,009,900 | (200,220) | 809,680 | 809,680 |
| Receivables from associates recorded in current assets | 29,464 | 107,644 | 137,108 | 137,108 |
| Receivables from parent companies recorded in current assets | 379 | (379) | 0 | 0 |
| Receivables from companies subject to control of parent companies recorded in current assets | 31,683 | 821,872 | 853,555 | 853,555 |
| Tax credits recorded in current assets | 90,298 | 512,495 | 602,793 | 602,793 |
| Deferred tax assets recorded in current assets | 240 | (240) | 0 | |
| Receivables from others recorded in current assets | 13,838 | 76,081 | 89,919 | 89,919 |
| Total receivables recorded in current assets | 1,175,802 | 1,317,253 | 2,493,055 | 2,493,055 |

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 | 843,206 | 845,930 | 845,930 |
| Marcegaglia Specialties | 28,959 | - 28,959 | - | - |
| Marcegaglia Plates | - | 7,625 | 7,625 | 7,625 |
| Total receivables from companies subject to control of parent companies | 31,683 | 821,872 | 853,555 | 853,555 |

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 | 10,974 | 15,855 | 15,855 |
| Social security receivables | 8,951 | 65,075 | 74,026 | 74,026 |
| Advances to employees | - | - | - | - |
| Receivables from credit institutions for customer collections | 4 | - 4 | - | - |
| Other receivables | 2 | 36 | 38 | 38 |
| Total receivables from others | 13,838 | 76,081 | 89,919 | 89,919 |

BREAKDOWN OF THE RECEIVABLES RECORDED IN THE CURRENT ASSETS BY GEOGRAPHICAL AREA

| Geographical area | Italy | Total |
|--|------------------|------------------|
| Receivables from customers recorded in current assets | 809,680 | 809,680 |
| Receivables from associates recorded in current assets | 137,108 | 137,108 |
| Receivables from parent companies recorded in current assets | - | 0 |
| Receivables from companies subject to control of parent companies recorded in current assets | 853,555 | 853,555 |
| Tax credits recorded in current assets | 602,793 | 602,793 |
| Deferred tax assets recorded in current assets | - | 0 |
| Receivables from others recorded in current assets | 89,919 | 89,919 |
| Total receivables recorded in current assets | 2,493,055 | 2,493,055 |

CASH AND CASH EQUIVALENTS

| | Amount at beginning of the year | Changes during the year | Amount at end of the year |
|--|---------------------------------|-------------------------|---------------------------|
| Cash and securities | 926 | (337) | 589 |
| Total cash and cash equivalents | 926 | (337) | 589 |

ACCRUED INCOME AND PREPAID EXPENSES

| | Amount at beginning of the year | Changes during the year | Amount at end of the year |
|--|---------------------------------|-------------------------|---------------------------|
| Prepaid expenses | 23 | 4,732 | 4,755 |
| Total accrued income and prepaid expenses | 23 | 4,732 | 4,755 |

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 | - |
| Motor vehicle tax | - | 233 | 233 |
| Other taxes and duties | - | 1,019 | 1,019 |
| Insurance policies | - | 2,052 | 2,052 |
| Maintenance charges | - | 1,451 | 1,451 |
| Total prepaid expenses | 23 | 4,732 | 4,755 |

NOTES TO THE FINANCIAL STATEMENTS LIABILITIES AND SHAREHOLDERS' EQUITY

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 | 31,592,250 | - | - | | 31,592,250 |
| Other reserves | | | | | |
| Sundry other reserves | 1 | - | 1 | | 0 |
| Total other reserves | 1 | - | 1 | | 0 |
| Profit (loss) carried forward | 0 | (116,763) | - | | (116,763) |
| Profit (loss) for the year | (116,763) | 116,763 | - | 148,391 | 148,391 |
| Total Equity | 31,475,488 | - | 1 | 148,391 | 31,623,878 |

BREAKDOWN OF SUNDRY OTHER RESERVES

| Description | Amount |
|-------------------|--------|
| Euro rounding off | 0 |
| Total | 0 |

AVAILABILITY AND USE OF SHAREHOLDERS' EQUITY

| | Amount | Origin/nature | Possible use |
|-----------------------|------------|------------------------------|--------------|
| Share capital | 31,592,250 | contribution of shareholders | A B C |
| Other reserves | 0 | | |
| Sundry other reserves | 0 | | |
| Total other reserves | 0 | | |
| Total | 31,592,250 | | |

Key: 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 off | 0 | Rounding off of financial statements items |
| Total | 0 | |

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 | 16,213,811 | 16,213,811 |
| Changes during the year | | |
| Usage for the year | 1,647,845 | 1,647,845 |
| Total changes | (1,647,845) | (1,647,845) |
| Amount at end of the year | 14,565,966 | 14,565,966 |

As a result of the October 2018 spin-off, the provision for deferred taxes includes latent taxation 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 2019, 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 1,647,845.

EMPLOYEE SEVERANCE PAY

The following table shows the changes in the provision for employee severance indemnities in relation to the 2019 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 2019 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 | 299,024 |
| Changes during the year | |
| Provisions for the year | 521,610 |
| Usage for the year | 541,401 |
| Total changes | (19,791) |
| Amount at end of the year | 279,233 |

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 | Total uses |
|---|---|--|--|------------|
| 24,936 | 193,349 | 288,334 | 34,782 | 541,401 |

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 | 324 | 95 | 419 | 419 |
| Trade payables | 19,451,368 | (3,771,209) | 15,680,159 | 15,680,159 |
| Payables to associates | 367 | 400 | 767 | 767 |
| Payables to parent companies | 19,398,378 | (5,793,947) | 13,604,431 | 13,604,431 |
| Payables to companies subject to control of parent companies | 793,392 | 7,224,338 | 8,017,730 | 8,017,730 |
| Tax payables | 478,169 | 1,149,822 | 1,627,991 | 1,627,991 |
| Payables to welfare and social security organisations | 1,069,734 | (347,124) | 722,610 | 722,610 |
| Other payables | 1,026,682 | 399,026 | 1,425,708 | 1,425,708 |
| Total payables | 42,218,414 | (1,138,599) | 41,079,815 | 41,079,815 |

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 S.r.l. | 91,522 | 153,498 | 245,020 | 245,020 |
| Made HSE S.r.l. | 189,273 | 627,680 | 816,953 | 816,953 |
| Marcegaglia Carbon Steel | 482,234 | 2,218,871 | 2,701,105 | 2,701,105 |
| Marcegaglia Specialties | 12,643 | 4,242,009 | 4,254,652 | 4,254,652 |
| Abaco Servizi S.r.l. | 17,720 | -17,720 | - | - |
| Total payables to companies subject to control of parent companies | 793,392 | 7,224,338 | 8,017,730 | 8,017,730 |

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 | 102,078 | 1,116,591 | 1,116,591 |
| Other payables | 12,169 | 296,948 | 309,117 | 309,117 |
| Total other payables | 1,026,682 | 399,026 | 1,425,708 | 1,425,708 |

BREAKDOWN OF PAYABLES BY GEOGRAPHICAL AREA

| | Italy | EU | Other Europe | Total |
|--|-------------------|----------------|----------------|-------------------|
| Payables to banks | 419 | - | - | 419 |
| Trade payables | 14,866,577 | 466,887 | 346,695 | 15,680,159 |
| Payables to associates | 767 | - | - | 767 |
| Payables to parent companies | 13,604,431 | - | - | 13,604,431 |
| Payables to companies subject to control of parent companies | 8,017,730 | - | - | 8,017,730 |
| Tax payables | 1,627,991 | - | - | 1,627,991 |
| Payables to welfare and social security organisations | 722,610 | - | - | 722,610 |
| Other payables | 1,425,708 | - | - | 1,425,708 |
| Payables | 40,266,233 | 466,887 | 346,695 | 41,079,815 |

DEBT SECURED BY COMPANY ASSETS

| | Unsecured debt | Total |
|--|-------------------|-------------------|
| Payables to banks | 419 | 419 |
| Trade payables | 15,680,159 | 15,680,159 |
| Payables to associates | 767 | 767 |
| Payables to parent companies | 13,604,431 | 13,604,431 |
| Payables to companies subject to control of parent companies | 8,017,730 | 8,017,730 |
| Tax payables | 1,627,991 | 1,627,991 |
| Payables to welfare and social security organisations | 722,610 | 722,610 |
| Other payables | 1,425,708 | 1,425,708 |
| Total payables | 41,079,815 | 41,079,815 |

NOTES TO THE FINANCIAL STATEMENTS – INCOME STATEMENT

VALUE OF PRODUCTION

BREAKDOWN OF INCOME FROM SALES AND SERVICES BY BUSINESS CATEGORIES

| | Current value |
|---|-------------------|
| Scrap | 14,843,658 |
| Infra-group steel prod. processing services | 42,511,217 |
| Total | 57,354,875 |

BREAKDOWN OF INCOME FROM SALES AND SERVICES BY GEOGRAPHICAL AREA

| | Current value |
|--------------|-------------------|
| Italy | 57,354,875 |
| Total | 57,354,875 |

FINANCIAL INCOME AND CHARGES

Breakdown of interest and other financial charges by type of payable

| | Interest and other financial charges |
|--------------|--------------------------------------|
| Other | 11,431 |
| Total | 11,431 |

Detail of item “Other”

| | Other |
|---|---------------|
| Interest due to factor | 2,960 |
| Interest due to suppliers | 1,885 |
| Interest due to others for late payment | 6,586 |
| Total other financial charges | 11,431 |

CURRENT, DEFERRED AND PREPAID INCOME TAXES FOR THE YEAR

The deferred taxes recognised in the financial statements as at 31.12.2019 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 |
|--|-------------|------------|
| A) Temporary differences | | |
| Total taxable temporary differences | 53,029,288 | 47,152,249 |
| Net temporary differences | 53,029,288 | 47,152,249 |
| B) Tax effects | | |
| Opening provision for deferred (prepaid) tax | 14,110,621 | 2,102,950 |
| Period deferred (prepaid) tax | (1,383,592) | (264,012) |
| Closing provision for deferred (prepaid) tax | 12,727,029 | 1,838,938 |

DETAILS OF DEDUCTIBLE TEMPORARY DIFFERENCES

| Description | Amount at end of last year | Period change |
|-----------------|----------------------------|---------------|
| Membership fees | 1,000 | (1,000) |

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) | 58,795,254 | (5,765,966) | 53,029,288 | 24.00% | 12,727,029 | - | - |
| Write-back of assets from contribution (IRAP) | 53,921,804 | (6,769,555) | 47,152,249 | - | - | 3.90% | 1,838,938 |

BREAKDOWN OF DEFERRED AND PREPAID TAXES OVER TIME

Estimated recovery of deferred and prepaid taxes

| Description | Year 2020 | Year 2021 | Year 2022 | Year 2023 | Beyond year 2023 or unforeseeable | Total |
|--|------------------|------------------|------------------|------------------|-----------------------------------|-------------------|
| A) Taxable temporary differences | | | | | | |
| IRES | | | | | | |
| Write-back of demerged assets | 5,402,215 | 6,191,110 | 7,546,867 | 8,523,763 | 25,365,334 | 53,029,289 |
| | 5,402,215 | 6,191,110 | 7,546,867 | 8,523,763 | 25,365,334 | 53,029,289 |
| IRAP | | | | | | |
| Write-back of demerged assets | 6,272,721 | 6,272,721 | 6,272,721 | 6,272,271 | 22,061,816 | 47,152,250 |
| | 6,272,721 | 6,272,721 | 6,272,721 | 6,272,271 | 22,061,816 | 47,152,250 |
| Total deferred tax | 1,541,168 | 1,730,502 | 2,055,884 | 2,290,322 | 6,948,091 | 14,565,967 |
| B) Deductible temporary differences | | | | | | |
| IRES | | | | | | |
| <i>Tax losses</i> | | | | | | 0 |
| | 0 | 0 | 0 | 0 | 0 | 0 |
| Total prepaid tax | 0 | 0 | 0 | 0 | 0 | 0 |

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 5,226,946 and the recording in item 20 of the Income Statement of a tax charge for IRES of Euro 1,254,467.00, 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)

| 2019 | | |
|---|------------------|--------------------|
| Statutory Profit (+) / Loss (-) for the year before tax | 99,860 | |
| Theoretical tax 24% on statutory profit before tax | | 23,966 |
| Effect of changes in increase (+) / decrease (-) compared to the ordinary rate | | IRES effect |
| Increase in temporary differences | 0 | 0 |
| Decrease in temporary differences | 0 | 0 |
| Resorption of temporary decreases | -18,318 | -4,396 |
| Resorption of temporary increases | 5,765,966 | 1,383,832 |
| Permanent increases | 32,528 | 7,807 |
| Permanent decreases | -653,090 | -156,742 |
| Total increases and decreases | 5,127,086 | 1,230,501 |
| Previous years' tax losses that can be carried forward | | 0 |
| Period fiscal profit | 5,226,946 | 1,254,467 |

RECONCILIATION BETWEEN THE EFFECTIVE TAX CHARGE AND THE THEORETICAL TAX CHARGE (IRAP)

| 2019 | | |
|---|--------------------|--------------------|
| Difference between value and cost of production | 888,614 | |
| Costs not relevant for IRAP | 11,058,775 | |
| Theoretical IRAP taxable income | 11,947,390 | |
| Theoretical tax 3.9% on theoretical IRAP taxable income | | 465,948 |
| Effect of changes in increase (+) / decrease (-) compared to the ordinary rate | | IRAP effect |
| Increase in temporary differences | 0 | 0 |
| Resorption of temporary increases | 6,769,555 | 264,013 |
| Resorption of temporary decreases | 0 | 0 |
| Permanent increases | 271,503 | 10,589 |
| Permanent decreases | -17,318 | -675 |
| Gross production value IRAP | 18,971,129 | 739,875 |
| IRAP deductions | -10,061,475 | -392,398 |
| IRAP taxable income | 8,909,654 | 347,477 |

NOTES TO THE FINANCIAL STATEMENTS – FURTHER INFORMATION

EMPLOYMENT FIGURES

| | Average number |
|------------------------|----------------|
| Executives | 1 |
| Middle managers | 2 |
| Employees | 31 |
| Workers | 143 |
| Total employees | 177 |

The following table also shows the detailed data on the number of employees as at 31 December 2019:

| | Spot number at year end |
|------------------------|-------------------------|
| Executives | 1 |
| Middle managers | 2 |
| Employees | 31 |
| Workers | 145 |
| Other employees | 0 |
| Total employees | 179 |

FEES, ADVANCES AND RECEIVABLES GRANTED TO DIRECTORS AND STATUTORY AUDITORS AND COMMITMENTS UNDERTAKEN ON THEIR BEHALF

| | Directors | Auditors |
|------|-----------|----------|
| Fees | 130,000 | 7,280 |

STATUTORY AUDITOR OR INDEPENDENT AUDITORS' FEES

| | Value |
|--|--------------|
| Statutory audit of annual accounts | 5,500 |
| Total statutory auditor or independent auditors' fees | 5,500 |

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 dated 16/07/2018. The fee, net of the reimbursement of travel expenses, for the statutory audit for 2019, is Euro 5,500, which includes the fee for the audit of the accounts.

CATEGORIES OF SHARES ISSUED BY THE COMPANY

| Description | Shares subscribed during the year, number | Shares subscribed during the year, face value | Final amount, number | Final amount, face value |
|--------------|---|---|----------------------|--------------------------|
| Ordinary | 31,592,250 | 31,592,250 | 31,592,250 | 31,592,250 |
| Total | 31,592,250 | 31,592,250 | 31,592,250 | 31,592,250 |

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.

COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES NOT REPORTED IN THE BALANCE SHEET

| | Amount |
|---|------------|
| Commitments | 6,970,400 |
| to companies subject to control of parent companies | 6,960,000 |
| Guarantees | 85,280,848 |

Detail

| | 31/12/2019 | 31/12/2018 |
|--|--------------------|--------------------|
| RISKS TAKEN BY THE COMPANY | | |
| SURETIES | | |
| - to parent companies | 91,880,000 | 45,430,000 |
| - to other companies | 867,070 | 0 |
| Total sureties | 92,747,070 | 45,430,000 |
| COLLATERAL | | |
| - to parent companies | 85,280,848 | 85,280,848 |
| Total collateral | 85,280,848 | 85,280,848 |
| Total guarantees | 178,027,918 | 130,710,848 |
| COMMITMENTS ENTERED INTO BY THE COMPANY | | |
| - commitments entered into with companies subject to parent companies' control | 6,960,000 | 8,400,000 |
| - other commitments | 10,400 | 15,200 |
| Total commitments entered into by the Company | 6,970,400 | 8,415,200 |
| Total | 184,998,318 | 139,126,048 |

Collateral on corporate assets issued in the interest of parent companies refers to the special lien on plant and machinery located at the Gazoldo degli Ippoliti plant to guarantee the loan stipulated in 2018 by the parent company Marcegaglia Steel spa. The maximum amount conventionally guaranteed by Marcegaglia Gazoldo Inox spa is 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 reference to point 22-querter of Article 2427 of the Italian Civil Code, it should be noted that after 31 December 2019 and up to the date of approval of these financial statements, no events occurred in the company such as to have a material impact on the balance sheet and income statement figures shown therein.

It should, however, be pointed out that as at the date on which these financial statements are prepared, the Company is monitoring the evolution of the instability that has recently emerged in connection with the public health emergency deriving from the cases of COVID-19 contagion (the "Coronavirus"), that, during the first few weeks of 2020 initially impacted China and thereafter spread to the other countries.

At present, once the necessary assessments have been made, it is not possible to predict the evolution that this phenomenon could have, including in Italy, and, consequently, the impact it could have on the economy, given that this emergency could fall in the following months depending on the outcome of the containment measures planned by the governments and central banks of the countries affected by the spread of the virus.

However, based on the information available and also on a forecast up to the end of FY 2020, we assessed the impact of the COVID-19 emergency, considering that it does not affect the Company's (or group's) ability to continue to operate as a going concern.

In view of the above, it is believed that this emergency, which is still ongoing at present, will certainly cause a reduction in turnover in 2020, albeit with a forecast of maintaining sufficient economic margins and cash flows to meet its commitments. In this regard, the Company (or the group) will continue to monitor the evolution of the scenario in order to promptly take all appropriate actions to limit the impacts as far as possible.

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 94.96% 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 | 31/12/2018 | 31/12/2017 |
| B) Fixed assets | 115,154,356 | 116,204,872 |
| C) Current assets | 221,863 | 71,568 |
| Total assets | 115,376,219 | 116,276,440 |
| A) Shareholders' equity | | |
| Share capital | 40,000 | 40,000 |
| Reserves | 25,188,434 | 27,176,968 |
| Profit (loss) for the year | -953,385 | -2,058,532 |
| Total Equity | 24,275,049 | 25,158,436 |
| B) Provisions for risks and charges | 6,152 | 5,965 |
| D) Payables | 91,094,984 | 91,112,005 |
| E) Accrued charges and deferred income | 34 | 34 |
| Total liabilities | 115,376,219 | 116,276,440 |

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 | 31/12/2018 | 31/12/2017 |
| A) Value of production | 145,853 | - |
| B) Production costs | 39,186 | 43,523 |
| C) Financial income and charges | 818 | 3,357 |
| D) Write-downs of financial assets | -1,050,098 | -2,017,537 |
| Income taxes for the year | 10,772 | 829 |
| Profit (loss) for the year | - 953,385 | - 2,058,532 |

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 2019 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 (€) | Cause/Type contribution | Establishment | Regulatory ref. |
|----------------------------------|---------------------|--------------------------------|------------------|--|
| Customs and Monopolies Agency-MN | 170,512 | Exemption of gas excise duties | Gazoldo Ippoliti | Legislative Decree 504/95 Art. 21 paragraph 2 lett. 13 |
| Revenue Agency - Treasury | 17,318 | Tax credit for R&D activities | Gazoldo Ippoliti | Legislative Decree 145 of 23/12/13 Art. 3 |
| Revenue Agency - Treasury | 19,732 | Superamortisation | Gazoldo Ippoliti | Law 208 of 28/12/15 |
| Total | 207,562 | | | |

Proposal for the allocation of profits or coverage of losses

We propose to allocate the net profit of Euro 148,390.63 as follows:

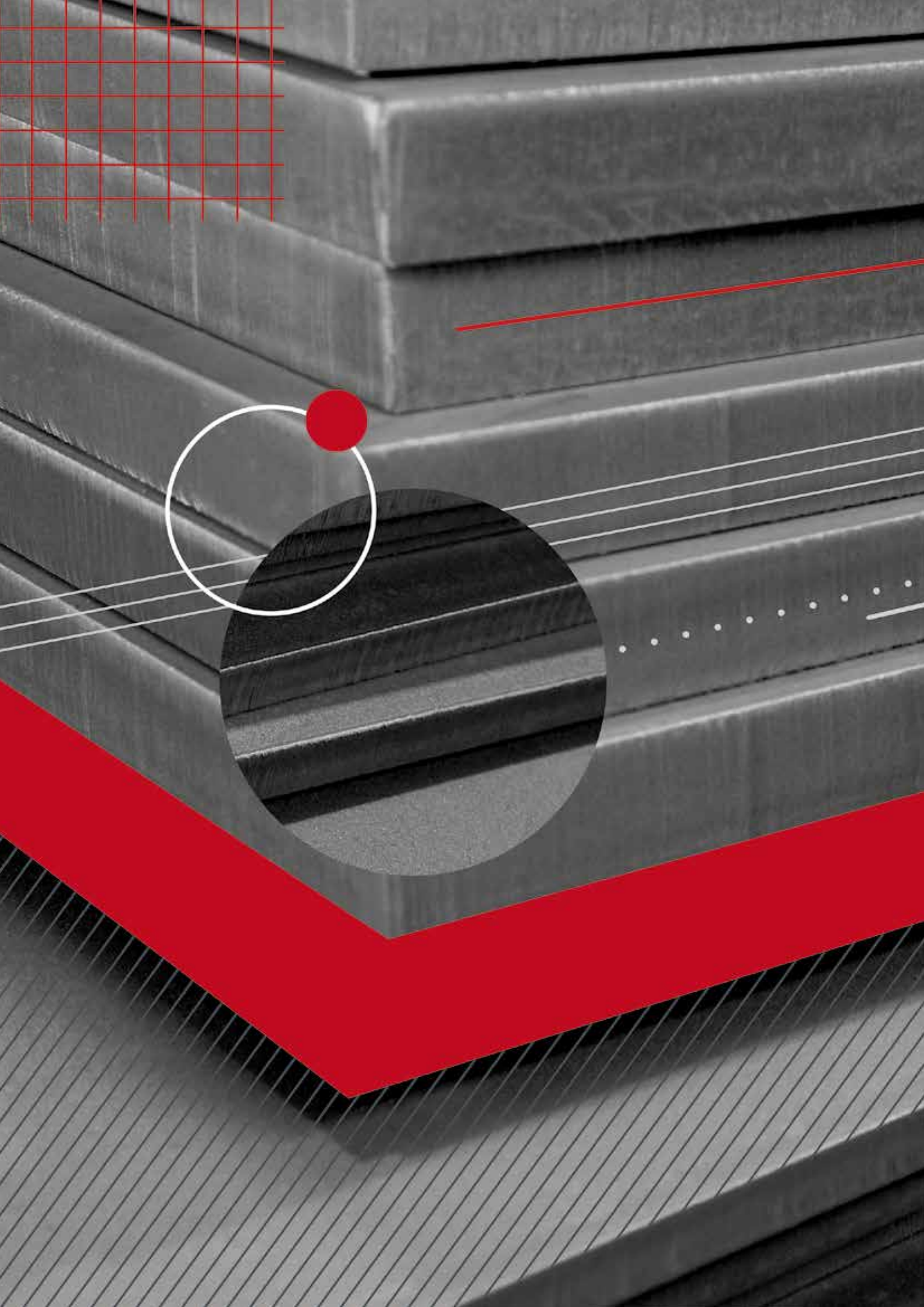
- Euro 7,419.53 to the legal reserve;
- Euro 116,762.78 to cover the loss of previous years;
- Euro 24,208.32 to the extraordinary reserve.

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.

Gazoldo degli Ippoliti, 30 April 2020

Chairman
of the Board of Directors
Antonio Marcegaglia



Financial Statements 2019

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, 2019, 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, 2019, 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

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TEL: +39 045 4753200 - FAX: +39 045 4647314 - www.mazars.it

SpA - CAPITALE SOCIALE DELIBERATO, SOTTOSCRITTO E VERSATO € 120.000,00 - SEDE LEGALE: VIA CERESIO, 7 - 20154 MILANO

REA MI-2076227 - COD. FISC. E P. IVA 11178891001 - 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 Plates S.p.A. are responsible for preparing a directors' report of Marcegaglia Plates S.p.A. as at December 31, 2019, 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, 2019 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

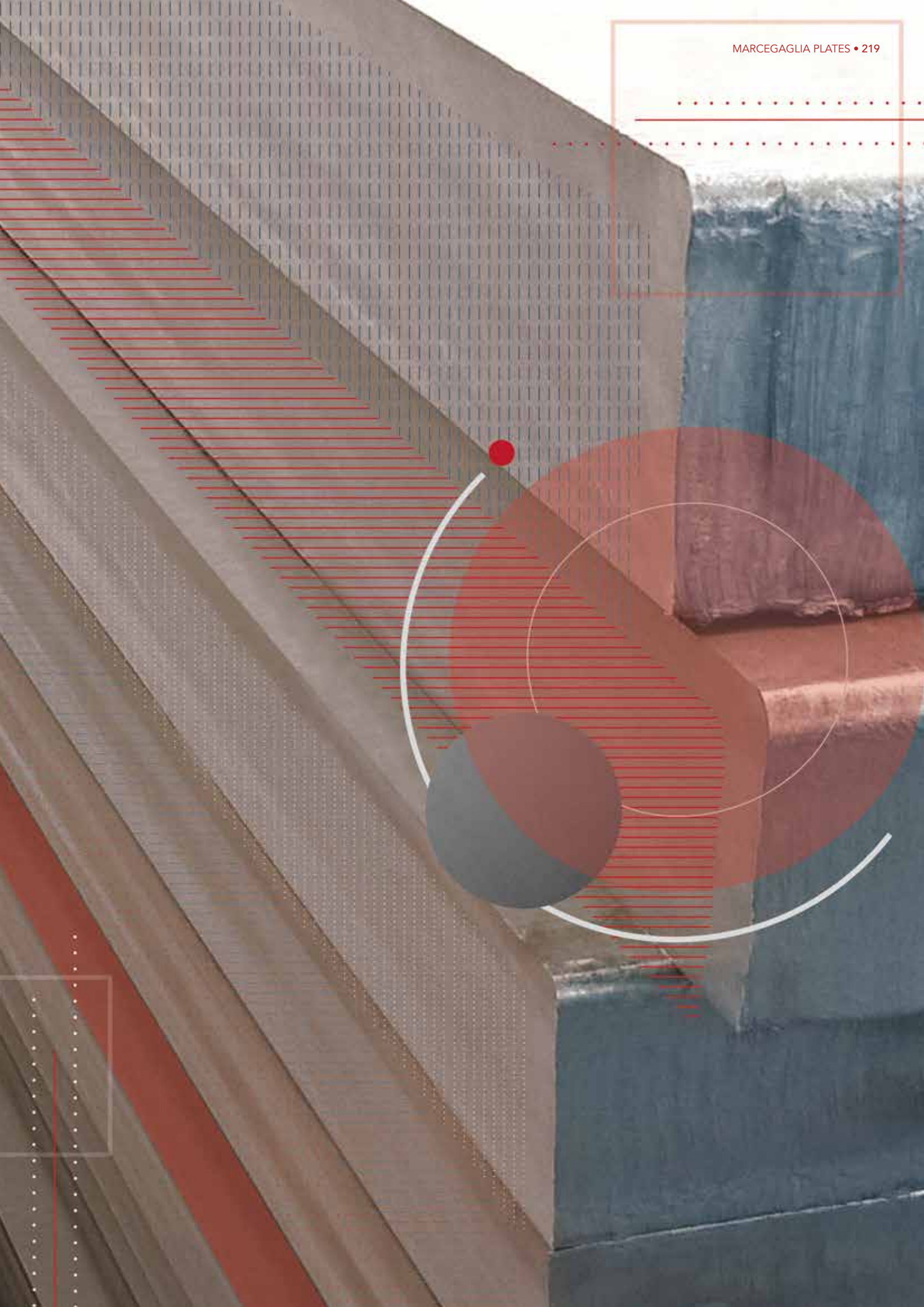
In our opinion, the directors' report is consistent with the financial statements of Marcegaglia Plates S.p.A. as at December 31, 2019 and is prepared in compliance with the law.

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, 2020

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 2019**

Assets values in EUR

31/12/2019

31/12/2018

| A RECEIVABLES FROM SHAREHOLDERS FOR OUTSTANDING CONTRIBUTIONS | | | |
|--|--|--------------------|--------------------|
| 1 | Not previously called | 0 | 0 |
| 2 | Previously called | 0 | 0 |
| | Total Receivables from shareholders for outstanding contributions A | 0 | 0 |
| B FIXED ASSETS | | | |
| I | <i>Intangible fixed asset</i> | | |
| 1 | Start-up and expansion costs | 7,019 | 15,441 |
| 2 | Development costs | 0 | 0 |
| 3 | Industrial patent rights and intellectual property rights | 53,905 | 66,907 |
| 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 |
| | Total intangible fixed assets (B-I) | 60,924 | 82,348 |
| II | <i>Property, plant and equipment</i> | | |
| 1 | Land and buildings | 16,720,104 | 16,892,872 |
| 2 | Plant and machinery | 28,473,209 | 31,948,399 |
| 3 | Industrial and commercial equipment | 1,260,327 | 1,144,649 |
| 4 | Other assets | 148,503 | 190,115 |
| 5 | Fixed assets in progress and advance payments | 921,354 | 980,191 |
| | Total property, plant and equipment (B-II) | 47,523,497 | 51,156,226 |
| III | <i>Financial fixed assets</i> | | |
| 1 | Equity investments in: | | |
| | a) subsidiaries | 33,054,998 | 0 |
| | d-bis) from others | 5 | 5 |
| | | 33,055,003 | 5 |
| 2 | Receivables | | |
| | d-bis) from others | | |
| | - due after the following year | 4,500 | 4,500 |
| | | 4,500 | 4,500 |
| | Total financial assets (B-III) | 33,059,503 | 4,505 |
| | Total Fixed Assets B | 80,643,924 | 51,243,079 |
| C CURRENT ASSETS | | | |
| I | <i>Inventories</i> | | |
| 1 | Raw and ancillary materials and consumables | 28,074,739 | 30,059,882 |
| 2 | Work in progress and semi-finished products | 7,190,277 | 5,544,131 |
| 4 | Finished products and goods | 13,117,174 | 14,185,489 |
| 5 | Advance payments | 516,534 | 0 |
| | Total inventories (C-I) | 48,898,724 | 49,789,502 |
| II | <i>Receivables</i> | | |
| 1 | From customer | | |
| | - due within the following year | 7,202,533 | 4,906,830 |
| | - due after the following year | 0 | 0 |
| | | 7,202,533 | 4,906,830 |
| 2 | From subsidiaries | | |
| | - due within the following year | 9,658 | 0 |
| | - due after the following year | 0 | 0 |
| | | 9,658 | 0 |
| 4 | From parent companies | | |
| | - due within the following year | 240,053 | 1,697,539 |
| | - due after the following year | 0 | 0 |
| | | 240,053 | 1,697,539 |
| 5 | From companies subject to control of parent companies | | |
| | - due within the following year | 44,837,270 | 49,845,014 |
| | - due after the following year | 0 | 0 |
| | | 44,837,270 | 49,845,014 |
| 5-bis | Tax credit | | |
| | - due within the following year | 509,676 | 500,917 |
| | - due after the following year | 0 | 0 |
| | | 509,676 | 500,917 |
| 5-ter | Deferred tax assets | 724,456 | 809,167 |
| | | 724,456 | 809,167 |
| 5-quater | From others | | |
| | - due within the following year | 6,137,978 | 1,012,687 |
| | - due after the following year | 0 | 0 |
| | | 6,137,978 | 1,012,687 |
| | Total receivables (C-II) | 59,661,624 | 58,772,154 |
| IV | <i>Cash and cash equivalents</i> | | |
| 1 | Bank and postal deposits | 4,959,265 | 595,740 |
| 2 | Cheques | 0 | 0 |
| 3 | Cash on hand and cash equivalents | 947 | 3,932 |
| | Total cash and cash equivalents (C-IV) | 4,960,212 | 599,672 |
| | Total Current Assets C | 113,520,560 | 109,161,328 |
| D ACCRUED INCOME AND PREPAID EXPENSES | | | |
| | Accrued income and prepaid expenses | 160,301 | 2,506 |
| | Total Accrued Income and Prepaid Expenses D | 160,301 | 2,506 |
| | TOTAL ASSETS | 194,324,785 | 160,406,913 |

LIABILITIES values in EUR

31/12/2019

31/12/2018

| A SHAREHOLDERS' EQUITY | | | |
|---|--|--------------------|--------------------|
| 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 | 1,110,086 | 883,694 |
| VI | Other reserves, represented by: | | |
| | - Extraordinary reserve | 20,293,428 | 13,595,269 |
| | - Reserve for unrealized exchange gains | 0 | 2,396,695 |
| | - Other reserves | (1) | 0 |
| | | 20,293,427 | 15,991,964 |
| IX | Profit/(loss) for the year | 5,782,605 | 4,527,857 |
| | Total Equity A | 63,213,755 | 57,431,152 |
| B RESERVES FOR RISKS AND EXPENSES | | | |
| 1 | For post-retirement benefits and similar obligations | 344,669 | 322,059 |
| 2 | For taxes, including deferred taxes | 8,614,861 | 9,728,121 |
| 3 | Other | 0 | 0 |
| | Total Reserves for Risks and Expenses B | 8,959,530 | 10,050,180 |
| C EMPLOYEE SEVERANCE PAY | | | |
| | Employee severance pay C | 350,800 | 345,649 |
| D PAYABLES | | | |
| 4 | Payables to banks | | |
| | - due within the following year | 3,152,518 | 774,064 |
| | - due after the following year | 0 | 0 |
| | | 3,152,518 | 774,064 |
| 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 | 43,440,384 | 57,792,195 |
| | - due after the following year | 0 | 0 |
| | | 43,440,384 | 57,792,195 |
| 9 | Payables to subsidiaries | | |
| | - due within the following year | 24,530,247 | 0 |
| | - due after the following year | 0 | 0 |
| | | 24,530,247 | 0 |
| 11 | Payables to parent companies | | |
| | - due within the following year | 39,888,577 | 20,462,263 |
| | - due after the following year | 0 | 0 |
| | | 39,888,577 | 20,462,263 |
| 11-bis | Payables to companies subject to control of parent companies | | |
| | - due within the following year | 949,625 | 1,264,309 |
| | - due after the following year | 0 | 0 |
| | | 949,625 | 1,264,309 |
| 12 | Tax payables | | |
| | - due within the following year | 370,219 | 718,433 |
| | - due after the following year | 0 | 0 |
| | | 370,219 | 718,433 |
| 13 | Payables to welfare and social security organizations | | |
| | - due within the following year | 471,572 | 450,124 |
| | - due after the following year | 0 | 0 |
| | | 471,572 | 450,124 |
| 14 | Other payables | | |
| | - due within the following year | 8,997,558 | 11,118,544 |
| | - due after the following year | 0 | 0 |
| | | 8,997,558 | 11,118,544 |
| | Total Payables D | 121,800,700 | 92,579,932 |
| E ACCRUED EXPENSES AND DEFERRED INCOME | | | |
| | Accrued expenses and deferred income | 0 | 0 |
| | Total Accrued expenses and deferred income E | 0 | 0 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 194,324,785 | 160,406,913 |

MARCEGAGLIA PLATES S.P.A.**PROFIT AND LOSS ACCOUNT AS OF 31 DECEMBER 2019**

| values in EUR | | 2019 | 2018 |
|---------------|--|--------------------|--------------------|
| A | VALUE OF PRODUCTION | | |
| 1 | Revenues from sales and services | 223,393,716 | 232,590,154 |
| 2 | Changes in inventories of work in progress, semi-finished and finished products | 577,831 | (388,125) |
| 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 | 69,589 | 0 |
| | - Other | 321,984 | 48,607 |
| | Total other revenues and income (5) | 391,573 | 48,607 |
| | Total Value of production A | 224,363,120 | 232,250,636 |
| B | PRODUCTION COSTS | | |
| 6 | Raw and ancillary materials, consumables and goods | 161,546,354 | 159,874,466 |
| 7 | Services | 34,845,502 | 33,110,303 |
| 8 | Lease and rental expense | 2,348,833 | 2,442,327 |
| 9 | Personnel costs | | |
| | a) wages and salaries | 4,741,907 | 4,712,639 |
| | b) social security contributions | 1,491,372 | 1,510,459 |
| | c) employee severance pay | 305,397 | 299,436 |
| | d) post-retirement benefits and similar obligations | 0 | 0 |
| | e) other personnel costs | 5,055 | 17,605 |
| | Total personnel costs (9) | 6,543,731 | 6,540,139 |
| 10 | Amortisation, depreciation and write-downs | | |
| | a) amortisation of intangible assets | 52,102 | 42,263 |
| | b) depreciation of property, plant and equipment | 5,226,177 | 5,097,775 |
| | c) other write-downs of fixed assets | 0 | 0 |
| | d) write-downs of receivables included in current assets and cash and cash equivalent. | 665,064 | 151,851 |
| | Total amortisation, depreciation and write-downs (10) | 5,943,343 | 5,291,889 |
| 11 | Changes in the inventory of raw and ancillary materials, consumables and goods | 1,985,143 | 15,458,858 |
| 12 | Provisions for risks | 0 | 0 |
| 13 | Other provisions | 0 | 0 |
| 14 | Sundry operating costs | 645,124 | 533,671 |
| | Total Production Costs B | 213,858,030 | 223,251,653 |
| | Difference between value and cost of production A - B | 10,505,090 | 8,998,983 |
| C | FINANCIAL INCOME AND EXPENSES | | |
| 16 | Other financial income | | |
| | a) from receivables recorded as fixed assets: | | |
| | - from other companies | 0 | 0 |
| | d) income other than the above: | | |
| | - from subsidiaries | 0 | 0 |
| | - from parent companies | 0 | 0 |
| | - from companies subject to the control of parent companies | 1,886,735 | 1,966,735 |
| | - from others | 1,625 | 1,920 |
| | Total other financial income (16) | 1,888,360 | 1,968,655 |
| 17 | Interests and other financial charges: | | |
| | - paid to subsidiaries | 30,247 | 0 |
| | - paid to associates | 0 | 0 |
| | - paid to parent companies | 2,035,859 | 1,568,903 |
| | - paid to companies subject to the control of parent companies | 493 | 0 |
| | - other financial expenses | 1,510,212 | 1,993,367 |
| | Total interests and other financial charges (17) | 3,576,811 | 3,562,270 |
| 17-bis | Exchange-rate gains and losses | (908,536) | (1,111,545) |
| | Total financial income and expenses C | (2,596,987) | (2,705,160) |
| D | VALUE ADJUSTMENTS OF FINANCIAL ASSETS | | |
| | Value adjustments of financial assets D | 0 | 0 |
| | PROFIT (LOSS) BEFORE TAXES (A-B+/-C+/-D) | | |
| | Profit (loss) before taxes A-B+/-C+/-D | 7,908,103 | 6,293,823 |
| 20 | Current, deferred and pre-paid income taxes for the year | | |
| | - Direct taxes for the year | 3,243,021 | 3,147,972 |
| | - Direct taxes for previous years | 91,026 | 0 |
| | - Deferred taxes | (1,028,549) | (1,382,006) |
| | - Income (costs) from participation in tax consolidation scheme | 180,000 | 0 |
| | Total current, deferred and pre-paid income taxes for the year (20) | 2,125,498 | 1,765,966 |
| 21 | PROFIT (LOSS) FOR THE YEAR | 5,782,605 | 4,527,857 |

STATEMENT OF CASH FLOWS AS OF 31 DECEMBER 2019

values in EUR

31/12/2019

31/12/2018

| | | | |
|--|--|--------------------------------------|--------------|
| A | CASH FLOWS FROM INCOME-GENERATING OPERATIONS (INDIRECT METHOD) | | |
| | Profit (loss) for the year | 5,782,605 | 4,527,857 |
| | Income Tax | 2,125,498 | 1,765,966 |
| | Interest expenses/(income) | 1,688,451 | 1,593,615 |
| | (Gains)/Losses resulting from the disposal of assets | (100) | - |
| | 1 Profit (loss) for the year, before income taxes, interest, dividends and gains/losses from asset sales | 9,596,454 | 7,887,438 |
| | Adjustments for non-cash items with no balancing entry in net working capital | | |
| | - Provisions to funds | 335,916 | 334,821 |
| | - Amortisation/Depreciation of fixed assets | 5,278,279 | 5,140,038 |
| | Total adjustments for non-cash items with no balancing entry in working capital | 5,614,195 | 5,474,859 |
| | 2 Cash flow before changes in net working capital | 15,210,649 | 13,362,297 |
| | Changes in net working capital | | |
| | - Decrease/(Increase) in inventories | 890,777 | 15,846,982 |
| | - Decrease/(Increase) in trade receivables | (2,295,703) | (1,543,978) |
| | - Increase/(Decrease) in trade payables | (14,351,811) | (31,148,090) |
| | - Decrease/(Increase) in accrued income and prepaid expenses | (157,795) | 2,868 |
| | - Increase/(Decrease) in accrued expenses and deferred income | - | (41) |
| - Other changes in net working capital | 39,361,596 | 7,170,172 | |
| Total changes in net working capital | 23,447,064 | (9,672,087) | |
| 3 Cash flow after changes in net working capital | 38,657,713 | 3,690,210 | |
| Other adjustments | | | |
| - Interest received/(paid) | (1,688,450) | (1,593,616) | |
| - (Utilisation of funds) | (308,155) | (306,915) | |
| Total other adjustments | (1,996,605) | (1,900,531) | |
| Cash flow from income-generating operations A | 36,661,108 | 1,789,679 | |
| B | CASH FLOWS FROM INVESTMENT ACTIVITIES | | |
| | Property, plant and equipment | | |
| | - (Investments) | (1,593,447) | (985,864) |
| | - Divestitures | 100 | - |
| | Intangible fixed assets | | |
| | - (Investments) | (30,678) | (100,360) |
| | - Divestitures | - | - |
| | Financial fixed assets | | |
| | - (Investments) | (33,054,998) | - |
| | - Divestitures | - | - |
| | 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 | (34,679,023) | (1,086,224) |
| | C | CASH FLOWS FROM FINANCING ACTIVITIES | |
| Third party resources | | | |
| - Increase/(Decrease) in short-term liabilities to banks | | 2,378,454 | (150,139) |
| - 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 | | 2,378,454 | (150,139) |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS A ± B ± C | | 4,360,539 | 553,316 |
| Exchange rate effect on cash and cash equivalents | | - | - |
| Cash and cash equivalents at beginning of year | | 599,672 | 46,356 |
| Bank and postal deposits | | 595,740 | 45,002 |
| Checks | | - | - |
| Cash on hand and cash equivalents | | 3,932 | 1,354 |
| Cash and cash equivalents at year end | 4,960,212 | 599,672 | |
| Bank and postal deposits | 4,959,265 | 595,740 | |
| Checks | - | - | |
| Cash on hand and cash equivalents | 947 | 3,932 | |

NOTES TO THE FINANCIAL STATEMENTS 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.

Basis of presentation

Financial statement preparation criteria and structure

The financial statements for the financial year ended on 31 December 2019 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 2019 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, income statement and cash flow statement, next to the amount for the year 2019, the amount for the same item for the previous year has been indicated. In order to make the items in the financial statements comparable, the balances for the previous year have been reclassified where necessary.

Classification conventions

In preparing the financial statements as of 31 December 2019, 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 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, associates, 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.

MEASUREMENT CRITERIA APPLIED

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. 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 impairment no longer apply, the original value 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 | Amortisation rate | Amortisation for the year |
|--|-----------------------------|-------------------|---------------------------|
| Start-up and expansion costs (B.I.1) | 42,113 | 20.00% | 8,423 |
| Licensed software (B.I.3) | 177,902 | 33.00% | 43,679 |

Property, plant and equipment

Property, plant and equipment 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, property, plant and equipment 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 impairment no longer apply, 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 property, plant and equipment 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) | 1,995,150 | | |
| Buildings (B.II.1) | 16,564,306 | 2.5%-3.5% | 515,894 |
| Light constructions (B.II.1) | 400,915 | 10.00% | 40,453 |
| Large plants and machinery (B.II.2) | 28,753,889 | 8.00% | 2,800,884 |
| Annealing furnaces (B.II.2) | 9,165,918 | 12.00% | 931,911 |
| General and specific plant assets (B.II.2) | 8,215,817 | 5%-8% | 630,217 |
| Miscellaneous equipment (B.II.3) | 891,096 | 15.00% | 109,762 |
| 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) | 196,882 | 20.00% | 38,302 |
| Motor vehicles (B.II.4) | 74,150 | 25.00% | 9,996 |
| Trucks and trailers (B.II.4) | - | 20.00% | - |
| Ordinary furniture and furnishings (B.II.4) | 57,074 | 10%-15% | 7,446 |
| Fixed assets in progress and advance payments (B.II.5) | 1,842,707 | - | - |

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 impairment 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 2018, 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 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, net of the related deferred tax, amounted to approximately 7.5 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 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 (31/12/2019). 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 valued at amortised cost are entered 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 (31/12/2019). 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, 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 |
|---|------------------------------|---|----------|-------------------------------|-------------------------------|
| Amount at beginning of the year | | | | | |
| 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 |
| Book value | 15,441 | 66,907 | - | - | 82,348 |
| Changes during the year | | | | | |
| Increases for acquisitions | - | 30,678 | - | - | 30,678 |
| Period amortisation/depreciation | 8,422 | 43,680 | - | - | 52,102 |
| Total changes | (8,422) | (13,002) | - | - | (21,424) |
| Amount at end of the year | | | | | |
| Cost | 42,113 | 177,902 | 50,000 | 7,925 | 277,940 |
| Amortisation/depreciation (Provision for amortisation/depreciation) | 35,094 | 123,997 | 50,000 | 7,925 | 217,016 |
| Book value | 7,019 | 53,905 | - | - | 60,924 |

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 |
|------------------------------|---------------|--------------------------|--------------|
| Costs of establishment | 42,113 | 35,094 | 7,019 |
| Total | 42,113 | 35,094 | 7,019 |

There are no capitalised development costs.

Financial charges capitalised

No financial charges were capitalised during the year of competence.

PROPERTY, PLANT AND EQUIPMENT

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

| | Land and buildings | Plants and machinery | Industrial and commercial equipment | Other property, plant and equipment | Assets under construction and payments on account | Total property, plant and equipment |
|--|--------------------|----------------------|-------------------------------------|-------------------------------------|---|-------------------------------------|
| Amount at beginning of the year | | | | | | |
| 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 |
| Book value | 16,892,872 | 31,948,399 | 1,144,649 | 190,115 | 980,191 | 51,156,226 |
| Changes during the year | | | | | | |
| Increases for acquisitions | 375,572 | 836,990 | 361,632 | 19,254 | - | 1,593,448 |
| Reclassification (of book value) | 8,007 | 50,830 | - | - | (58,837) | - |
| Period amortisation/depreciation | 556,347 | 4,363,010 | 245,954 | 60,866 | - | 5,226,177 |
| Total changes | (172,768) | (3,475,190) | 115,678 | (41,612) | (58,837) | (3,632,729) |
| Amount at end of the year | | | | | | |
| Cost | 21,835,658 | 46,135,625 | 2,111,357 | 361,128 | 1,842,708 | 72,286,476 |
| Amortisation/depreciation (Provision for amortisation/depreciation) | 2,240,267 | 17,662,416 | 851,030 | 212,625 | - | 20,966,338 |
| Write-downs | 2,875,287 | - | - | - | 921,354 | 3,796,641 |
| Book value | 16,720,104 | 28,473,209 | 1,260,327 | 148,503 | 921,354 | 47,523,497 |

Value reductions to property, plant and equipment

No fixed assets were written down during the year.

Financial charges capitalised

No financial charges were capitalised during the year of competence.

FINANCIAL FIXED ASSETS

CHANGES IN EQUITY INVESTMENTS, OTHER SECURITIES AND FINANCIAL DERIVATIVES REPORTED AS LONG-TERM ASSETS

| | Equity investments in subsidiaries | Equity investments in other companies | Total equity investments |
|--|------------------------------------|---------------------------------------|--------------------------|
| Amount at beginning of the year | | | |
| Cost | - | 5 | 5 |
| Book value | 0 | 5 | 5 |
| Changes during the year | | | |
| Increases for acquisitions | 33,054,998 | - | 33,054,998 |
| Total changes | 33,054,998 | - | 33,054,998 |
| Amount at end of the year | | | |
| Cost | 33,054,998 | 5 | 33,055,003 |
| Book value | 33,054,998 | 5 | 33,055,003 |

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 |
| Total receivables held as fixed assets | 4,500 | 4,500 | 4,500 | 4,500 |

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 | Shareholders' equity in Euros | Share held in Euros | % share held | Book value or corresponding receivable |
|----------------------------------|---|--|---------------------|--|-------------------------------------|---------------------------|-----------------|--|
| Marcegaglia Palini e Bertoli spa | Gazoldo degli Ippoliti (MN) | 03229740109 | 20,000,000 | (6,803,056) | 17,335,464 | 17,335,464 | 100.00% | 33,054,998 |
| Total | | | | | | | | 33,054,998 |

BREAKDOWN OF RECEIVABLES HELD AS FIXED ASSETS BY GEOGRAPHICAL AREA

| Geographical area | Receivables from others held as fixed assets | Total receivables held as fixed assets |
|-------------------|---|---|
| ITALY | 4,500 | 4,500 |
| Total | 4,500 | 4,500 |

VALUE OF FINANCIAL FIXED ASSETS

| | Book value | Fair value |
|---------------------------------------|--------------|--------------|
| Equity investments in other companies | 5 | 5 |
| Receivables from others | 4,500 | 4,500 |

BREAKDOWN OF THE VALUE OF EQUITY INVESTMENTS IN OTHER COMPANIES

| Description | Book value | Fair value |
|------------------|------------|------------|
| CONAI CONSORTIUM | 5 | 5 |
| Total | 5 | 5 |

BREAKDOWN OF AMOUNT OF RECEIVABLES FROM OTHERS HELD AS FIXED ASSETS

| Description | Book value | Fair value |
|--------------------------|--------------|--------------|
| SUNDRY SECURITY DEPOSITS | 4,500 | 4,500 |
| Total | 4,500 | 4,500 |

The increase in investments in subsidiaries relates to the acquisition of a 100% stake in Marcegaglia Palini e Bertoli spa, a company with registered office in Gazoldo degli Ippoliti (MN) and operating headquarters in San Giorgio di Nogaro (UD), specialising in the hot rolling of slabs, thus operating in the same sector as the company. The proximity of the newly-acquired subsidiary's plant to the company's operating plant will allow the development of synergies between the two competing and complementary businesses.

CURRENT ASSETS

INVENTORIES

| | Amount at beginning of the year | Changes during the year | Amount at end of the year |
|--|------------------------------------|----------------------------|------------------------------|
| Raw and ancillary materials and consumables | 30,059,882 | (1,985,143) | 28,074,739 |
| Work in process and semi- finished goods | 5,544,131 | 1,646,146 | 7,190,277 |
| Finished products and goods | 14,185,489 | (1,068,315) | 13,117,174 |
| Advance payments | 0 | 516,534 | 516,534 |
| Total inventories | 49,789,502 | (890,778) | 48,898,724 |
| Total inventories | 49,789,502 | (890,778) | 48,898,724 |

Details of provisions for inventory write-downs

| | Gross value | Provision for write-downs | Net amount |
|---|-------------------|---------------------------|-------------------|
| Raw and ancillary materials and consumables | 28,125,508 | -50,769 | 28,074,739 |
| Work in process and semi-finished goods | 7,190,277 | 0 | 7,190,277 |
| Contract work in progress | 0 | 0 | 0 |
| Finished products and goods | 13,117,174 | 0 | 13,117,174 |
| Other non-instrumental inventories | 0 | 0 | 0 |
| Advance payments | 516,534 | 0 | 516,534 |
| Total | 48,949,493 | -50,769 | 48,898,724 |

The write-down provision set aside in 2019 refers to inventories of miscellaneous materials and in particular to spare parts for slow-moving and obsolete plant and machinery.

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 |
|---|---------------------------------------|-------------------------------|---------------------------------|-----------------------------------|
| II - Receivables | | | | |
| Receivables from customers recorded in current assets | 4,906,830 | 2,295,703 | 7,202,533 | 7,202,533 |
| Receivables from subsidiaries recorded in current assets | 0 | 9,658 | 9,658 | 9,658 |
| Receivables from parent companies recorded in current assets | 1,697,539 | (1,457,486) | 240,053 | 240,053 |
| Receivables from companies subject to control of parent companies recorded in current assets | 49,845,014 | (5,007,744) | 44,837,270 | 44,837,270 |
| Tax credits recorded in current assets | 500,917 | 8,759 | 509,676 | 509,676 |
| Deferred tax assets recorded in current assets | 809,167 | (84,711) | 724,456 | |
| Receivables from others recorded in current assets | 1,012,687 | 5,125,291 | 6,137,978 | 6,137,978 |
| Total receivables recorded in current assets | 58,772,154 | 889,470 | 59,661,624 | 58,937,168 |

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 | 1,881,408 | 385 | 665,064 | 2,546,087 |
| Total provision for doubtful debt | 1,881,408 | 385 | 665,064 | 2,546,087 |

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 |
|---|---------------------------------|-------------------------|---------------------------|-----------------------------|
| Receivables from factoring companies | 717,590 | -126,816 | 590,774 | 590,774 |
| Advances to suppliers | 191,418 | -35,424 | 155,994 | 155,994 |
| Social security receivables | 2,076 | 10,434 | 12,510 | 12,510 |
| receivables due from staff | 787 | -119 | 668 | 668 |
| Receivables from credit institutions for customer collections | 5,207 | -52 | 5,155 | 5,155 |
| Other receivables | 95,609 | 5,277,268 | 5,372,877 | 5,372,877 |
| Total receivables from others | 1,012,687 | 5,125,291 | 6,137,978 | 6,137,978 |

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 |
|--|---------------------------------|-------------------------|---------------------------|-----------------------------|
| E.T.A. Srl | 49,641,963 | -5,017,522 | 44,624,441 | 44,624,441 |
| Marcegaglia Carbon Steel S.p.A. | 28,645 | -28,645 | - | - |
| Marcegaglia Specialties S.p.A. | 174,406 | 38,423 | 212,829 | 212,829 |
| Total receivables from companies subject to control of parent companies | 49,845,014 | -5,007,744 | 44,837,270 | 44,837,270 |

BREAKDOWN OF THE RECEIVABLES RECORDED IN THE CURRENT ASSETS BY GEOGRAPHICAL AREA

| | Italy | EU | Other Europe | Total |
|--|-------------------|----------------|----------------|-------------------|
| Receivables from customers recorded in current assets | 5,674,277 | 764,214 | 764,042 | 7,202,533 |
| Receivables due from subsidiaries recorded in current assets | 9,658 | - | - | 9,658 |
| Receivables from parent companies recorded in current assets | 240,053 | - | - | 240,053 |
| Receivables from companies subject to control of parent companies recorded in current assets | 44,837,270 | - | - | 44,837,270 |
| Tax credits recorded in current assets | 509,676 | - | - | 509,676 |
| Deferred tax assets recorded in current assets | 724,456 | - | - | 724,456 |
| Receivables from others recorded in current assets | 6,137,978 | - | - | 6,137,978 |
| Total receivables recorded in current assets | 58,133,368 | 764,214 | 764,042 | 59,661,624 |

CASH AND CASH EQUIVALENTS

| | Amount at beginning of the year | Changes during the year | Amount at end of the year |
|--|---------------------------------|-------------------------|---------------------------|
| Bank and postal deposits | 595,740 | 4,363,525 | 4,959,265 |
| Cash and securities | 3,932 | (2,985) | 947 |
| Total cash and cash equivalents | 599,672 | 4,360,540 | 4,960,212 |

ACCRUED INCOME AND PREPAID EXPENSES

| | Amount at beginning of the year | Changes during the year | Amount at end of the year |
|--|---------------------------------|-------------------------|---------------------------|
| Prepaid expenses | 2,506 | 157,795 | 160,301 |
| Total accrued income and prepaid expenses | 2,506 | 157,795 | 160,301 |

| | Amount at beginning of the year | Changes during the year | Amount at end of the year |
|-------------------------------|---------------------------------|-------------------------|---------------------------|
| Miscellaneous policies | 1,389 | -1,389 | - |
| Motor vehicle tax | 485 | 1 | 486 |
| Plant and equipment rental | 632 | -570 | 62 |
| Grey certificates | - | 149,607 | 149,607 |
| Machinery maintenance fees | - | 8,130 | 8,130 |
| Employee travel tickets | - | 2,016 | 2,016 |
| Total prepaid expenses | 2,506 | 157,795 | 160,301 |

NOTES TO THE FINANCIAL STATEMENTS – LIABILITIES AND SHAREHOLDERS' EQUITY

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 | Decreases | | |
| Share capital | 35,000,000 | - | - | | 35,000,000 |
| Share premium reserve | 1,027,637 | - | - | | 1,027,637 |
| Legal reserve | 883,694 | 226,392 | - | | 1,110,086 |
| Other reserves | | | | | |
| Extraordinary reserve | 13,595,269 | 6,698,159 | - | | 20,293,428 |
| Reserve for unrealised exchange gains | 2,396,695 | (2,396,695) | - | | 0 |
| Sundry other reserves | 0 | - | 1 | | (1) |
| Total other reserves | 15,991,964 | 4,301,464 | 1 | | 20,293,427 |
| Profit (loss) for the year | 4,527,857 | (4,527,857) | - | 5,782,605 | 5,782,605 |
| Total Equity | 57,431,152 | (1) | 1 | 5,782,605 | 63,213,755 |

Breakdown of sundry other reserves

| Description | Amount |
|---------------------|------------|
| Rounding difference | (1) |
| Total | (1) |

AVAILABILITY AND USE OF SHAREHOLDERS' EQUITY

| | Amount | Origin/nature | Possible use | Available portion |
|---------------------------------------|-------------------|------------------------------|--------------|----------------------|
| Share capital | 35,000,000 | contribution of shareholders | | - |
| Share premium reserve | 1,027,637 | | A B C | 1,027,637 |
| Legal reserve | 1,110,086 | period profit | B | 1,110,086 |
| Other reserves | | | | |
| Extraordinary reserve | 20,293,428 | period profit | A B C | 20,293,428 |
| Reserve for unrealised exchange gains | 0 | | | - |
| Sundry other reserves | (1) | | | - |
| Total other reserves | 20,293,427 | | | 20,293,428 |
| Total | 57,431,150 | | | 22,431,151 |
| Non-distributable portion | | | | 1,027,637 |
| Residual distributable portion | | | | 21,403,514 |

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 |
|---------------------|------------|
| Rounding difference | (1) |
| Total | (1) |

Key: A: capital increase; B: loss cover; C: distribution to shareholders; 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 provisions for risks and charges |
|---------------------------------|--|---|--|
| Amount at beginning of the year | 322,059 | 9,728,121 | 10,050,180 |
| Changes during the year | | | |
| Provisions for the year | 30,519 | 12,185 | 42,704 |
| Usage for the year | 7,909 | 1,125,445 | 1,133,354 |
| Total changes | 22,610 | (1,113,260) | (1,090,650) |
| Amount at end of the year | 344,669 | 8,614,861 | 8,959,530 |

BREAKDOWN OF PROVISION FOR POST-RETIREMENT BENEFITS AND SIMILAR OBLIGATIONS

| 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 | 310,984 | - | 23,327 | - | 334,311 |
| Indemnity provision for termination of agency agreement | 11,075 | 7,909 | 7,192 | - | 10,358 |
| Total | 322,059 | 7,909 | 30,519 | - | 344,669 |

BREAKDOWN OF PROVISION FOR TAX

| 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 | 9,728,121 | 1,125,445 | 12,185 | 0 | 8,614,861 |
| Total | 9,728,121 | 1,125,445 | 12,185 | 0 | 8,614,861 |

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 property, plant and equipment 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 2019, 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 1,081,179.65.

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 | 345,649 |
| Changes during the year | |
| Provisions for the year | 305,397 |
| Usage for the year | 300,246 |
| Total changes | 5,151 |
| Amount at end of the year | 350,800 |

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 |
|---|---|--|--|------------|
| 1,050 | 153,317 | 123,195 | 22,684 | 300,246 |

Employee severance indemnities allocated to supplementary pension funds or to the “Provision for the payment to employees in the private sector of severance indemnities pursuant to Art. 2120 of the Italian Civil Code”, the so-called INPS treasury fund, are included under item “D) 13) Due 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 | 774,064 | 2,378,454 | 3,152,518 | 3,152,518 |
| Trade payables | 57,792,195 | (14,351,811) | 43,440,384 | 43,440,384 |
| Payables to subsidiaries | 0 | 24,530,247 | 24,530,247 | 24,530,247 |
| Payables to parent companies | 20,462,263 | 19,426,314 | 39,888,577 | 39,888,577 |
| Payables to companies subject to control of parent companies | 1,264,309 | (314,684) | 949,625 | 949,625 |
| Tax payables | 718,433 | (348,214) | 370,219 | 370,219 |
| Payables to welfare and social security organisations | 450,124 | 21,448 | 471,572 | 471,572 |
| Other payables | 11,118,544 | (2,120,986) | 8,997,558 | 8,997,558 |
| Total payables | 92,579,932 | 29,220,768 | 121,800,700 | 121,800,700 |

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 |
|---------------------------------|---------------------------------|-------------------------|---------------------------|-----------------------------|
| Payables to factoring companies | 10,304,689 | -2,172,757 | 8,131,932 | 8,131,932 |
| Payables to staff | 755,188 | 58,362 | 813,550 | 813,550 |
| Security deposits | - | - | - | - |
| Other payables | 58,667 | -6,591 | 52,076 | 52,076 |
| Total other payables | 11,118,544 | -2,120,986 | 8,997,558 | 8,997,558 |

| 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 |
|---|---------------------------------|-------------------------|---------------------------|-----------------------------|
| Marfin S.r.l. | 37,927 | -4,515 | 33,412 | 33,412 |
| Made Hse S.r.l. | 27,400 | 72,790 | 100,190 | 100,190 |
| Marcegaglia Carbon Steel S.p.A. | 8,692 | -1,593 | 7,099 | 7,099 |
| Marcegaglia Specialties S.p.A. | 913,698 | -139,224 | 774,474 | 774,474 |
| Marcegaglia Romania Srl | 1,656 | -1,617 | 39 | 39 |
| Abaco Team Spa | 12,000 | 2,400 | 14,400 | 14,400 |
| Marcegaglia Poland Sp.z.o.o. | 28,782 | -28,782 | - | - |
| Marcegaglia Gazoldo Inox | - | 7,625 | 7,625 | 7,625 |
| Marcegaglia Deutschland GmbH | 170,000 | -157,614 | 12,386 | 12,386 |
| Marcegaglia UK | 57,548 | -57,548 | - | - |
| Marcegaglia Iberica sa | 6,606 | -6,606 | - | - |
| Total payables to companies subject to control of parent companies | 1,264,309 | -314,684 | 949,625 | 949,625 |

BREAKDOWN OF PAYABLES BY GEOGRAPHICAL AREA

| | Italy | EU | Other Europe | Africa Middle East | Asia Oceania | Total |
|--|-------------------|----------------|-------------------|-----------------------|-----------------|--------------------|
| Payables to banks | 3,152,518 | - | - | - | - | 3,152,518 |
| Trade payables | 12,479,818 | 836,026 | 29,833,854 | 3,621 | 287,065 | 43,440,384 |
| Payables to subsidiaries | 24,530,247 | - | - | - | - | 24,530,247 |
| Payables to parent companies | 39,888,577 | - | - | - | - | 39,888,577 |
| Payables to companies subject to control of parent companies | 937,238 | 12,387 | - | - | - | 949,625 |
| Tax payables | 370,219 | - | - | - | - | 370,219 |
| Payables to welfare and social security organisations | 471,572 | - | - | - | - | 471,572 |
| Other payables | 8,997,558 | - | - | - | - | 8,997,558 |
| Payables | 90,827,747 | 848,413 | 29,833,854 | 3,621 | 287,065 | 121,800,700 |

DEBT SECURED BY COMPANY ASSETS

| | Debt secured by collateral | | Unsecured debt | Total |
|--|----------------------------|-------------------------------------|--------------------|--------------------|
| | Debt secured by liens | Total debt secured by collateral | | |
| Payables to banks | 3,148,649 | 3,148,649 | 3,869 | 3,152,518 |
| Trade payables | - | - | 43,440,384 | 43,440,384 |
| Payables to subsidiaries | - | - | 24,530,247 | 24,530,247 |
| Payables to parent companies | - | - | 39,888,577 | 39,888,577 |
| Payables to companies subject to control of parent companies | - | - | 949,625 | 949,625 |
| Tax payables | - | - | 370,219 | 370,219 |
| Payables to welfare and social security organisations | - | - | 471,572 | 471,572 |
| Other payables | - | - | 8,997,558 | 8,997,558 |
| Total payables | 3,148,649 | 3,148,649 | 118,652,051 | 121,800,700 |

It should be noted that in relation to securitisation transactions of trade receivables without notification, the company Marcegaglia Plates spa has established a pledge in favour of the securitisers on the amounts that are held on special current accounts.

NOTES TO THE FINANCIAL STATEMENTS – INCOME STATEMENT

VALUE OF PRODUCTION

BREAKDOWN OF INCOME FROM SALES AND SERVICES BY BUSINESS CATEGORIES

| | Current value |
|----------------------|--------------------|
| Heavy plates | 206,845,821 |
| Other steel products | 16,547,895 |
| Total | 223,393,716 |

BREAKDOWN OF INCOME FROM SALES AND SERVICES BY GEOGRAPHICAL AREA

| | Current value |
|---------------|--------------------|
| Italy | 81,394,106 |
| EU | 130,600,379 |
| Other Europe | 5,972,693 |
| North America | 5,020,038 |
| Middle East | 27,507 |
| Africa | 378,993 |
| Total | 223,393,716 |

FINANCIAL INCOME AND CHARGES

Breakdown of interest and other financial charges by type of payable

| | Interest and other financial charges |
|-------------------|--------------------------------------|
| Payables to banks | 68,802 |
| Other | 1,441,410 |
| Total | 1,510,212 |

The following is a further detail of financial charges for 2019:

| Detail of item "Other" | Other |
|---|------------------|
| Interest due on assignment of receivables for securitisation and factoring transactions | 976,022 |
| Other interest and financial charges | 465,388 |
| Total other financial charges | 1,441,410 |

CURRENT, DEFERRED AND PREPAID INCOME TAXES FOR THE YEAR

The deferred taxes recognised in the financial statements as at 31.12.2019 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 |
|--|------------|------------|
| A) Temporary differences | | |
| Total deductible temporary differences | 2,600,238 | 2,574,349 |
| Total taxable temporary differences | 31,109,456 | 29,451,031 |
| Net temporary differences | 28,509,218 | 26,876,682 |
| B) Tax effects | | |
| Opening provision for deferred (prepaid) tax | 7,717,363 | 1,201,589 |
| Period deferred (prepaid) tax | (875,151) | (153,399) |
| Closing provision for deferred (prepaid) tax | 6,842,212 | 1,048,190 |

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 | 200,942 | (175,053) | 25,889 | 24.00% | 6,213 | - | - |
| Goodwill | 1,080 | (1,080) | - | - | - | - | - |
| Write-down of inventories | 2,715,215 | (140,866) | 2,574,349 | 24.00% | 617,844 | 3.90% | 100,400 |
| Membership fees | 12,897 | (12,897) | - | - | - | - | - |

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 | 182,278 | (131,509) | 50,769 | 24.00% | 12,185 | - | - |
| Write-back of assets from contribution (IRES) | 34,903,533 | (3,844,846) | 31,058,687 | 24.00% | 7,454,085 | - | - |
| Write-back of assets from contribution (IRAP) | 33,526,289 | (4,075,258) | 29,451,031 | - | - | 3.90% | 1,148,590 |

ESTIMATED RECOVERY OF DEFERRED AND PREPAID TAXES

| Description | Year 2020 | Year 2021 | Year 2022 | Year 2023 | Beyond year 2023 or unforeseeable | Total |
|---|------------------|------------------|------------------|------------------|-----------------------------------|-------------------|
| A) Taxable temporary differences | | | | | | |
| IRES | | | | | | |
| Exchange-rate gains from valuation | 50,769 | | | | | 50,769 |
| Write-back of assets of the depreciation charge | 4,019,075 | 4,156,715 | 4,340,525 | 4,384,769 | 14,157,603 | 31,058,687 |
| | 4,069,844 | 4,156,715 | 4,340,525 | 4,384,769 | 14,157,603 | 31,109,456 |
| IRAP | | | | | | |
| Write-back of assets of the depreciation charge | 4,070,036 | 4,065,776 | 4,050,533 | 4,049,196 | 13,215,490 | 29,451,031 |
| | 4,070,036 | 4,065,776 | 4,050,533 | 4,049,196 | 13,215,490 | 29,451,031 |
| Total deferred tax | 1,135,494 | 1,156,177 | 1,199,697 | 1,210,264 | 3,913,229 | 8,614,861 |
| B) Deductible temporary differences | | | | | | |
| IRES | | | | | | |
| Loss on exchange rate valuation | 25,889 | | | | | 25,889 |
| Write-down of inventories | | | | | 2,574,349 | 2,574,349 |
| | 25,889 | - | - | - | 2,574,349 | 2,600,238 |
| IRAP | | | | | | |
| Write-down of inventories | | | | | 2,574,349 | 2,574,349 |
| | - | - | - | - | 2,574,349 | 2,574,349 |
| Total prepaid tax | 6,213 | 0 | 0 | 0 | 718,244 | 724,457 |

INFORMATION ON THE NATIONAL CONSOLIDATED TAX RETURN

The option to adopt the consolidated tax regime on a national basis was renewed in November 2019 by the company Marcegaglia Holding S.p.A. using the 2019 Tax Return and is valid for the three-year period 2019/2020/2021.

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 10,974,424, corresponding to a theoretical IRES (corporation tax) of Euro 2,633,862, recorded in item 20) of the income statement.

In addition, the company transferred to the consolidating company a surplus of gross operating profit of Euro 1,500,000, which resulted in the recognition by the consolidating company of a gain of Euro 180,000, recorded in item 20 of the Income Statement.

RECONCILIATION BETWEEN THE EFFECTIVE TAX CHARGE
AND THE THEORETICAL TAX CHARGE (IRES)

| 2019 | | |
|---|-------------------|--------------------|
| Statutory Profit (+) / Loss (-) for the year before tax | 7,908,103 | |
| Theoretical tax 24% on statutory profit before tax | | 1,897,945 |
| Effect of changes in increase (+) / decrease (-) compared to the ordinary rate | | IRES effect |
| Increase in temporary differences | 25,889 | 6,213 |
| Decrease in temporary differences | -271,228 | -65,095 |
| Resorption of temporary decreases | -409,714 | -98,331 |
| Resorption of temporary increases | 4,027,124 | 966,510 |
| Permanent increases | 941,389 | 225,933 |
| Permanent decreases | -1,247,139 | -299,313 |
| Total increases and decreases | 3,066,321 | 735,917 |
| Previous years' tax losses that can be carried forward | | 0 |
| Period fiscal profit | 10,974,424 | 2,633,862 |

RECONCILIATION BETWEEN THE EFFECTIVE TAX CHARGE
AND THE THEORETICAL TAX CHARGE (IRAP)

| 2019 | | |
|---|-------------------|--------------------|
| Difference between value and cost of production | 10,505,089 | |
| Costs not relevant for IRAP | 7,208,794 | |
| Theoretical IRAP taxable income | 17,713,883 | |
| Theoretical tax 3.9% on theoretical IRAP taxable income | | 690,841 |
| Effect of changes in increase (+) / decrease (-) compared to the ordinary rate | | IRAP effect |
| Increase in temporary differences | 0 | 0 |
| Resorption of temporary increases | 4,075,258 | 158,935 |
| Resorption of temporary decreases | -141,946 | -5,536 |
| Permanent increases | 1,024,124 | 39,941 |
| Permanent decreases | -61,487 | -2,398 |
| Gross production value IRAP | 22,609,832 | 881,783 |
| IRAP deductions | -6,990,372 | -272,625 |
| IRAP TAXABLE INCOME | 15,619,460 | 609,158 |

NOTES TO THE FINANCIAL STATEMENTS – FURTHER INFORMATION

EMPLOYMENT FIGURES

| | Average number |
|------------------------|----------------|
| Executives | 1 |
| Middle managers | 1 |
| Employees | 30 |
| Workers | 56 |
| Total employees | 88 |

The following table also shows the detailed data on the number of employees as at 31 December 2019:

| | Spot number at year end |
|------------------------|-------------------------|
| Executives | 1 |
| Middle managers | 1 |
| Employees | 30 |
| Workers | 57 |
| Other employees | |
| Total employees | 89 |

FEES, ADVANCES AND RECEIVABLES GRANTED TO DIRECTORS AND STATUTORY AUDITORS AND COMMITMENTS UNDERTAKEN ON THEIR BEHALF

| | Directors | Auditors |
|------|-----------|----------|
| Fees | 850,000 | 43,680 |

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 |
|--|---------------|
| Statutory audit of annual accounts | 30,845 |
| Other auditing services performed | 9,032 |
| Tax consulting services | 500 |
| Total statutory auditor or independent auditors' fees | 40,377 |

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 | Initial amount, face value | Final amount, number | Final amount, face value |
|-----------------|------------------------|----------------------------|----------------------|--------------------------|
| Ordinary shares | 35,000,000 | 35,000,000 | 35,000,000 | 35,000,000 |
| Total | 35,000,000 | 35,000,000 | 35,000,000 | 35,000,000 |

COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES NOT REPORTED IN THE BALANCE SHEET

| | Amount |
|------------|-------------|
| Guarantees | 476,967,009 |

Detail

| | 31/12/2019 | 31/12/2018 |
|-----------------------------------|--------------------|--------------------|
| RISKS TAKEN BY THE COMPANY | | |
| Sureties | | |
| - to parent companies | 476,502,809 | 352,122,769 |
| - to other companies | 464,200 | 464,200 |
| Total sureties | 476,967,009 | 352,586,969 |
| Total guarantees | 476,967,009 | 352,586,969 |

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

With reference to point 22-quater of Art. 2427 of the Italian Civil Code, it should be noted that after 31 December 2019 and up to the date of approval of these financial statements, no events occurred in the company such as to have a material impact on the balance sheet and income statement figures shown therein.

It should, however, be pointed out that as at the date on which these financial statements are prepared, the Company is monitoring the evolution of the instability that has recently emerged in connection with the public health emergency deriving from the cases of COVID-19 contagion (the “Coronavirus”), that, during the first few weeks of 2020 initially impacted China and thereafter spread to the other countries.

At present, once the necessary assessments have been made, it is not possible to predict the evolution that this phenomenon could have, including in Italy, and, consequently, the impact it could have on the economy, given that this emergency could fall in the following months depending on the outcome of the containment measures planned by the governments and central banks of the countries affected by the spread of the virus. However, based on the information available and also on a forecast up to the end of FY 2020, we assessed the impact of the COVID-19 emergency, considering that it does not affect the Company’s (or group’s) ability to continue to operate as a going concern. In view of the above, it is believed that this emergency, which is still ongoing at present, will certainly cause a reduction in turnover in 2020, albeit with a forecast of maintaining sufficient economic margins and cash flows to meet its commitments. In this regard, the Company (or the group) will continue to monitor the evolution of the scenario in order to promptly take all appropriate actions to limit the impacts as far as possible.

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.

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 31.12.2018.

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 | 31/12/2018 | 31/12/2017 |
| B) Fixed assets | 115,154,356 | 116,204,872 |
| C) Current assets | 221,863 | 71,568 |
| Total assets | 115,376,219 | 116,276,440 |
| A) Shareholders' equity | | |
| Share capital | 40,000 | 40,000 |
| Reserves | 25,188,434 | 27,176,968 |
| Profit (loss) for the year | -953,385 | -2,058,532 |
| Total Equity | 24,275,049 | 25,158,436 |
| B) Provisions for risks and charges | 6,152 | 5,965 |
| D) Payables | 91,094,984 | 91,112,005 |
| E) Accrued charges and deferred income | 34 | 34 |
| Total liabilities | 115,376,219 | 116,276,440 |

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 | 31/12/2018 | 31/12/2017 |
| A) Value of production | 145,853 | - |
| B) Production costs | 39,186 | 43,523 |
| C) Financial income and charges | 818 | 3,357 |
| D) Write-downs of financial assets | -1,050,098 | -2,017,537 |
| Income taxes for the year | 10,772 | 829 |
| Profit (loss) for the year | -953,385 | -2,058,532 |

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 2019 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. |
|----------------------------------|------------------------|---|----------------------|--|
| Customs and Monopolies Agency-UD | 30,399 | 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 | 137,119 | Exemption of gas excise duties | S: Giorgio di Nogaro | Legislative Decree 504/95 Art. 21 paragraph 2 lett. 13 |
| Revenue Agency - Treasury | 6,440 | Hyper-amortisation | S: Giorgio di Nogaro | Law 232 of 11/12/2016 |
| Revenue Agency - Treasury | 40,944 | Superamortisation | S: Giorgio di Nogaro | Law 208 of 28/12/15 |
| Revenue Agency - Treasury | 53,929 | Tax credit for R&D activities | S: Giorgio di Nogaro | Legislative Decree 145 of 23/12/13 Art. 3 |
| Total | 268,830.58 | | | |

PROPOSAL FOR THE ALLOCATION OF PROFITS OR COVERAGE OF LOSSES

We propose to allocate the net profit of Euro 5,782,605.07 as follows:

- 5% of the residual portion, equal to Euro 289,130.25, to the legal reserve;
- Euro 264,003.30 to the reserve for unrealised exchange gains pursuant to Article 2426, paragraph 8 bis of the Italian Civil Code;
- the remaining Euro 5,229,471.52 to the extraordinary reserve.

NOTES TO THE FINANCIAL STATEMENTS

Final Part

Significant changes in currency exchange rates

The COVID-19 emergency, which occurred in the first months of 2020 worldwide and is still ongoing today, led to significant changes in currency exchange rates after year-end.

Using the exchange rates at 20.04.2020, in fact, 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 523,000.

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

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.

Gazoldo degli Ippoliti, 30 April 2020

Chairman
of the Board of Directors
Antonio Marcegaglia





60th

1959-2019
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