

MARCEGAGLIA RAVENNA S.P.A.

**Interim condensed Financial Statements
as of June 30, 2020**

Auditors' review report

Auditors' review report on the interim condensed financial statements

To the shareholders of
Marcegaglia Plates S.p.A.

Introduction

We have reviewed the accompanying interim condensed financial statements, of comprising the balance sheet, the statements of income, the statement of cash flows and the related explanatory notes, of Marcegaglia Plates S.p.A. as of June 30, 2020. Directors are responsible for the preparation of the interim condensed financial statements in conformity with the accounting principle OIC 30. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with *International Standard On Review Engagement 2410, "Review of Interim Financial Information Performed by Independent Auditor of the Entity"*. A review of the interim condensed financial statements consists of making enquiries, primary of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA ITALIA) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed financial statements.

Conclusion

Based our review, nothing has come to our attention that causes us to believe that the interim condensed financial statements of Marcegaglia Plates S.p.A. as of June 30, 2020 are not prepared, in all material respects, in conformity with the accounting principle OIC 30.

Verona, September 30, 2020

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

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

MARCEGAGLIA RAVENNA SPA

VIA BRESCIANI 16 - 46040 GAZOLDO DEGLI IPPOLITI - MANTOVA
VAT No. 02559130204 - Tax ID No 02559130204
Chamber of Commerce of MANTOVA - no. 02559130204
Share Capital euro 105.307.498

Financial Statements as at 30/06/2020

All amounts are expressed in unit of euros

30/06/2020

31/12/2019

30/06/2019

Balance Sheet

Balance Sheet

Assets

A) RECEIVABLES FROM SHAREHOLDERS FOR OUTSTANDING CONTRIBUTIONS			
not previously called	0	0	0
previously called	3.980.624	3.980.624	3.980.624
TOTAL RECEIVABLES FROM SHAREHOLDERS FOR OUTSTANDING CONTRIBUTIONS (A)	3.980.624	3.980.624	3.980.624
B) Fixed assets			
I) Intangible fixed asset			
1) Start-up and expansion costs	0	0	0
2) Development costs	0	0	0
3) Industrial patent rights and intellectual property rights	39.154	18.774	23.709
4) Concessions, licences, trademarks and similar rights	0	0	0
5) Goodwill	0	0	0
6) Fixed assets in progress and advance payments	0	0	51.883
7) Other	0	0	0
Total intangible fixed assets (B-I)	39.154	18.774	75.592
II) Property, plant and equipment			
1) Land and buildings	0	0	0
2) Plant and machinery	247.049.635	265.144.683	275.461.859
3) Industrial and commercial equipment	2.634.408	2.815.941	3.177.790
4) Other assets	741.185	811.754	804.116
5) Fixed assets in progress and advance payments	33.422.656	22.307.793	10.472.977
Totale property, plant and equipment (B-II)	283.847.884	291.080.171	289.916.742
III) Financial fixed assets			
1) Equity investments in:			
a) Subsidiaries	0	0	0
b) Associates	6.250	6.250	6.250
c) Parent companies	0	0	0
d) companies subject to control of parent companies	0	0	0
d-bis) Other companies	1.519.737	1.392.566	1.392.566
Totale equity investments	1.525.987	1.398.816	1.398.816
2) Receivables			
a) from subsidiaries			
- due after the following year	0	0	0
- due within the following year	0	0	0
Total receivables from subsidiaries	0	0	0
b) from associates			
- due after the following year	0	0	0
- due within the following year	0	0	0
Total receivables from associates	0	0	0
c) from parent companies			
- due after the following year	0	0	0
- due within the following year	0	0	0
Total receivables from parent companies	0	0	0
d) from companies subject to control of parent companies			
- due after the following year	0	0	0
- due within the following year	0	0	0
Total receivables from companies subject to control of parent companies	0	0	0
d-bis) from others			
- due after the following year	1.391.973	1.442.077	55.344
- due within the following year	0	0	0
Total receivables from others	1.391.973	1.442.077	55.344
Total receivables	1.391.973	1.442.077	55.344
3) Other securities	0	0	0
4) Financial derivatives reported as assets	0	0	0
Total financial assets (B-III)	2.917.960	2.840.893	1.454.160
TOTAL FIXED ASSETS (B)	286.804.998	293.939.838	291.446.494
C) CURRENT ASSETS			
I) Inventories			
1) Raw and ancillary materials and consumables	38.387.436	35.057.701	39.420.995
2) Work in progress and semi-finished products	0	0	0
3) Contract work in progress	0	0	0
4) Finished products and goods	0	0	0
5) Advance payments	165.402	167.062	905.012
Totale inventories (C-I)	38.552.838	35.224.763	40.326.007
II) Receivables			
1) from customer			
- due within the following year	8.064.158	7.593.062	5.809.218
- due after the following year	0	0	0
Total receivables from customer	8.064.158	7.593.062	5.809.218

MARCEGAGLIA RAVENNA SPA

VIA BRESCIANI 16 - 46040 GAZOLDO DEGLI IPPOLITI - MANTOVA
VAT No. 02559130204 - Tax ID No 02559130204
Chamber of Commerce of MANTOVA - no. 02559130204
Share Capital euro 105.307.498

Financial Statements as at 30/06/2020

All amounts are expressed in unit of euros

	30/06/2020	31/12/2019	30/06/2019
2) from subsidiaries			
- due within the following year	0	0	0
- due after the following year	0	0	0
Total receivables from subsidiaries	0	0	0
3) from associates			
- due within the following year	410.872	1.049.222	329.276
- due after the following year	0	0	0
Total receivables from associates	410.872	1.049.222	329.276
4) from parent companies			
- due within the following year	1.149.577	1.149.577	991.583
- due after the following year	0	0	0
Total receivables from parent companies	1.149.577	1.149.577	991.583
5) from companies subject to control of parent companies			
- due within the following year	921.486	342.455	29.147.271
- due after the following year	0	0	0
Total receivables from companies subject to control of parent companies	921.486	342.455	29.147.271
5-bis) Tax credit			
- due within the following year	6.793	1.597.018	449.871
- due after the following year	0	0	0
Total tax credit	6.793	1.597.018	449.871
5-ter) Deferred tax assets	1.242.197	1.246.199	1.242.200
Total deferred tax assets	1.242.197	1.246.199	1.242.200
5-quat) from others			
- due within the following year	2.025.807	293.917	1.811.858
- due after the following year	0	0	0
Total receivables from others	2.025.807	293.917	1.811.858
Total receivables (C-II)	13.820.890	13.271.450	39.781.277
III) Financial assets not held as fixed assets			
1) Equity investments in subsidiaries	0	0	0
2) Equity investments in associates	0	0	0
3) Equity investments in parent companies	0	0	0
3-bis) Equity investments in companies subject to control of parent companies	0	0	0
4) Other equity investments	0	0	0
5) Financial derivatives reported as assets	0	0	0
6) Other securities	0	0	0
Total financial assets not held as fixed assets (C-III)	0	0	0
IV) Cash and cash equivalents			
1) Bank and postal deposits	23.863	2.604	0
2) Cheques	0	0	0
3) Cash on hand and cash equivalents	1.747	2.768	1.173
Total cash and cash equivalents (C-IV)	25.610	5.372	1.173
TOTALE CURRENT ASSETS (C)	52.399.338	48.501.585	80.108.457
D) ACCRUED INCOME AND PREPAID EXPENSES			
Accrued income and prepaid expenses	95.429	113.919	2.477
TOTAL ACCRUED INCOME AND PREPAID EXPENSES (D)	95.429	113.919	2.477
Totale assets	343.280.389	346.535.966	375.538.052

MARCEGAGLIA RAVENNA SPA

VIA BRESCIANI 16 - 46040 GAZOLDO DEGLI IPPOLITI - MANTOVA
VAT No. 02559130204 - Tax ID No 02559130204
Chamber of Commerce of MANTOVA - no. 02559130204
Share Capital euro 105.307.498

Financial Statements as at 30/06/2020

All amounts are expressed in unit of euros

	30/06/2020	31/12/2019	30/06/2019
Liabilities and shareholders' equity			
A) SHAREHOLDERS' EQUITY			
I) Share capital	105.307.498	105.307.498	105.307.498
II) Share premium reserve	0	0	0
III) Revaluation reserve	0	0	0
IV) Legal reserve	110.017	0	0
V) Statutory reserve	0	0	0
VI) Other reserves, rapresented by:			
Extraordinary reserve	0	0	0
Reserve for exceptions pursuant to art. 2423 of the Civil Code	0	0	0
Reserve for shares (equity) of the parent company	0	0	0
Reserve for the revaluation of equity investments	0	0	0
Contributions on capital increase account	0	0	0
Contributions on future capital increase	0	0	0
Capital contributions	0	0	0
Contributions on covery of losses	0	0	0
Reserve for reduction of share capital	0	0	0
Merger surplus reserve	0	0	0
Reserve for unrealized exchange gains	0	0	0
Reserve for equalization of profit in progress	0	0	0
Sundry other reserves			
- Difference from rounding to the unit of Euro	2	2	(1)
- Reserve for amnesty ex L. 19 December 1973, n. 823	0	0	0
- Reserve for amnesty ex L. 7 August 1982, n. 516	0	0	0
- Reserve for amnesty ex L. 30 December 1991, n. 413	0	0	0
- Reserve for amnesty ex L. 27 December 2002, n. 289	0	0	0
- Other reserves	0	0	0
Total other reserves (VI)	2	2	(1)
VII) Reserve for projected cash flow hedges	0	0	0
VIII) Profit/(loss) carried forward	(3.303.426)	(5.393.752)	(5.393.752)
IX) Profit/(loss) for the year	3.558.673	2.200.343	(2.509.224)
X) Negative reserve for treasury shares in portfolio	0	0	0
TOTAL EQUITY (A)	105.672.764	102.114.091	97.404.521
B) Reserves for risks and expenses			
1) for post-retirement benefits and similar obligations	0	0	0
2) for taxes, including deferred taxes	39.038.046	41.615.862	44.298.338
3) financial derivatives reported as liabilities	0	0	0
4) other	73.996	16.688	470.798
TOTAL RESERVES FOR RISKS AND EXPENSES (B)	39.112.042	41.632.550	44.769.136
C) EMPLOYEE SEVERANCE PAY	1.681.799	1.681.994	1.706.810
D) PAYABLES			
1) Bonds			
- due within the following year	0	0	0
- due after the following year	0	0	0
Total bonds	0	0	0
2) Convertible bonds			
- due within the following year	0	0	0
- due after the following year	0	0	0
Total convertible bonds	0	0	0
3) Payables to shareholders for loans			
- due within the following year	0	0	0
- due after the following year	0	0	0
Total payables to shareholders for loans	0	0	0
4) Payables to banks			
- due within the following year	967	968	633
- due after the following year	0	0	0
Total payables to banks	967	968	633
5) payables to other lenders			
- due within the following year	0	0	0
- due after the following year	0	0	0
Total payables to other lenders	0	0	0
6) Advance payments			
- due within the following year	0	0	0
- due after the following year	0	0	0
Total advance payments	0	0	0
7) Trade payables			
- due within the following year	53.304.855	65.867.878	55.333.780
- due after the following year	0	0	0
Total trade payables	53.304.855	65.867.878	55.333.780
8) Payables consisting of debt securities			
- due within the following year	0	0	0
- due after the following year	0	0	0
Total payables consisting of debt securities	0	0	0

MARCEGAGLIA RAVENNA SPA

VIA BRESCIANI 16 - 46040 GAZOLDO DEGLI IPPOLITI - MANTOVA
VAT No. 02559130204 - Tax ID No 02559130204
Chamber of Commerce of MANTOVA - no. 02559130204
Share Capital euro 105.307.498

Financial Statements as at 30/06/2020

All amounts are expressed in unit of euros

	30/06/2020	31/12/2019	30/06/2019
9) Payables to subsidiaries			
- due within the following year	0	0	0
- due after the following year	0	0	0
Total payables to subsidiaries	0	0	0
10) Payables to associates			
- due within the following year	400	767	367
- due after the following year	0	0	0
Total payables to associates	400	767	367
11) Payables to parent companies			
- due within the following year	119.341.616	109.095.926	159.722.349
- due after the following year	0	0	0
Total payables to parent companies	119.341.616	109.095.926	159.722.349
11-bis) Payables to companies subject to control of parent companies			
- due within the following year	9.652.381	11.071.447	3.396.777
- due after the following year	0	0	0
Total payables to companies subject to control of parent companies	9.652.381	11.071.447	3.396.777
12) Tax payables			
- due within the following year	3.434.352	4.814.776	3.105.987
- due after the following year	0	0	0
Total tax payables	3.434.352	4.814.776	3.105.987
13) payables to welfare and social security organizations			
- due within the following year	3.379.019	3.329.168	3.961.230
- due after the following year	0	0	0
Total payables to welfare and social security organizations	3.379.019	3.329.168	3.961.230
14) Other payables			
- due within the following year	7.700.194	6.926.401	6.136.462
- due after the following year	0	0	0
Total other payables	7.700.194	6.926.401	6.136.462
TOTAL PAYABLES (D)	196.813.784	201.107.331	231.657.585
E) ACCRUED EXPENSES AND DEFERRED INCOME			
Accrued expenses and deferred income	0	0	0
ACCRUED EXPENSES AND DEFERRED INCOME (E)	0	0	0
Total liabilities and shareholders' equity	343.280.389	346.535.966	375.538.052

MARCEGAGLIA RAVENNA SPA

VIA BRESCIANI 16 - 46040 GAZOLDO DEGLI IPPOLITI - MANTOVA
VAT No. 02559130204 - Tax ID No 02559130204
Chamber of Commerce of MANTOVA - no. 02559130204
Share Capital euro 105.307.498

Financial Statements as at 30/06/2020

All amounts are expressed in unit of euros

30/06/2020

31/12/2019

30/06/2019

Profit and loss account

Profit and loss account				
A) Value of production				
1) Revenues from sales and services	101.039.195	227.071.176	111.157.298	
2) Changes in inventories of work in progress, semi-finished and finished products	0	0	0	
3) Changes in contract work in progress	0	0	0	
4) Increase in fixed assets for internal work	0	3.729.737	0	
5) Other revenues and income				
- Operating grants	123.825	708.470	549.364	
- Other	488.103	970.104	81.998	
Total other revenues and income (5)		611.928	1.678.574	631.362
TOTAL VALUE OF PRODUCTION (A)	101.651.123	232.479.487	111.788.660	
B) PRODUCTION COSTS				
6) Raw and ancillary materials, consumables and goods	(15.059.970)	(31.413.289)	(15.946.760)	
7) Services	(35.722.187)	(87.556.456)	(46.788.413)	
8) Lease and rental expense	(4.617.982)	(9.366.981)	(4.639.352)	
9) Personnel costs				
a) wages and salaries	(15.530.502)	(33.826.186)	(17.364.388)	
b) social security contributions	(5.310.818)	(11.496.645)	(6.132.761)	
c) employee severance pay	(1.099.011)	(2.385.985)	(1.110.362)	
d) post-retirement benefits and similar obligations	0	0	0	
e) other personnel costs	(147.140)	(294.120)	(20.683)	
Total personnel costs (9)		(22.087.471)	(48.002.936)	(24.628.194)
10) Amortisation, depreciation and write-downs				
a) amortisation of intangible assets	(10.606)	(26.229)	(11.479)	
b) depreciation of property, plant and equipment	(20.913.828)	(42.366.859)	(20.885.198)	
c) other write-downs of fixed assets	0	0	0	
equivalents	0	0	0	
Total amortisation, depreciation and write-downs (10)		(20.924.434)	(42.393.088)	(20.896.677)
11) Changes in the inventory of raw and ancillary materials, consumables and goods	3.329.735	(3.534.452)	828.842	
12) Provisions for risks	0	0	0	
13) Other provisions	0	0	0	
14) Sundry operating costs		(658.213)	(3.400.898)	(142.033)
TOTAL PRODUCTION COSTS (B)	(95.740.522)	(225.668.100)	(112.212.587)	
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A-B)	5.910.601	6.811.387	(423.927)	
C) FINANCIAL INCOME AND EXPENSES				
15) Income from equity investments				
- from subsidiaries	0	0	0	
- from associates	0	0	0	
- from parent companies	0	0	0	
- from companies subject to the control of parent companies	0	0	0	
- from other companies	0	0	0	
Total income from equity investments (15)	0	0	0	0
16) Other financial income				
a) from receivables recorded as fixed assets				
- from subsidiaries	0	0	0	
- from associates	0	0	0	
- from parent companies	0	0	0	
- from companies subject to the control of parent companies	0	0	0	
- from other companies	0	0	0	
Total financial income from receivables recorded as fixed assets (a)	0	0	0	
b) from securities reported as fixed assets other than equity investments	0	0	0	
c) from securities reported as current assets other than equity investments	0	0	0	
d) income other than the above:				
- from subsidiaries	0	0	0	
- from associates	0	0	0	
- from parent companies	0	0	0	
- from companies subject to the control of parent companies	536.164	1.784.726	325.637	
- from others	0	0	0	
Total income other than the above (d)	536.164	1.784.726	325.637	
Total other financial income (16)	536.164	1.784.726	325.637	325.637
17) Interests and other financial charges				
- paid to subsidiaries	0	0	0	
- paid to associates	0	0	0	
- paid to parent companies	(2.398.443)	(6.776.635)	(3.552.822)	
- verso istituti di credito	0	0	0	
- paid to companies subject to the control of parent companies	0	0	(4.647)	
- other financial expenses	(34.219)	(57.507)	(1.660)	
Total interests and other financial charges (17)	(2.432.662)	(6.834.142)	(3.559.129)	
17bis) Exchange-rate gains and losses	(3.363)	19.708	72	
TOTAL FINANCIAL INCOME AND EXPENSES (C)	(1.899.861)	(5.029.708)	(3.233.420)	

MARCEGAGLIA RAVENNA SPA

VIA BRESCIANI 16 - 46040 GAZOLDO DEGLI IPPOLITI - MANTOVA
VAT No. 02559130204 - Tax ID No 02559130204
Chamber of Commerce of MANTOVA - no. 02559130204
Share Capital euro 105.307.498

Financial Statements as at 30/06/2020

All amounts are expressed in unit of euros

	30/06/2020	31/12/2019	30/06/2019
D) VALUE ADJUSTMENTS OF FINANCIAL ASSETS			
18) Revaluations			
a) of equity investments	0	0	0
b) of financial fixed assets other than equity investments	0	0	0
c) of securities recognised in current assets	0	0	0
d) of financial derivatives	0	0	0
Total revaluations (18)	0	0	0
19) Write-downs			
a) of equity investments	0	0	0
b) of financial fixed assets other than equity investments	0	0	0
c) of securities recognised in current assets	0	0	0
d) of financial derivatives	0	0	0
Total write-downs (19)	0	0	0
TOTAL VALUE ADJUSTMENTS OF FINANCIAL ASSETS (D)	0	0	0
PROFIT (LOSS) BEFORE TAXES (A-B+/-C+/-D)	4.010.740	1.781.679	(3.657.347)
20) Current, deferred and pre-paid income taxes for the year			
- direct taxes for the year	(3.860.549)	(6.074.719)	(1.518.785)
- direct taxes for previous years	834.668	7.041	7.041
- deferred taxes	2.573.814	5.346.342	2.659.867
- Income (costs) from participation in tax consolidation scheme	0	1.140.000	0
Total current, deferred and pre-paid income taxes for the year (20)	(452.067)	418.664	1.148.123
21) PROFIT (LOSS) FOR THE YEAR	3.558.673	2.200.343	(2.509.224)

Marcegaglia Ravenna Spa - Financial Statements as at 30.06.2020

Cash Flow Statement

	30.06.2020	31.12.2019	30.06.2019
A) Cash flows from income-generating operations (indirect method)			
Profit (loss) for the year	3.558.673	2.200.343	(2.509.224)
Income Tax	452.067	(418.664)	(1.148.123)
Interest expenses/(income)	1.896.498	5.049.416	3.233.492
(Dividends)	0	0	0
(Gains)/Losses resulting from the disposal of assets	75.550	(17.954)	(11.706)
1) Profit (loss) for the year, before income taxes, interest, dividends and gains/losses from asset sales	5.982.788	6.813.141	(435.561)
Adjustments for non-cash items with no balancing entry in net working capital	0	0	0
Provisions to funds	1.173.004	2.402.673	1.581.160
Amortisation/Depreciation of fixed assets	20.924.434	42.393.088	20.896.677
Write-downs due to permanent impairment	0	0	0
Value adjustments of financial assets and liabilities on derivative financial instruments that do not involve cash transactions	0	0	0
Other adjustments for non-cash items	0	(3.729.737)	0
Total adjustments for non-cash items with no balancing entry in working capital	22.097.438	41.066.024	22.477.837
2) Cash flow before changes in net working capital	28.080.226	47.879.164	22.042.276
Changes in net working capital	0	0	0
Decrease/(Increase) in inventories	(3.328.074)	4.003.195	(1.098.049)
Decrease/(Increase) in trade receivables	(471.097)	(4.082.413)	(2.298.569)
Increase/(Decrease) in trade payables	(12.563.023)	(4.114.479)	(14.648.577)
Decrease/(Increase) in accrued income and prepaid expenses	18.490	(112.127)	(684)
Increase/(Decrease) in accrued expenses and deferred income	0	0	0
Other changes in net working capital	5.161.251	(6.027.433)	10.175.513
Total changes in net working capital	(11.182.454)	(10.333.257)	(7.870.366)
3) Cash flow after changes in net working capital	16.897.773	37.545.907	14.171.910
Other adjustments	0	0	0
Interest received/(paid)	(1.896.499)	(5.049.416)	(3.233.492)
(Income taxes paid)	0	0	0
Dividends received	0	0	0
(Utilisation of funds)	(1.115.891)	(2.462.634)	(1.162.195)
Other collections/(payments)	0	0	0
Total other adjustments	(3.012.390)	(7.512.050)	(4.395.687)
Cash flow from income-generating operations (A)	13.885.383	30.033.857	9.776.222
B) Cash flows from investment activities	0	0	0
Property, plant and equipment	0	0	0
(Investments)	(13.794.411)	(28.672.007)	(9.676.502)
Divestitures	37.320	102.042	15.642
Intangible fixed assets	0	0	0
(Investments)	(30.986)	(23.670)	(65.738)
Divestitures	0	0	0
Financial fixed assets	0	0	0
(Investments)	(128.171)	(1.437.457)	(50.724)
Divestitures	51.104	0	0
Current financial assets	0	0	0
(Investments)	0	0	0
Divestitures	0	0	0
(Purchase of subsidiaries or business divisions net of liquid assets)	0	0	0
Sale of subsidiaries or business divisions net of liquid assets	0	0	0
Cash flows from investment activities (B)	(13.865.144)	(30.031.092)	(9.777.322)
C) Cash flows from financing activities	0	0	0
Third party resources	0	0	0
Increase/(Decrease) in short-term liabilities to banks	(1)	459	123
New loans	0	0	0
(Repayments of loans)	0	0	0
Capital and reserves	0	0	0
Paid-in capital increase	0	0	0
(Reimbursement of paid-in capital increase)	0	0	0
Sale/ (Purchase) of own shares	0	0	0
(Dividends and advances on dividends paid)	0	0	0
Cash flows from financing activities (C)	(1)	459	123
Increase (decrease) in cash and cash equivalents (A ± B ± C)	20.238	3.223	(976)
Exchange rate effect on cash and cash equivalents	0	0	0
Cash and cash equivalents at beginning of year	5.372	2.149	2.149
Bank and postal deposits	2.604	0	0
Checks	0	0	0
Cash on hand and cash equivalents	2.768	2.149	2.149
of which not freely usable	0	0	0
Cash and cash equivalents at year end	25.610	5.372	1.173
Bank and postal deposits	23.863	2.604	0
Checks	0	0	0
Cash on hand and cash equivalents	1.747	2.768	1.173
of which not freely usable	0	0	0

MARCEGAGLIA RAVENNA S.p.A.

Registered Office: Via Bresciani, 16 - Gazoldo degli Ippoliti (MN)
Share capital of Euro 105,307,498, paid-in for Euro 101,326,874.5
Fiscal Code and VAT No.: 02559130204
Registered with the Mantua Chamber of Commerce
and Administrative Economic Index [REA] under No. 262806

Notes to the half-year financial statements as at 30 June 2020

Financial statement preparation criteria and structure

The financial statements for the six months ended 30 June 2020 have been prepared in accordance with accounting standard OIC 30, whereby interim financial reports must be prepared by using the same accounting standards as those used to prepare the annual financial statements, thus by applying the accounting methods provided for by the Italian Civil Code, as interpreted by and supplemented with the accounting principles of reference. These financial statements have also been prepared on a going concern basis. Therefore, these half-yearly financial statements 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, income statement and cashflow 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 period. The Cash Flow Statement was prepared in accordance with the layout provided for by accounting standard OIC 10, which contains all the information provided for by Art. 2425-ter of the Italian Civil Code. These half-yearly 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) "Sundry operating costs" in the Income Statement.

Comparability with the previous financial period

Each line item of the balance sheet and the income statement reports the amount as at and for the six months ended 30 June 2020 and the comparable amounts as at and for the year ended 31 December 2019, as reported in the approved annual accounts, and as at and for the six months ended 30 June 2019, reclassified as necessary to allow for comparison of the relevant items. Changes in these items are explained only in relation to the amounts as at and for the six months ended 30 June 2020, as movements in the amounts as at 31 December 2019 were explained in the annual financial statements. Also in the cash flow statement, each line item reports the amount as at and for the six months ended 30 June 2020 and the comparable amounts as at and for the year ended 31 December 2019, as reported in

the approved annual financial statements, and as at and for the six months ended 30 June 2019, as reported in the half-yearly financial report for the corresponding period.

Classification conventions

In preparing the half-year financial statements as at 30 June 2020, the following classification criteria were used:

- 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.

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

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

CRITERIA APPLIED IN MEASURING FINANCIAL STATEMENT ITEMS, IN VALUE ADJUSTMENTS AND IN THE CONVERSION OF AMOUNTS NOT EXPRESSED ORIGINALLY IN THE CURRENCY USED AS LEGAL TENDER IN THE COUNTRY

The semi-annual 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 obtained in the period between 1 January 2020 and 30 June 2020 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 semi-annual financial statement entries comply with the provisions of Art. 2426 of the Italian Civil Code.

Intangible fixed assets

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

The table below shows the annual amortisation rates for intangible assets, as applied on an accrual basis in these financial statements.

Line items of the Financial Statements	Purchase or production cost	Depreciation rate	Depreciation for the period 01/01/2020-30/06/2020
Start-up and expansion costs (B.I.1)	-	-	-
Development costs (B.I.2)	-	-	-
Licensed software (B.I.3)	229,647	33.33%	10,606
Know-how (B.I.4)	-	-	-
Goodwill (B.I.5)	-	-	-
Intangible assets in progress (B.I.6)	-	-	-
Other multi-year costs (B.I.7)	-	-	-

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

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

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 Article 2426(1)(2) of the Italian Civil Code.

The table below shows the annual depreciation rates, as applied on an accrual basis in these financial statements:

Line items of the Financial Statements	Purchase or production cost	Depreciation rate	Depreciation for the period 01/01/2020-30/06/2020
Land (B.II.1)	-	-	-
Buildings (B.II.1)	-	-	-
Light constructions (B.II.1)	-	-	-
Large plants and machinery (B.II.2)	339,323,189	8-12%	16,696,565
General and specific plant assets (B.II.2)	83,233,112	8.00%	3,730,949
Miscellaneous equipment (B.II.3)	8,586,121	15.00%	194,302
Internal handling equipment (B.II.3)	2,273,727	15.00%	184,832
Furniture and ordinary office equipment (B.II.4)	399,464	12.00%	6,413
Electronic machinery (B.II.4)	1,049,161	20.00%	31,946
Motor vehicles (B.II.4)	275,744	25.00%	22,225
Trucks and trailers (B.II.4)	200,986	20.00%	7,862

Line items of the Financial Statements	Purchase or production cost	Depreciation rate	Depreciation for the period 01/01/2020-30/06/2020
Ordinary furniture and furnishings (B.II.4)	657,454	10.00%	38,734
Fixed assets in progress and advance payments (B.II.5)	37,874,962	=	-

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 securities recorded as financial fixed assets

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

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

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

Inventories

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

The 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 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.

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 recognised 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, introducing the amortised cost measurement criterion for the valuation of receivables specifies that it 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 semi-annual financial statements, the amortised cost criterion is only applied to receivables due after the following year that arose after 1 January 2016 (when the above mentioned article was enforced), 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 half-year financial statements are measured on the basis of the relevant exchange rates at 30 June 2020. 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, introducing the amortised cost measurement criterion for the valuation of payables specifies that it 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 semi-annual financial statements, the amortised cost criterion is only applied to payables due after the following year that arose after 1 January 2016 (when the above mentioned article was enforced), 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, payables include 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 half-year financial statements are measured on the basis of the relevant exchange rates at 30 June 2020. 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 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, revenues are recognised upon delivery, regardless of the transfer of title, as Art. 1523 of the Italian Civil Code provides that the buyer becomes the owner with the payment of the last instalment of the price but assumes the risks upon delivery.

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

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

Costs and expenses

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

- the goods have been manufactured; and
- title to the goods has been passed, which is when risks and benefits incidental to their ownership has been transferred. Thus, save as otherwise agreed regarding the transfer of risks and benefits:
 - a) in the case of movable assets, risks and benefits are transferred when the goods are shipped or delivered;
 - b) for goods that require notarisation (for instance properties), risks and benefits are transferred when the sale agreement is executed;
 - c) in the case of instalment sales with retention of title, costs are recognised upon delivery, regardless of the transfer of title, as Art. 1523 of the Italian Civil Code provides that the buyer becomes the owner with the payment of the last instalment of the price but assumes the risks upon 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 period in which the right to receive them accrues, which typically coincides with the period they are approved by the competent body.

Income Tax

Income taxes are determined on the basis of the tax amount payable for the period between 1 January 2020 and 30 June 2020.

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 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	-	-	-
Part not previously called	3,980,624	-	3,980,624
Total	3,980,624	-	3,980,624

Receivables from shareholders refer to receivables from the minority shareholder Engie Servizi spa. The company Marcegaglia Ravenna spa resolved by extraordinary shareholders' meeting of 21/12/2018 to increase the share capital by Euro 5,307,498, reserved for the entry of Engie Servizi spa.

Fixed assets

Intangible fixed assets

Changes in intangible fixed assets

	Start-up and expansion costs	Development costs	Industrial patent rights and intellectual property rights	Concessions, licences, trademarks and similar rights	goodwill	Fixed assets in progress and advance payments	Other multi-year costs	Total
Amount at beginning of the year								
Cost	-	-	198,661	-	-	-	-	198,661
Write-backs	-	-	-	-	-	-	-	-
Depreciation for previous years	-	-	179,887	-	-	-	-	179,887
Write-downs	-	-	-	-	-	-	-	-
Book value	-	-	18,774	-	-	-	-	18,774
Changes during the year								
Increases for acquisitions	-	-	30,986	-	-	-	-	30,986
Reclassifications	-	-	-	-	-	-	-	-
Decreases due to transfers and disposals	-	-	-	-	-	-	-	-
Write-backs	-	-	-	-	-	-	-	-
Period amortisation/depreciation	-	-	10,606	-	-	-	-	10,606
Write-downs	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-

Total changes	-	-	20,380	-	-	-	-	20,380
Amount at end of the year								
Cost	-	-	229,647	-	-	-	-	229,647
Write-backs	-	-	-	-	-	-	-	-
Amortisation	-	-	190,493	-	-	-	-	190,493
Write-downs	-	-	-	-	-	-	-	-
Book value	-	-	39,154	-	-	-	-	39,154

Start-up and expansion costs and development costs

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

Property, plant and equipment

Changes in property, plant and equipment

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Fixed assets in progress and advance payments	Total
Amount at beginning of the year						
Cost	-	420,259,419	10,747,992	2,554,344	26,760,100	460,321,855
Write-backs	-	-	-	-	-	-
Depreciation for previous years	-	155,114,736	7,932,051	1,742,590	-	164,789,377
Write-downs	-	-	-	-	4,452,307	4,452,307
Book value	-	265,144,683	2,815,941	811,754	22,307,793	291,080,171
Changes during the year						
Increases for acquisitions	-	1,969,051	227,934	62,632	14,737,541	16,997,158
Reclassifications	-	419,931	-	-	- 419,931	-
Decreases due to transfers and disposals	-	56,516	30,334	26,020	-	112,870
Write-backs		-	-	-	-	-
Period amortisation/depreciation	-	20,427,514	379,133	107,181	-	20,913,828
Write-downs		-	-	-	-	-
Other changes	-	-	-	-	- 3,202,747	- 3,202,747
Total changes	-	- 18,095,048	- 181,533	- 70,569	11,114,863	- 7,232,287
Amount at end of the year						
Cost	-	422,556,301	10,859,848	2,582,809	37,874,963	473,873,921
Write-backs	-	-	-	-	-	-
Amortisation	-	175,506,666	8,225,440	1,841,624	-	185,573,730

Write-downs	-	-	-	-	4,452,307	4,452,307
Book value	-	247,049,635	2,634,408	741,185	33,422,656	283,847,884

Value reductions to property, plant and equipment

No fixed assets were written down 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 investments in parent companies	Equity inv. in companies subject to control of parent companies	Equity investments in other companies	Total equity investments	Other securities	Financial derivatives reported as assets
Amount at beginning of the year								
Cost	-	6,250	-	-	1,392,566	1,398,816	-	-
Write-backs	-	-	-	-	-	-	-	-
Write-downs	-	-	-	-	-	-	-	-
Book value	-	6,250	-	-	1,392,566	1,398,816	-	-
Changes during the year								
Increases for acquisitions	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-
Decreases for disposals	-	-	-	-	1,000	1,000	-	-
Write-backs	-	-	-	-	-	-	-	-
Write-downs	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	128,171	128,171	-	-
Total changes	-	-	-	-	127,171	127,171	-	-
Amount at end of the year								
Cost	-	6,250	-	-	1,519,737	1,525,987	-	-
Write-backs	-	-	-	-	-	-	-	-
Write-downs	-	-	-	-	-	-	-	-
Book value	-	6,250	-	-	1,519,737	1,525,987	-	-

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 within the year	Portion due after the year	of which, portion with remaining term over 5 years
Receivables from subsidiaries held as fixed assets	-	-	-	-	-	-
Receivables from associates held as fixed assets	-	-	-	-	-	-
Receivables from parent companies held as fixed assets	-	-	-	-	-	-
Receivables from companies subject to control of parent companies held as fixed assets	-	-	-	-	-	-
Receivables from others held as fixed assets	1,442,077	- 50,104	1,391,973	-	1,391,973	-
Total receivables held as fixed assets	1,442,077	- 50,104	1,391,973	-	1,391,973	-

Breakdown of amount of receivables from others held as fixed assets

Receivables from others	Book value	Fair value
Security deposits for leases	6,120	6,120
Shareholder loan vs Metal Interconnector	1,093,387	1,093,387
Sundry security deposits	52,724	52,724
Terna Guarantee Fund	239,742	239,742
Total	1,391,973	1,391,973

Current assets

Inventories

	Amount at beginning of the year	Changes during the year	Amount at end of the year
1. Raw and ancillary materials and consumables	35,057,701	3,329,735	38,387,436
2. Work in process and semi-finished goods	-	-	-
3. Contract work in progress	-	-	-
4. Finished products and goods	-	-	-

5. Advance payments	167,062	- 1,660	165,402
Total inventories	35,224,763	3,328,075	38,552,838

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	Portion due after the year	of which, portion with remaining term over 5 years
Receivables from customers recorded in current assets	7,593,062	471,096	8,064,158	8,064,158	-	-
Receivables from subsidiaries recorded in current assets	-	-	-	-	-	-
Receivables from associates recorded in current assets	1,049,222	- 638,350	410,872	410,872	-	-
Receivables from parent companies recorded in current assets	1,149,577	-	1,149,577	1,149,577	-	-
Receivables from companies subject to control of parent companies recorded in current assets	342,455	579,031	921,486	921,486	-	-
Tax credits recorded in current assets	1,597,018	- 1,590,225	6,793	6,793	-	-
Deferred tax assets recorded in current assets	1,246,199	- 4,002	1,242,197	-	1,242,197	1,242,197
Receivables from others recorded in current assets	293,917	1,731,890	2,025,807	2,025,807	-	-
Total receivables recorded in current assets	13,271,450	549,440	13,820,890	12,578,693	1,242,197	1,242,197

Detail of receivables from associates

	Amount at beginning of the year	Changes during the year	Amount at end of the year	of which, trade payables	of which, financial payables
Receivable from Consorzio Absolute	1,049,222	- 638,350	410,872	410,872	-
Total receivables from associates	1,049,222	- 638,350	410,872	410,872	-

Detail of receivables from 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
Receivable from Marcegaglia Holding	1,149,577	-	1,149,577	1,149,577	-
Total receivables from parent companies	1,149,577	-	1,149,577	1,149,577	-

Receivables due from Marcegaglia Holding spa (the parent company) at 30 June 2020 refer to the intercompany items related to the tax consolidation scheme, with Marcegaglia Holding acting as consolidating entity.

Detail of receivables from companies subject to control of parent companies

	Amount at beginning of the year	Changes during the year	Amount at end of the year	of which, trade payables	of which, financial payables
Marfin S.r.l.	-	28,664	28,664	28,664	-
Marcegaglia Specialties Spa	342,455	545,731	888,186	888,186	-
Marcegaglia Gazoldo Inox S.p.A.	-	4,636	4,636	4,636	-
Total receivables from companies subject to control of parent companies	342,455	579,031	921,486	921,486	-

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	-	-	-	-
Advances to suppliers	144,560	386,284	530,844	530,844
Social security receivables	62,273	1,384,700	1,446,973	1,446,973
Advances to employees	2,805	3,500	6,305	6,305
Receivables from credit institutions for customer collections	-	-	-	-
Other receivables	84,279	- 42,594	41,685	41,685
Total receivables from others	293,917	1,731,890	2,025,807	2,025,807

Cash and cash equivalents

	Amount at beginning of the year	Changes during the year	Amount at end of the year
Bank and postal deposits	2,604	21,259	23,863
Checks	-	-	-
Cash and cash on hand	2,768	- 1,021	1,747
Total cash and cash equivalents	5,372	20,238	25,610

Accrued income and prepaid expenses

	Amount at beginning of the year	Changes during the year	Amount at end of the year
Accrued income	-	-	-
Prepaid expenses	113,919	- 18,490	95,429
Total accrued income and prepaid expenses	113,919	- 18,490	95,429

Notes to 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
		Dividend distribution	Other uses	Increases	Decreases	Reclassifications		
Share capital	105,307,498	-	-	-	-	-		105,307,498
Share premium reserve	-	-	-	-	-	-		-
Revaluation reserves	-	-	-	-	-	-		-
Legal reserve	-	-	110,017	-	-	-		110,017
Statutory reserves	-	-	-	-	-	-		-
Other reserves								
Extraordinary reserve	-	-	-	-	-	-		-
Reserve for exceptions pursuant to Art. 2423 of the Civil Code	-	-	-	-	-	-		-
Reserve for shares (equity) of the parent company	-	-	-	-	-	-		-
Reserve for the revaluation of equity investments	-	-	-	-	-	-		-
Contributions on capital increase account	-	-	-	-	-	-		-
Contributions on future capital increase	-	-	-	-	-	-		-
Capital contributions	-	-	-	-	-	-		-
Contributions on covery of losses	-	-	-	-	-	-		-
Reserve for reduction of share capital	-	-	-	-	-	-		-
Merger surplus reserve	-	-	-	-	-	-		-
Reserve for unrealised exchange gains	-	-	-	-	-	-		-
Reserve for equalization of profit in progress	-	-	-	-	-	-		-
Sundry other reserves	2	-	-	-	-	-		2
Total other reserves	2	-	-	-	-	-		2
Reserve for projected cash flow hedges	-	-	-	-	-	-		-
Profit (loss) carried forward	- 5,393,752	-	2,090,326	-	-	-		- 3,303,426
Profit (loss) for the year	2,200,343	-	- 2,200,343	-	-	-	3,558,673	3,558,673
Negative treasury share reserve	-	-	-	-	-	-		-
Total Equity	102,114,091	-	-	-	-	-	3,558,673	105,672,764

Breakdown of sundry other reserves

	Amount
Difference from rounding to the unit of Euro	2
Reserve for amnesty ex L. 19 December 1973, n. 823	-
Reserve for amnesty ex L. 07 August 1982, n. 516	-
Reserve for amnesty ex L. 30 December 1991, n. 413	-
Reserve for amnesty ex L. 27 December 2002, n. 289	-
Total sundry other reserves	2

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	-	41,615,862	-	16,688	41,632,550
Changes during the year					
Provisions for the year	-	94	-	73,993	74,087
Usage for the year	-	2,577,910	-	16,685	2,594,595
Other changes	-	-			-
Total changes	-	- 2,577,816	-	57,308	- 2,520,508
Amount at end of the year	-	39,038,046	-	73,996	39,112,042

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	41,615,862	2,577,910	94	-	39,038,046
Total	41,615,862	2,577,910	94	-	39,038,046

As a result of the October 2018 spin-off, the provision for deferred taxes has increased by Euro 47,808,816 in FY 2018, as an amount relating to deferred taxes on the higher values of assets transferred by the associate Marcegaglia Carbon Steel spa. These higher values and the related tax effect derive from the contribution 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.

These deferred taxes shall be reabsorbed through the process of depreciation of the aforementioned higher values on the basis of the useful lives of the various assets indicated by the expert in the valuation. Over the period 1 January 2020 – 30 June 2020, 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 2,577,824.

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
Performance bonus provision	-	-	73,993	-	73,993
Litigation risk fund	16,688	16,685	-	-	3
Total	16,688	16,685	73,993	-	73,996

Employee severance pay

	Employee severance pay
Amount at beginning of the year	1,681,994
Changes during the year	
Provisions for the year	1,099,011
Usage for the year	1,099,206
Other changes	-
Total changes	- 195
Amount at end of the year	1,681,799

Uses include the payments made to the Treasury Fund managed by INPS and to Pension Funds on the basis of choices made by the employees in connection with supplementary pension plans.

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
Bonds	-	-	-	-
Convertible bonds	-	-	-	-
Payables to shareholders for loans	-	-	-	-
Payables to banks	968	- 1	967	967
Payables to other lenders	-	-	-	-
Advance payments	-	-	-	-
Trade payables	65,867,878	- 12,563,023	53,304,855	53,304,855

	Amount at beginning of the year	Changes during the year	Amount at end of the year	Portion due within the year
Payables consisting of debt securities	-	-	-	-
Payables to subsidiaries	-	-	-	-
Payables to associates	767	- 367	400	400
Payables to parent companies	109,095,926	10,245,690	119,341,616	119,341,616
Payables to companies subject to control of parent companies	11,071,447	- 1,419,066	9,652,381	9,652,381
Tax payables	4,814,776	- 1,380,424	3,434,352	3,434,352
Payables to welfare and social security organisations	3,329,168	49,851	3,379,019	3,379,019
Other payables	6,926,401	773,793	7,700,194	7,700,194
Total payables	201,107,331	- 4,293,547	196,813,784	196,813,784

Breakdown of payables to associates

	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 Consorzio Absolute	767	- 367	400	400	-
Total payables to associates	767	- 367	400	400	-

Breakdown of payables to 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 Marcegaglia Steel	104,165,153	7,122,584	111,287,737	108,896,707	2,391,030
Payable to Marcegaglia Holding	4,930,773	3,123,106	8,053,879	8,053,879	-
Total payables to parent companies	109,095,926	10,245,690	119,341,616	116,950,586	2,391,030

Payables to the parent company Marcegaglia Holding spa to a large extent refer to the intercompany transactions performed in connection with the tax consolidation scheme.

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	of which, trade payables	of which, financial payables
Marcegaglia Carbon Steel Spa	10,994,506	- 1,628,686	9,365,820	9,365,820	-
Made Hse S.r.l.	478,305	- 434,540	43,765	43,765	-
Marfin S.r.l.	- 486,327	652,103	165,776	165,776	-

	Amount at beginning of the year	Changes during the year	Amount at end of the year	of which, trade payables	of which, financial payables
Marcegaglia Buildtech	10,086	- 10,086	-	-	-
Abaco servizi	66,126	10,894	77,020	77,020	-
Marcegaglia Specialties Spa	8,751	- 8,751	-	-	-
Total payables to companies subject to control of parent companies	11,071,447	- 1,419,066	9,652,381	9,652,381	-

Breakdown 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	4,548,646	1,915,410	6,464,056	6,464,056
Other payables	2,377,755	- 1,141,617	1,236,138	1,236,138
Total other payables	6,926,401	773,793	7,700,194	7,700,194

Debt secured by collateral on corporate assets

	Debt secured by collateral				Unsecured debt	Total
	Debt secured by mortgages	Debt secured by liens	Debt secured by special liens	Total debt secured by collateral		
Bonds	-	-	-	-	-	-
Convertible bonds	-	-	-	-	-	-
Payables to shareholders for loans	-	-	-	-	-	-
Payables to banks	-	-	-	-	967	967
Payables to other lenders	-	-	-	-	-	-
Advance payments	-	-	-	-	-	-
Trade payables	-	-	-	-	53,304,855	53,304,855
Payables consisting of debt securities	-	-	-	-	-	-
Payables to subsidiaries	-	-	-	-	-	-
Payables to associates	-	-	-	-	400	400
Payables to parent companies	-	-	-	-	119,341,616	119,341,616
Payables to companies subject to control of parent companies	-	-	-	-	9,652,381	9,652,381
Tax payables	-	-	-	-	3,434,352	3,434,352
Payables to welfare and social security organisations	-	-	-	-	3,379,019	3,379,019
Other payables	-	-	-	-	7,700,194	7,700,194
Total payables	-	-	-	-	196,813,784	196,813,784

Notes to Financial Statements – Income Statement

Financial income and charges

Breakdown of interest and other financial charges by type of payable

	Interest and other financial charges
Payables to banks	137
Other	34,082
Total	34,219

Line item “Other” is detailed below:

	Other
Interest due to banks and factoring entities	32,931
Interest due to suppliers	1,151
Total other financial charges	34,082

Current, deferred and prepaid income taxes for the year

Current, deferred and prepaid taxes reported as of 30 June 2020 have been calculated on the basis of the results for the period of 1 January 2020 to 30 June 2020. They represent the best estimate of the tax obligations for the period in question.

Considering that the company has opted to take part in the tax consolidation scheme, the current taxes reported in the income statement were entered as a debt with the parent company on the balance sheet. 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, also through the tax consolidation scheme.

The estimates were made considering IRES [corporate income tax] and IRAP [regional tax on productive activity] rates of 24% and 3.9%, respectively.

Notes to Financial Statements – Other information

COVID-19 pandemic information

With reference to the state of emergency still in progress in Italy and around the world for the spread of COVID-19 and the consequent measures adopted by the competent governmental bodies, the Company constantly monitors the evolution of the situation and has put in place the necessary measures to ensure the continuity of operations and the performance of work activities while ensuring the protection of its employees, customers and suppliers and any person who is in any capacity, likely to interact with it. However, based on the information available, we assessed the impact of the COVID-19 emergency, considering that it does not affect the Company'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 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.

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

	Amount
Commitments	36,943,080
post-retirement benefits and similar obligations	-
to subsidiaries	-
to associates	-
to parent companies	-
to companies subject to control of parent companies	36,730,000
Guarantees	574,780,657
of which collateral	301,748,057
Contingent liabilities	-

The table below provides details on existing commitments and guarantees at 30.06.2020.

	30/06/2020	31/12/2019	30/06/2019
RISKS TAKEN BY THE COMPANY			
Sureties			
- to parent companies	273,020,000	273,020,000	225,870,000
- to other companies	12,600	12,600	-
Total sureties	273,032,600	273,032,600	225,870,000

Collateral			
- to parent companies	301,748,057	301,748,057	301,748,057
Total collateral	301,748,057	301,748,057	301,748,057
Total guarantees	574,780,657	574,780,657	527,618,057
COMMITMENTS ENTERED INTO BY THE COMPANY			
- commitments entered into with companies subject to parent companies' control	36,730,000	40,960,000	44,834,174
- other commitments	213,000	91,028	111,828
Total commitments entered into by the Company	36,943,000	41,051,028	44,946,002
Total	611,723,657	615,831,685	572,564,059

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.

Statement of financial statement compliance

These Notes, as well as the entire six-monthly financial statements of which they form an integral part, have been prepared in accordance with accounting standard OIC 30.

Gazoldo degli Ippoliti, 30 September 2020

Chairman of the Board of Directors
Antonio Marcegaglia