

MARCEGAGLIA STEEL S.P.A.

Interim condensed consolidated Financial Statements as of
June 30, 2020

Auditors' review report

Auditors' review report on the interim condensed consolidation financial statements

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

Introduction

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

Conclusion

Based our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Marcegaglia Steel Group 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 Steel - Consolidated Financial Statements

Financial Statements at 30/06/2020

Currency: EUR

30/06/2020

31/12/2019

30/06/2019

BALANCE SHEET

Balance sheet

Asset			
A) RECEIVABLES FROM SHAREHOLDERS FOR OUTSTANDING CONTRIBUTIONS			
Receivables from shareholders for outstanding contributions not previously called	5.174.811	5.174.811	5.174.811
Receivables from shareholders for outstanding contributions previously called	-	-	-
TOTAL RECEIVABLES FROM SHAREHOLDERS FOR OUTSTANDING CONTRIBUTIONS (A)	5.174.811	5.174.811	5.174.811
B) FIXED ASSETS			
I) Intangible fixed assets			
1) Start-up and expansion costs	417.818	562.334	567.654
2) Development costs	-	-	-
3) Industrial patent rights and intellectual property rights	974.912	1.027.165	341.323
4) Concessions, licences, trademarks and similar rights	107.263.383	117.327.594	127.386.849
5) Goodwill	16.225.795	18.593.853	18.102.035
6) Fixed assets in progress and advance payments	250.153	254.533	319.372
7) Other intangibles	58.361	72.369	32.713
8) Consolidation differences	-	-	-
Total Intangible fixed assets (B-I)	125.190.422	137.837.848	146.749.946
II) Property, plant and equipment			
1) Land and buildings	631.928.107	654.340.003	647.940.465
2) Plants and machinery	641.362.814	689.237.630	676.768.687
3) Industrial and commercial equipment	19.318.413	19.263.003	20.101.522
4) Other assets	6.581.194	8.101.769	7.988.862
5) Fixed assets in progress and advance payments	52.741.788	41.810.198	35.077.005
Total Property, plant and equipment (B-II)	1.351.932.316	1.412.752.603	1.387.876.541
III) Financial fixed assets			
1) Equity investments in:			
a) Non consolidated subsidiaries	3.229.354	3.229.486	10.077.698
b) Associates	954.622	954.622	954.622
c) Parent companies	-	-	-
d) Companies subject to control of parent companies	-	-	-
d-bis) Other companies	1.899.497	1.772.326	1.772.326
Total equity investments	6.083.473	5.956.434	12.804.646
2) Receivables			
a) from non consolidated subsidiaries			
- within the following year	-	-	-
- after the following year	-	-	-
Total receivables from non consolidated subsidiaries	-	-	-
b) from associates			
- within the following year	-	-	-
- after the following year	-	-	-
Total receivables from associates	-	-	-
c) from parent companies			
- within the following year	-	-	-
- after the following year	-	-	-
Total receivables from parent companies	-	-	-
d) from companies subject to control of parent companies			
- within the following year	-	-	-
- after the following year	-	-	-
Total receivables from companies subject to control of parent companies	-	-	-
d-bis) from others			
- within the following year	18.927	20.299	-
- after the following year	2.328.802	2.448.502	115.501
Total receivables from others	2.347.729	2.468.801	115.501
Total receivables	2.347.729	2.468.801	115.501
3) Other securities	356.118	406.121	364.010
4) Financial derivatives reported as assets	-	-	-
Total Financial fixed assets (B-III)	8.787.320	8.831.356	13.284.157
TOTAL FIXED ASSETS (B)	1.485.910.058	1.559.421.807	1.547.910.644
C) CURRENT ASSETS			
I) Inventories			
1) Raw and ancillary materials and consumables	703.250.937	738.723.869	766.069.322
2) Work in progress and semi-finished products	457.768.471	444.152.818	437.094.765
3) Contract work in progress	125.475	54.784	217.777
4) Finished products and goods	474.840.617	494.453.123	460.936.450
5) Advance payments	15.405.641	32.550.117	31.114.740
Total Inventories (C-I)	1.651.391.141	1.709.934.711	1.695.433.054

Marcegaglia Steel - Consolidated Financial Statements

Financial Statements at 30/06/2020

Currency: EUR

	30/06/2020	31/12/2019	30/06/2019
II) Receivables			
1) Trade receivables			
- within the following year	146.752.977	125.128.761	247.327.218
- after the following year	-	-	-
Total trade receivables	146.752.977	125.128.761	247.327.218
2) From subsidiaries			
- within the following year	415.406	282.888	2.720.178
- after the following year	-	-	-
Total receivables from subsidiaries	415.406	282.888	2.720.178
3) From associates			
- within the following year	1.357.799	1.960.284	2.049.384
- after the following year	-	-	-
Total receivables from associates	1.357.799	1.960.284	2.049.384
4) From parent companies			
- within the following year	29.940.508	26.927.105	5.800.960
- after the following year	-	-	-
Total receivables from parent companies	29.940.508	26.927.105	5.800.960
5) From companies subject to control of parent companies			
- within the following year	290.860.901	291.094.942	278.847.649
- after the following year	-	-	-
Total receivables from companies subject to control of parent companies	290.860.901	291.094.942	278.847.649
5-bis) Tax credits			
- within the following year	16.109.980	17.618.867	19.125.037
- after the following year	3.331.019	4.799.339	108.906
Total Tax credits	19.440.999	22.418.206	19.233.943
5-ter) Deferred tax assets			
Total deferred tax assets	28.082.733	33.718.161	33.173.388
5-quater) From others			
- within the following year	32.371.687	26.140.915	34.625.095
- after the following year	20.467	2.631	415.040
Total receivables from others	32.392.154	26.143.546	35.040.135
Total receivables (C-II)	549.243.477	527.673.893	624.192.855
III) Financial assets not held as fixed assets			
1) Equity investments in subsidiaries	-	-	-
2) Equity investments in associates	-	-	-
3) Equity investments in parent companies	-	-	-
3-bis) Equity investments in companies subject to control of parent companies	-	-	-
4) Other equity investments	122.938	187.740	182.186
5) Financial derivatives reported as assets	712.721	68.260	29.480
6) Other securities	1.668.832	2.683.988	2.082.067
Total Financial assets not held as fixed assets	2.504.491	2.939.988	2.293.733
IV) Cash and cash equivalents			
1) Bank and postal deposits	167.305.465	232.977.955	55.994.712
2) Cheques	1.548.440	1.420.216	1.210.168
3) Cash on hand and cash equivalents	63.845	41.518	26.122
Total cash and cash equivalents (C-IV)	168.917.750	234.439.689	57.231.002
TOTAL CURRENT ASSETS (C)	2.372.056.859	2.474.988.281	2.379.150.644
D) ACCRUED INCOME AND PREPAID EXPENSES			
Accruals and deferrals	2.844.349	3.137.946	2.482.047
TOTAL ACCRUED INCOME AND PREPAID EXPENSES (D)	2.844.349	3.137.946	2.482.047
Total assets	3.865.986.077	4.042.722.845	3.934.718.146

Marcegaglia Steel - Consolidated Financial Statements

Financial Statements at 30/06/2020

Currency: EUR

30/06/2020

31/12/2019

30/06/2019

Liabilities

A) SHAREHOLDERS' EQUITY				
I) Share capital	695.318.116	695.318.116	695.318.116	
II) Share premium reserve	-	-	-	
III) Revaluation reserves	-	-	-	
IV) Legal reserve	1.224.724	766.624	766.624	
V) Statutory reserve	-	-	-	
VI) Other reserves				
- extraordinary reserve	37.290.943	-	-	
- consolidation reserve	40.540.776	50.390.789	105.549.288	
- reserve from conversion differences	- 25.503.587	- 2.429.617	- 2.252.511	
- reserve for foreign exchange translation gains	702	-	-	
- merger surplus	-	-	-	
- merger deficit	-	-	-	
- reserve pursuant to Law 10/91	-	-	-	
- reserve pursuant to Law 130/83	-	-	-	
- reserve pursuant to Law 193/84	-	-	-	
- reserve pursuant to Law 19/87	-	-	-	
- reserve pursuant to Law 30/84	-	-	-	
- other available reserves	-	-	-	
- other non-available reserves	-	-	-	
- difference from rounding off in euro	- 2	- 4	2	
Total other reserves	52.328.832	47.961.168	103.296.779	
VII) Reserve for projected cash flow hedges	- 6.874.170	- 6.826.257	- 7.847.426	
VIII) Profit/(loss) carried forward	8.703.892	19.173.664	- 38.563.279	
IX) Profit/(loss) for the year	- 20.754.689	23.521.355	33.003.223	
X) Negative treasury share reserve	-	-	-	
TOTAL GROUP SHAREHOLDERS' EQUITY	729.946.705	779.914.670	785.974.037	
Minority interest shareholders equity				
Minority interests in capital and reserves	17.390.502	20.279.363	11.779.830	
Profit/(Loss) pertaining to minority interest	146.975	689.404	50.740	
TOTAL MINORITY INTEREST SHAREHOLDERS' EQUITY	17.537.477	20.968.767	11.830.570	
TOTAL CONSOLIDATED SHAREHOLDER'S EQUITY (A)	747.484.182	800.883.437	797.804.607	
B) PROVISIONS FOR RISKS AND CHARGES				
1) For post-retirement benefits and similar obligations	3.784.914	3.892.267	3.058.234	
2) For taxes, including deferred taxes	221.051.347	233.161.937	241.041.155	
3) Financial derivatives reported as liabilities	17.799.594	17.235.054	22.272.892	
4) Other	3.386.660	2.465.022	2.088.994	
5) Consolidation provision for future risks and charges	-	-	-	
TOTAL PROVISIONS FOR RISKS AND CHARGES (B)	246.022.515	256.754.280	268.461.275	
C) EMPLOYEE SEVERANCE PAY	13.378.790	14.000.774	13.905.155	
D) PAYABLES				
1) Bonds				
- within the following year	-	-	-	
- after the following year	-	-	-	
Total bonds	-	-	-	
2) Convertible bonds				
- within the following year	-	-	-	
- after the following year	-	-	-	
Total convertible bonds	-	-	-	
3) Payables to shareholders for loans				
- within the following year	10.795.400	10.919.400	10.795.400	
- after the following year	-	-	-	
Total payables to shareholders for loans	10.795.400	10.919.400	10.795.400	
4) Payables to banks				
- within the following year	368.858.944	256.695.740	314.732.959	
- after the following year	444.327.790	498.374.388	388.956.723	
Total payables to banks	813.186.734	755.070.128	703.689.682	
5) Payables to other lenders				
- within the following year	259.284	494.860	799.745	
- after the following year	418.600	226.692	421.538	
Total payables to other lenders	677.884	721.552	1.221.283	
6) Advance payments				
- within the following year	2.671.081	1.896.318	1.112.392	
- after the following year	-	-	-	
Total advance payments	2.671.081	1.896.318	1.112.392	
7) Trade payables				
- within the following year	1.805.992.681	1.970.093.957	1.845.480.187	
- after the following year	-	-	-	
Total trade payables	1.805.992.681	1.970.093.957	1.845.480.187	

Marcegaglia Steel - Consolidated Financial Statements

Financial Statements at 30/06/2020

Currency: EUR

	30/06/2020	31/12/2019	30/06/2019
8) Payables consisting of debt securities			
- within the following year	-	-	-
- after the following year	-	-	-
Total payables consisting of debt securities	-	-	-
9) Payables to subsidiaries			
- within the following year	4.987.404	4.327.303	10.748.461
- after the following year	-	-	-
Total payables to subsidiaries	4.987.404	4.327.303	10.748.461
10) Payables to associates			
- within the following year	1.014.096	722.305	1.085.520
- after the following year	-	-	-
Total payables to associates	1.014.096	722.305	1.085.520
11) Payables to parent companies			
- within the following year	20.884.374	33.969.893	29.183.999
- after the following year	-	-	-
Total payables to parent companies	20.884.374	33.969.893	29.183.999
11-bis) Payables to companies subject to control of parent companies			
- within the following year	4.835.611	3.281.393	4.025.182
- after the following year	-	-	-
Total payables to companies subject to control of parent companies	4.835.611	3.281.393	4.025.182
12) Tax payables			
- within the following year	30.668.351	23.005.214	31.411.755
- after the following year	-	-	11.145
Total tax payables	30.668.351	23.005.214	31.422.900
13) Payables to welfare and social security organizations			
- within the following year	16.739.202	15.525.884	18.487.293
- after the following year	-	-	-
Total payables to welfare and social security organizations	16.739.202	15.525.884	18.487.293
14) Other payables			
- within the following year	143.704.636	149.021.961	194.982.649
- after the following year	664.882	826.903	1.006
Total other payables	144.369.518	149.848.864	194.983.655
TOTAL PAYABLES (D)	2.856.822.336	2.969.382.211	2.852.235.954
E) ACCRUED EXPENSES AND DEFERRED INCOME			
Accruals and deferrals	2.278.254	1.702.143	2.311.155
TOTAL ACCRUED EXPENSES AND DEFERRED INCOME (E)	2.278.254	1.702.143	2.311.155
Total liabilities	3.865.986.077	4.042.722.845	3.934.718.146

Marcegaglia Steel - Consolidated Financial Statements

Financial Statements at 30/06/2020

Currency: EUR

30/06/2020

31/12/2019

30/06/2019

PROFIT AND LOSS ACCOUNT

A) VALUE OF PRODUCTION					
1)	Revenues from sales and services		2.295.782.178	4.896.806.929	2.554.504.813
2)	Changes in inventories of work in progress, semi-finished and finished products	-	184.207	36.263.435	4.184.798
3)	Changes in contract work in progress		80.319	- 272.642	- 108.443
4)	Increase in fixed assets for internal work		787.982	7.313.781	102.400
5)	Other revenues and income				
	- contributions during the year	884.556		4.626.328	3.810.835
	- other	4.135.622		14.040.685	2.527.708
	Other revenues and income (5)		5.020.178	18.667.013	6.338.543
	TOTAL VALUE OF PRODUCTION (A)		2.301.486.450	4.958.778.516	2.565.022.111
B) COST OF PRODUCTION					
6)	Raw and ancillary materials, consumables and goods	-	1.802.096.541	- 3.984.908.088	- 2.133.784.350
7)	Services	-	238.748.917	- 524.704.069	- 275.150.271
8)	Lease and rental expense	-	4.431.526	- 8.334.001	- 4.206.631
9)	Personnel costs				
a)	wages and salaries	- 81.521.917	- 176.108.999	- 89.411.443	
b)	social security contributions	- 26.345.258	- 56.258.717	- 29.264.983	
c)	employee severance pay	- 5.017.356	- 10.860.474	- 5.081.769	
d)	post-retirement benefits and similar obligations	- 14.121	- 240.982	- 129.037	
e)	other personnel costs	- 1.525.353	- 4.174.420	- 1.028.935	
	Total personnel costs (9)	-	114.424.005	- 247.643.592	- 124.916.167
10)	Amortisation, depreciation and write-downs				
a)	amortisation	- 11.829.418	- 23.764.918	- 11.722.285	
b)	depreciation	- 71.134.995	- 146.607.012	- 72.343.369	
c)	other write-downs of fixed assets	- 910.833	- 2.444.902	-	
d)	write-downs of receivables included in current assets and cash and cash equivalents	- 650.931	- 5.788.706	- 2.946.132	
	Total amortisation, depreciation and write-downs (10)	-	84.526.177	- 178.605.538	- 87.011.786
11)	Changes in the inventory of raw and ancillary materials, consumables and goods	-	28.315.782	95.497.187	144.424.348
12)	Provisions for risks	-	-	-	-
13)	Other provisions	-	-	-	-
14)	Other operating expenses	-	6.091.431	- 15.431.459	- 6.204.584
	TOTAL COST OF PRODUCTION (B)	-	2.278.634.379	4.864.129.560	2.486.849.441
	DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A-B)		22.852.071	94.648.956	78.172.670
C) FINANCIAL INCOME AND CHARGES					
15)	Income from equity investments				
	- in subsidiaries	-	350.000	-	-
	- in associates	-	-	-	-
	- in parent companies	-	-	-	-
	- in companies subject to the control of parent companies	-	-	-	-
	- in other companies	-	-	-	-
	Total income from equity investments (15)	-		350.000	-
16)	Other financial income				
a)	From receivables recorded as fixed assets				
	- from subsidiaries	-	-	-	-
	- from associates	-	-	-	-
	- from parent companies	-	-	-	-
	- from companies subject to control of the parent companies	-	-	-	-
	- from other companies	-	53	-	-
	Total income from receivables recorded as fixed assets	-	53	-	-
b)	From securities reported as fixed assets other than equity investments	-	-	-	-
c)	From securities reported as current assets other than equity investments	47.775	175.267	102.057	
d)	Income other than the above:				
	- from subsidiaries	2.566	8.949	1.757	
	- from associates	-	-	-	
	- from parent companies	336	225.840	190.765	
	- from companies subject to control of the parent companies	3.776.924	8.982.232	4.245.662	
	- from others	968.239	2.920.792	1.365.902	
	Total income other than the above (d)	4.748.065	12.137.813	5.804.086	
	Total other financial income (16)		4.795.840	12.313.133	5.906.143

Marcegaglia Steel - Consolidated Financial Statements

Financial Statements at 30/06/2020

Currency: EUR

	30/06/2020	31/12/2019	30/06/2019
17) Interests and other financial charges (17)			
- paid to subsidiaries	- 51.107	- 220.097	- 69.150
- paid to associates	-	-	-
- paid to parent companies	- 1.191.929	- 3.044.163	- 1.363.259
- paid to companies subject to control of parent company	- 243.082	- 392.671	- 369.265
- paid to banks	- 17.642.334	- 33.701.071	- 13.075.211
- other financial expenses	- 22.963.721	- 42.291.548	- 26.734.453
Total interests and other financial charges (17)	- 42.092.173	- 79.649.550	- 41.611.338
17bis) Exchange rate gains and losses	- 4.291.996	- 687.879	- 1.763.011
TOTAL FINANCIAL INCOME AND CHARGES (C)	- 41.588.329	- 67.674.296	- 33.942.184
D) VALUE ADJUSTMENTS OF FINANCIAL ASSETS			
18) Revaluations			
a) - of equity investments	-	-	-
b) - of financial fixed assets other than equity investments	-	42.111	-
c) - of securities recognised in current assets	-	5.554	-
d) - of financial derivatives	2.604.701	9.289.510	4.639.569
Total revaluations (18)	2.604.701	9.337.175	4.639.569
19) Write-downs			
a) - of equity investments	- 120.141	- 167.320	-
b) - of financial fixed assets other than equity investments	-	-	-
c) - of securities recognised in current assets	- 64.802	-	- 5.342
d) - of financial derivatives	- 2.479.730	- 1.156.792	- 555.246
Total Write-downs (19)	- 2.664.673	- 1.324.112	- 560.588
TOTAL VALUE ADJUSTMENTS OF FINANCIAL ASSETS (D)	- 59.972	8.013.063	4.078.981
PROFIT/(LOSS) BEFORE TAXES (A-B+/-C+/-D)	- 18.796.230	34.987.723	48.309.467
20) Current, deferred and pre-paid income taxes for the year			
- direct taxes for the year	- 14.491.322	- 38.719.252	- 26.313.748
- direct taxes for previous years	- 732.485	417.974	53.258
- deferred taxes	11.535.904	26.377.724	11.576.150
- pre-paid taxes	- 1.123.214	- 3.122.788	- 577.361
- charges and income related to the tax consolidation scheme	2.999.633	4.269.378	6.197
Total current, deferred and pre-paid income taxes for the year (20)	- 1.811.484	- 10.776.964	- 15.255.504
21) NET PROFIT/(LOSS)	- 20.607.714	24.210.759	33.053.963
Profit/(loss) pertaining to minority interests	146.975	689.404	50.740
Profit/(loss) pertaining to the Group	- 20.754.689	23.521.355	33.003.223

Marcegaglia Steel Spa - Consolidated 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	(20.607.714)	24.210.759	33.053.963
Income Tax	1.811.484	10.776.964	15.255.504
Interest expenses/(income)	37.296.333	67.336.417	35.705.195
(Dividends)	0	(350.000)	0
(Gains)/Losses resulting from the disposal of assets	551.896	98.774	(24.367)
1) Profit (loss) for the year, before income taxes, interest, dividends and gains/losses from asset sales	19.051.999	102.072.914	83.990.295
Adjustments for non-cash items with no balancing entry in net working capital	0	0	0
Provisions to funds	6.414.431	11.418.109	7.109.993
Amortisation/Depreciation of fixed assets	82.964.413	170.371.930	84.065.654
Write-downs due to permanent impairment	910.833	2.444.902	0
Value adjustments of financial assets and liabilities on derivative financial instruments that do not involve cash transactions	59.972	(8.013.063)	(4.078.981)
Other adjustments for non-cash items	(787.982)	(7.313.781)	(102.400)
Total adjustments for non-cash items with no balancing entry in working capital	89.561.666	168.908.098	86.994.266
2) Cash flow before changes in net working capital	108.613.665	270.981.012	170.984.561
Changes in net working capital	0	0	0
Decrease/(Increase) in inventories	45.472.788	(138.162.006)	(153.954.627)
Decrease/(Increase) in trade receivables	(27.680.189)	(30.280.163)	(168.049.172)
Increase/(Decrease) in trade payables	(155.587.392)	255.797.141	219.869.069
Decrease/(Increase) in accrued income and prepaid expenses	48.699	(837.768)	(572.211)
Increase/(Decrease) in accrued expenses and deferred income	748.113	(356.173)	263.550
Other changes in net working capital	(23.200.727)	(35.594.982)	50.211.165
Total changes in net working capital	(160.198.708)	50.566.048	(52.232.224)
3) Cash flow after changes in net working capital	(51.585.043)	321.547.060	118.752.337
Other adjustments	0	0	0
Interest received/(paid)	(34.085.420)	(68.925.436)	(34.976.178)
(Income taxes paid)	0	0	0
Dividends received	0	350.000	0
(Utilisation of funds)	(6.105.444)	(12.200.387)	(5.564.064)
Other collections/(payments)	0	0	0
Total other adjustments	(40.190.863)	(80.775.824)	(40.540.242)
Cash flow from income-generating operations (A)	(91.775.906)	240.771.236	78.212.095
B) Cash flows from investment activities			
Property, plant and equipment	0	0	0
(Investments)	(30.752.092)	(74.217.731)	(28.554.639)
Divestitures	280.969	903.684	156.951
Intangible fixed assets	0	0	0
(Investments)	(353.714)	(1.634.392)	(258.119)
Divestitures	0	28.636	66.583
Financial fixed assets	0	0	0
(Investments)	(120.309)	(18.429.560)	(16.146.323)
Divestitures	111.482	351.943	331.081
Current financial assets	0	0	0
(Investments)	(0)	0	0
Divestitures	355.834	2.436.127	3.137.016
(Purchase of subsidiaries or business divisions net of liquid assets)	0	10.234.087	0
Sale of subsidiaries or business divisions net of liquid assets	0	0	0
Cash flows from investment activities (B)	(30.477.830)	(80.327.204)	(41.267.450)
C) Cash flows from financing activities			
Third party resources	0	0	0
Increase/(Decrease) in short-term liabilities to banks	112.247.734	(120.113.511)	(15.830.968)
New loans	347.230	194.171.511	82.438
(Repayments of loans)	(54.391.421)	(62.704.614)	(26.243.020)
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)	58.203.543	11.353.385	(41.991.550)
Increase (decrease) in cash and cash equivalents (A ± B ± C)	(64.050.193)	171.797.418	(5.046.904)
Exchange rate effect on cash and cash equivalents	(1.471.745)	87.352	(277.013)
Cash and cash equivalents at beginning of year	234.439.689	62.554.920	62.554.920
Bank and postal deposits	232.977.955	61.803.198	61.803.198
Checks	1.420.216	722.481	722.481
Cash on hand and cash equivalents	41.518	29.241	29.241
of which not freely usable	43.301.736	13.425.006	13.425.006
Cash and cash equivalents at year end	168.917.750	234.439.689	57.231.002
Bank and postal deposits	167.305.465	232.977.955	55.994.712
Checks	1.548.440	1.420.216	1.210.168
Cash on hand and cash equivalents	63.845	41.518	26.122
of which not freely usable	40.936.229	43.301.736	38.283.910

MARCEGAGLIA STEEL SPA

Registered Office: Via Bresciani, 16 - Gazoldo degli Ippoliti (MN)

Share capital: Euro 695,318,116.00, fully paid up

Tax code and Mantua Companies House No.: 02467550204,

VAT No.: 02467550204

Notes to the Consolidated Financial Statements as at 30 June 2020

Structure of consolidated financial statements

The consolidated 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, by OIC 17 "Consolidated financial statements and equity method" and, in the absence of references, by the International Financial Reporting Standards (IFRS) issued by the IASB.

These financial statements have also been prepared on a going concern basis. Therefore, these half-yearly consolidated 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, except for the definition of the scope of consolidation which will be illustrated in the specific section Consolidation Criteria.

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 differences", which represents the difference from the translation of financial statements of subsidiaries expressed in a foreign currency;

- the inclusion of the items “Profit/(Loss) pertaining to the Group” and “Profit/(Loss) pertaining to minority interests” among income statement items, after item 21) “Net profit (loss)”, in order to clearly separate the portion of the consolidated operating result pertaining to minority shareholders.

The cash flow statement was prepared in accordance with the layout specified in Accounting Standards OIC 17 and OIC 10, 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 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 year

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.

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 30 June 2020, 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 spa	via Bresciani, 16 - Gazoldo Ippoliti (MN)	EUR 695,318,116			parent company
Marcegaglia Carbon Steel spa	via Bresciani, 16 - Gazoldo Ippoliti (MN)	EUR 396,218,598	100%		
Marcegaglia Specialties spa	via Bresciani, 16 - Gazoldo Ippoliti (MN)	EUR 131,100,000	100%		
Marcegaglia Plates spa	via Bresciani, 16 - Gazoldo Ippoliti (MN)	EUR 35,000,000	100%		
Marcegaglia Ravenna spa	via Bresciani, 16 - Gazoldo Ippoliti (MN)	EUR 105,307,498	94.96%		
Marcegaglia Gazoldo Inox spa	via Bresciani, 16 - Gazoldo Ippoliti (MN)	EUR 31,592,250	94.96%		
Marcegaglia Novero spa	via Acqui, 85 - 10098 Rivoli (TO)	EUR 3,120,000		100%	Marcegaglia Carbon Steel spa
Marcegaglia do Brasil Ltda	Rodovia BR 101 km 11 Garuva (SC) - Brazil	BRL 231,120,000		99.81302%	Marcegaglia Carbon Steel spa
Marcegaglia Poland Sp.z.o.o.	Kaliska, 72 int - Praszka - Poland	PLN 108,400,000		91.8819%	Marcegaglia Carbon Steel spa
Marcegaglia UK Ltd.	New Road, Netherton, Dudley (UK)	GBP 16,650,200		100%	Marcegaglia Carbon Steel spa
Marcegaglia USA Inc.	1001 East Waterfront Drive, Munhall (PA) - USA	USD 86,876,440		100%	Marcegaglia Specialties spa
Outsourcing Inox srl	via Bresciani, 16 - Gazoldo Ippoliti (MN)	EUR 10,000		100%	Marcegaglia Specialties spa

Marcegaglia TR Paslanmaz Çelik Sanayi ve Ticaret A.S.	Kazimiye Mahallesi, Yakut Sokak, Nova Center 39/27, Çorlu, Tekirdag (Turkey)	TRY	84,610,000		51.02%	Marcegaglia Specialties spa
Mariven S.r.l.	via Bresciani, 16 - Gazoldo Ippoliti (MN)	EUR	100,000		65%	Marcegaglia Specialties spa
Marcegaglia RU	Bolshaja Nizhegorodskaja 92B - Vladimir - Russian Federation	RUB	1,099,325,274		100%	Mariven S.r.l.
Marcegaglia Central America Sapi de CV	Av. Antea 1088 - Jurica, 76100 Santiago de Queretaro, Queretaro - Mexico	MXN	280,075,060		51.23%	Marcegaglia Carbon Steel spa
Marcegaglia Mexico	Circuito Balvanera n.22, Complejo Industrial Balvanera, 76900 Corregidora - Queretaro - Mexico	MXN	110,038,593		99.9983% 0.0017%	Marcegaglia Central America Sapi de CV Marcegaglia Specialties spa
Marcegaglia Colombia	Km 1.5 via Funza Siberia Parque Industrial San Diego Bodega	COP	8,977,599,000		99.9999% 0.0001%	Marcegaglia Central America Sapi de CV Marcegaglia Specialties spa
Marcegaglia Palini e Bertoli spa	via Bresciani, 16 - Gazoldo Ippoliti (MN)	EUR	20,000,000		100%	Marcegaglia Plates spa

Compared to 31 December 2019 the scope of consolidation has not changed.

On the other hand, it should be noted that, compared to 31 December /2019, the percentage shareholding in the subsidiary Marcegaglia Novero Spa has changed following the purchase by Marcegaglia Carbon Steel of the minority shareholder's stake. The percentage of the investment thus increased from 80% to 100%.

DIRECT OR INDIRECT SUBSIDIARIES MEASURED AT COST

Name	Registered office	Share capital	Direct share	Indirect share	Company
Marcegaglia Deutschland GmbH	Opitzstr. 12 - 40470 Düsseldorf	EUR 153,388		100%	Marcegaglia Carbon Steel spa
Marcegaglia France sarl	Le Bois des Cotes II Route Nationale 6 n.300 - Limonest	EUR 50,000		100%	Marcegaglia Carbon Steel spa
Marcegaglia Iberica s.a.	Calle Solsona, 3 - S.P. de Magoda-B (ES)	EUR 120,220		51%	Marcegaglia Carbon Steel spa
Marcegaglia India Private Limited	EC 58, Sector I, Sal Lake, Kolkata 700064, West Bengal, India	INR 100,000		90% 10%	Marcegaglia Carbon Steel spa Marcegaglia Specialties spa
Marcegaglia North Europe s.a.	8, Um Woeller, L-4410 Soleuvre - Luxembourg	EUR 31,000		100%	Marcegaglia Carbon Steel spa
Novero Polska Sp.zo.o.	00-867 Warsaw, Poland, ul. Chlodna 51	PLN -239,733		80%	Marcegaglia Carbon Steel spa

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 spa
Consorzio Absolute scarl	Pozzuolo del Friuli (UD) - frazione Cagnacco, Via Buttrio, n. 28	EUR 50,000		12.50%	Marcegaglia Carbon Steel spa
				12.50%	Marcegaglia Specialties spa
				12.50%	Marcegaglia Ravenna spa
				12.50%	Marcegaglia Gazoldo Inox spa

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 included 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 30 June 2020	Avg. exchange rate for H1 2020
US Dollar (USD)	1.1198	1.1015
UK Pound Sterling (GBP)	0.91243	0.87432
Brazilian Real (BRL)	6.1118	5.4169
Polish Zloty (PLN)	4.4560	4.4136
Russian Rouble (RUB)	79.63	76.6825
Turkish Lira (TRY)	7.6761	7.1521
Mexican Peso (MXN)	25.947	23.8571
Colombian Peso (COP)	4,203.45	4,066.17

Reporting date of the consolidated financial statements

The interim financial statements of the parent company (Marcegaglia Steel spa) and the other consolidated companies closed on 30 June 2020.

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

Goodwill is recognised only if:

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

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

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 starting 2017, the value of final inventories of basic steel raw materials was determined using the incremental LIFO method, while the value of the final inventories of steel raw material of first and second-stage processing was determined using the weighted average cost method.

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 43.3 million, net of the related deferred IRES and IRAP tax.

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 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 period (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 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 period (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 include portions of costs and income shared by two or more periods in accordance with the accrual principle.

Revenues and income

Revenues for product sales are recognised at the time ownership is transferred, which generally coincides with the shipment of the goods. Service revenues are recognised when the service has been fully provided.

Costs and expenses

Costs and expenses are recognised on an accrual basis.

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.

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 Financial 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.

	Initial recording value	Accumulated amortisation/write-down	Amount at beginning of the year	New posts	Amortisation	Write-downs	Amount at end of the year
Marcegaglia USA Inc.	21,614,263	18,409,706	3,204,557	-	267,047	910,833	2,026,677
Marcegaglia do Brasil Lda	38,194,797	26,516,559	11,678,238	-	1,000,992	-	10,677,246
Marcegaglia Central America Sapi de Cv	448,533	44,853	403,680	-	22,427	-	381,253
Marcegaglia Palini e Bertoli spa	3,335,171	27,793	3,307,378	-	166,759	-	3,140,619
Total	63,592,764	44,998,911	18,593,853	-	1,457,225	910,833	16,225,795

The goodwill previously recognised following the first consolidation of the investee Marcegaglia USA was written down in H1 2020 to align its value with the company's expected future profits from the agreements entered into following the sale of the business in 2017.

Goodwill is amortised over 10 years. A goodwill amortisation period of over five years, provided that there are sufficient grounds, seems in line with Italian GAAP (OIC 24 document). Lastly, based

on OIC 25 for corporate actions that give rise to “goodwill” and considering the similar nature of the goodwill in question, no deferred taxes were recognised.

Intangibles reported in the consolidated accounts include the “Marcegaglia” trademark, both in its form as a name and in the graphic form “MM Marcegaglia” (with two upside down “M’s”), as recognised in the statutory financial statements of the subsidiary Marcegaglia Specialties spa, 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, to the extent of generating 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 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.

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 30/06/2020 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	83,750,000	117,250,000	10,050,000	107,200,000
Total	201,000,000	83,750,000	117,250,000	10,050,000	107,200,000

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	2,237,359	-	1,958,773	278,586
Other	349,310	37,000	247,078	139,232
Total	2,586,669	37,000	2,205,851	417,818

There are no capitalised development costs.

Property, plant and equipment

Changes in property, plant and equipment

See ANNEX 1B for changes in property, plant and equipment.

As already explained in last year's notes to the financial statements, this item includes the capital gains attributed to the property, plant and equipment of the subsidiary Marcegaglia Palini e Bertoli spa 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 current half-year and the trend in deferred taxation.

Accounting item	Initial recording value	Accumulated amortisation	Amount at beginning of the year	Amortisation for the year	Amount at end of the year	Opening provision for deferred tax	Effect of deferred taxes on the income statement	Closing provision for deferred tax
Land and buildings	4,499,727	17,201	4,482,526	103,208	4,379,319	1,250,625	28,795	1,221,830
Plant and machinery	11,069,092	114,104	10,954,988	684,624	10,270,365	3,056,442	191,010	2,865,432
Industrial and commercial equipment	587,676	12,243	575,433	73,460	501,974	160,546	20,495	140,051
Other assets	88,975	2,052	86,923	12,310	74,613	24,251	3,434	20,817
Total	16,245,471	145,600	16,099,871	873,600	15,226,271	4,491,864	243,734	4,248,130

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 already during 2018, 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"	458,307
Total assets	458,307
Decrease in provision for deferred tax	-127,868
Economic effect of the period	-330,439
Total liabilities	-458,307

The effect on the income statement was as follows:

	Gross amount
Increase in depreciation, item B10 b)	458,307
Use of deferred taxation	-127,868
Economic effect of the period	330,439

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	1,899,497	1,899,497
Receivables from subsidiaries	-	-
Receivables from associates	-	-
Receivables from parent companies	-	-
Receivables from companies subject to control of parent companies	-	-
Receivables from others	2,347,729	2,347,729
Other securities	356,118	356,118
Total	4,603,344	4,603,344

CURRENT ASSETS

Inventories

	Amount at beginning of the year	Exchange rate difference on beginning balance	Provisions	Utilisation	Changes during the year	Amount at end of the year
Raw and ancillary materials and consumables, gross of write-down provision	742,079,071	- 6,918,401	-	-	- 26,799,518	708,361,152
Raw and ancillary materials and consumables, write-down provision	- 3,355,202	2,892	- 1,897,206	139,301	-	- 5,110,215
1. Raw and ancillary materials and consumables	738,723,869	- 6,915,509	- 1,897,206	139,301	- 26,799,518	703,250,937
Work in process and semi-finished products, gross of write-down provision	444,154,191	- 1,370,573	-	-	14,985,976	457,769,594
Work in process and semi-finished products, write-down provision	- 1,373	250	-	-	-	- 1,123
2. Work in process and semi-finished goods	444,152,818	- 1,370,323	-	-	14,985,976	457,768,471
Contract work in progress, gross of write-down provision	54,784	- 6,655	-	-	77,346	125,475
Contract work in progress, write-down provision	-	-	-	-	-	-
3. Contract work in progress	54,784	- 6,655	-	-	77,346	125,475
Finished products and goods, gross of write-down provision	495,395,653	- 4,665,450	-	-	- 15,750,943	474,979,259
Finished products and goods, write-down provision	- 942,530	29,357	-	774,529	-	- 138,643
4. Finished products and goods	494,453,123	- 4,636,093	-	774,529	- 15,750,942	474,840,617
5. Advance payments	32,550,117	- 48,482	-	-	- 17,095,994	15,405,641
Total inventories	1,709,934,711	- 12,977,062	- 1,897,206	913,830	- 44,583,132	1,651,391,141

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	Changes during the year	Amount at end of the year
Receivables from customers recorded in current assets, gross of provision for doubtful debt	142,243,612	- 6,297,067	27,452,669	163,399,215
Provision for doubtful debt from customers	17,114,851	- 1,073,108	604,495	16,646,238
Receivables from customers recorded in current assets	125,128,761	- 5,223,958	26,848,174	146,752,977
Receivables from subsidiaries recorded in current assets	282,888	-	132,518	415,406
Receivables from associates recorded in current assets	1,960,284	-	- 602,485	1,357,799
Receivables from parent companies recorded in current assets	26,927,105	-	3,013,403	29,940,508
Receivables from companies subject to control of parent companies recorded in current assets	291,094,942	- 79,029	- 155,012	290,860,901

Tax credits recorded in current assets	22,418,206	- 2,562,126	- 415,081	19,440,999
Deferred tax assets recorded in current assets	33,718,161	- 4,391,315	- 1,244,113	28,082,733
Receivables from others recorded in current assets	26,143,546	- 247,392	6,496,000	32,392,154
Total receivables recorded in current assets	527,673,893	- 12,503,820	34,073,404	549,243,477

	Amount at end of the year	Portion due within the year	Portion due after the year	of which, portion with remaining term over 5 years
Receivables from customers recorded in current assets, gross of provision for doubtful debt	163,399,215	163,399,215	-	-
Provision for doubtful debt from customers	16,646,238	16,646,238	-	-
Receivables from customers recorded in current assets	146,752,977	146,752,977	-	-
Receivables from subsidiaries recorded in current assets	415,406	415,406	-	-
Receivables from associates recorded in current assets	1,357,799	1,357,799	-	-
Receivables from parent companies recorded in current assets	29,940,508	29,940,508	-	-
Receivables from companies subject to control of parent companies recorded in current assets	290,860,901	290,860,901	-	-
Tax credits recorded in current assets	19,440,999	16,109,980	3,331,019	-
Deferred tax assets recorded in current assets	28,082,733	1,571,986	26,510,747	11,428,319
Receivables from others recorded in current assets	32,392,154	32,371,687	20,467	-
Total receivables recorded in current assets	549,243,477	519,381,244	29,862,233	11,428,319

Detail of provision for doubtful debt

	Amount at beginning of the year	Exchange rate difference on beginning balance	Utilisation	Provisions	Exchange rate difference on changes during the year	Amount at end of the year
Provision for doubtful debt from customers	17,114,851	- 1,073,108	- 41,509	650,931	- 4,928	16,646,238

Detail of receivables from subsidiaries

	Amount at beginning of the year	Changes during the year	Amount at end of the year	of which, trade payables	of which, financial payables
Mrc Deutschland Gmbh	12,562	4,542	17,104	17,104	-
Mrc France sarl	9,034	-	9,034	9,034	-
Mrc India PVT. Ltd.	65,819	197	66,016	66,016	-
Mrc North Europe s.a.	192,152	2,565	194,717	22,717	172,000
Mrc Novero Polska	3,321	125,214	128,535	128,535	-
Total receivables from subsidiaries	282,888	132,518	415,406	243,406	172,000

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
S.I.M. srl	562,417	237,770	800,187	800,187	-
Consorzio Absolute scarl	1,397,867	- 840,255	557,612	557,612	-
Total receivables from associates	1,960,284	- 602,485	1,357,799	1,357,799	-

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
Marcegaglia Holding	26,927,105	3,013,403	29,940,508	29,940,508	-
Total receivables from parent companies	26,927,105	3,013,403	29,940,508	29,940,508	-

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 srl (ex Marcegaglia)	46,273,453	985,506	47,258,959	869,205	46,389,754
Elet.ca S.r.l.	54,489	21,749	76,238	76,238	-
Oskar S.r.l.	1,885,060	- 630,114	1,254,946	1,254,946	-
Made HSE S.r.l.	- 753	4,517	3,764	3,764	-
Euroenergy group S.r.l.	-	31,169	31,169	31,169	-
Eta En. Terr. Amb. S.p.A.	44,624,442	- 2,732,747	41,891,695	667,253	41,224,442
Albarella spa	1,082,455	- 558,611	523,844	73,844	450,000
Pugnochiuso Grup.Marceg. srl	82,158	17,433	99,591	99,591	-
Mrc Buildtech srl	69,606,771	694,066	70,300,837	40,811,393	29,489,444
Sc.Mrc Romania srl	3,310,810	25,196	3,336,006	2,468,954	867,052
Imat S.p.A.	2,201,262	- 1,124,420	1,076,842	1,076,842	-
Marcegaglia Investments	121,974,795	3,032,215	125,007,010	1,838,162	123,168,848
Total receivables from companies subject to control of parent companies	291,094,942	- 234,041	290,860,901	49,271,361	241,589,540

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	12,512,428	3,984,899	16,497,326	16,497,326	-	-
Advances to suppliers	1,959,382	324,999	2,284,381	2,284,381	-	-
Other receivables	11,671,736	1,938,711	13,610,446	13,589,980	20,467	-
Total receivables from others	26,143,546	6,248,608	32,392,154	32,371,687	20,467	-

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	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	187,740	-	- 64,802	122,938
Financial derivatives reported as assets	68,260	-	644,461	712,721
Other securities not held as fixed assets	2,683,988	- 699,140	- 316,016	1,668,832
Total financial assets not held as fixed assets	2,939,988	- 699,140	263,643	2,504,491

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	Changes during the year	Amount at end of the year
Bank and postal deposits	232,977,955	- 1,174,614	- 64,497,876	167,305,465
Checks	1,420,216	- 183,501	311,725	1,548,440
Cash and cash on hand	41,518	- 444	22,771	63,845
Total cash and cash equivalents	234,439,689	- 1,358,559	- 64,163,380	168,917,750

The balance of bank and postal deposits at 30 June 2020 includes the balance of several current accounts pledged to securitisation companies (Euro 40,936,229) in relation to receivable sales without recourse made by the subsidiaries Marcegaglia Carbon Steel spa, Marcegaglia Specialties spa and Marcegaglia Plates spa; these deposits are established by way of guarantee of payables in the amount of Euro 38,686,094. The balance of cash and cash equivalents freely available is therefore Euro 127,981,521.

ACCRUED INCOME AND PREPAID EXPENSES

	Amount at beginning of the year	Exchange rate difference on beginning balance	Changes during the year	Amount at end of the year
Other accrued income and prepaid expenses	3,137,946	- 89,622	- 203,975	2,844,349
Total accrued income and prepaid expenses	3,137,946	- 89,622	- 203,975	2,844,349

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 as at 30/06/2020 disbursed in the amount of Euro 83,444,000, as described 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 2,844,349 is to be considered as short-term for the amount of Euro 2,011,466.

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 2019 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	458,100	-	-	-	-	1,224,724
Statutory reserves	-	-	-	-	-	-	-
Other reserves							
- Extraordinary reserve	-	37,290,943	-	-	-	-	37,290,943
- Consolidation reserve	50,390,789	- 3,758,618	-	-	- 6,091,395	-	40,540,776
- Reserve from conversion differences	- 2,429,617	-	-	-	- 23,073,970	-	- 25,503,587
- Reserve for foreign exchange translation gains	-	702	-	-	-	-	702
- Difference from rounding off in euro	- 4	-	-	-	2	-	- 2
Total other reserves	47,961,168	33,533,027	-	-	- 29,165,363	-	52,328,832
Reserve for projected cash flow hedges	- 6,826,257	-	- 47,913	-	-	-	- 6,874,170
Profit (loss) carried forward	19,173,664	- 10,469,772	-	-	-	-	8,703,892
Profit (loss) for the year pertaining to the group	23,521,355	- 23,521,355	-	-	-	- 20,754,689	- 20,754,689
Negative treasury share reserve	-	-	-	-	-	-	-
Total group shareholders' equity	779,914,670	-	- 47,913	-	- 29,165,363	- 20,754,689	729,946,705
Minority interests in capital and reserves	20,279,363	689,404	3,186	- 890,486	- 2,690,965	-	17,390,502
Profit (loss) for the year pertaining to minority interest	689,404	- 689,404	-	-	-	146,975	146,975
Total minority interest shareholders' equity	20,968,767	-	3,186	- 890,486	- 2,690,965	146,975	17,537,477
TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY	800,883,437	-	- 44,727	- 890,486	- 31,856,328	- 20,607,714	747,484,182

Reconciliation between parent company shareholders' equity and net profit (loss) at 30/06/2020 and shareholders' equity and net profit reported in consolidated financial statements at 30/06/2020

	1st half 2020			2019		
	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	735,848,270	- 33,358,457	702,489,813	708,576,428	27,279,972	735,856,400
Difference between shareholders' equity of consolidated companies and the book value of the relevant equity investments	- 8,553,312		- 8,553,312	- 21,633,518		- 21,633,518
Reserve from conversion differences resulting from the elimination of equity investments in foreign subsidiaries	- 25,503,587		- 25,503,587	- 2,429,618		- 2,429,618
Net profit (loss) for the year of fully consolidated companies net of minority interests		- 25,528,517	- 25,528,517		19,519,899	19,519,899
Derecognition of write-downs and revaluations of equity investments/receivables within the scope of consolidation	13,016,157	41,851,981	54,868,138	30,408,862	- 17,392,705	13,016,157
Derecognition of intra-group capital gains/losses and derecognition of write-downs/revaluations of other equity items other than equity investments	- 1,441,454	35,380	- 1,406,074	- 1,468,712	27,258	- 1,441,454
Goodwill arising from consolidation – group	18,902,367	- 2,676,572	16,225,795	23,314,847	- 4,720,994	18,593,853
Reallocation of negative consolidation differences due to change of scope to the values of assets or to the income statement	11,608,005	- 629,867	10,978,138	11,712,983	- 104,978	11,608,005
Adjustments to bring financial statements in line with the accounting standards of the consolidated financial statements (*)	6,923,176	- 330,441	6,592,735	7,896,248	- 973,072	6,923,176
Other consolidation entries	- 98,226	- 118,196	- 216,422	15,799	- 114,025	- 98,226
Increase/decrease in reserve to round amounts to whole euros	- 2		- 2	- 4		- 4
Group consolidated shareholders' equity	750,701,394	- 20,754,689	729,946,705	756,393,315	23,521,355	779,914,670

(*) The adjustments are made in order to measure finance leases according to the financial method as suggested by Accounting Standard OIC no. 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 spa;
- 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 the 2015 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	Changes during the year	Amount at end of the year
Bonds	-	-	-	-
Convertible bonds	-	-	-	-
Payables to shareholders for loans	10,919,400	-	- 124,000	10,795,400
Payables to banks	755,070,128	- 3,188,921	61,305,527	813,186,734
Payables to other lenders	721,552	- 67,327	23,659	677,884
Advance payments	1,896,318	- 105,219	879,982	2,671,081
Trade payables	1,970,093,957	- 8,554,372	- 155,546,904	1,805,992,681
Payables consisting of debt securities	-	-	-	-
Payables to subsidiaries	4,327,303	-	660,101	4,987,404
Payables to associates	722,305	-	291,791	1,014,096
Payables to parent companies	33,969,893	- 7,715	- 13,077,804	20,884,374
Payables to companies subject to control of parent companies	3,281,393	- 57,896	1,612,114	4,835,611
Tax payables	23,005,214	- 287,051	7,950,188	30,668,351
Payables to welfare and social security organisations	15,525,884	- 121,797	1,335,115	16,739,202
Other payables	149,848,864	- 946,544	- 4,532,801	144,369,518
Total payables	2,969,382,211	- 13,336,843	- 99,223,032	2,856,822,336

	Amount at end of the year	Portion due within the year	Portion due after the year	of which, portion with remaining term over 5 years
Bonds	-	-	-	-
Convertible bonds	-	-	-	-
Payables to shareholders for loans	10,795,400	10,795,400	-	-
Payables to banks	813,186,734	368,858,944	444,327,790	37,194,982
Payables to other lenders	677,884	259,284	418,600	-
Advance payments	2,671,081	2,671,081	-	-
Trade payables	1,805,992,681	1,805,992,681	-	-
Payables consisting of debt securities	-	-	-	-
Payables to subsidiaries	4,987,404	4,987,404	-	-
Payables to associates	1,014,096	1,014,096	-	-
Payables to parent companies	20,884,374	20,884,374	-	-
Payables to companies subject to control of parent companies	4,835,611	4,835,611	-	-
Tax payables	30,668,351	30,668,351	-	-
Payables to welfare and social security organisations	16,739,202	16,739,202	-	-
Other payables	144,369,518	143,704,636	664,882	-
Total payables	2,856,822,336	2,411,411,064	445,411,272	37,194,982

With reference to the trend in bank debt, it should be noted that during H1 2020 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, on 31/07/2020 completing a loan for Euro 300 million obtained from a pool of banks comprising major Italian banks working with the Marcegaglia Group. This loan, in accordance with Italian Decree Law no. 23 of 08/04/2020 (Liquidity Decree) converted into Italian Law no. 40 of 05/06/2020, benefits from a 70% SACE guarantee in favour of the banking pool. This loan has a duration of up to 30/06/2026 and provides for quarterly instalments with constant capital instalments starting from 30/09/2022.

The loan of Euro 100 million obtained by the EIB in July 2019 and partially disbursed last year for 83,444,000, in July 2020 was fully disbursed as the administrative process for the verification of any environmental assessment opinions by the competent Ministry was closed. The new tranche disbursed of Euro 16,556,000 will have its own repayment plan with constant six-monthly instalments of principal (June and December) starting from 31/12/2020 and until 30/06/2027

It is recalled that this EIB 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).

Financing obtained from banking pools in 2018 and 2019 continues its normal repayment schedule in 2020.

Below are the residual amortisation plans for the two facilities obtained from the banking pool during 2018 and from the banking pool in 2019, as well as from the EIB, in particular;

- 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
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
Total	287,781,460	80,535,480	71,523,429	97,500,000	537,340,369

At 30.06.2020, the remaining principal owed for the loans concerned was as follows:

	Amount at end of the year	Portion due within the year	Portion due after the year	of which, portion with remaining term over 5 years
Facility A	287,781,460	63,171,540	224,609,920	-
Facility B	80,535,480	17,678,520	62,856,960	-
2019 pool loan	97,500,000	15,000,000	82,500,000	22,500,000
EIB loan	71,523,429	11,920,571	59,602,857	11,920,571
Total	537,340,369	107,770,631	429,569,737	34,420,571

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)	513,741,970	-47,925,030	465,816,940	-
Transaction costs (amortised cost criterion)	-4,923,055	3,060,255	-1,862,800	3,060,255
Total recorded in financial statements	508,818,915	-44,864,775	463,954,140	3,060,255

Thus, the application of the amortised cost criterion resulted in recording higher financial charges in income statement (item C17) totalling Euro 3,060,255 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:

	Debt at the 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	Measurement criterion
Facility A	316,332,131	-29,683,461	286,648,670	62,753,928	223,894,742	-	Amortised cost
Facility B	88,473,804	-8,299,754	80,174,050	17,545,846	62,628,204	-	Amortised cost
2019 pool loan	104,012,981	-6,881,561	97,131,420	14,901,688	82,229,732	22,474,410	Amortised cost
EIB loan	77,483,714	-5,960,286	71,523,429	11,920,571	59,602,858	11,920,571	Nominal value
Total	586,302,630	-50,825,062	535,477,568	107,122,033	428,355,535	34,394,982	

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

	Company	Amount maturing over 5 years	Measurement criterion
Banca IMI as agent bank for the various syndicated loans and the EIB	Marcegaglia Steel	34,394,982	Amortised cost/nominal value
Credit Agricole loan	Marcegaglia Carbon Steel	2,800,000	Nominal value
Total		37,194,982	

Detail of "Payables to subsidiaries"

	Amount at beginning of the year	Changes during the year	Amount at end of the year	of which, trade payables	of which, financial payables
Mrc Deutschland Gmbh	3,716,178	134,679	3,850,857	396,579	3,454,278
Mrc France sarl	370,913	220,095	591,008	591,008	-
Mrc Iberica sa	105,442	196,299	301,741	301,741	-
Mrc Benelux	1,557	11,364	12,921	12,921	-
Marcegaglia India PVT. Ltd.	- 2,176	6,175	3,999	3,999	-
Mrc North Europe s.a.	135,389	91,489	226,878	226,878	-
Total payables to subsidiaries	4,327,303	660,101	4,987,404	1,533,126	3,454,278

Detail 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
S.I.M. srl	704,495	300,601	1,005,096	1,005,096	-
Consorzio Absolute scarl	17,810	- 8,810	9,000	9,000	-
Total payables to associates	722,305	291,791	1,014,096	1,014,096	-

Detail 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
Finmar Srl	269,860	- 76,485	193,375	193,375	-
Marcegaglia Holding	33,700,033	- 13,009,034	20,690,999	19,869,036	821,963
Total payables to parent companies	33,969,893	- 13,085,519	20,884,374	20,062,411	821,963

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
Marfin srl (ex Marcegaglia)	- 187,472	1,986,814	1,799,342	1,799,342	-
Oskar S.r.l.	145,739	2,946	148,685	148,685	-
Made HSE S.r.l.	1,946,953	223,641	2,170,594	2,170,594	-
Albarella spa	74,789	-	74,789	74,789	-
Pugnochiuso Grup.Marceg. srl	9,595	-	9,595	9,595	-
Mrc Buildtech srl	939,198	- 809,744	129,454	129,454	-
Sc.Mrc Romania srl	68,292	82,533	150,825	150,825	-
Imat S.p.A.	65,999	- 65,999	-	-	-
Marcegaglia Investments	-	127,777	127,777	127,777	-
Abaco Servizi S.r.l.	218,300	6,250	224,550	224,550	-
Total payables to companies subject to control of parent companies	3,281,393	1,554,218	4,835,611	4,835,611	-

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	23,282,485	8,732,385	32,014,870	32,014,870	-	-
Payables to factoring companies	119,178,620	- 11,567,441	107,611,179	107,611,179	-	-
Other payables	7,387,758	- 2,644,289	4,743,469	4,078,587	664,882	-
Total other payables	149,848,863	- 5,479,345	144,369,518	143,704,636	664,882	-

Debt secured by collateral on corporate assets

	Debt secured by collateral				Unsecured debt	Total
	Mortgage on property assets	Lien	Special liens	Total debt secured by collateral		
Bonds	-	-	-	-	-	-
Convertible bonds	-	-	-	-	-	-
Payables to shareholders for loans	-	-	-	-	10,795,400	10,795,400
Payables to banks	304,537,717	65,468,926	-	370,006,643	443,180,091	813,186,734
Payables to other lenders	-	11,060	-	11,060	666,824	677,884
Advance payments	-	-	-	-	2,671,081	2,671,081
Trade payables	-	-	-	-	1,805,992,681	1,805,992,681
Payables consisting of debt securities	-	-	-	-	-	-
Payables to subsidiaries	-	-	-	-	4,987,404	4,987,404
Payables to associates	-	-	-	-	1,014,096	1,014,096
Payables to parent companies	-	-	-	-	20,884,374	20,884,374
Payables to companies subject to control of parent companies	-	-	-	-	4,835,611	4,835,611
Tax payables	-	-	-	-	30,668,351	30,668,351
Payables to welfare and social security organisations	-	-	-	-	16,739,202	16,739,202
Other payables	-	-	3,820,673	3,820,673	140,548,845	144,369,518
Total payables	304,537,717	65,479,986	3,820,673	373,838,376	2,482,983,960	2,856,822,336

Detail of debt secured by mortgages:

Secured creditor	Borrower	Remaining secured debt at 30.06.2020	
BANCA IMI (POOL) - Facility A	Mrc Steel	287,781,460	Mortgage on properties consisting of the Gazoldo degli Ippoliti plant (the portion owned by the subsidiary Marcegaglia Specialties spa) and the Casalmaggiore and Lomagna plants (owned by the subsidiary Marcegaglia Carbon Steel spa), mortgage on properties consisting of the Ravenna plant (Marcegaglia Carbon Steel spa) and the Forlì and Forlimpopoli plants (Marcegaglia Specialties spa) and special lien on the assets at the same plants.
BANCO SANTANDER	Mrc Poland Sp.z.o.o.	9,000,000	Mortgage on properties of the subsidiary Marcegaglia Poland
Bank Pekao	Mrc Poland Sp.z.o.o.	6,945,535	Mortgage on properties of the subsidiary Marcegaglia Poland
Yapi ve Kredi Bankasi A.S	Marcegaglia TR	810,722	Mortgage on properties of the subsidiary Marcegaglia Turkey
Total payables to banks secured by mortgage		304,537,717	
Total		304,537,717	

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 subsidiaries 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 demerger and the consequent transfer of part of the privilege from Marcegaglia Carbon Steel spa and Marcegaglia Specialties spa, respectively, to Marcegaglia Ravenna spa and Marcegaglia Gazoldo Inox, in proportion to the part of the movable property received by the latter as a result of the spin-off.

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

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

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

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

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

Detail of debt secured by liens

Secured creditor	Borrower	Remaining secured debt at 30.06.2020	
BANCA IMI	Mrc Carbon Steel	920,218	Lien on escrow account
BANCA IMI	Mrc Specialties	307,950	Lien on escrow account
CREDIT AGRICOLE	Mrc Carbon Steel	1,824,020	Lien on escrow account
CREDIT AGRICOLE	Mrc Specialties	139,181	Lien on escrow account
CREDIT AGRICOLE	Mrc Plates	37,711	Lien on escrow account
UNICREDIT	Mrc Carbon Steel	20,549,237	Lien on escrow account
UNICREDIT	Mrc Specialties	10,859,646	Lien on escrow account
UNICREDIT	Mrc Plates	2,247,820	Lien on escrow account
Bank PKO BP	Mrc Poland Sp.z.o.o.	274,174	Lien on property assets
Bank PKO BP	Mrc Poland Sp.z.o.o.	3,642,602	Lien on inventories
BANK MILLENNIUM	Mrc Poland Sp.z.o.o.	1,226,558	Lien on property assets
BANK MILLENNIUM	Mrc Poland Sp.z.o.o.	2,606,436	Lien on inventories
Bank Pekao	Mrc Poland Sp.z.o.o.	1,992,870	Lien on property assets
Bank Pekao	Mrc Poland Sp.z.o.o.	1,254,770	Lien on inventories
CREDIT AGRICOLE	Mrc Poland Sp.z.o.o.	770,625	Lien on property assets
CREDIT AGRICOLE	Mrc Poland Sp.z.o.o.	10,238,300	Lien on inventories
ING BANK	Mrc Poland Sp.z.o.o.	4,291,373	Lien on property assets
VTB	Mrc Russia	2,285,435	Lien on property assets
Total payables to banks secured by lien		65,468,926	
Bank Zachodni	Mrc Poland Sp.z.o.o.	6,965	Lien on property assets
ING LEASE	Mrc Poland Sp.z.o.o.	4,095	Lien on property assets
Total payables to other lenders secured by lien		11,060	
Total		65,479,986	

Detail of debt secured by liens

Secured creditor	Borrower	Remaining secured debt at 30.06.2020
BANK MILLENNIUM S.A.	Mrc Poland Sp.z.o.o.	523,511
ING COMMERCIAL FINANCE POLSKA S.A.	Mrc Poland Sp.z.o.o.	712,523
PEKAO FAKTORING SP. Z O.O.	Mrc Poland Sp.z.o.o.	2,130,626
PKO FAKTORING S.A.	Mrc Poland Sp.z.o.o.	197,785
SANTANDER FAKTORING Sp. z o.o.	Mrc Poland Sp.z.o.o.	256,228
Total payables to others secured by lien		3,820,673

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	1,702,143	- 158,732	734,843	2,278,254
Total accrued expenses and deferred income	1,702,143	- 158,732	734,843	2,278,254

Income Statement

Financial income and charges

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	-
From securities recognised among fixed assets other than equity investments	-
From securities recorded in current assets other than equity investments	47,775
Income from other sources - subsidiaries	2,566
Income from other sources - associates	-
Income from other sources - parent companies	336
Income from other sources - companies subject to control of parent companies	3,776,924
Income from other sources - other	968,239
Total	4,795,840

Detail of “Income from other sources - other”

	Income from other sources - other
Interest income from banks	4,564
Other interest income	4,597
Financial income on derivatives	-
Financial discounts from suppliers	936,819
Other financial income	22,259
Total	968,239

Breakdown of interest and other financial charges by type of payable

	Interest and other financial charges
Interest due to subsidiaries	51,107
Interest due to associates	-
Interest due to parent companies	1,191,929
Interest due to companies subject to control of parent companies	243,082
Interest due to banks	17,642,334
Other financial charges	22,963,721
Total	42,092,173

of which, financial charges resulting from the application of the amortised cost criterion	3,060,255
Total financial charges net of financial expenses resulting from the application of the amortised cost criterion	39,031,918

Detail of item “Other”

	Other financial charges
Interest due and expense on assignment of receivables for securitisation and factoring transactions	13,088,271
Financial charges on derivatives	6,678,864
Other interest and financial charges	3,196,586
Total other financial charges	22,963,721

Value adjustments of financial assets

Detail of revaluations and write-downs

	Write-backs	Write-downs
Write-down of investment in the subsidiary Marcegaglia India	-	120,141
of equity investments recorded as financial fixed assets	-	120,141
of equity investments recognised in current assets	-	-
of financial fixed assets other than equity investments	-	-
of securities recorded in current assets other than equity investments	-	64,802
of financial derivatives	2,604,701	2,479,730
Total	2,604,701	2,664,673

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	2,295,782,178	-	2,295,782,178
Change in inventories of work in process, semi-finished and finished products	- 184,207	-	- 184,207
Changes in contract work in progress	80,319	-	80,319
Increase in fixed assets for internal work	787,982	-	787,982
Other revenues and income	5,020,178	-	5,020,178
Value of production	2,301,486,450	-	2,301,486,450
Raw and ancillary materials, consumables and goods	- 1,802,096,541	-	- 1,802,096,541
Services	- 238,748,917	-	- 238,748,917
Lease and rental expense	- 4,431,526	-	- 4,431,526
Staff costs	- 114,424,005	-	- 114,424,005

Changes in inventories of raw and ancillary materials, consumables and goods	- 28,315,782	-	- 28,315,782
Provisions for risks	-	-	-
Other provisions	-	-	-
Sundry operating costs	- 6,091,431	-	- 6,091,431
Production costs net of amortisation, depreciation and write-downs	- 2,194,108,202	-	- 2,194,108,202
Amortisation, depreciation and write-downs	- 84,526,177	-	- 84,526,177
Cost of production	- 2,278,634,379	-	- 2,278,634,379
Difference between value and cost of production	22,852,071	-	22,852,071
EBITDA	107,378,248	-	107,378,248
Income from equity investments	-	-	-
Other financial income	4,795,840	-	4,795,840
Interest and other financial charges	- 42,092,173	-	- 42,092,173
Exchange-rate gains and losses	- 4,291,996	-	- 4,291,996
Financial income and charges	- 41,588,329	-	- 41,588,329
Write-backs	2,604,701	-	2,604,701
Write-downs	- 2,664,673	-	- 2,664,673
Value adjustments of financial assets	- 59,972	-	- 59,972
Profit (loss) before taxes	- 18,796,230	-	- 18,796,230
Current, deferred and prepaid income taxes for the year	- 1,811,484	-	- 1,811,484
Profit (loss) for the year	- 20,607,714	-	- 20,607,714

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).

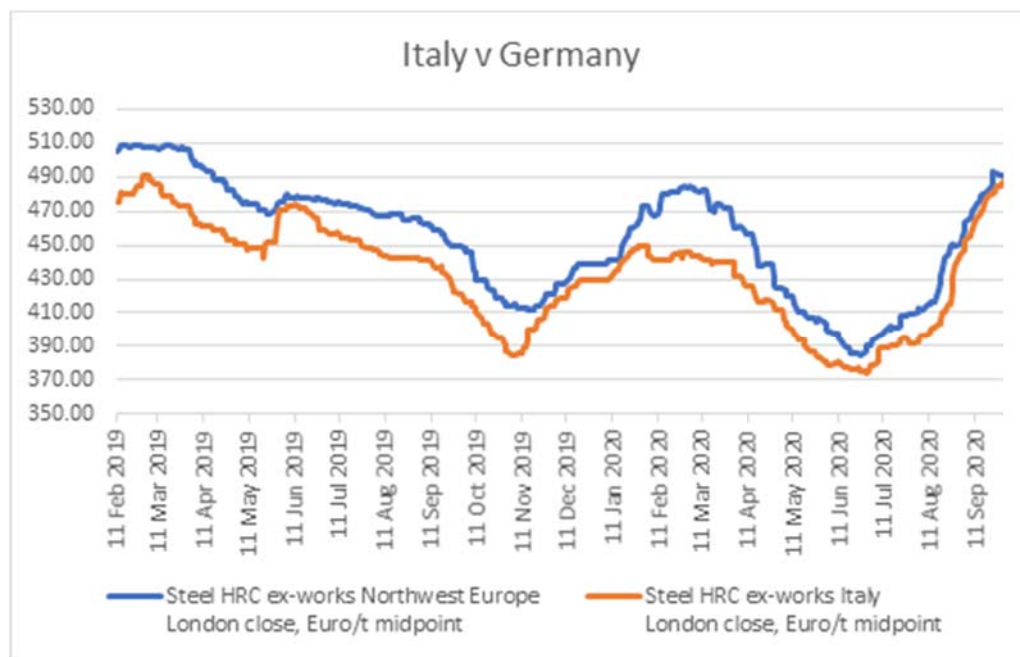
In respect of the parent company and Italian subsidiaries, prepaid and deferred taxes were calculated considering a tax rate for IRES [corporate income tax] of 24% and a tax rate for IRAP [regional tax on productive activity] of 3.9% on temporary differences. Foreign subsidiaries instead applied tax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

Other information

Analysis of H1 2020 operating results for the Marcegaglia Steel Group

Below, the performance of the first half of 2020 is commented, with a focus on the most important Group companies.

Although the period was strongly influenced by the COVID emergency, Marcegaglia Carbon Steel, with finished product sales volumes of 1,747 kt, limited the decrease compared to 2019 to only - 11.5%. The differential on ex-work revenues was wider, falling to Euro 1,104 million (- 19.0% on 2019), where, however, the average reduction in sales prices linked to a lower cost of raw material (black coil) weighed heavily. In relation to the exceptional nature of the period, margins were well defended, with EBITDA of Euro 50.1 million, corresponding to 4.53% of ex-works revenues. This result was affected by a significant write-down of approximately Euro 8.7 million as a result of the application of the weighted average cost and LIFO in the measurement of inventories. However, this write-down has been largely reabsorbed to date considering the sharp price increase in the second half of 2020. Below is a graph clearly showing this price dynamic.



In 2019 the ratio of EBITDA to ex-works revenues was 5.97%. These figures have been calculated excluding intra-group royalties and consolidating the EBITDA realised by the company Marcegaglia Ravenna, which operates exclusively on behalf of Marcegaglia Carbon Steel.

In the first half of 2020, Marcegaglia Specialties generated sales revenues (ex-works) of Euro 506 million in finished products with volumes of 277 kt. The decrease of 20.7% in terms of revenues and 19.1% in terms of volumes compared to 2019 is entirely attributable to the COVID emergency. Despite the reduction in volumes and revenues, profitability for the period, measured in terms of EBITDA, remained at an appreciable level, reaching Euro 28.6 million corresponding to 5.66% of revenues (ex-works). This result was affected by a significant write-down of approximately Euro 6.7 million as a result of the application of the weighted average cost and LIFO in the measurement of inventories. However, this write-down has been largely reabsorbed to date considering the sharp price increase in the second half of 2020. In 2019 the ratio of EBITDA to ex-works revenues was 8.89%. The figures have been calculated net of intercompany royalties (revenues for Marcegaglia Specialties) and consolidating the EBITDA achieved by Marcegaglia Gazoldo Inox, which operates on behalf of Marcegaglia Specialties.

In relation to the severe constraints caused by the COVID emergency, the defence of sales volumes of finished products achieved by Marcegaglia Plates is significant, which, at 165 kt, limited the reduction to just - 11.2% compared to the first half of 2019. The change in sales revenues from finished products (ex-works) was greater, falling to Euro 86 million (- 20.1% compared with 2019) as a result of the fall in average sales prices caused by the reduction in the cost of raw materials (slabs). Margins for the half year, well shows the resilience of the company which achieved EBITDA (excluding intercompany royalties) of Euro 5.8 million with a 6.71% margin on ex-works revenues. The value in 2019 was 8.75%.

Marcegaglia Palini e Bertoli booked revenues from sales of finished products (ex-works) of Euro 75.5 million while, in terms of volumes, sales came to 150.5 kt. Margins for the half-year came to Euro 5.45 million in terms of EBITDA (excluding intercompany royalties), with a weight of 7.21% on ex-works revenues.

With reference to foreign subsidiaries, the first half of 2020 was certainly somewhat unique and characterised by the COVID-19 pandemic, which had a major impact on all the countries in which we operate, especially in April and May. However, at a general level, the results of foreign subsidiaries are of absolute importance. Marcegaglia do Brasil, Marcegaglia Colombia, Marcegaglia Mexico, Marcegaglia Poland, Marcegaglia RU, Marcegaglia Turkey, Marcegaglia UK and Marcegaglia USA contributed a total of Euro 247 million to sales revenues (ex-works) with a volume of 267 kt shipped, well above the budget of Euro 226 million (254 kt), and in line with the previous year, Euro 252 million (273 kt).

The prompt reaction to the current emergency and the consequent cost containment led to a significant increase in profitability, generating EBITDA of Euro 18.5 million (excluding intragroup

royalties) equal to 7.5% of revenues, compared with a budget of Euro 15.6 million (6.9%) and 2019 closed at Euro 14.5 million (5.7%).

In short, the consolidated results for the first half of 2020, despite the severely adverse conditions caused by the disruption of the economic environment brought about by the COVID epidemic, generated EBITDA of Euro 107.4 million (4.7% of revenues), which was affected by the above-mentioned inventory write-downs for a total of Euro 15.4 million. This result is inevitably lower than what was achieved in 2019 (Euro 160.3 million or 6.3% of revenues), but higher than both scenarios envisaged in the Business Plan that was promptly implemented to estimate the impact of the epidemic on the group's profitability. The "base case" assumed a result for the whole of 2020 of Euro 202.4 million and the final figure of Euro 107.4 million is more than half of the annual target even though the most critical period was already behind it. The "worst case" assumed an annual result of Euro 97.4 million, which is even lower than the result achieved in the first half of the year. It is, in short, a result that proves the resilience of the group in the face of a real "stress test", which was far more challenging than simulations could have imagined.

Insofar as the financial environment is concerned, the consolidated net financial position, computed as the difference between bank borrowings increased by amounts owed to other lenders and short-term financial assets plus cash and cash equivalents, amounted to about Euro 642 million, despite a significant decrease in trade payables. In the opinion of the directors, this result is in any case satisfactory in view of the negative effects of the pandemic.

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 Group 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 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.

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

	Amount
Commitments	82,527,407
post-retirement benefits and similar obligations	-
to subsidiaries	-
to associates	-
to parent companies	-
to companies subject to control of parent companies	1,741,651
Guarantees	165,958,256
of which collateral	-
Contingent liabilities	-

Detail

	30/06/2020	31/12/2019	30/06/2019
RISKS TAKEN BY THE COMPANY			
Sureties			
- to subsidiaries			3,109,765
- to associates	1,000,000	1,000,000	1,000,000
- to parent companies			
- to companies subject to control of parent companies	637,631	642,746	62,105
- to other companies	59,937,181	140,024,089	33,991,526
Total sureties	61,574,812	141,666,835	38,163,396
Other personal guarantees			
- to other companies	104,383,444	84,829,890	60,958,908
Total other personal guarantees	104,383,444	84,829,890	60,958,908
Total guarantees	165,958,256	226,496,725	99,122,304
COMMITMENTS ENTERED INTO BY THE COMPANY			
- commitments entered into with companies subject to parent companies' control	1,741,651	1,894,210	1,831,687
- other commitments	80,785,756	199,755,881	200,053,503
Total commitments entered into by the Company	82,527,407	201,650,091	201,885,190
Total	248,485,663	428,146,816	301,007,494

In the financial years 2017/2018, the subsidiary Marcegaglia Carbon Steel entered into forward purchase agreements for raw materials, with final maturity in 2021. The commitments entered into in 2017 were executed during the first half of 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. This latter commitment is included in the table above under Other commitments.

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 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 31/12/2019 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 realised by entering into two Interest Rate Swap contracts in the early days of January 2020, their negative fair value at the time the contracts were entered into due to the bank commission was allocated to item D19 d) Write-down of financial instruments in the income statement in consideration of the fact that this amount would represent the measurement of the ineffective portion of the fair value compared to the fair value of the hypothetical hedging derivative that would have a fair value of zero at inception.

The EIB loan obtained again by Marcegaglia Steel spa in 2019 for Euro 100 million, fully disbursed in July 2020, provides for a fixed rate for which no hedges were activated.

Still on the subject of Interest 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 5.6 million 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, as per FY 2019, the relative fair value at 31/12/2019 and the value at 30/06/2020 has been entered under the Reserve for hedging transactions of expected cash flows as indicated in the tables below.

In contrast, the non-hedging IRS derivative under OIC no. 32, already in the portfolio of the company Marcegaglia Carbon Steel spa for several years, expired in the first half of 2020 and the existing risk fund was therefore released 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 11 bis 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 30/06/2020 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.

These commodity derivatives cannot be considered technically hedging derivatives because they do not have the characteristics provided for by Article 2426, paragraph 11 bis et seq. of the Italian Civil Code and by 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.

The company Marcegaglia Steel spa also holds currency derivatives in its portfolio at 30/06/2020. In particular, these are forward purchases of USD, technically known as "flexible forwards", with the aim of mitigating the company's exchange rate risk in relation to the various payments in foreign currency made by Marcegaglia Steel spa during the year on behalf of its subsidiaries Marcegaglia Carbon Steel spa, Marcegaglia Specialties spa and Marcegaglia Plates spa, within the framework of existing cash pooling agreements. These currency derivatives cannot be considered technically as hedges since they do not meet the characteristics provided for by Article 2426, paragraph 11 bis et seq. of the Italian Civil Code and by 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.

The subsidiary Marcegaglia Poland also holds in its portfolio at 30/06/2020 USD forward purchase contracts not strictly hedging as per OIC 32 with a positive fair value of Euro 33,659, whose counter-entry has been transferred to item D 18) d) Revaluations of financial derivatives.

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

	Opening balance as at 31/12/2019	Exchange rate opening diff.	Increases			Decreases			Exchange rate in exchange differences	Closing balance as at 30/06/2020
			Item D) 18) d) Write-back 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.	-	-	33,982	-	-	-	-	-	- 323	33,659

Marcegaglia Steel	68,260	-	679,062	-	-	- 68,260	-	-	-	679,062
Financial assets not held as fixed assets – financial derivatives held as assets	68,260	-	713,044	-	-	- 68,260	-	-	- 323	712,721
Marcegaglia Carbon Steel	- 1,537,337	-	1,505,869		-	-	- 75,839	-	-	- 107,307
Marcegaglia Steel	-15,574,936	-	385,788	636,833	-	- 2,411,470	- 644,965	-	-	- 17,608,750
Marcegaglia Poland Sp.z.o.o.	- 122,781	5,489	-	31,312	2,767	-	-	-	- 324	- 83,537
Provisions for risks and charges – financial derivatives held as liabilities	- 17,235,054	5,489	1,891,657	668,145	2,767	- 2,411,470	- 720,804	-	- 324	- 17,799,594

Changes in reserve for hedges:

	Opening balance as at 31/12/2019		Group DCA	Minority DCA	Increases		Decreases		Group DCM	Minority DCM	Closing balance as at 30/06/2020	
	group portion	minority interests			group portion	minority interests	group portion	minority interests			group portion	minority interests
Marcegaglia Carbon Steel	- 31,468	-	-	-	-		- 75,839	-	-	-	- 107,307	-
Marcegaglia Steel	- 6,681,975	-	-	-	636,833	-	644,965	-	-	-	6,690,107	-
Marcegaglia Poland Sp.z.o.o.	- 112,814	- 9,966	5,043	445	31,312	2,767	-	-	- 297	- 27	- 76,756	- 6,781
Total reserve for projected cash flow hedges	- 6,826,257	- 9,966	5,043	445	668,145	2,767	720,804	-	- 297	- 27	6,874,170	- 6,781

Detail of impact on income statement

	30/06/2020
Provision for risks for financial instruments on non-hedging IRS due to expiry of the contract during the first half of the year was set to zero Marcegaglia Carbon Steel	1,505,869
Write-back of IRS non-hedging derivatives	1,505,869
Change in fair value of forward currency purchase contracts Marcegaglia Poland	33,982
Change in fair value of forward currency purchase contracts Marcegaglia Steel	679,062
Revaluation of currency derivatives (not held for hedging purposes)	713,044
Negative fair value adjustment of IRS hedges in the portfolio as at 30/06/2020 (ineffective portion) Marcegaglia Steel	385,788
Revaluation of IRS hedging derivatives (speculative portion)	385,788
Total item D) 18d - Revaluation of financial derivatives	2,604,701

	30/06/2020
Initial registration of ineffective MTM derivatives IRS hedging Pool 2019 Marcegaglia Steel	687,000
Write-down of hedging IRS derivatives for first-time recognition	687,000
Zeroing of derivative financial instruments receivable by maturity of commodity contract Marcegaglia Steel	68,260
Change in negative fair value of commodity derivatives Marcegaglia Steel	1,724,470
Write-downs of commodity derivatives (not held for hedging purposes)	1,792,730
Total item D) 19d – Write-downs of financial derivatives	2,479,730

The following table provides details on derivative contracts held at 30 June 2020 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
Interest rate swap on pooled loan of 2018	Marcegaglia Steel spa	- 13,562,888	EUR 368,316,939	for hedging	31/12/2024	-	- 13,562,888
Interest rate swap on pooled loan of 2019	Marcegaglia Steel spa	- 1,238,713	EUR 97,500,000	for hedging	23/12/2026	-	- 1,238,713
Forward commodity - Special High Grade Zinc	Marcegaglia Steel spa	- 2,807,149	EUR 21,061,000	not for hedging pursuant to OIC 32	15/09/2020 - 18/12/2020	-	- 2,807,149
USD forward purchase contracts	Marcegaglia Steel spa	679,062	USD 50,000,000	not for hedging pursuant to OIC 32	31/07/2020	679,062	-
Interest rate swaps	Marcegaglia Carbon Steel	- 107,307	EUR 5,600,000	for hedging	18/11/2027	-	- 107,307
Fx forward	Marcegaglia Poland	14,989	EUR 3,000,000	not for hedging pursuant to OIC 32	03/07/2020	14,989	-

Fx forward	Marcegaglia Poland	18,670	EUR 3,000,000	not for hedging pursuant to OIC 32	05/08/2020	18,670	-
Interest rate swaps	Marcegaglia Poland	- 6,678	EUR 3,000,000	for hedging	31/12/2020	-	- 6,678
Interest rate swaps	Marcegaglia Poland	- 13,573	EUR 4,000,000	for hedging	31/03/2021	-	- 13,573
Interest rate swaps	Marcegaglia Poland	- 63,286	EUR 6,710,000	for hedging	30/09/2022	-	- 63,286
Total		-17,086,873				712,721	-17,799,594

Significant events after the end of H1 2020

It should be noted that on 31 July 2020 the Marcegaglia group stipulated a loan of Euro 300 million with a pool of banks for a duration of 6 years backed by SACE's Italy Guarantee under the Liquidity Decree of 8/04/2020 prepared by the Italian Government to deal with the consequences of the COVID-19 emergency.

Funding has been used mainly for working capital, with the aim of significantly reducing supplier debt and thus facilitating the sector, without prejudice to the Group's medium-term debt reduction commitments.

The transaction is to be considered particularly significant due to the participation of all the main financing institutions of the group, and for the speed of the authorisation process, in a context of reconfirmation of the resilience and solidity of the Marcegaglia group even in the complex period that has just passed.

With reference to the performance of the European steel market, from the third quarter onwards there was a gradual recovery in final consumption, particularly in the construction and automotive sectors.

Apparent demand accelerated after the summer break.

On the other hand, European steel production has fallen sharply as a result of the many temporary stops made by many operators.

Imports have contracted sharply, both due to uncertainty in purchasing and increasing trade defence measures (such as the review of safeguard quotas), triggering a rapid upward trend in prices, which is expected to continue at least until the end of the year.

Through a shrewd and far-sighted purchasing policy, a capillary and reactive commercial strategy, as well as careful and rigorous cost control, Marcegaglia expects to improve its sales and profitability performance in the second half of the year, exceeding the budget highlighted in the business plan, with reference to the "base case".

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

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

Gazoldo degli Ippoliti, 30 September 2020

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 consolidation	Extraordinary transactions	Balance at end of year
start-up and expansion costs	Original cost	3.377.478	-790.807	37.000	0	0	0	0	0	2.623.671
	Write-backs	0	0	0	0	0	0	0	0	0
	Write-downs	0	0	0	0	0	0	0	0	0
	Ordinary accum. amortisation	2.815.144	-677.943	73.877	0	0	-5.225	0	0	2.205.853
	Total	562.334	-112.864	-36.877	0	0	5.225	0	0	417.818
development costs	Original cost	0	0	0	0	0	0	0	0	0
	Write-backs	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	2.938.319	-233.908	179.154	0	0	0	0	0	2.883.565
	Write-backs	0	0	0	0	0	0	0	0	0
	Write-downs	0	0	0	0	0	0	0	0	0
	Ordinary accum. amortisation	1.911.154	-226.136	224.233	0	0	-598	0	0	1.908.653
	Total	1.027.165	-7.772	-45.079	0	0	598	0	0	974.912
conc., lic., tradem. and similar rights	Original cost	201.167.210	-7.481	0	0	1.279	-11	0	0	201.160.997
	Write-backs	0	0	0	0	0	0	0	0	0
	Write-downs	0	0	0	0	0	0	0	0	0
	Ordinary accum. amortisation	83.839.616	-3.993	10.062.121	0	0	-130	0	0	93.897.614
	Total	117.327.594	-3.488	-10.062.121	0	1.279	119	0	0	107.263.383
goodwill	Original cost	74.685.840	0	0	0	0	0	0	0	74.685.840
	Write-backs	0	0	0	0	0	0	0	0	0
	Write-downs	36.665.036	0	910.833	0	0	0	0	0	37.575.869
	Ordinary accum. amortisation	19.426.951	0	1.457.225	0	0	0	0	0	20.884.176
	Total	18.593.853	0	-2.368.058	0	0	0	0	0	16.225.795
fixed assets in progress	Original cost	254.533	-13.675	137.559	0	-128.171	-93	0	0	250.153
	Write-backs	0	0	0	0	0	0	0	0	0
	Write-downs	0	0	0	0	0	0	0	0	0
	Total	254.533	-13.675	137.559	0	-128.171	-93	0	0	250.153
advance paym. on intang. fixed assets	Original cost	0	0	0	0	0	0	0	0	0
	Write-backs	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	778.671	-4.943	0	0	0	0	0	0	773.728
	Write-backs	0	0	0	0	0	0	0	0	0
	Write-downs	1	0	0	0	0	0	0	0	1
	Ordinary accum. amortisation	706.301	-2.628	11.962	0	0	-269	0	0	715.366
	Total	72.369	-2.315	-11.962	0	0	269	0	0	58.361
I - intangible fixed assets	Original cost	283.202.051	-1.050.814	353.713	0	-126.892	-104	0	0	282.377.954
	Write-backs	0	0	0	0	0	0	0	0	0
	Write-downs	36.665.037	0	910.833	0	0	0	0	0	37.575.870
	Ordinary accum. amortisation	108.699.166	-910.700	11.829.418	0	0	-6.222	0	0	119.611.662
	Total	137.837.848	-140.114	-12.386.538	0	-126.892	6.118	0	0	125.190.422

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

The company Marcegaglia Poland has reclassified Euro 1,279 from property, plant and equipment to intangible fixed assets.

The company Marcegaglia Carbon has reclassified Euro 128,171 from intangible fixed assets to financial fixed assets.

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	801.269.439	-18.769.306	1.308.282	0	930.105	-589	0	0	784.737.931
	Write-backs	8.134.036	-2.124.208	0	0	0	0	0	0	6.009.828
	Write-downs	4.639.341	0	0	0	0	0	0	0	4.639.341
	Ordinary accum. amortisation	150.424.131	-9.121.818	13.025.958	0	0	-147.960	0	0	154.180.311
	Total	654.340.003	-11.771.696	-11.717.676	0	930.105	147.371	0	0	631.928.107
plant and machinery	Original cost	1.316.916.409	-25.111.575	7.570.058	1.399.216	7.468.543	-44.293	0	0	1.305.399.926
	Write-backs	8.968.020	-2.334.519	0	0	0	0	0	0	6.633.501
	Write-downs	195.873	-49.202	0	157.059	0	17.857	0	0	7.469
	Ordinary accum. amortisation	636.450.926	-19.396.295	54.375.699	553.105	0	-214.081	0	0	670.663.144
	Total	689.237.630	-8.000.597	-46.805.641	689.052	7.468.543	151.931	0	0	641.362.814
industrial and commercial equipment	Original cost	69.485.211	-240.321	2.603.742	452.642	44.873	-468	0	0	71.440.395
	Write-backs	0	0	0	0	0	0	0	0	0
	Write-downs	302	-37	0	0	0	0	0	0	265
	Ordinary accum. amortisation	50.221.906	-210.360	2.462.307	350.263	0	-1.873	0	0	52.121.717
	Total	19.263.003	-29.924	141.435	102.379	44.873	1.405	0	0	19.318.413
other assets	Original cost	24.651.666	-1.476.742	412.286	60.163	-269.281	-4.809	0	0	23.252.957
	Write-backs	0	0	0	0	0	0	0	0	0
	Write-downs	1.660	-202	0	0	0	0	0	0	1.458
	Ordinary accum. amortisation	16.548.237	-792.184	1.271.031	18.730	-302.970	-35.079	0	0	16.670.305
	Total	8.101.769	-684.356	-858.745	41.433	33.689	30.270	0	0	6.581.194
fixed assets in progress	Original cost	33.058.831	-243.717	18.102.780	0	-8.478.489	5.665	0	0	42.445.070
	Write-backs	0	0	0	0	0	0	0	0	0
	Write-downs	6.750.365	-6.969	0	0	0	0	0	0	6.743.396
	Ordinary accum. amortisation	0	0	0	0	0	0	0	0	0
	Total	26.308.466	-236.748	18.102.780	0	-8.478.489	5.665	0	0	35.701.674
advance payments	Original cost	15.501.732	-5.259	5.504.257	3.961.330	0	714	0	0	17.040.114
	Write-backs	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	15.501.732	-5.259	5.504.257	3.961.330	0	714	0	0	17.040.114
II - property plant and equip.	Original cost	2.260.883.288	-45.846.920	35.501.405	5.873.351	-304.249	-43.780	0	0	2.244.316.393
	Write-backs	17.102.056	-4.458.727	0	0	0	0	0	0	12.643.329
	Write-downs	11.587.541	-56.410	0	157.059	0	17.857	0	0	11.391.929
	Ordinary accum. amortisation	853.645.200	-29.520.657	71.134.995	922.098	-302.970	-398.993	0	0	893.635.477
	Total	1.412.752.603	-20.728.580	-35.633.590	4.794.194	-1.279	337.356	0	0	1.351.932.316

The increase in "plant and machinery" is mainly due to Marcegaglia Carbon Steel spa (Euro 2,104,157), Marcegaglia Ravenna spa (Euro 1,969,051) and Marcegaglia Specialties spa (Euro 1,264,793).

The increase in "fixed assets in progress" is mainly due to Marcegaglia Carbon Steel spa (Euro 4,561,233) and Marcegaglia Ravenna spa (Euro 11,331,618).

The increase in "advances" is mainly due to Marcegaglia Ravenna (Euro 3,405,923) and Marcegaglia Plates (Euro 1,316,000).

Annex 1c
Statement of changes in financial fixed assets

		Balance at beginning of year	Exch. diff. at beginning of year	Acquisitions/subs criptions	Capital increases/ deposits in capital account	Increases	Decreases	Change in scope of consolidation	Reclassifications	Extraordinary transactions	Changes in exchange differences	Balance at end of year
1) Equity investments												
equity investments in subsidiaries measured at cost	Original cost	3.396.806	0	0	120.009	0	0	0	0	0	0	3.516.815
	Write-down provision	167.320	0	0	0	120.009	0	0	132	0	0	287.461
	Revaluation reserve	0	0	0	0	0	0	0	0	0	0	0
equity investments in subsidiaries measured at equity	Original cost	0	0	0	0	0	0	0	0	0	0	0
	Write-down provision	0	0	0	0	0	0	0	0	0	0	0
	Revaluation reserve	0	0	0	0	0	0	0	0	0	0	0
equity investments in subsidiaries	Total	3.229.486	0	0	120.009	-120.009	0	0	-132	0	0	3.229.354
equity investments in associates measured at cost	Original cost	954.622	0	0	0	0	0	0	0	0	0	954.622
	Write-down provision	0	0	0	0	0	0	0	0	0	0	0
	Revaluation reserve	0	0	0	0	0	0	0	0	0	0	0
equity investments in associates measured at equity	Original cost	0	0	0	0	0	0	0	0	0	0	0
	Write-down provision	0	0	0	0	0	0	0	0	0	0	0
	Revaluation reserve	0	0	0	0	0	0	0	0	0	0	0
equity investments in associates	Total	954.622	0	0	0	0	0	0	0	0	0	954.622
equity investments in companies subject to control of parent companies	Original cost	0	0	0	0	0	0	0	0	0	0	0
	Write-down provision	0	0	0	0	132	0	0	-132	0	0	0
	Revaluation reserve	0	0	0	0	0	0	0	0	0	0	0
	Total	0	0	0	0	-132	0	0	132	0	0	0
equity investments in other companies	Original cost	1.772.326	0	0	0	0	1.000	0	128.171	0	0	1.899.497
	Write-down provision	0	0	0	0	0	0	0	0	0	0	0
Other companies	Total	1.772.326	0	0	0	0	1.000	0	128.171	0	0	1.899.497
Total	Original cost	6.123.754	0	0	120.009	0	1.000	0	128.171	0	0	6.370.934
	Write-down provision	167.320	0	0	0	120.141	0	0	0	0	0	287.461
	Revaluation reserve	0	0	0	0	0	0	0	0	0	0	0
Total equity investments	Total	5.956.434	0	0	120.009	-120.141	1.000	0	128.171	0	0	6.083.473

		Balance at beginning of year	Exch. diff. at beginning of year	Acquisitions/subs criptions	Capital increases/ deposits in capital account	Increases	Decreases	Change in scope of consolidation	Reclassifications	Extraordinary transactions	Changes in exchange differences	Balance at end of year
2) Receivables included in financial fixed assets												
<i>Receivables due after the following year</i>												
- receivables from others	Gross value	2.448.502	-59.933	0	0	300	60.479	0	0	0	412	2.328.802
	Write-down provision	0	0	0	0	0	0	0	0	0	0	0
other	Total	2.448.502	-59.933	0	0	300	60.479	0	0	0	412	2.328.802
Total	Gross value	2.448.502	-59.933	0	0	300	60.479	0	0	0	412	2.328.802
	Write-down provision	0	0	0	0	0	0	0	0	0	0	0
Total receivables due after the following year	Total	2.448.502	-59.933	0	0	300	60.479	0	0	0	412	2.328.802
<i>receivables due within the following year</i>												
receivables due within the following year	Gross value	20.299	-1.372	0	0	0	0	0	0	0	0	18.927
	Write-down provision	0	0	0	0	0	0	0	0	0	0	0
other	Total	20.299	-1.372	0	0	0	0	0	0	0	0	18.927
Total	Gross value	20.299	-1.372	0	0	0	0	0	0	0	0	18.927
	Write-down provision	0	0	0	0	0	0	0	0	0	0	0
Total receivables due within the following year	Total	20.299	-1.372	0	0	0	0	0	0	0	0	18.927

3) Other securities	406.121	0				0	50.003	0	0	0	0	356.118
----------------------------	----------------	----------	--	--	--	----------	---------------	----------	----------	----------	----------	----------------

Total financial fixed assets	8.831.356	-61.305	0	120.009	-119.841	111.482	0	128.171	0	412	8.787.320
-------------------------------------	------------------	----------------	----------	----------------	-----------------	----------------	----------	----------------	----------	------------	------------------

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	Reclassifications	Other movements of provisions	Changes in exchange differences	Change in scope of consolidation	Extraordinary transactions	Balance at end of year
for post-retirement benefits and similar obligations	3.892.267	-2.091	268.903	376.781	0	0	2.616	0	0	3.784.914
1) for post-retirement benefits and sim. obligations	3.892.267	-2.091	268.903	376.781	0	0	2.616	0	0	3.784.914

	Balance at beginning of year	Exch. diff. at beginning of year	Provisions	Utilisation	Reclassifications	Other movements of provisions	Changes in exchange differences	Change in scope of consolidation	Extraordinary transactions	Balance at end of year
for taxes, including deferred taxes	233.161.937	-440.619	979.980	12.662.796	0	0	12.845	0	0	221.051.347
2) for taxes, including deferred taxes	233.161.937	-440.619	979.980	12.662.796	0	0	12.845	0	0	221.051.347

	Balance at beginning of year	Exch. diff. at beginning of year	Provisions	Utilisation	Reclassifications	Other movements of provisions	Changes in exchange differences	Change in scope of consolidation	Extraordinary transactions	Balance at end of year
financial derivatives reported as liabilities	17.235.054	-5.489	3.039.022	2.469.317	0	0	324	0	0	17.799.594
3) financial derivatives reported as liabilities	17.235.054	-5.489	3.039.022	2.469.317	0	0	324	0	0	17.799.594

	Balance at beginning of year	Exch. diff. at beginning of year	Provisions	Utilisation	Reclassifications	Other movements of provisions	Changes in exchange differences	Change in scope of consolidation	Extraordinary transactions	Balance at end of year
other	2.465.022	-5.711	1.128.171	199.818	0	0	-1.004	0	0	3.386.660
4) Other	2.465.022	-5.711	1.128.171	199.818	0	0	-1.004	0	0	3.386.660

	Balance at beginning of year	Exch. diff. at beginning of year	Provisions	Utilisation	Reclassifications	Other movements of provisions	Changes in exchange differences	Change in scope of consolidation	Extraordinary transactions	Balance at end of year
from consolidation for future risks and charges	0	0	0	0	0	0	0	0	0	0
5) from cons. for future risks and charges	0	0	0	0	0	0	0	0	0	0

	Balance at beginning of year	Exch. diff. at beginning of year	Provisions	Utilisation	Reclassifications	Other movements of provisions	Changes in exchange differences	Change in scope of consolidation	Extraordinary transactions	Balance at end of year
B) PROVISIONS FOR RISKS AND CHARGES	256.754.280	-453.910	5.416.076	15.708.712	0	0	14.781	0	0	246.022.515

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 H1 2020, the use of the provision in relation to higher depreciation in the financial statements compared to fiscal depreciation amounted to Euro 3.4 million (Marcegaglia Carbon Steel) and Euro 4 million (Marcegaglia Specialties), Euro 554,771 (Marcegaglia Plates), Euro 2.6 million (Marcegaglia Ravenna) and Euro 769,731 (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.

Allocations to other provisions mainly refer to the allocation of the employee bonus (Euro 1,097,415) by the subsidiaries Marcegaglia Carbon Steel, Marcegaglia Specialties, Marcegaglia Plates, Marcegaglia Ravenna and Marcegaglia Gazoldo Inox.

	Balance at beginning of year	Exch. diff. at beginning of year	Provisions	Utilisation	Reclassifications	Other movements of provisions	Changes in exchange differences	Change in scope of consolidation	Extraordinary transactions	Balance at end of year
C) EMPLOYEE SEVERANCE PAY	14.000.774	-111.251	5.017.356	5.528.844	0	0	754	0	0	13.378.790