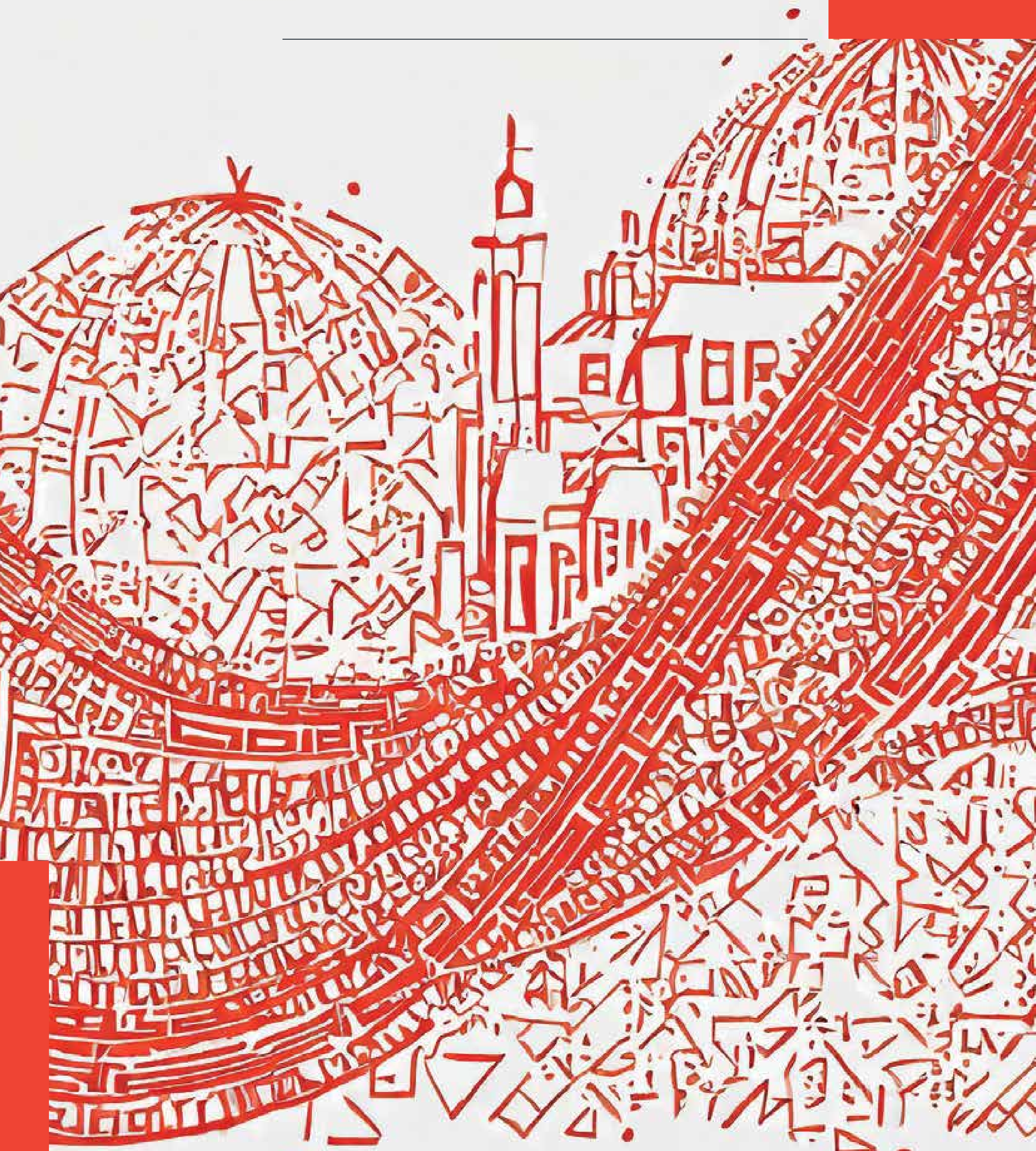
2023

Consolidated financial statements
OF BELTRAME GROUP



AFV BELTRAME GROUP

AFV Acciaierie Beltrame S.p.A. and subsidiares
Viale della Scienza 81, 36100 Vicenza - (Italy)
Fully paid up share capital: € 113,190,480.00
Tax identification number: 13017310155

Registered office and Headquarters:
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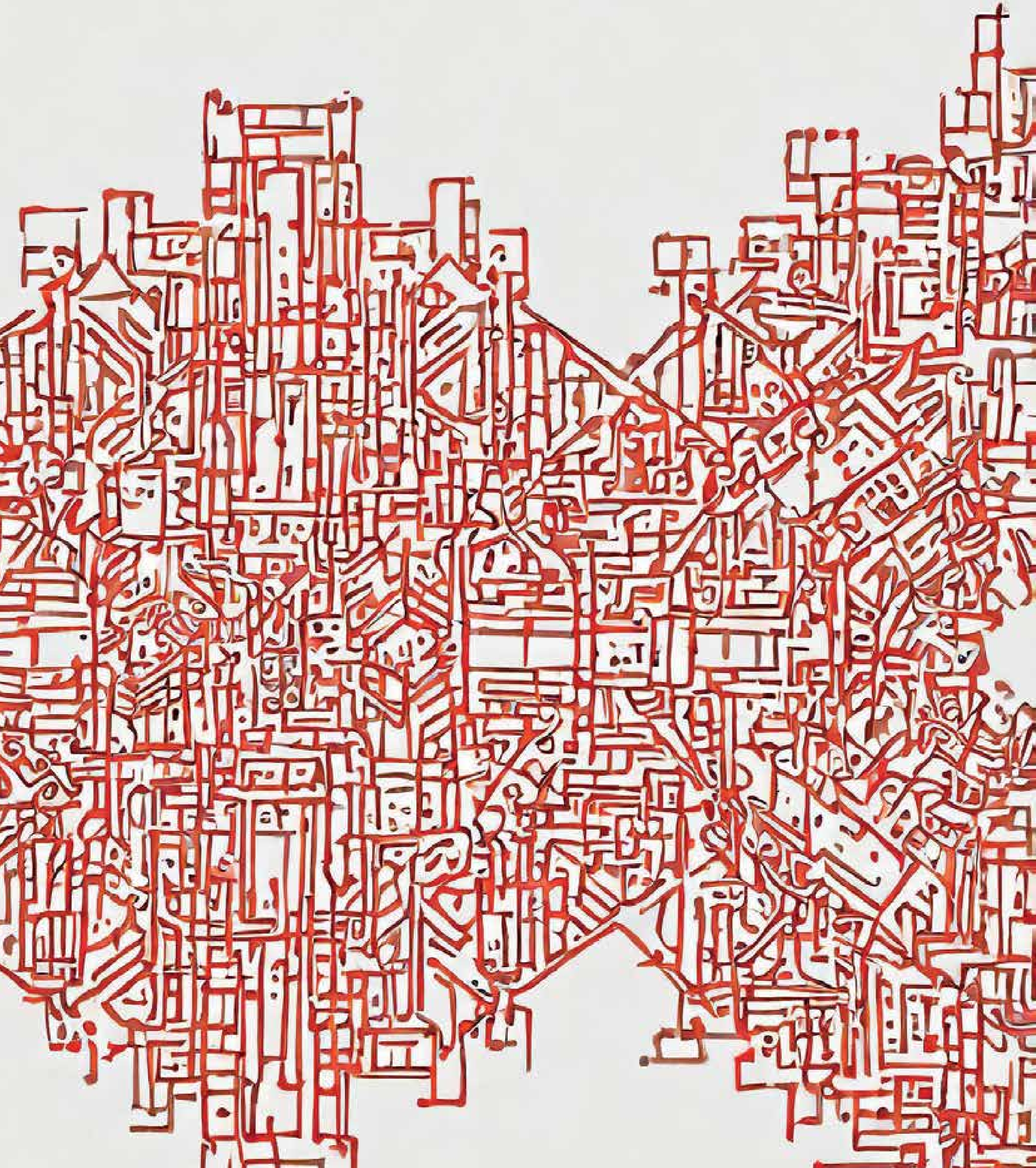
CONSOLIDATED FINANCIAL STATEMENTS 2023

AFV BELTRAME GROUP



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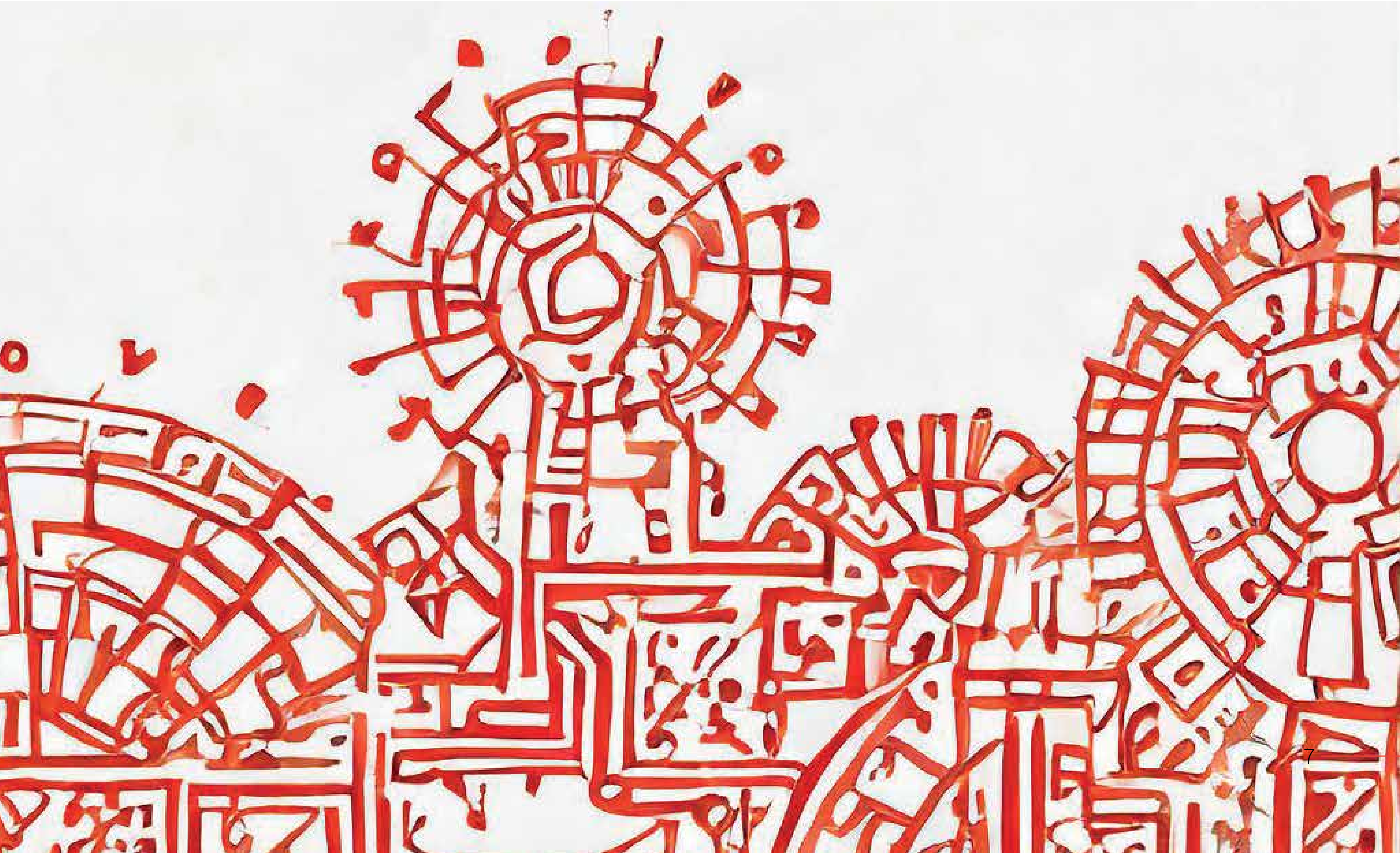
01_ 2023 REPORT ON OPERATIONS



	2023	2022	2021
Revenues from sales	1,747,890	2,213,442	1,737,811
VALUE ADDED	232,094	591,725	421,442
%	13.28%	26.73%	24.25%
EBITDA	52,656	422,068	272,436
EBITDA (adjusted)	51,786	418,435	277,215
%	2.96%	18.90%	15.95%
OPERATING PROFIT (LOSS)	(60,760)	353,896	213,222
NET PROFIT (LOSS)	(86,884)	283,389	160,539
Number of employees as at December 31	2,883	2,939	2,258
Fixed assets	752,082	624,102	512,912
Net working capital	(59,741)	155,855	50,745
Shareholders' equity	695,666	807,773	540,010
Net financial position	(47,998)	(74,570)	(18,849)
Operating cash flow	176,333	242,054	165,413
Cash flow for technological investments	(151,549)	(153,132)	(60,621)

The values shown herein are expressed in thousands of Euro, while the original data are measured and consolidated by the Group in Euro.

It is highlighted that, to better represent the operating performance of the Group and to provide more consistent comparative information relating to the results of the previous periods, in the table providing the summary data and in the Report on Operations, the EBITDA was adjusted to mainly take into account the following elements, non-recurring, which impacted some items in the financial statements as at 31 December 2023:

- the company Laminés Marchands Européens S.A.S. received an insurance settlement for an extraordinary event that occurred in 2021 which led to the shutdown of the steel plant, for which non-recurrent costs were recorded for a total of Euro 3,435 thousand;
- the company Donalam S.r.l. incurred non-recurring expenses related to the activities carried out for the management of non-operating production departments, recorded by nature under the operating components of the income statement, for a total of Euro 2,644 thousand.

The economic-financial performance of the Group is measured also on the basis of some indicators not defined in the accounting standards promulgated by Italian Accounting Board, including the EBITDA, adjusted EBITDA and the net financial position, which could therefore not be directly comparable to the indicators used by the other operators of the same industry.


64481
4300

CORPORATE **BODIES**

BOARD OF DIRECTORS

ANTONIO BELTRAME
Chairman and Managing Director

BARBARA BELTRAME
Deputy Chairwoman and Managing Director

PATRIZIA BELTRAME
Deputy Chairwoman and Managing Director

ALAIN CRETUR
Managing Director

RAFFAELE RUELLA
Managing Director

CARLO BELTRAME
Director

CARLO CARRARO
Director

BOARD OF STATUTORY AUDITORS

ANDREA VALMARANA
Chairman

DARIO SEMENZATO
Standing Auditor

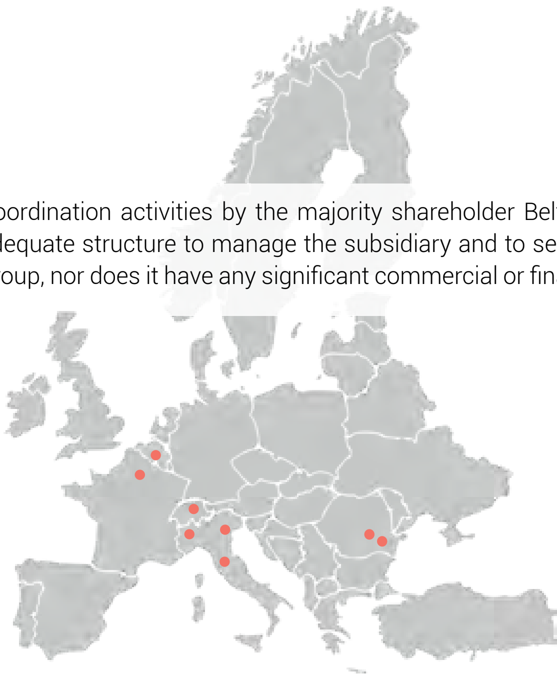
PRIMO CEPPELLINI
Standing Auditor

INDEPENDENT AUDITORS

DELOITTE & TOUCHE S.P.A.

c MANAGEMENT AND COORDINATION

AFV Acciaierie Beltrame S.p.A. is not subject to management and coordination activities by the majority shareholder Beltrame Holding S.p.A., inasmuch as the parent company does not have an adequate structure to manage the subsidiary and to set up a system of synergies among the different companies of the Beltrame Group, nor does it have any significant commercial or financial relationship with them.



d GROUP STRUCTURE

Holding Company:
AFV Acciaierie Beltrame S.p.A.
with headquarters and plant in Vicenza (VI) and plants in San Giovanni Valdarno (AR) and San Didero (TO), Italy

Subsidiaries:

80.23%
Laminés Marchands Européens S.A.S.
based in Trith Saint Léger, France

100%
Laminoirs du Ruau S.A.
based in Monceau-sur-Sambre, Belgium

50%
Alternative Energy Innovation S.r.l.
based in S.G.Lupatoto (VR), Italy

50%
Sipro Beltrame A.G.
based in Zurich, Switzerland

86.47%
Stahl Gerlafingen A.G.
based in Gerlafingen, Switzerland

65.35%
Idroelettriche Riunite S.p.A.
based in Longare (VI), Italy

94.49%
Donalam SRL
based in Călărași, Romania

75%
Donalam Siderprodukte A.G.
based in Zurich, Switzerland

100%
Idra S.r.l.
based in Longare (VI), Italy

34.65%

Compared to the previous year, in relation to the subsidiary Donalam S.r.l., it should be noted that on 13 December 2023 the Parent Company subscribed a share capital increase for 745,620 shares with a unit value of RON 100, paying the amount of Euro 15 million.

As a result of the above transaction, the percentage held increased from 93.69% to 94.49%.

With reference to the subsidiary Laminés Marchands Européens S.A.S., the Parent Company purchased 18 shares from minority shareholders for Euro 90 thousand, leaving the percentage held almost unchanged.

At the end of June 2023, the Parent Company finalised the acquisition of the entire share capital of Idroelettriche Riunite S.p.A., a renewable energy production company, through the direct purchase of 65.35% of the shares and, for the remaining 34.65%, through the purchase of the entire shareholding of Idra S.r.l. The two companies were merged by incorporation with effect from 31 December 2023 for statutory, accounting and tax purposes.

They have been included within the Group structure since, for the purposes of the consolidated financial statements prepared, the merging company is required to consolidate the income statement of the merged companies from the time of acquisition to the merger effective date.

International macroeconomic trends

In 2023, according to assessments by the International Monetary Fund and the most recent indications of the main international bodies, global GDP grew by 3.1 per cent year-on-year, with uneven trends in the different quarters and in the different economies.

During the first half year of the year, the weakness of the global economy and that of international trade continued, linked to the persistent geopolitical uncertainty and the persistence of high inflation in the main advanced economies. In the United States, GDP decelerated significantly, while the recovery in China, after benefiting from the discontinuation of the pandemic containment policies, gradually eased, also due to the real estate crisis. At global level, the continuing expansion in the services sector was offset by the weakening of the manufacturing cycle, which weighed on international trade prospects and contributed to the contraction in the prices of raw materials and energy products.

In the summer, global economic activity decelerated and further weakened at the end of 2023. Manufacturing production continued to stagnate and the services dynamics lost strength. In the United States, some further signs of a slowdown in activity emerged; in China, the continuation of the crisis in the real estate sector has slowed down growth, which remains well below pre-pandemic levels.

The global economy performance had a negative impact on world trade, which overall began to decline at the end of 2022, with the fourth quarter experiencing the first drop since mid-2020.

After the timid recovery at the beginning of the year, trade flows slowed down in the second quarter of 2023 and contracted more significantly in the third quarter. The worsening of international monetary and financial conditions weighed heavily, in particular for capital goods.

Overall, based on Bank of Italy estimates, world trade grew by just 0.6% in 2023 (from 5.4% in 2022).

Inflation in the main economies continued to decrease during 2023, benefiting from the marked reduction in energy prices, while still on average remaining high and above the targets set by the main national banks.

To try to cope with the exceptional increase in inflation and with the declared aim of bringing it back to a level compatible with the 2% objective, the Federal Reserve has progressively and with increasing intensity undertaken a pre-course of increase in the target range of the federal bond rate.

In the meetings between February and July, the Federal Reserve resolved new reference interest rates increases, bringing the target range on federal funds to between 5.25% and 5.50%; in the following months and most recently in December 2023, the Federal Reserve left the reference rates unchanged, announcing that the restrictive monetary policy stance will continue until inflation returns to levels compatible with its objectives.


Plant in Vicenza, Italy

Euro area

The Euro area is experiencing a phase of cyclical weakness that reflects the impact of high inflation and more restrictive borrowing conditions.

In the first half of the current year, the area recorded a slight contraction in GDP, as at the end of 2022; the economic activity weakness then continued in the second half of 2023.

Net foreign demand did not make any contribution to GDP dynamics, against a decline in imports and exports. On the supply side, value added decreased in industry in the strict sense and, to a lesser extent, in construction; it grew slightly in services and to a lesser extent in real estate activities.

In this context, according to the most recent indications of the experts of the International Monetary Fund, the GDP of the Eurozone grew overall by 0.5% on an annual basis, with uneven trends in the various economies.

The change in consumer prices in the Eurozone gradually weakened during the year, with a steady deceleration largely attributable to the energy component, with a rate of 5.4% in December.

The Governing Council of the European Central Bank has progressively implemented reference rates increases towards levels that ensure a return of inflation to values consistent with price stability objectives in the medium term, bringing the rate on deposits at the central bank to 4.00%, with an overall increase of 4.5 points from July 2022.

At its October and December meetings, the Governing Council of the ECB decided to leave the reference rates unchanged.

Past increases in interest rates continue to have a strong impact on the economy and borrowing conditions, which have become more restrictive, are holding back demand, contributing to the decline in inflation. Based on its current assessment, the Council believes that rates are at levels that, maintained for a sufficiently long period, will make a significant contribution to the return of inflation to target levels and has announced that it will continue to follow a data-driven approach to determine the appropriate level and duration of the monetary restriction.

Trend in oil and natural gas prices

On 5 December 2022, the embargo of the European Union countries on the import of Russian crude oil and the simultaneous ceiling established by the G7 members on the price of Russian oil exported to third countries came into effect.

The sanctions against the Russian oil industry introduced by the European Union and the G7 have led to a strong geographical rearrangement in international trade flows, without however generating a contraction in supply.

In the EU countries, lower inflows from Russia were offset by higher supplies of crude oil from the United States, the Middle East and Africa, and of product derivatives from the United States, India and China. Against the reduction of exports to the EU, Russia increased its exports to other destinations, especially in Asia (India, China and, to a lesser extent, Turkey).

Oil prices fluctuated during the year, supported by the OPEC countries' announcement of a cut in production but generally remained contained by the weakness of the global cycle.

After reaching a peak of 94 dollars per barrel in the first half of October, following the outbreak of the conflict in the Middle East, the Brent price subsequently fell again, benefiting from higher-than-expected global supply and by lower demand.

Since mid-January 2023, the natural gas reference price for the European markets has continued to fall. It was affected by the high stock levels, mild temperatures containing household demand and the still moderate industrial consumption.

However, prices remain at a historically high level and remain characterised by pronounced volatility, also connected with the risks for procurement linked to both geopolitical tensions and the possible recovery of LNG demand from Asia.

Next generation eu and green deal industrial for the net-zero age

On 11 February 2021, the Regulation on the Recovery and Resilience Facility was approved, which will convey almost 90% of the resources of the European Union's recovery tool, the Next Generation EU.

The provision of the device is intended to finance investments and reforms specified in the national recovery and resilience plans and aimed at six strategic objectives:
(a) green transition;
(b) digital transformation;
(c) smart, sustainable and inclusive employment and growth;
(d) social and territorial cohesion;
(e) health and resilience;
(f) policies for the next generation, including education and skills.

Since the launch of the program, more than 220 billion have been distributed to the various EU Member States.

In February 2023, the European Council definitely approved the REPowerEU plan, officially including in national recovery and resilience plans the interventions aimed at achieving the objectives linked to reduction of energy dependence on Russia and the acceleration of the green transition using residual funds under the Next Generation EU program.

In this context, the European Commission formally outlined the policy areas for European industry with the aim of reaching the so-called "net emissions limit of 0", i.e. carbon neutrality with respect to the environment, as soon as possible. This plan, which is part of the more general framework of reference called the "European Green Deal", will be based on four basic pillars:
1. a predictable and simplified regulatory environment;
2. faster access to sufficient financing;
3. qualification of workers;
4. an open market for a "resilient" supply chain.

At the end of November 2023, following the achievement of the 28 goals and objectives set out in the NRRP for the payment of the fourth instalment (16.5 billion, of which 2 for grants and 14.5 for loans), the European Commission issued a positive opinion in relation to the payment to Italy. This was made on 28 December, bringing the total resources received to date to approximately 102 billion (of which almost 41 by way of grants).

National macroeconomic trend

In Italy, in 2023 the gross domestic product grew overall by 0.7% year-on-year, according to the latest indications of the International Monetary Fund, showing a marked volatility over the year. The rally in GDP in the first quarter was offset by the decline recorded in the second and third quarter. Household consumption slowed down, based on the stability of the labour market and disposable income stagnation. Expenditure on fixed investments again contracted, mainly driven by construction, which was affected by the reduced tax support measures and higher borrowing costs.

The extraordinary decrease in inventory, probably linked to the weak demand, has had a significant impact on the GDP trend; on the other hand, foreign trade positively contributed to growth, due to the increase in exports and decline in imports.

In the fourth quarter, GDP stagnated. Manufacturing activity began to decline again, also in connection with the weak cyclical phase of our main trading partners, in particular in Germany, and with the continuing difficulties in energy-intensive industrial production, which are affected by electricity and gas prices still high in historical terms. On the demand side, the substantial resilience of consumption was offset by a decrease in investments, held back by the tightening of borrowing conditions.

The change in consumer prices gradually strengthened during the year, with a steady acceleration largely attributable to the energy component, with a rate of 5.9% in December.

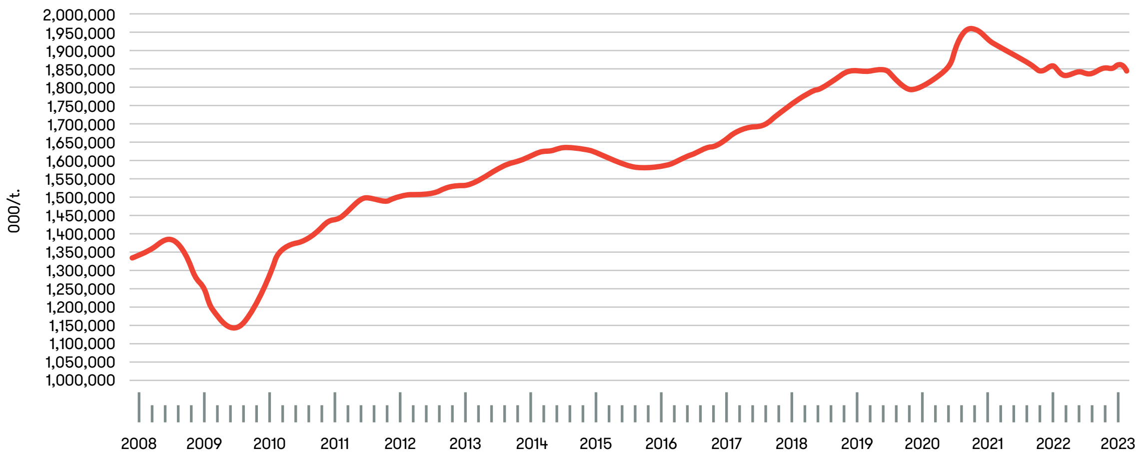
(var. and percentage points)	2023	forecast 2024
GDP		
World	**3.1**	**3.1**
Advanced countries	**1.6**	**1.5**
of which: Eurozone	0.5	0.9
Japan	1.9	0.9
U.K.	0.5	0.6
U.S.A.	2.5	2.1
Emerging countries	**4.1**	**4.1**
of which: Brazil	3.1	1.7
China	5.2	4.6
India	6.7	6.5
Russia	3.0	2.6
Italy	0.7	0.7

Source: International Monetary Fund - January 2024

In 2023, worldwide steel production, according to the most recent indications published by the World Steel Association, amounted to 1,888 million tonnes, essentially unchanged compared to the previous year.

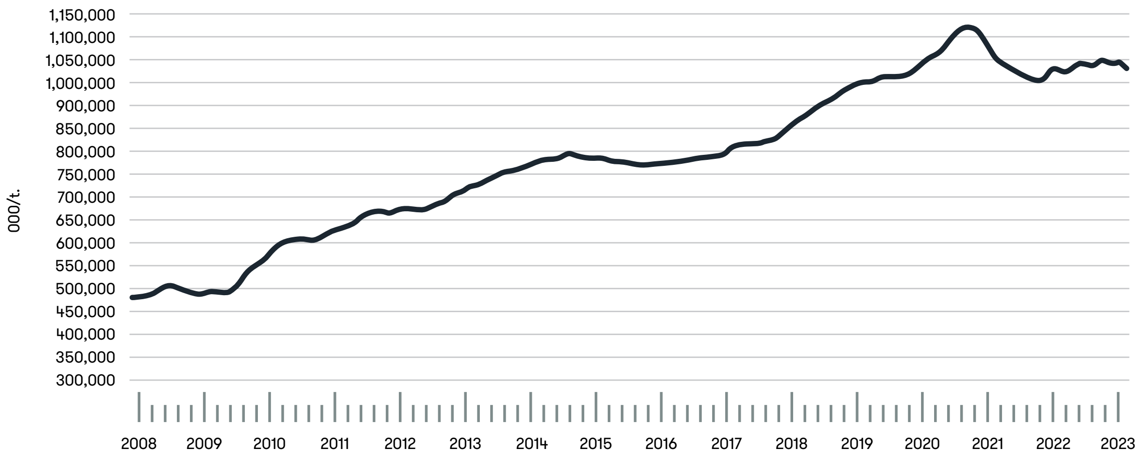
China confirmed its position as the world's leading producer, with a total output of 1,019 million tonnes, in line with the previous year.

World Steel Production



Source: World Steel Association

Steel Production in China



Source: World Steel Association

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(millions of tons)	2023	2022	variat.
Steel production			
World	**1,888.2**	**1,888.7**	**0.0%**
Asia and Oceania	**1,367.2**	**1,357.2**	**0.7%**
of which: China	1,019.1	1,019.1	0.0%
India	140.2	125.4	11.8%
Europe	**256.1**	**264.4**	**-3.1%**
of which: EU (27)	126.3	136.4	-7.4%
CIS	88.1	84.3	4.5%
North America	**109.6**	**111.5**	**-1.7%**
of which: United States	80.7	80.5	0.2%
South America	**41.5**	**44.0**	**-5.7%**
Africa	**22.0**	**20.8**	**5.7%**
Middle East	**53.2**	**52.5**	**1.3%**

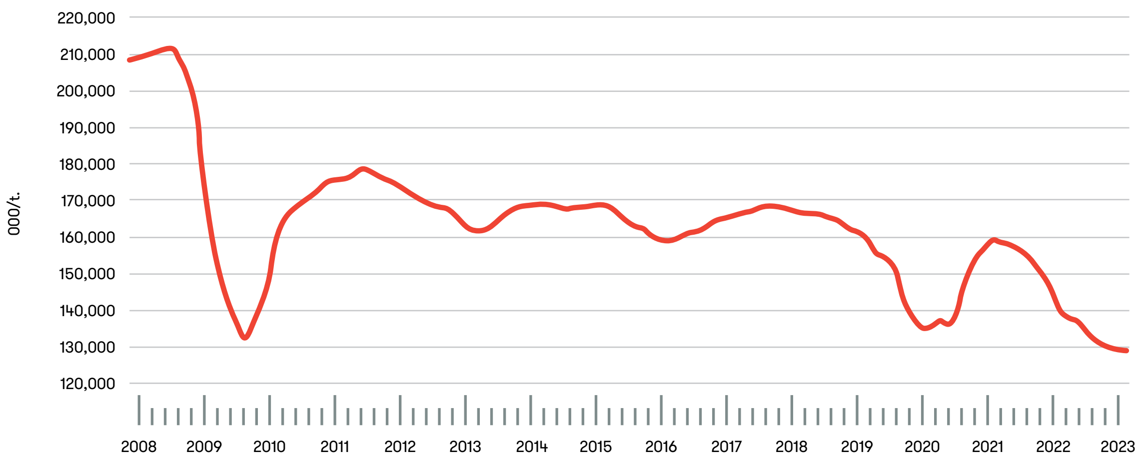
Source: World Steel Association

(millions of tons)	2023	2022	variat.
Steel production			
EU (27)	**126.3**	**136.4**	**-7.4%**
of which: Germany	35.4	36.9	-3.9%
Italy	21.1	21.6	-2.4%
France	11.3	11.6	-2.7%
Spain	10.0	12.1	-17.4%
Austria	7.1	7.5	-5.0%
Poland	6.4	7.4	-13.1%
Belgium	5.9	7.0	-16.1%
Holland	4.7	6.1	-23.9
UK	**5.6**	**6.0**	**-6.5%**

Source: World Steel Association

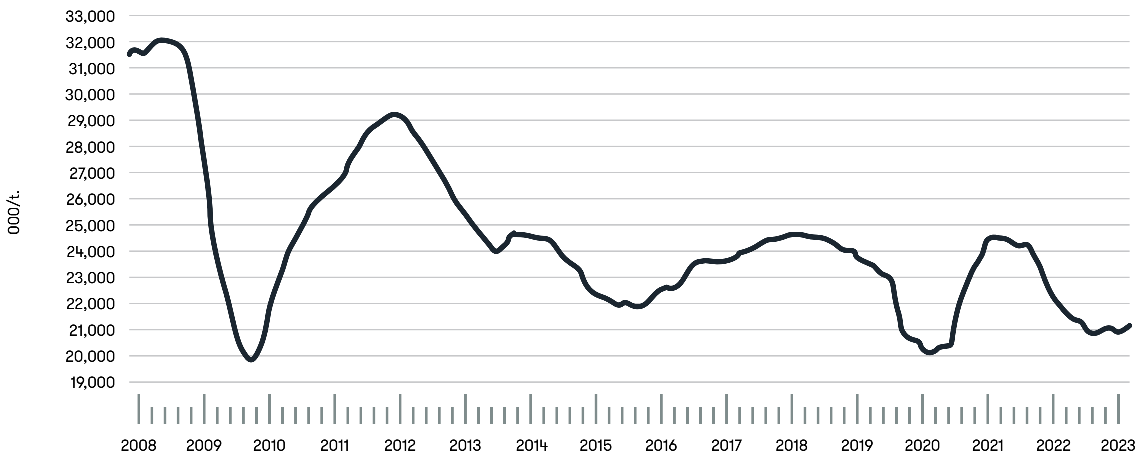
The European Union (EU27) reported an overall production of 126.3 million tonnes, down by 7.4% compared to the previous year. Germany and Italy were confirmed as the main European producers, with 35.4 million tonnes (-3.9% compared to 2022) and 21.1 million tonnes (-2.4% compared to 2022), respectively.

Steel production in the EU (including UK)



Source: World Steel Association

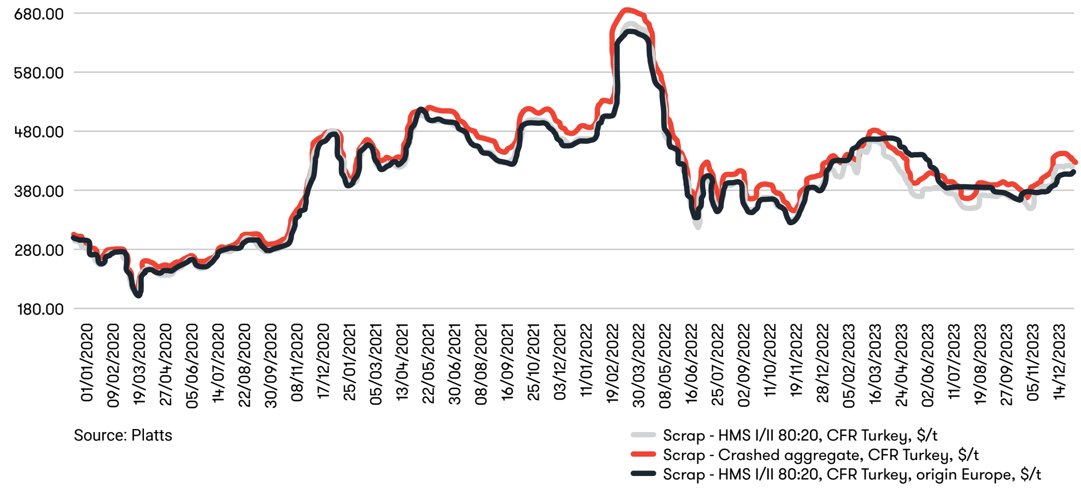
Steel production in Italy



Source: World Steel Association

During 2023, the prices of ferrous scrap remained substantially stable and, overall, at a significantly higher level than the lows reached in 2020.

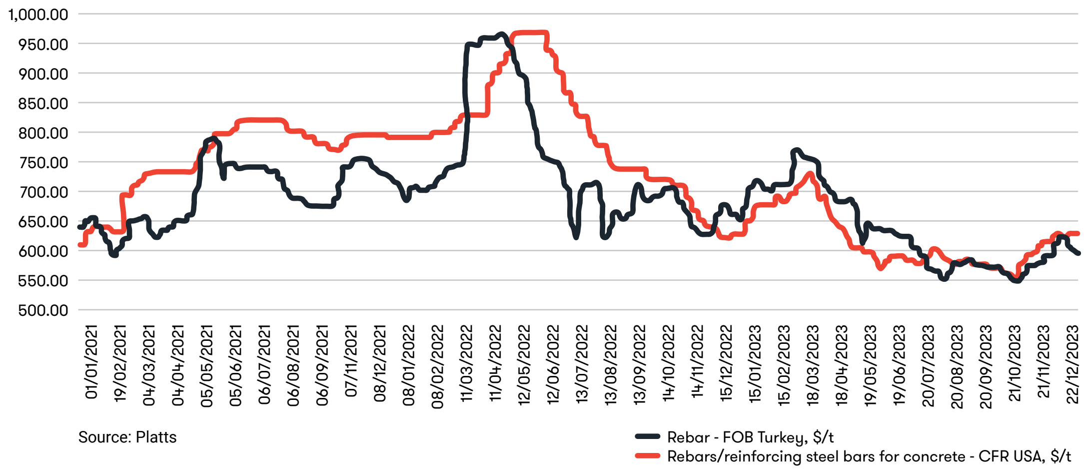
Scrap prices



Source: Platts

Starting from the first half of 2023, the steel products prices decreased significantly, in a context characterised by a strong contraction in apparent consumption for the main user sectors.

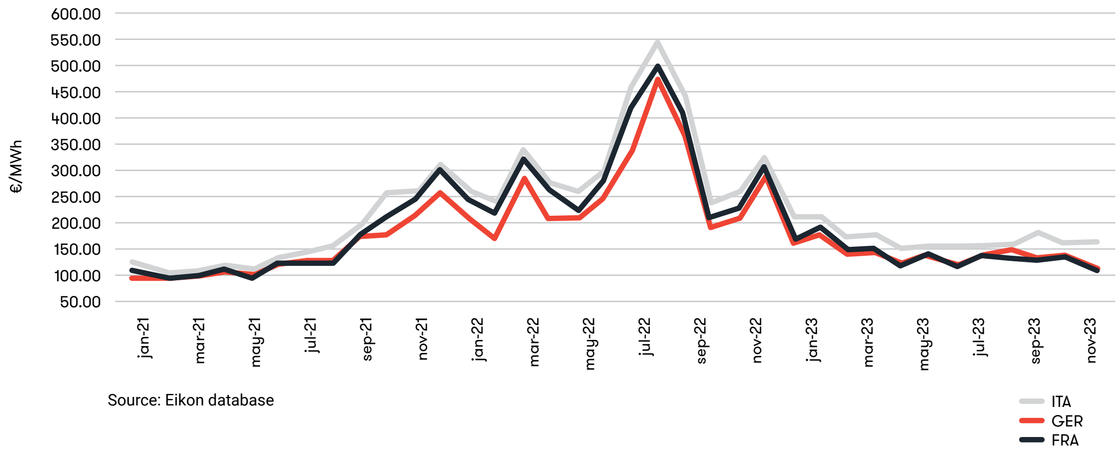
Prices of rebars



Source: Platts

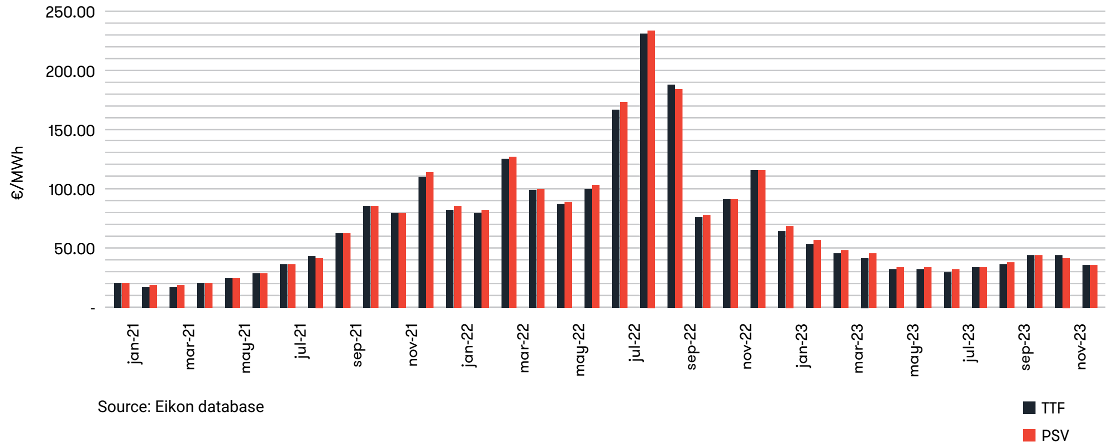
During 2023, energy and gas prices, although decreasing compared to the peaks reached in the last quarter of 2022 and in the first quarter of the current year, remained at significantly higher levels than in the period prior to the outbreak of the geopolitical tensions that led to the invasion of Ukraine by Russia.

EE ITA GER FRA 2021-2023



Source: Eikon database

GAS TTF PSV 2021-2023



Source: Eikon database

The serious consequences of the war in Ukraine and the deterioration of the general economic outlook continued to weigh on the apparent consumption of steel in 2023. After a significant recession (-8.3%) in 2022, persistent negative factors such as ongoing conflicts, uncertainty over energy prices and high inflation, combined with the worsening economic outlook, negatively affected the apparent consumption of steel also in 2023, leading to a pronounced contraction (-6.2%), the fourth in the last five years.

In the third quarter of 2023, according to Eurofer latest data available, apparent steel consumption fell for the sixth consecutive quarter (-3.9%). The total volume reached 30.4 million tonnes, the third lowest level since the outbreak of the pandemic in the spring of 2020.

Domestic deliveries continued to reflect weak demand in the third quarter of 2023, according to the latest Eurofer data available, decreasing (-2.9%) for the sixth consecutive time, but at a slower pace than in previous quarters. After the sharp drop in 2020 (-9.6%) and 2019 (-4.2%), deliveries recorded a significant recovery in 2021 (+11.9%); in 2022, following the contraction that began in the third quarter, domestic deliveries fell significantly (-9.1%). Overall, in 2023 there was a further contraction in domestic deliveries.

In line with the continuous deterioration in demand for steel, imports into the EU, including semi-finished products, also decreased in 2023 (Eurofer estimates a reduction of 11% in the first eleven months of 2023). However, it is essential to note that the recent declines in imports are mainly a reflection of weak demand. Therefore, in 2023 the share of imports in apparent consumption remained considerably high in historical terms (28%).

The main countries of origin of finished steel imports into the European market were India, South Korea, China, Vietnam, Taiwan, Turkey and Japan.

In 2023, total EU exports of steel products to third countries decreased further; the main destinations were the United Kingdom, Turkey, the United States, Switzerland and Egypt.

As a result of this uneven trend, the economic activity of the European user sectors recorded a limited overall increase of 0.7% on an annual basis.

User sectors	Share of consumption	Q1 23	Q2 23	Q3 23	Q4 23	Year 2023
Construction	35.0%	-0.5%	-3.4%	-1.2%	-3.0%	-2.1%
Automotive	18.0%	14.8%	11.5%	5.4%	3.0%	8.8%
Mechanical engineer	14.0%	4.7%	1.8%	-0.1%	0.5%	1.6%
Metal articles	14.0%	-3.4%	-2.0%	-5.0%	-3.0%	-3.3%
Oil & Gas	13.0%	-3.4%	-4.5%	1.3%	-2.0%	-2.4%
Appliances	3.0%	-4.4%	-4.4%	-2.8%	1.0%	-3.1%
Other transports	2.0%	4.3%	9.5%	7.5%	9.5%	8.5%
Others	2.0%	-0.2%	-2.0%	2.0%	6.5%	2.0%
Total	**100.0%**	**2.6%**	**0.4%**	**-0.3%**	**-0.8%**	**0.7%**

Source: Eurofer annual data February 2024 - quarterly data internal rev

The construction sector entered into recession during 2023 and in the third quarter recorded, according to the latest data available from Eurofer, the fifth consecutive quarterly decline (-1.2% compared to -3.4% in the previous quarter).

The increase in the prices of building materials, combined with the labour shortage in some EU countries, the growing economic uncertainty and the expectation of interest rates increases induced by inflation, has finally compromised the positive construction production trend observed from the fourth quarter of 2020 (eight consecutive growth quarters). The decline began in the fourth quarter of 2022 and has since continued into 2023. This negative trend is expected to persist until the second half of 2024, mainly due to the impact of the tight monetary policy on public and private investments.

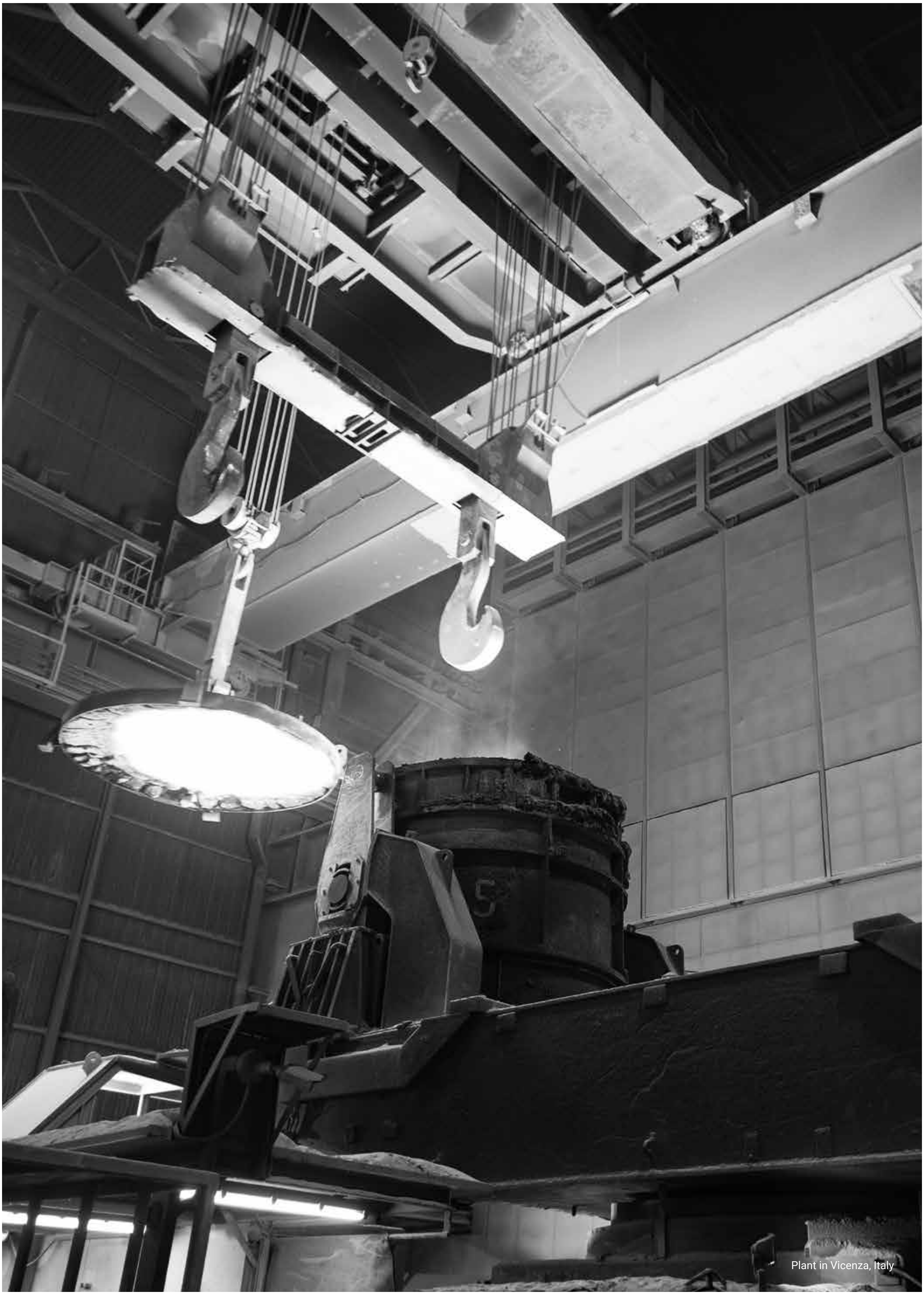
The European construction sector recorded an overall decrease in production of 2.1% (overall increase of 4.8% in 2022).

In the third quarter of 2023, according to Eurofer latest data available, the mechanical engineering sector production recorded a marginal decline (-0.1%), after 10 consecutive growth quarters (+1.8% in the previous quarter). Economic activity in the sector returned to even higher levels than those recorded before 2019.

The European mechanical engineering sector recorded an overall increase in production of 1.6% (overall increase of 8% in 2022).

Production in the automotive sector returned to growth starting from the second quarter of 2022, despite the limited growth in disposable income and the uncertainty on electric vehicles implementation, remaining well below pre-pandemic levels, and also below the pre-2019 recession levels.

The European automotive sector recorded an overall increase in production of 8.8% (overall increase of 3.3% in 2022).



Plant in Vicenza, Italy

Safeguard measures

In response to the tariff increases applied by the United States on steel imports as from May 2018, the European Community adopted a number of countermeasures, including protection, to impose quantitative limits on steel imports and to offset its inflow caused by trade diversion resulting from the US measures.

The final measures, which were introduced on 2 February 2019 and were due to expire at the end of June 2021, were subject to two annual reviews, in October 2019 and July 2020, which resulted in some changes in quota management. The exit of the United Kingdom from the EU led to a significant change in the territorial application of the protection, necessitating a recalculation of quotas and a reduction in their volumes as from 1 January 2021.

The measure was then extended for another three years on 24 June 2021 with Regulation 2021/1029.

FIT FOR 55

The "Fit for 55" package presented by the European Commission on 14 July 2021 aims to translate the ambitions of the Green Deal into legislation and consists of a series of proposals to revise climate legislation. This package has been the subject of several negotiations, with provisional agreements that have not yet been finally approved.

The main aim of "Fit for 55" is to accelerate the decarbonisation of European companies, with an increasingly ambitious 2030 target of 55%, or even 62%, reduction in emissions compared to 1990 levels. The main changes in the "Fit for 55" package include the revision of the EU-ETS emission trading mechanism and the impact of the CBAM (Carbon Border Adjustment Mechanism).

EU-ETS

The EU-ETS mechanism, currently in its fourth phase (2021-2030), is one of the most important policies for reducing EU greenhouse gas emissions. The ETS works according to the "Cap & Trade" principle, with a cap on emissions for the actors involved and the possibility of trading between the actors involved.

The progressive reduction of the cap therefore determines the need to reduce own emissions and to define a decarbonisation pathway for all European companies, beyond the annual compliance needs that can be met by accessing the market for CO_2 emission credits (EUAs). Furthermore, the reduction of the cap translates into the reduction of free allocations which are indexed by a benchmark mechanism at the performance of the ten best European companies.

The agreement of December 2022 contains the following proposals for changes to the EU-ETS:

- 62% reduction in emissions by all sectors included in the EU-ETS;
- reduction of total emissions (cap of the mechanism) and increase of the linear emission reduction to 4.3% between 2024 and 2027 and to 4.4% between 2028 and 2030;
- strengthening of the MSR (Market Stability Reserve) with an extension beyond 2023 of the 24% input forecast (with a threshold of 400 mil. tonnes) and dynamic management of the MSR as a control system for price fluctuations;
- increased demands on ETS companies regarding energy audits and decarbonisation and climate neutrality plans.

CBAM (CARBON BORDER ADJUSTMENT MECHANISM)

Plant in Vicenza, Italy

CBAM is a border carbon price adjustment mechanism that clearly addresses the risk of business relocation and carbon emissions (carbon leakage) resulting from the EU's increased climate ambition level.

The purpose of this mechanism is to prevent EU emission reduction efforts from being offset by increased emissions outside the EU, through the relocation of production or increased imports of products with a lesser climatic cost at source.

The CBAM will be operational from 2026 and will gradually decrease the percentage of free ETS allowances (phase out of free allowances).

As regards the steel sector, all materials under the item "pig iron, iron and steel" in Annex I to Regulation (EU) 2023/1773 are subject to the CBAM, with the exclusion of scrap and some ferroalloys. Among the latter, only ferrochromium, ferromanganese and ferronickel are considered.

In addition, once fully operational, the regulation only requires measurement of direct emissions (therefore excluding indirect emissions associated with electricity consumption) incorporated in the imported product.

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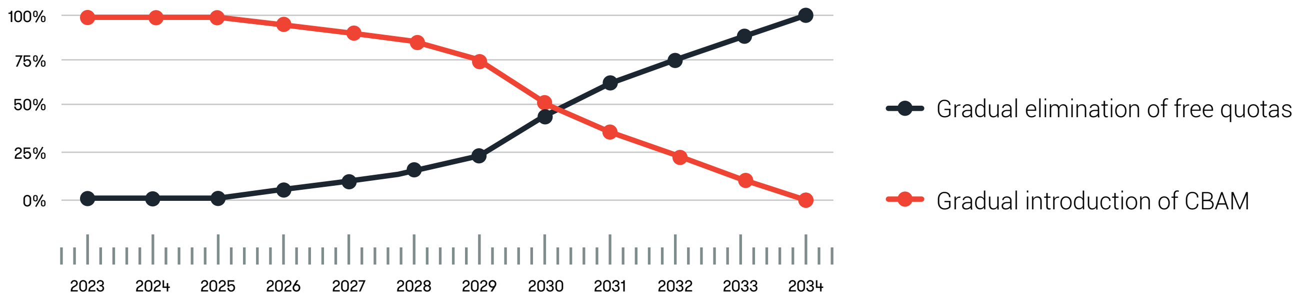
Trilogue agreement on phase-out of free carbon allowances
with concurrent phase-in of CBAM



Source: European Parliament, Graphic: Britta Weppner/Table.Media

With regard to the obligations required in this phase, the following table summarises its characteristics.

CBAM transitional phase - Obligations structure

Subjects required to submit a statement	Type of obligation	Emissions submitted to the CBAM	Cost of Emissions	Corrective actions
Importer or indirect customs representative who, in a given quarter of a year, has imported the goods listed in Annex 1	Quarterly CBAM report containing information on goods imported during that quarter	There is no obligation to purchase certificates	Void	Not applicable

The implementation timing of the various obligations in the transitional period are as follows:

31/1/2024	31/7/2024	31/12/2024	31/12/2024
Submission of the first quarterly CBAM report	Submission of reports and adjustment pertaining to previous reports. Possible use of alternative calculation methods (art. 3 paragraph 3).	CBAM register of authorised CBAM registrants. Start of applications submission: • authorised registrant qualification • registration of third parties country operators and plants.	Commission report on products to be included in the Calculation: possibility of using alternative methods pursuant to art. 3 paragraph 2.

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Below are a couple of example tables that illustrate, on the basis of the specific factors of the different countries, the cost associated with the emissions incorporated in goods imported from non-EU countries.

CASE A) CN 72142000: Iron or non-alloy steel; bars and rods.

Country	Direct [tCO_2/t]	Indirect [tCO_2/t]	Totals [tCO_2/t]	Cost* [€/t]
China	1.84	0.34	2.18	+174
India	4.9	0.73	5.63	+450
Turkey	1.83	0.14	1.97	+158
Ukraine	2.16	0.29	2.45	+196

CASE B) CN 72249000: Semi-finished products of alloy steel

Country	Direct [tCO_2/t]	Indirect [tCO_2/t]	Totals [tCO_2/t]	Cost* [€/t]
China	1.71	0.54	2.25	+180
India	2.72	0.57	3.29	+263
Turkey	1.87	0.27	2.14	+171
Ukraine	1.45	0.94	2.39	+191

*It is assumed that producing countries have not adopted a carbon tax mechanism. Price CO_2: 80€/t

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Sustainable finance

The regulatory process on sustainable finance implemented by the European institutions aims to ensure common rules and an organic approach to counteract greenwashing and create dedicated financing channels for companies that can truly prove to be sustainable.

The 2018 Action Plan for Sustainable Growth set out ten actions to be implemented at European level based on the three pillars of European sustainable finance:

- the creation of a science-based classification system of sustainable activities (known as the Taxonomy);
- the introduction of a mandatory disclosure regime for both financial and non-financial companies concerning their impact on the environment and society, as well as the sustainability-related operational and financial risks they face;
- the provision of a set of tools designed to support companies, financial market participants and intermediaries in aligning their investment strategies with the Union's environmental objectives.

Therefore, finance that takes into account Environmental, Social and Governance (ESG) factors in investment decision-making is therefore "sustainable", directing capital towards long-term sustainable activities and projects.

Taxonomy

EU Regulation 2020/852 introduced taxonomy of eco-friendly economic activities into the European regulatory system; a classification of activities that can be considered to be sustainable based on their alignment with the European Union's environmental objectives and compliance with certain social clauses.

To be environmentally friendly, an activity must meet the following criteria:

1. Make a "substantial contribution" to at least one of the six environmental objectives:
   - climate change mitigation;
   - climate change adaptation;
   - sustainable use and protection of water and marine resources;
   - transition to a circular economy;
   - pollution prevention and control;
   - protection and restoration of biodiversity and ecosystems.
2. Do No Significant Harm (DNSH) to any of the environmental objectives.
3. Be carried out in compliance with minimum social guarantees (for example, those envisaged by OECD guidelines and United Nations documents).
4. Comply with the technical screening criteria set by the European Commission.

CSRD

On 28 November 2022, the European Council definitively approved the Corporate Sustainability Reporting Directive (CSRD), one of the cornerstones of the European Green Deal and of the Sustainable Finance Agenda, which amends Directive 2014/95 (NFRD - Non-Financial Reporting Directive).

Entry into force finally took place on 5 January 2023, and will ascribe to large companies, not currently subject to the Non-Financial Reporting Directive, and which meet two of the following criteria:

- turnover exceeding Euro 40 million;
- shareholders' equity exceeding Euro 20 million;
- over 250 employees;

in the obligation to submit their reports on issues related to sustainability performance starting from 2026 (with reference to 2025).

The aim of CSRD is to broaden the scope of subjects obliged to provide sustainability information to stakeholders, particularly financial stakeholders, by providing:

- all the information on how developments in the field of sustainability influence and affect the company (e.g., the effects of climate change on the business model) from a financial materiality perspective;
- all the information on the effects that the company itself has on the surrounding environment (e.g., the effect of emissions from production processes on the air quality of local residents) in terms of impact materiality.

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Green Claims Directive

In recent years, companies have tried to improve their behaviour and awareness of environmental issues, also in order to meet the expectations of customers and stakeholders.

However, the absence of clear and common rules on how to communicate products' actual green footprint exposes companies to potential greenwashing accusations.

The data on the accuracy and reliability of "green claims" in Europe are anything but comforting: "about 53% of green claims provide vague, misleading or unfounded information", according to a study by the European Commission in 2020.

Furthermore, "40% of claims have no supporting evidence, and half of these offer a weak or non-existent opportunity for verification".

On 22 March 2023, the European Commission took a step towards better consumers protection in the EU, proposing a new directive to overcome the proliferation of false green claims.

The Green Claims Directive aims to make green claims reliable, comparable and verifiable across the EU and to protect consumers from greenwashing.

The Green Claims Directive establishes what companies must do to demonstrate and communicate their green credentials. That is, it defines the rules for the validation of voluntary green claims and regulates their use.

The Commission proposal envisages a ban on the use of any product classification system that is not based on common EU rules; it also establishes minimum transparency requirements for sustainability labels, which must be verified by an independent third party, and it establishes a register of reliable eco-labels.

Companies will be required to provide evidence to support their environmental performance claims, and market surveillance authorities will have to carry out regular controls and apply severe sanctions in the event of infringement.

The Directive mainly regulates "Explicit Environmental Claims" (EEC), defining mandatory evidence requirements, also for "Environmental Labelling Schemes" (ELS).

Plant in Târgoviște, Romania

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EPBD Proposal

The first version of the EPBD (Energy Performance of Building Directive) was published in 2022 (Directive 2002/91/EC). In the following years, the EPBD was subject to several revisions that finally led to the last amendment proposed by the European Commission dated 15 December 2021.

With this proposal, the Commission aims to improve the existing regulatory framework to reflect the highest ambitions and the most pressing needs in terms of climate and social action, while providing EU countries with the necessary flexibility to take into account differences in the European real estate portfolio.

The document also illustrates how Europe can achieve net-zero emissions and fully decarbonised property portfolios by 2050.

The approval of the EPBD directive by the European Parliament, which took place in Strasbourg in 2023, gave the green light to the directive on green houses, which envisages the improvement of the energy class of buildings starting from 2030.

The Energy Performance of Buildings Directive (EPBD) is the EU's main legal instrument for decarbonising the property stock of Member States; since its adoption, the EPBD has been closely linked with the EU's climate objectives as well as been aligned to reflect their progressive evolution.

The European directive's objective is to encourage, in all participating countries, the renovation of private and public buildings, in order to reduce energy consumption and CO_2 emissions in relation to the building stock of the 27 member states.

The directive states that these buildings are responsible for 40% of final energy consumption and 36% of greenhouse gas emissions associated with energy, also highlighting that 75% of the total stock is not energy efficient and that buildings are heated mainly with natural gas, accounting for around 42% of the energy used for heating of spaces and of the residential sector.

Critical Raw Material Act

Critical raw materials are of great economic importance for Europe, but they are also very vulnerable to supply disruptions and subject to growing global demand, driven by decarbonisation. EU demand for rare earth metals is expected to increase sixfold by 2030 and sevenfold by 2050; for lithium, EU demand is expected to reach a 12x increase by 2030 and a 21x increase by 2050.

Today, Europe relies heavily on imports, often from a single third country, and recent crises have highlighted the EU's strategic dependencies.

Critical raw materials are indispensable for the EU economy and for a wide range of technologies needed for strategic sectors such as renewable energy, digital, space and defence; the Critical Raw Materials Act (CRM Act) will guarantee the EU access to a safe and sustainable supply of critical raw materials, enabling Europe to achieve its 2030 climate goals.

The Commission's proposal for a commodities act will ensure that the EU can rely on strong, resilient and sustainable value chains for critical commodities; the proposed regulation will strengthen all phases of the value chain of European critical raw materials, diversify EU imports to reduce strategic dependencies, improve the EU's ability to monitor and mitigate supply disruption risks by improving its circularity and sustainability.

The main points of the act are as follows:

- definition of benchmarks by 2030 for national capacities;
- creation of secure and resilient supply chains;
- procurement risk preparation and mitigation;
- improvement of the sustainability and circularity of critical raw materials on the EU market.


Plant in Călărași Romania

During 2023, the Group recorded an increase in sales volumes compared to the previous year, equal to a total of 5.0%, in a context characterised by the high variability of the activities of the user sectors, which saw a progressive weakening in the second part of the year, especially with regard to construction, and the sharp decline in apparent consumption of steel.

The increase in shipments of rebars produced at the Targoviste plant resulted in a total contribution of 4.4%.

The prices of ferrous scrap remained substantially stable in 2023 at a significantly higher level than the lows reached in previous years.

On the other hand, the prices of steel products decreased significantly compared to the previous year; in this context, however, the merchant bars segment recorded greater price resilience than that of rebars.

The countries where the Group's production activities are located have reacted differently to the general manufacturing activity contraction, both in terms of the overall stability of the economy, and in particular of the construction sector, and in terms of industrial policy, with particular reference to support for energy-intensive companies heavily affected by the rise in energy prices.

Italy and France supported energy-intensive companies with suitable tools to reduce the impact of the energy component, while Switzerland and Romania did not follow this policy, leading to significant effects on our plants' production costs.

Market and macroeconomic conditions have therefore changed abruptly and sharply, with uneven dynamics between the various countries.

Sales of merchant bars increased by 6.1% compared to the previous year (in the previous year a decrease of 13.1% compared to 2021), maintaining the leadership in the merchant bars segment in the main domestic markets. The Italian and French plants continued the process of continuous improvement in efficiency and maintained excellent levels of industrial performance.

Sales of steel for construction produced at the Gerlafingen plant (rebar and its derivatives) showed a decrease of 6.4% compared to the previous year, when volumes remained substantially stable compared to 2021.

With regard to Switzerland, there are two additional specific elements that negatively influenced Stahl Gerlafingen's results: the appreciation of the Swiss franc against the euro, with a consequent increase in the weight of the fixed costs component denominated in the local currency and, therefore, in the competition of producers located in the Eurozone, and the sharp reduction in exports of profiles to the EU, caused by the Safeguard Measures tax limitations which, for some important product categories, were quickly exhausted in each quarter.

Sales of special large steel rebars (SBQ - Special Bar Quality) produced at the Calarasi plant decreased by 22.0% compared to the previous year, which in turn showed a decrease of 23.0% compared to 2021. Despite the reduction in the traditional flows of procurement of semi-finished steel products due to the interruption of supplies from Russia and Ukraine following the outbreak of the conflict between the two countries, the availability of these products on the national and international market made it possible, however, to use alternative European and non-European suppliers and to re-establish adequate supply flows during the year.

Acquired from Donalam in 2022, the Targoviste plant completed the preliminary phase relating to the inspection and certification of finished products and started production of rolling lines. In 2023, sales volumes amounted to a total of 96 thousand tonnes.

The economic performance achieved by Beltrame Group in 2023 can be summarised as follows:

- net revenues passed from Euro 2,213 million in 2022 to Euro 1,748 million in 2023, with a decrease of 21%; sales volumes rose from 2,009 thousand tonnes in 2022 to 2,110 thousand tonnes in 2023;
- adjusted EBITDA amounted to Euro 51.8 million (Euro 418.4 million in 2022), down compared to the previous year in all business lines;
- depreciation, amortisation, provisions, and write-downs totalled Euro 113.4 million (Euro 68.2 million in 2022);
- the operating result was negative for Euro 60.8 million (positive for Euro 353.9 million in 2022);
- financial charges amounted to Euro 17.1 million (Euro 4.7 million in 2022);
- the net result was negative for Euro 86.9 million (positive for Euro 283.4 million in 2022).

The net financial position was a positive Euro 48 million as at 31 December 2023 (positive for Euro 74.6 million as at 31 December 2022).

During the year, the net cash flow shows a negative cash generation totalling Euro 26.6 million (positive for Euro 55.8 million in 2022). More specifically, this result was achieved by a positive operating cash flow of Euro 176.3 million (Euro 242.1 million in 2022) absorbed by outlays for net investments in property, plant and equipment and intangible assets of Euro 152.7 million (Euro 152.8 million in 2022), dividends of Euro 30.1 million (Euro 24.1 million in 2022) and the payment for the acquisition of financial investments of Euro 19.7 million (Euro 7.8 million in 2022).

Investments in property, plant and equipment paid in 2023 amounted to a total of Euro 151.5 million. The main interventions were aimed at increasing product quality and optimising the energy consumption of steel production plants, improving efficiency and reducing natural gas consumption of rolling mills, developing finishing lines and product verticalisation, for the gradual expansion of the production range and enlargement of the offer in higher-margin market segments, and strengthening logistics infrastructures within the production sites.

Investment projects developed during the year are also aimed at maintaining high plant and safety/environmental standards.

At the end of June 2023, the Parent Company finalised the acquisition of the entire share capital of Idroelettriche Riunite S.p.A., a renewable energy production company, through the direct purchase of 65.35% of the shares and, for the remaining 34.65%, through the purchase of the entire shareholding of Idra S.r.l. On 31 December 2023, the two companies were merged by incorporation into AFV Acciaierie Beltrame SPA., leading to the recognition of Goodwill of Euro 33,510 thousand.

The aim of the transaction is to accelerate the decarbonisation strategy, allowing remote self-consumption and significantly reducing CO_2 emissions.

The value of property, plant and equipment and intangible assets was subject to an impairment test. The recoverable amount of each facility was determined as the greater of the current market value and the value in use obtained by discounting expected cash flows for the period from 2024 to 2026. The audit carried out showed the need for write-downs for a total of Euro 39.1 million, mainly attributable to the plants of the subsidiary Stahl Gerlafingen.

Plant in Gerlafingen, Switzerland

i.1 THE GROUP

AFV BELTRAME GROUP

Income Statement (in thousands of Euro)	2023	2022
Revenues from sales (A.1 + A.5)	1,747,890	2,213,442
Value of operating production (A.1 + A.2 + A.3 + A.4)	1,598,728	2,287,286
- External operating costs (B.6 + B.7 + B.8 + B.11 + B.14)	1,410,143	1,734,959
VALUE ADDED	232,094	591,724
%	13.28%	26.73%
- Personnel costs (B.9)	179,438	169,656
EBITDA	52,656	422,068
EBITDA adjusted	51,786	418,435
%	2.96%	18.90%
- Amortisation, depreciation and allocations to provisions (B.10 + B.12 + B.13)	113,416	68,172
OPERATING PROFIT (LOSS)	(60,760)	353,896
+/- Profit (loss) from the financial area (C + D)	(17,117)	(4,663)
GROSS PROFIT (LOSS)	(77,877)	349,233
- Income taxes	(9,007)	(65,844)
NET PROFIT (LOSS)	(86,884)	283,389

Statement of Financial Position (in thousands of Euro)	2023	2022
Tangible and intangible fixed assets	728,995	606,676
Financial fixed assets	23,087	17,426
Trade receivables	46,667	71,543
Trade payables	500,777	469,285
Closing balances of warehouse facility	449,462	545,579
Other current assets and liabilities	(55,093)	8,019
Net working capital	**(59,741)**	**155,856**
Provisions for risks and charges and severance indemnity	44,673	46,755
Capital resources, net	**647,668**	**733,203**
Shareholders' equity	695,666	807,773
Net financial position	**(47,998)**	**(74,570)**

Indicators	2023	2022
Operating cash flow (in thousands of Euro)	176,333	242,054
Cash flow for technological investments (in thousands of Euro)	(151,549)	(153,132)
Equity/fixed assets ratio (Se/Fa)	0.92	1.29
Equity plus consolidated liabilities/fixed assets ratio [(Se + Conl)/Fa]	1.16	1.50
Debt to equity ratio [(Conl + Cl)/Se]	1.21	0.89
Debt (long-term interest bearing) to equity ratio (Nfp/Se)	(0.07)	(0.09)
Current assets/current liabilities ratio (Ca/Cl)	1.18	1.53
Deferred liquidity + immediate liquidity/current liabilities ratio	0.50	0.60
Ebitda adjusted/net revenues	2.96%	18.90%
Financial charges, net/net revenues	(0.95%)	(0.21%)
Labour cost/net revenues	0.10	0.08
Nfp/EBITDA adjusted	(0.93)	(0.18)

Key:
Se: Shareholders' Equity
Fa: Fixed assets
Conl: Consolidated liabilities
Cl: Current liabilities
Nfp: Net financial position
Ca: Current assets


Plant in San Didero, Italy

i.2 THE PARENT COMPANY AFV BELTRAME S.P.A.

ACCIAIERIE BELTRAME S.P.A.
BELTRAME GROUP

Income Statement (in thousands of Euro)	2023	2022
Revenues from sales (A.1 + A.5)	864,758	1,045,016
Value of operating production (A.1 + A.2 + A.3 + A.4)	797,453	1,058,581
- External operating costs (B.6 + B.7 + B.8 + B.11 + B.14)	660,384	780,665
VALUE ADDED	152,395	297,115
%	17.62%	28.43%
- Personnel costs (B.9)	60,016	60,052
EBITDA	92,379	237,063
EBITDA adjusted	92,379	235,461
%	10.68%	22.53%
- Amortisation, depreciation and allocations to provisions (B.10 + B.12 + B.13)	34,274	29,054
OPERATING PROFIT (LOSS)	58,105	208,009
+/- Profit (loss) from the financial area (C + D)	(17,653)	(1,743)
GROSS PROFIT (LOSS)	40,452	206,266
- Income taxes	(10,991)	(47,908)
NET PROFIT (LOSS)	29,461	158,358

Statement of Financial Position (in thousands of Euro)	2023	2022
Tangible and intangible fixed assets	366,662	271,271
Financial fixed assets	264,114	254,681
Trade receivables	43,587	62,314
Trade payables	247,052	227,310
Closing balances of warehouse facility	218,580	265,804
Other current assets and liabilities	(63,704)	(25,672)
Net working capital	**(48,589)**	**75,136**
Provisions for risks and charges and severance indemnity	33,073	25,044
Capital resources, net	**549,114**	**576,044**
Shareholders' equity	610,998	613,115
Net financial position	**(61,884)**	**(37,071)**

Indicators	2023	2022
Operating cash flow (in thousands of Euro)	140,664	149,878
Cash flow for technological investments (in thousands of Euro)	(51,131)	(32,329)
Equity/fixed assets ratio (Se/Fa)	0.92	1.29
Equity plus consolidated liabilities/fixed assets ratio [(Se + Conl)/Fa]	1.16	1.50
Debt to equity ratio [(Conl + Cl)/Se]	1.21	0.89
Debt (long-term interest bearing) to equity ratio (Nfp/Se)	(0.07)	(0.09)
Current assets/current liabilities ratio (Ca/Cl)	1.18	1.53
Deferred liquidity + immediate liquidity/current liabilities ratio	0.58	0.65
Ebitda adjusted/net revenues	10.68%	22.53%
Financial charges, net/net revenues	(0.69%)	(0.16%)
Labour cost/net revenues	0.07	0.06
Nfp/EBITDA adjusted	(0.67)	(0.16)

Key:
Se: Shareholders' Equity
Fa: Fixed assets
Conl: Consolidated liabilities
Cl: Current liabilities
Nfp: Net financial position
Ca: Current assets

Revenues from sales, totalling Euro 864,758 thousand, showed a decrease compared to the previous year as a result of the significant drop in the prices of steel products. The decrease amounted approximately to 17.2% compared to 2022. The shipment volumes of finished products stood at 914 thousand tonnes (842 thousand tonnes in 2022).

The Italian plants have increased their leadership in the merchant bars segment in the main markets of Southern Europe and have continued the process of continuous improvement of efficiency, increasing the levels of industrial performance.

The company's financial structure shows a positive net financial position of Euro 61.9 million, an overall improvement of Euro 24.8 million compared to 31 December 2022.

The most significant information about the Parent Company's currently active production units is provided below:

VICENZA:
- Electric steel plant comprising electric furnace, ladle furnace, two continuous casting systems for blooms and billets;
- Rolling plant composed of a continuous rolling mill for mid-size products with 19 stands for sections/small beams;
- Rolling plant composed of a continuous rolling mill for small products with 21 stands for small sections;

SAN DIDERO (TO):
- Rolling plant comprising continuous rolling mill for mid-size products with 19 stands for sections/small beams;
- Rolling plant comprising continuous rolling mill for small products with 24 stands for small sections, rebar for reinforced concrete.

SAN GIOVANNI VALDARNO (AR):
Rolling mill comprising continuous rolling mill with 18 stands for small sections.

At the end of June 2023, the Parent Company finalised the acquisition of the entire share capital of Idroelettriche Riunite S.p.A., a renewable energy production company, through the direct purchase of 65.35% of the shares and, for the remaining 34.65%, through the purchase of the entire shareholding of Idra S.r.l. On 31 December 2023, the two companies were merged by incorporation into AFV Acciaierie Beltrame S.p.A., leading to the recognition of Goodwill of Euro 31,309 thousand, deriving from the allocation of the merger deficit.

The aim of the transaction is to accelerate the decarbonisation strategy, allowing remote self-consumption and significantly reducing CO_2 emissions.

With this transaction AFV Acciaierie Beltrame S.p.A. acquired 12 plants located in 10 sites in Piedmont and Veneto. These are small and large diversion plants with an average production of 160 GWh/year of renewable energy, equal to about 30% of the energy needs of the Group's Italian plants.

The Group is required to consolidate the income statement of the merged companies from the time of acquisition up to the merger effective date.

The main data relating to the OBS (Open Balance Sheet) of 30 June 2023 and 30 December 2023 are shown below.

Idroelettriche Riunite S.p.A. (Vicenza - Italy)

(in thousands of Euro)	2023	OBS
Current assets	8,742	9,340
Total assets	46,526	48,054
Liabilities	13,551	17,275
Shareholders' equity	32,975	30,779
Revenues	8,802	-
Net profit (loss)	2,441	-

IDRA S.r.l. (Vicenza - Italy)

(in thousands of Euro)	2023	OBS
Current assets	1,316	1,308
Total assets	4,645	4,634
Liabilities	1,298	1,292
Shareholders' equity	3,347	3,342
Revenues	15	-
Net profit (loss)	5	-


Hydroelectric power plant based in Agrasina (VI), Italy

i.3 THE SUBSIDIARY LAMINÉS MARCHANDS EUROPÉENS S.A.S.

LAMINÉS MARCHANDS EUROPÉENS
AFV BELTRAME GROUP

As reported above in point d. "Group Structure", the Parent Company owns 80.23% of the company's share capital. The minority interest is held by ARCELORMITTAL - Luxembourg.

The values shown below differ from those of the company's filed financial statements because they were adapted for consistency with Italian accounting standards, used to prepare the consolidated financial statements.

Income Statement (in thousands of Euro)	2023	2022
Revenues from sales (A.1 + A.5)	379,923	477,538
Value of operating production (A.1 + A.2 + A.3 + A.4)	344,921	466,023
- External operating costs (B.6 + B.7 + B.8 + B.11 + B.14)	300,158	350,307
VALUE ADDED	73,841	137,753
%	19.44%	28.85%
- Personnel costs (B.9)	40,305	39,265
EBITDA	33,536	98,488
EBITDA adjusted	30,101	98,950
%	7.92%	20.72%
- Amortisation, depreciation and allocations to provisions (B.10 + B.12 + B.13)	15,476	13,832
OPERATING PROFIT (LOSS)	18,060	84,656
+/- Profit (loss) from the financial area (C + D)	(1,467)	(2,583)
GROSS PROFIT (LOSS)	16,593	82,073
- Income taxes	(4,361)	(9,239)
NET PROFIT (LOSS)	12,232	72,834

Statement of Financial Position (in thousands of Euro)	2023	2022
Tangible and intangible fixed assets	116,316	99,781
Financial fixed assets	2,289	2,183
Trade receivables	4,403	7,370
Trade payables	92,636	68,957
Closing balances of warehouse facility	75,807	81,742
Other current assets and liabilities	4,965	17,899
Net working capital	**(7,461)**	**38,054**
Provisions for risks and charges and severance indemnity	14,431	11,163
Capital resources, net	**96,713**	**128,855**
Shareholders' equity	164,137	151,905
Net financial position	**(67,424)**	**(23,050)**

Indicators	2023	2022
Operating cash flow (in thousands of Euro)	81,108	77,841
Cash flow for technological investments (in thousands of Euro)	(36,734)	(26,148)
Equity/fixed assets ratio (Se/Fa)	1.38	1.49
Equity plus consolidated liabilities/fixed assets ratio [(Se + Conl)/Fa]	1.38	1.70
Debt to equity ratio [(Conl + Cl)/Se]	0.74	0.78
Debt (long-term interest bearing) to equity ratio (Nfp/Se)	(0.41)	(0.15)
Current assets/current liabilities ratio (Ca/Cl)	1.38	1.73
Deferred liquidity + immediate liquidity/current liabilities ratio	0.75	0.89
Ebitda adjusted/net revenues	7.92%	20.72%
Financial charges, net/net revenues	(0.39%)	(0.36%)
Labour cost/net revenues	0.11	0.08
Nfp/EBITDA adjusted	(2.24)	(0.23)

Key:
Se: Shareholders' Equity
Fa: Fixed assets
Conl: Consolidated liabilities
Cl: Current liabilities
Nfp: Net financial position
Ca: Current assets

Revenues from sales, totalling Euro 379,923 thousand, showed a decrease compared to the previous year as a result of the drop in the prices of steel products. The decrease amounted approximately to 20.4% compared to 2022. The shipment volumes stood at 426 thousand tonnes (415 thousand tonnes in 2022).

The French plant has increased its leadership in the merchant bars segment in the main markets of Northern Europe and has continued the process of continuous improvement of efficiency, increasing the levels of industrial performance.

The company's financial structure shows a positive net financial position of Euro 67.4 million, an improvement of Euro 44.4 million compared to 31 December 2022.

The most significant information about the Company's production units is provided below:

- Electric steel plant comprising electric furnace, ladle furnace, continuous casting system for billets/blooms;
- Rolling mill comprising TGP continuous mill with 21 stands for sections/beams;
- Rolling mill comprising TPP continuous mill with 20 stands for small sections.

i.4 THE SUBSIDIARY STAHL GERLAFINGEN A.G.

As reported above in point d. 'Group Structure' above, the Parent Company owns 86.47% of the company's Share Capital. The minority interest is held by SIMEST S.p.A.

The values shown below differ from those of the company's filed financial statements because they were adapted for consistency with Italian accounting standards, used to prepare the consolidated financial statements.

Income Statement (in thousands of Euro)	2023	2022
Revenues from sales (A.1 + A.5)	422,067	696,121
Value of operating production (A.1 + A.2 + A.3 + A.4)	363,965	722,598
- External operating costs (B.6 + B.7 + B.8 + B.11 + B.14)	363,770	581,843
VALUE ADDED	1,906	145,385
%	0.45%	20.88%
- Personnel costs (B.9)	59,311	57,454
EBITDA	(57,405)	87,931
EBITDA adjusted	(57,405)	84,702
%	(13.60%)	12.17%
- Amortisation, depreciation and allocations to provisions (B.10 + B.12 + B.13)	58,201	19,619
OPERATING PROFIT (LOSS)	(115,606)	68,312
+/- Profit (loss) from the financial area (C + D)	(786)	404
GROSS PROFIT (LOSS)	(116,392)	68,716
- Income taxes	7,637	(8,971)
NET PROFIT (LOSS)	(108,755)	59,745

Statement of Financial Position (in thousands of Euro)	2023	2022
Tangible and intangible fixed assets	127,248	137,884
Financial fixed assets	540	508
Trade receivables	12,287	9,542
Trade payables	98,873	114,256
Closing balances of warehouse facility	84,865	131,506
Other current assets and liabilities	2,729	2,147
Net working capital	**1,008**	**28,939**
Provisions for risks and charges and severance indemnity	2,224	10,004
Capital resources, net	**126,572**	**157,327**
Shareholders' equity	93,029	194,813
Net financial position	**33,543**	**(37,486)**

Indicators	2023	2022
Operating cash flow (in thousands of Euro)	(40,080)	61,650
Cash flow for technological investments (in thousands of Euro)	(31,751)	(29,329)
Equity/fixed assets ratio (Se/Fa)	0.73	1.41
Equity plus consolidated liabilities/fixed assets ratio [(Se + Conl)/Fa]	1.06	1.43
Debt to equity ratio [(Conl + Cl)/Se]	1.77	0.69
Debt (long-term interest bearing) to equity ratio (Nfp/Se)	0.36	(0.19)
Current assets/current liabilities ratio (Ca/Cl)	1.06	1.45
Deferred liquidity + immediate liquidity/current liabilities ratio	0.37	0.45
Ebitda adjusted/net revenues	(13.60%)	12.17%
Financial charges, net/net revenues	(0.19%)	0.06%
Labour cost/net revenues	0.14	0.08
Nfp/EBITDA adjusted	(0.58)	(0.44)

Key:
Se: Shareholders' Equity
Fa: Fixed assets
Conl: Consolidated liabilities
Cl: Current liabilities
Nfp: Net financial position
Ca: Current assets

Revenues from sales, totalling Euro 422,067 thousand, showed a decrease compared to the previous year as a result of the significant drop in the prices of steel products. The decrease amounted approximately to 39.4% compared to 2022. The shipment volumes stood at 604 thousand tonnes (646 thousand tonnes in 2022).

The Swiss plant has stabilised its leadership in the segment of rebars in the domestic market and has continued the process of continuous improvement of efficiency and industrial performance.

The company's financial structure shows a negative net financial position of Euro 33.5 million, a deterioration for a total of Euro 71.0 million compared to 31 December 2022.

The most significant information about the Company's production units is provided below:

- electric steel plant comprising electric furnace, with 80 t nominal capacity, ladle furnace, continuous casting system for billets and blooms;
- 1 continuous rolling mill for rounds, rebars and wire rods;
- 1 continuous rolling mill for flat bars, universal flats, sections, and beams;
- 1 plant for the production of meshes;
- 6 rewinders.

Introduced in the EU to limit imports of steel products into Europe, the Safeguard Measures have led to a sharp reduction in the production and sales of flat bars, universal flats, profiles and beams.

The absence of support measures for energy-intensive companies in Switzerland, in contrast to what has taken place in the main European economies, has led to a gradual loss of competitiveness for the Swiss steel sector.

These elements had significant effects on the company's production costs and profitability during 2023.

The value of property, plant and equipment and intangible assets was subject to an impairment test. The recoverable amount of each facility was determined as the greater of the current market value and the value in use obtained by discounting expected cash flows for the period from 2024 to 2026. The audit carried out showed the need for write-downs for a total of Euro 38.3 million, mainly attributable to the plants.

i.5 THE SUBSIDIARY DONALAM S.R.L.

DONALAM
AFV BELTRAME GROUP

As reported above in point d. 'Group Structure', the Parent Company owns 94.49% of the company's Share Capital. The minority interest is held by FINEST S.p.A.

The highlights from the consolidated financial statements of Donalam SRL and of its subsidiary Donalam Siderprodukte AG (Switzerland) are summarised below.

The values shown below differ from those of the company's filed financial statements because they were adapted for consistency with Italian accounting standards, used to prepare the consolidated financial statements.

Income Statement (in thousands of Euro)	2023	2022
Revenues from sales (A.1 + A.5)	174,648	156,999
Value of operating production (A.1 + A.2 + A.3 + A.4)	178,257	194,630
- External operating costs (B.6 + B.7 + B.8 + B.11 + B.14)	184,579	183,863
VALUE ADDED	(2,349)	13,007
%	(1.34%)	8.28%
- Personnel costs (B.9)	18,838	12,885
EBITDA	(21,187)	122
EBITDA adjusted	(18,543)	410
%	(10.62%)	0.26%
- Amortisation, depreciation and allocations to provisions (B.10 + B.12 + B.13)	8,534	5,542
OPERATING PROFIT (LOSS)	(29,721)	(5,420)
+/- Profit (loss) from the financial area (C + D)	(8,329)	(1,497)
GROSS PROFIT (LOSS)	(38,050)	(6,917)
- Income taxes	(79)	(33)
NET PROFIT (LOSS)	(38,129)	(6,950)

Statement of Financial Position (in thousands of Euro)	2023	2022
Tangible and intangible fixed assets	117,851	97,312
Financial fixed assets	32	10
Trade receivables	8,932	8,376
Trade payables	79,046	74,785
Closing balances of warehouse facility	70,513	67,776
Other current assets and liabilities	97	12,250
Net working capital	**496**	**13,617**
Provisions for risks and charges and severance indemnity	193	210
Capital resources, net	**118,186**	**110,729**
Shareholders' equity	63,421	86,799
Net financial position	**54,765**	**23,930**

Indicators	2023	2022
Operating cash flow (in thousands of Euro)	(12,957)	(25,985)
Cash flow for technological investments (in thousands of Euro)	(32,936)	(64,720)
Equity/fixed assets ratio (Se/Fa)	0.54	0.89
Equity plus consolidated liabilities/fixed assets ratio [(Se + Conl)/Fa]	0.54	0.89
Debt to equity ratio [(Conl + Cl)/Se]	2.26	1.26
Debt (long-term interest bearing) to equity ratio (Nfp/Se)	0.86	0.28
Current assets/current liabilities ratio (Ca/Cl)	0.62	0.90
Deferred liquidity + immediate liquidity/current liabilities ratio	0.13	0.28
Ebitda adjusted/net revenues	(10.62%)	0.26%
Financial charges, net/net revenues	(4.77%)	(0.95%)
Labour cost/net revenues	0.11	0.08
Nfp/EBITDA adjusted	(2.95)	58.37

Key:
Se: Shareholders' Equity
Fa: Fixed assets
Conl: Consolidated liabilities
Cl: Current liabilities
Nfp: Net financial position
Ca: Current assets

Equal to Euro 174,648 thousand, revenues from sales showed an increase compared to the previous year due to the start of shipments of rebars produced at the Targoviste plant. The increase amounted approximately to 11.2% compared to 2022. Finished products shipment volumes amounted to 188 thousand tonnes (125 thousand tonnes in 2022); the sales volumes of the Targoviste plant amounted to 96 thousand tonnes.

The company's financial structure highlights an overall net financial indebtedness of Euro 54.8 million, up by Euro 30.1 million as at 31 December 2022.

On 11 March 2022 the company acquired the assets of a steel plant in Targoviste (Rumania), formerly COS Targoviste S.A., covering a total area of 1,327,337 square metres and, in addition to the properties, mainly include an electric furnace steel plant and two rolling lines, in addition to all the related underground services and utilities. Following the acquisition, Donalam started a process of modernisation, improvement and efficiency of these plants, which allowed the rolling lines to be put into operation in September 2022 following a preliminary phase of testing and certification of the finished products. Investments and further interventions are still underway in order to allow the full restart of the steel plant and to improve the equipment efficiency.

To financially support the company in this important development project, in 2023 the shareholders carried out a capital increase, on 13 December, for a total of Euro 15 million.

The most significant information about production units is provided below:

Călărași:
Rolling plant with continuous 4-stand rolling mill for large sections and bars.

Târgovişte:
- Electric steel plant comprising electric furnace, with 80 tonne nominal capacity, ladle furnace, VD plant and continuous casting system for billets and blooms;
- 1 continuous rolling mill for small products: rounds, rebars and reinforcing round bars for construction industries, and wire rods;
- 1 continuous rolling plant for medium products: round, flat and hexagonal products.

i.6 THE SMALLER COMPANIES

SIPRO BELTRAME AG
ZURICH - SWITZERLAND

(in thousands of Euro)	2023	2022
Current assets	1,611	4,570
Total assets	8,412	4,570
Liabilities	7,249	3,700
Shareholders' equity	1,163	870
Revenues	49,372	55,847
Net profit (loss)	426	148

The Company carries out trading activities in some Central European countries of the merchant bars produced by the Parent Company and the subsidiaries Stahl Gerlafingen AG and Laminés Marchands Européens S.A.S..

LAMINOIRS DU RUAU S.A.
MONGEAU SUR SAMBRE - BELGIUM

(in thousands of Euro)	2023	2022
Current assets	271	202
Total assets	524	455
Liabilities	5.365	4,500
Shareholders' equity	(4,841)	(4,046)
Net profit (loss)	(795)	(1,925)

The Company, wholly owned by the subsidiary L.M.E. S.A.S., owns the industrial site, where production ceased definitively in 2011. Currently, the only activities pertain to in-depth studies of the environmental issues connected with the future use of the site, to maintaining the residual assets and seeking potential buyers for the industrial site.

FERRIERA SIDER SCAL S.R.L. IN LIQUIDATION - OFFICES IN VICENZA AND SITE IN VILLADOSSOLA - VERBANIA CUSIO-OSSOLA

(in thousands of Euro)	2023	2022
Current assets	2,119	3,126
Total assets	2,119	3,126
Liabilities	4,368	4,926
Shareholders' equity	(2,249)	(1, 800)
Net profit (loss)	(449)	(108)

The company owns a production facility in Villadossola (VB), which, in 2008, ceased definitely its production. The rolling mill was definitely dismantled and sold in 2017.

The production site, active since the end of the 19th century, was purchased by the company in October 2001. Previously, for the period that goes from March 2000 to October 2001, it was operated by another subsidiary of the Parent Company, which then was merged into this by incorporation.

The company is currently engaged in the management of two environmental issues. In the first case, it is the presence of polluting materials within the production site for which, in March 2023, the approval of the additions made to the operational reclamation project was obtained.

The second issue is related to areas outside the plant, in particular to the bed of a canal, which crosses the site, and to lands located downstream of the site, where contaminated materials were found.

On 11 May 2021, an agreement was signed with a specialised company for the demolition of almost all the industrial buildings located within the Villadossola site. The works, which began in October 2021, were completed at the end of 2023. A second demolition phase relating to the buildings still present in the area is being evaluated.

The negative result for 2023 takes into account provisions recognised in the income statement for the year in question against overheads expected up to the 2025 financial year.

METAL INTERCONNECTOR S.C.P.A. REGISTERED OFFICE IN MILAN

Metal Interconnector is a joint-stock Consortium Company, established by companies in the steel manufacturing segment and in other energy-intensive sectors of the Italian industry, such as the non-ferrous metallurgy, but also including companies in other segments (including wood, paper, chemistry, concrete and glass). This consortium was established in the second half of 2014. Metal Interconnector represents energy-intensive companies with a high impact of electricity consumption on their production. It includes little less than 70% of companies that took part in the Terna bids, as envisaged by art. 32 "Fostering the creation of a single energy market through the interconnector development and the involvement of energy-intensive end customers" of Italian Law no. 99 of 2009.

The consortium is intended to be an instrument to fund the electric interconnection lines between Italy and other countries, which permits other shareholder companies involved to use the same lines, as soon as operational and in proportion to the level of investment made.

Three initiatives are currently being implemented/made operational by the investee companies:

- **Interconnector Italia S.c.p.A.** - The company holds 100% of the shares of Piemonte Savoia S.r.l., which has created an 'Italy-France' direct current interconnection between the Piossasco (IT) and Grande Ile (FR) nodes. The work has made the electricity frontier with France the most important for our country, increasing the cross-border interconnection capacity by 1,200 MW, of which 350 MW already available in exemption to the Selected Entities, which will increase from the current approximately 3 GW to over 4 GW. On 26 July 2019, on behalf of the Selected Entities, an exemption request was submitted to the Italian Ministry of Economic Development (MiSE) for an additional capacity of 250 MW on the border with France. This request was subsequently withdrawn by the same Italian Ministry following rejection by the European Commission; therefore, the Consortium will no longer finance the additional capacity of 250 MW. The work entered into operation in November 2022;
- **Interconnector Energy Italia S.c.p.A.** - The company holds all the shares of Monita Interconnector S.r.l., which has built a 500 kV direct current interconnection between the stations of Villanova (IT) and Lastva (ME) with a route, partly in submarine cable and partly in terrestrial cable, of about 445 kilometres. The first interconnection module became operational on 28 December 2019, creating an interconnection capacity of 600 MW. 200 MW, out of the 600 MW associated with the first module, were made available free of charge to the Selected Entities;
- **Interconnector Energy Italy** - On 21 January 2021, Interconnector Energy Italia informed the shareholders that the Italian Ministry of Economic Development had sent to the European Commission for Energy the Exemption Decree for the new 150 MW interconnector on the Austrian border. Upon receipt of the positive opinion, the Italian Ministry of Economic Development (MiSE) has proceeded to notify RESIA Interconnector S.r.l. of the Exemption Decree, the latter being the company set up specifically by Terna for the construction of the Italy-Austria interconnector; after 90 days, on 3 September 2021, the assignees completed the purchase of the above-mentioned Special Purpose Vehicle and Terna left the corporate structure completely. The work is underway and is expected to start operating in 2024.

The 2022 financial statements of Metal Interconnector S.c.p.A. were approved by the Shareholders' Meeting on 26 September 2023 and show a break-even result as in the previous year. The break-even result for 2022 derives from obtaining operating grants of Euro 1,160 thousand, sufficient to cover the costs for the year recognised in the income statement.

During the year in question, the company completed an increase in share capital for Euro 1,672 thousand, fully subscribed by the shareholders in proportion to the share already held.

CONSORZIO VALBEL
REGISTERED OFFICE IN VICENZA

The Company's corporate purpose is a) the design, coordination, performance and organisation of the business activity of the shareholders relating to the procurement of natural gas, including through the development and management of natural gas storage infrastructures and all other goods and services necessary for the activities of the consortium members; b) services carried out in favour of the National Electricity System such as the interruption of loads.

ALTERNATIVE ENERGY INNOVATION S.R.L.
REGISTERED OFFICE IN SAN GIOVANNI LUPATOTO - VERONA

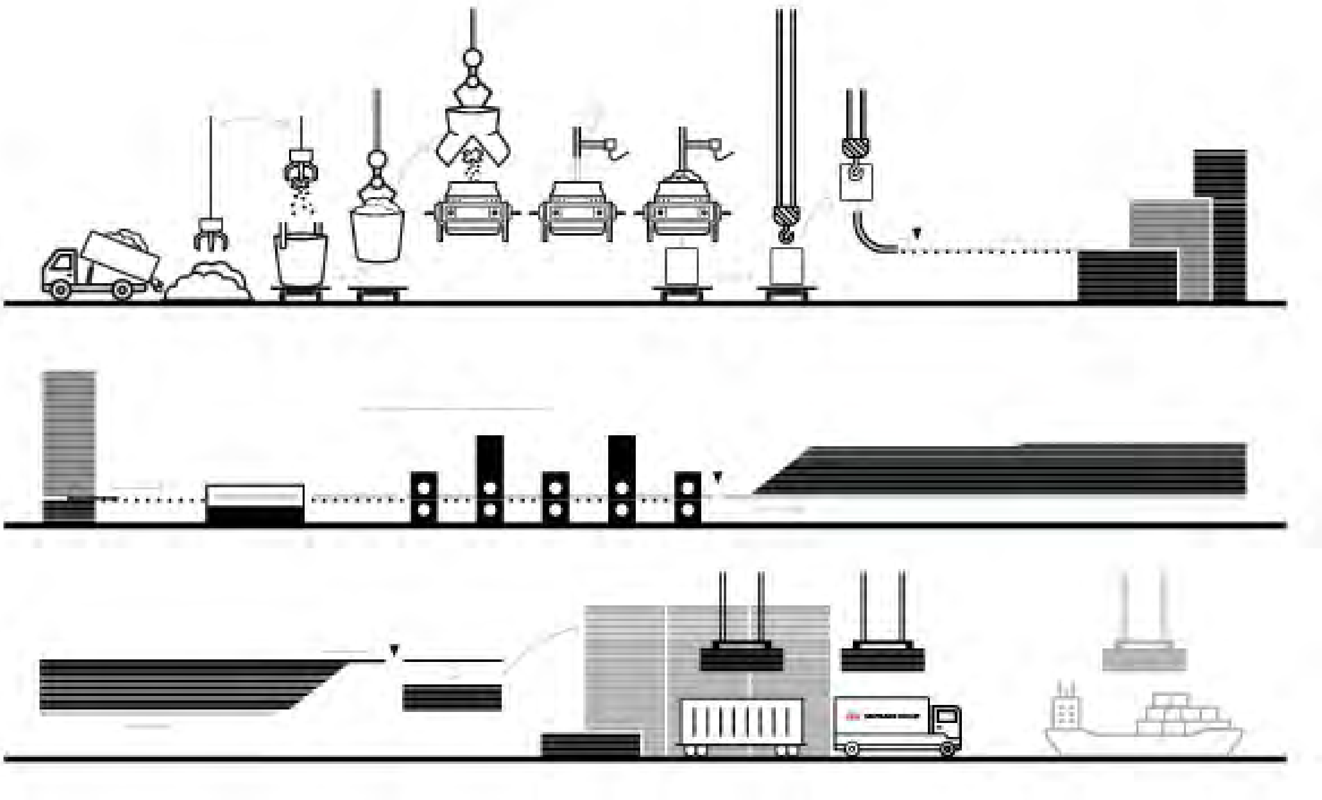
The Company's corporate purpose is to carry out transactions relating to the energy sector. In 2022, the purchase of land and the authorizations currently held by the transferors was finalised with the aim of developing the construction of plants for the production of energy.

RENEWABILITY S.C.A.R.L.
REGISTERED OFFICE IN MONZA

The corporate purpose of the company is to aggregate the electricity consumption of the consortium members through supply contracts from owned or third-party renewable production plants. Transactions also include purchases on the wholesale spot markets or with future delivery.


Plant in Trith Saint Léger, France

j.1 THE PRODUCTION PROCESS



The first stage of the production process entails melting the raw material consisting of scrap iron in the Electric Arc Furnace (EAF), at a temperature of approximately 1,600°C. The operation is carried out through the electric arc of the graphic electrodes inserted in the furnace. Once melting is completed and the chemical and temperature analyses are carried out, the unimproved liquid steel is drawn through an opening located in the lower part of the furnace into a container (ladle) and transferred to the ladle furnace where ferroalloys are added as necessary to obtain the desired steel quality and where the cast is purified with the removal of the extraneous elements that are typically present.

The container (ladle) containing the liquid steel is carried from the improvement furnace to the "continuous casting machine". At this point the liquid steel is moved to a container coated with refractory material (tundish) which feeds multiple solidification lines for the semi-product billet (steel parallelepipeds with square or rectangular cross section and variable length from 4 metres to 12 metres) and cut to measure by oxy-fuel cutting.

The billet still at temperature can be used immediately for the rolling process or cooled and stored.

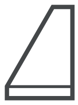
The final stage of the process, called rolling, takes place in the unit called "rolling mill", where the semi-finished product, before being worked over, is brought to a temperature of approximately 1,050 °C.

In this unit, the semi-finished product is plastically deformed in consecutive steps by making it pass through pairs of opposed rollers until obtaining the desired section and subsequently cut by a flying shear, before it enters (at approximately 950°C) the cooling plate with moving blades and lastly it is introduced into the product storage warehouse.

j.2 PRODUCTS

The sections produced in the Group's plants are illustrated below:

MERCHANT BARS



Flat bars

Universal flats

Equal angles

Unequal angles

Sharp edged equal angles

Sharp edged unequal angles

T bars

Small U-channels

Squares

Rounds

BEAMS

Rolled beams UPN

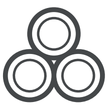
Rolled beams HE

Rolled beams IPE

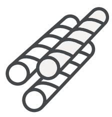
Rolled beams IPN

Rolled beams UPE/UAP

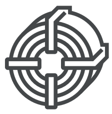
SPECIAL STEEL SBQ AND REINFORCING STEEL



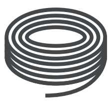
Special bar quality SBQ



Reinforcing bars topar-S 500C



Reinforcing bars topar-Rc in compact rings



Wire rod

Stock meshes, connecting systems, distance cones

ENVIRONMENT, HEALTH AND SAFETY

The sustainable development and the continuous improvement have always been the fundamental priorities for the Group, considered as key prerequisites for the safeguard of people and the environment, thus guaranteeing the rights of future generations.

In line with its own Code of Ethics, the Group considers caring for and protecting the safety and health of the workers and of the environment in which it operates to be fundamental principles to adhere to in exercising its own activities. This vision is put in practice by promoting communication with the employees, providing them with adequate training and continuous awareness and involvement work, as well as proposing supplementary forms of welfare.

The headquarters of Vicenza is tasked with harmonising the activities pertaining to the Environment, Health and Safety Management (EHS), defining the action lines, checking their application and coordinating the activities carried out in individual plants. The resources allocated to each plant are qualified and dedicated to the management of these activities.

The Group intends to adhere to the following principles:

- integrating the concepts of environment, health and workplace safety in its corporate management;
- evaluating beforehand the risks of each work activity carried out within the Group's sites in order to take adequate actions to prevent work-related injuries or illnesses and to minimise, insofar as it is technically feasible, the severity and likelihood of such events;
- voluntarily complying with the laws and the other prescriptions pertaining to workers' health and safety and environmental protection, through continuous updates and timely verification of fulfilment of the prescribed obligations;
- favouring a continuous and effective communication activity with all involved parties (employees, customers, contractors, suppliers, agencies, institutions, citizens) and information / training, when required, in relation to health, safety and environmental matters, in order to assure an adequate level of awareness;
- constantly monitoring, for continuous improvement, the environment aspects and the residual risks for health and safety, using adequate control instruments and monitoring systems.

Based on the principles expressed above, the Group develops programmes oriented to the continuous improvement of the efficiency and effectiveness of its own processes and systems, defining objectives and targets to:

Worker of Vicenza plant, Italy

- promote the reduction of risks of injury, work-related illnesses, the workplace health and safety of all personnel;
- pursue the reduction of its own significant environmental impacts (atmospheric emissions, production of waste and water consumption);
- optimise the management of the production cycle through energy efficiency activities and the use of secondary materials, in order to reduce the consumption of natural resources.

In this context, the Group constantly monitors technological evolution and makes significant investments both in plant engineering and in the development of human resources, in terms of corporate culture.

During 2023, the integrated approach to issues related to Quality, Health, Safety and the Environment was consolidated, according to the reference standards (e.g. ISO 9001, ISO 14001 and ISO 45001), and aspects relating to the analysis of the context, the involvement of all interested parties and the continuous improvement of processes and company management systems were further examined in depth, with a view to sustainability.

The Group has also redefined energy consumption management in systemic terms, including it in a certification process for the Italian plants, in addition to the French one.

The elements of the context in which the Group operates were reviewed and the assessment of risks and opportunities for the organisation, which represent two key elements in the management systems based on high-level standards (HLS), was confirmed.

With regard to the first aspect, the set of internal and external factors that influence the Group's activities and impact, at least potentially, on the achievement of the expected results was reviewed, confirming what already demonstrated last year (market situation, influence of geopolitical, financial and macroeconomic factors).

Similarly, activities were carried out to identify all the circumstances that may cause impacts on the Group's performance, both in negative and positive terms and in terms of the management system and management, and in terms of expected results of its business, exploring reputational aspects also.

As a result of this analysis, activities and projects were oriented in the various areas of the system, aimed at offsetting risks and optimising opportunities.

The main activities and the results obtained in 2023 in relation to the protection of the environment, health and workplace safety and integrated management system are described below.

k

k.1 ENVIRONMENTAL MANAGEMENT

The operations of the iron and steel business involve the management of numerous environmental aspects. The Group carried out an assessment of the impact of its activities, products and services, in order to manage and prevent environmental impacts, promoting the use of the best technologies available at all sites in which it operates.

With regard to the activities connected with environmental protection, we note that during the year there were no cases in which the Group companies were finally declared liable in relation to harm to the environment or in which, in that regard, any significant penalties or punishments were imposed.

k.1.1 MAIN ENVIRONMENTAL ASPECTS

Sustainable management of water resources: optimisation and recovery

In its constant commitment to sustainability, the Group has implemented various policies aimed at optimising the use of water resources, with particular attention to water consumption in industrial processes. The adoption of targeted strategies has made it possible to maximise the efficiency of the cooling water circuits, reducing the quantities discharged to a minimum.

In the Vicenza and San Didero plants, the configurations of the cascade cooling circuits were further refined, contributing to water savings also through the recovery of secondary water flows, used in activities ancillary to production. This cutting-edge approach is an integral part of the Group's vision for sustainable water management.

In Trith Saint Léger, the optimisation of the rainwater treatment plant continued successfully and the new treatment plant was inaugurated; the plant manages the run-off water from the steel plant, which can now be used for secondary uses, with the aim of minimising the impact in the event of water scarcity.

In Gerlafingen, the study for the optimisation of the entire water cycle is still underway, aiming at the separation of circuits that involve different types of water (industrial use, non-industrial use, rainwater). Developed over a number of years, this project represents a further step towards the efficient and sustainable management of water resources.

The Calarasi plant has consolidated the improvements in the rolling furnace cooling circuit. The construction of new flow recovery tanks and the installation of a series of high-performance evaporation towers have contributed not only to reducing water consumption but also to optimising overall process efficiency.

In line with the Group's long-term vision, these initiatives demonstrate a tangible commitment to sustainable water management, promoting practices that go beyond regulatory compliance and actively contributing to the preservation and efficient use of water resources.

Energy consumption

With regard to energy costs, the Group confirmed also in 2023 the actions in line with the policies to reduce specific consumption through investment and process efficiency projects.

All plants are equipped with a widespread monitoring system that makes it possible to assess the performance of production plants in real time. 2023 confirmed the positive trend and almost all specific consumption indicators were in line with or better than the budget, also thanks to a continuous action to raise the awareness of operators in the correct management of production and auxiliary plants.

Significant investments were also made last year in order to increase the portion of "green" energy supply to be used for self-consumption, also through the acquisition and development of proprietary plants.

More specifically, 2023 saw the construction of photovoltaic plants such as the one in San Giovanni Valdarno and the confirmation of the participation in "Renewability", a consortium company that aims to invest in the construction of solar power generation plants to provide energy produced by the plants to members.

Another important step for the Group was the acquisition, with subsequent merger, of Idroelettriche Riunite S.p.A. (I.R.), a company that has been operating in the production of 100% renewable energy for over a century, with the aim of achieving an increasingly greater supply of clean energy to cover its energy needs.

Finally, also for 2023, significant interventions aimed at improving and increasing consumption efficiency were carried out, in some cases completing those started in 2022:

- in the first months of 2023, Stahl Gerlafingen commissioned a new heating furnace for the Kombi rolling mill, dismantling the old one. The furnace was installed in a different position than before, to avoid long production breaks and to create sufficient space for future improvements. The new furnace will make it possible to produce more efficiently and sustainably, increasing the productivity of the rolling mill on the one hand and reducing natural gas consumption on the other. The plant is equipped with regenerative burners, which recover heat to preheat combustion air very efficiently. This saves between 15% and 20% of natural gas consumption and direct CO_2 emissions. In addition, the residual heat of the cooling and flue gases circuits is recovered to preheat the water in the heating network;
- at the end of February 2023, the L.M.E. plant commissioned a new heating furnace for the TGP rolling mill. The construction of the new furnace took about a year as it was necessary to carry out some ancillary works (moving underground networks, construction of a new building, etc.). The project aims to make the production line even more reliable and sustainable and to optimise the consumption of natural gas. In fact, the new furnace is equipped with regenerative burner technology (with heat recovery on each burner through ceramic systems) that makes it possible to anticipate savings for the rolling furnace of between about 10% and 15% in methane gas consumption and CO_2 emissions;
- in June 2023, the Calarasi (Donalam) plant commissioned a new rolling furnace to replace the existing one. The investment for the construction of the new mobile rod furnace represents an important step in terms of energy savings and decarbonisation. As well as allowing the expansion of the range of products offered to customers and better production efficiency, the new furnace is equipped with cutting-edge technologies (e.g. hot air recirculation, regenerative burners, material loading/unloading) that will reduce consumption of methane gas by about 30% compared to current ones and consequently CO_2 emissions.

Atmospheric emissions

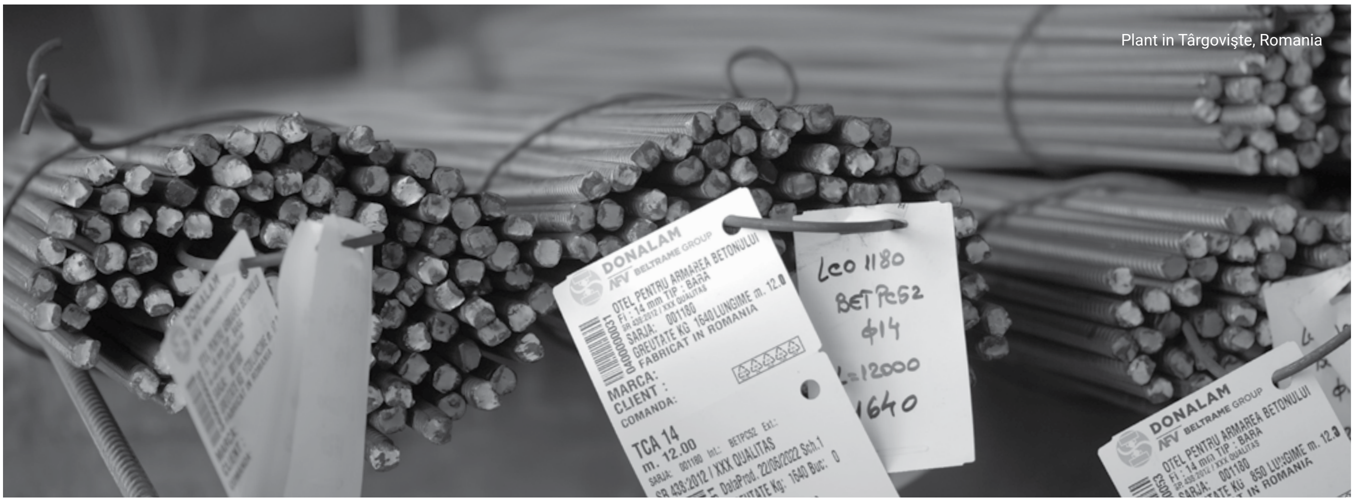
In line with the Group's solid commitment to environmental sustainability, all its plants adopt advanced emission reduction technologies, in compliance with the best available techniques (BAT) established and periodically updated by the European Union. These technologies represent the reference point for the industry, guaranteeing responsible emissions management and a constant improvement in environmental performance.

Emissions management is an integral part of the operating processes, and each production plant is subject to monitoring and control plans defined and verified by the competent control bodies. In particular, melting plants, such as the EAF furnaces, are subject to strict ongoing monitoring to determine the flow of particulate matter emitted by the chimneys downstream of the flue gas treatment plants.

The implementation of dosing systems for adsorbent material in the flue gases of EAF furnaces represents a further step forward in emission control. These systems, which have long been an integral part of operating practices, ensure that emissions are kept at levels significantly lower than the strict European limits, demonstrating the Group's commitment to exceeding regulatory standards.

During 2023, the Group carried out the self-checks required by the monitoring plans, unequivocally demonstrating compliance with the prescribed limit values. These self-controls represent a critical phase in the environmental management process, confirming the consistency of operating practices with regulatory standards and testifying to the effectiveness of the technologies and processes implemented.

In summary, the Group's approach to emissions management goes beyond mere regulatory compliance, embracing sector best practices and constantly integrating new technologies and methodologies. Transparency in monitoring and the desire to operate according to above-average standards are key elements that characterise the Group's continuous commitment to sustainable and environmentally friendly production.



Plant in Târgoviște, Romania

Production and treatment of waste and by-products

The Group is actively committed to reducing the environmental impact of its activities, with a targeted focus on the sustainable management of raw materials and a scrupulous strategy in the use of natural resources. This commitment translates into practical research and implementation of innovative operating techniques, aimed at replacing natural materials with industrial by-products and products deriving from waste recovery flows.

Adopting the technology based on electric arc furnace (EAF), the steel production plants use high quality ferrous scrap from industrial waste (pre-consumer) and residual ferrous materials from end-of-life products and materials placed on the market (post-consumer). These scraps, carefully monitored for quality and source, constitute the origin of the finished product, therefore characterised by a content of recycled, recovered or by-product material higher than 95%. The Group also manages a scrap pre-selection system at the Trith Saint Léger plant, guaranteeing high performance of the electric furnace and reduced energy consumption.

The resulting material deriving from the selection of scrap contains non-ferrous metals, which are recovered and enhanced in processing cycles outside the site. This practice is extended to all plants, contributing to the maximum exploitation of resources.

Process optimisation is also promoted through the identification of alternative and substitute materials to reduce the use of non-renewable natural resources. For example, internal residues are reused as slagging agents, reducing lime consumption.

In Vicenza, the use of polymers derived from plastic waste sorting, qualified as a reducing agent, in order to partially replace blown coal in EAF furnaces, was consolidated. This initiative contributes to the responsible management of end-of-life plastic resources and reduces the carbon footprint of the steelmaking process.

Similar tests are underway at the Trith Saint Léger and Gerlafingen sites, testing recovery materials such as plastics and those derived from the granulation of end-of-life tyres.

The Group has initiated contacts with specific supply chains, such as the production of cement and concrete, interested in recycling of slag and industrial aggregate in their processes.

Also in 2023, the Group maintained its objective of sending at least 90% of the waste produced for recovery and enhancement in the various sites, demonstrating its continuous commitment to sustainable waste management.

Radiometric checks

In 2023, the complete review of the methods for managing and controlling the systems for monitoring and reporting the levels of radioactivity in the loads entering and leaving the Group's factories continued, with particular attention paid to the control of scrap loads.

An assessment is also underway on the innovations available along the scrap management chain, so as to highlight, if necessary, new opportunities for improving prevention activities against the presence of orphan radioactive sources.

The procedures to be implemented with internal personnel or through third-party companies in the event of findings or radiometric anomalies were also extended to all operating levels.
No significant anomaly was found in 2023.

Plant in Trith Saint Léger, France

k.1.2 ECO-INDEX

As part of the Group's constant commitment to environmental sustainability, all its plants are equipped with an advanced assessment tool called the "Eco-Index". This tool is designed to monitor environmental performance, identify areas for improvement and guide remedial actions, reflecting the Group's commitment to ensuring an increasingly reduced environmental impact.

The Eco-Index integrates the main environmental aspects and related impacts into a single parameter, offering a clear view through an easy-to-read dashboard. This indicator is customised for each Group site, based on specific impacts and particular improvement objectives for each individual plant.

The parameters considered in the Eco-Index include emissions of dust and CO_2 into the atmosphere, water consumption and discharges, waste recovery rate and natural gas consumption. During 2023, the Eco-Index, which represents the weighted average on the production of all Group companies, recorded an overall value of more than 70%. The variability over the years is mainly attributable to the revaluation of new CO_2 emissions benchmarks, consistent with the reduction in free allocations of the fourth ETS period and to some issues identified during the year to water plants and in the market for the recovery of waste.

This tool not only provides an environmental performance snapshot, but also underlines the Group's continuous commitment to pursue continuously improving environmental performance.


Plant in Vicenza, Italy

k.1.3 ENVIRONMENTAL AUTHORISATIONS

The Group's commitment to sustainability is clearly reflected in its compliance with environmental directives and the strict compliance measures adopted at all its EU sites. Operating in compliance with the IPPC (Integrated Pollution Prevention and Control) Directive, all plants are subject to specific authorisations issued by the competent bodies, guaranteeing compliance with environmental standards.

In Switzerland, environmental authorisations are issued by the competent AFU (Amt für Umwelt - Environment Office), the country's pertinent entity.

The Italian, French and Romanian plants also operate within the scope of the IPPC directive and are subject to regular checks by bodies such as provincial administrations, ARPA, Prefectures and the Ministry of the Environment. During 2023, the checks carried out by the control agencies confirmed compliance with regulatory prescriptions, in some cases suggesting actions for improvement for further optimisations.

A significant aspect in 2023 was the confirmation of the industrial aggregate deriving from the processing of electric furnace slag, produced in the Vicenza (Beltreco) and Gerlafingen (Ruvido) plants. The market recovery linked to the use of secondary materials has positively influenced the shipments of industrial aggregates, highlighting a growing consideration for these materials.

Equally important is the confirmation of the certification of the San Didero plant for ferrous scrap recovery activities, according to EU Regulation 333/2011.

With regard to the updated version of the document on the best available techniques for rolling plants, as part of the broader document on metal treatment plants (FMP-Ferrous Metal Processing), the assessment of the consistency of the Group's installations with these best techniques has led to the confirmation of these uses, a process that will be completed during the current year, thus underlining the constant commitment to adjustments to the most recent and advanced environmental practices.

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k.1.4 ALLOCATION OF CO_2 QUOTAS

The balance of the CO_2 quotas allocated, returned or purchased on the market, concerning the European ETS - Emission Trading System, relating to the Group's Italian, French and Romanian plants is shown in the following table.

	2022			2023		
	AFV	L.M.E.	DONALAM	AFV	L.M.E.	DONALAM
Assignments	87,056	58,159	15,345	95,886	58,159	12,796
Purchase of quotas	15,000	15,000	0	0	0	0
Sale of quotas	0	0	0	0	0	0
Emissions	119,614	74,592	13,576	116,824 (#)	72,416	16,553

Notes:
(#)The value of the 2023 allowances and emissions relating to the Italian plants was updated following the ETS audit.

It is noted that pursuant to the MiFID2 directive, the CO_2 emission allowances (EUAs) were considered as equivalent to a financial instrument.

The Gerlafingen plant does not come within the scope of the ETS (Emission Trading System) and is subject to the obligations prescribed by Swiss Law no. 641.71 "Federal law on the reduction of CO_2 emissions". Estimated emissions in 2023 amounted to 85,863 tonnes.

The issue of the ETS will in any case be strongly influenced, in the coming years, by what was announced by the European Commission in the Green Deal package, in particular with regard to the amendment of the specific Directive, the new regulation relating to free allowance criteria (FAR II) and the CBAM regulation.


Photovoltaic plant Renewability Company, Abruzzo, Italy

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k.2 SAFETY MANAGEMENT IN WORKPLACES

Activities relating to the protection of health and safety in the workplace are among the main priority of the Group.

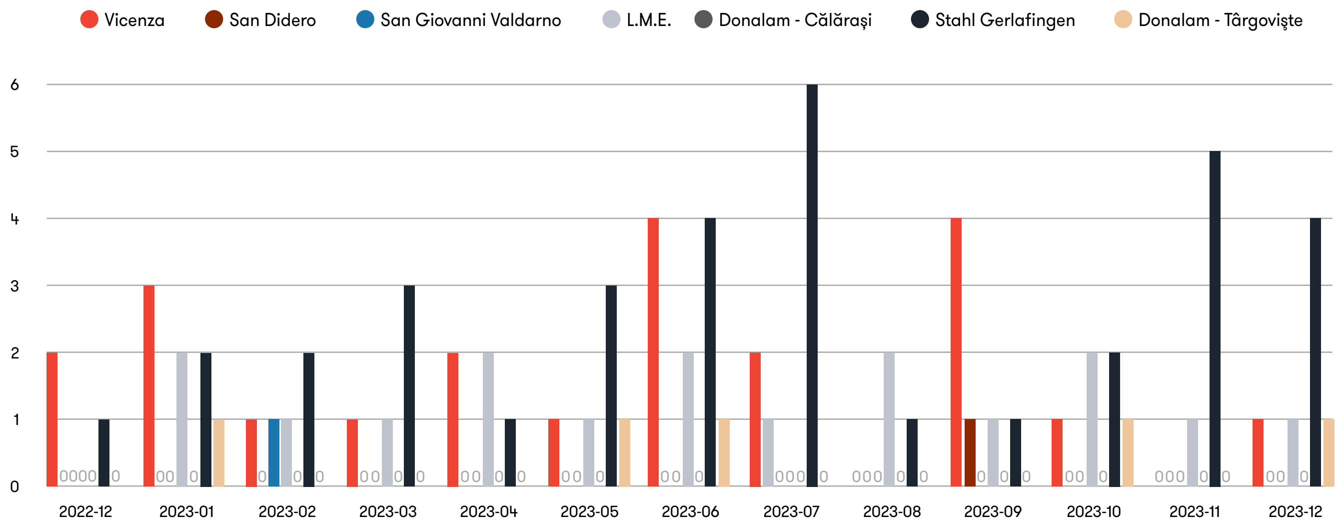
The commitment and worker information, instruction and training, the evolution of plant and work environments, the constant improvement of the company's Health and Safety Management have been used to achieve their maximum optimisation. In 2023, activities pertaining to workplace health and safety continued.

k.2.1 INJURIES AND OCCUPATIONAL DISEASES

With regard to accidents, we note that the accident phenomenon in the Group has recorded a progressive improvement over the last few years and which was confirmed in 2023 with a reduction in the frequency index (LTIFR), a parameter that includes all the accidents that have involved absence from the workplace of at least one day.

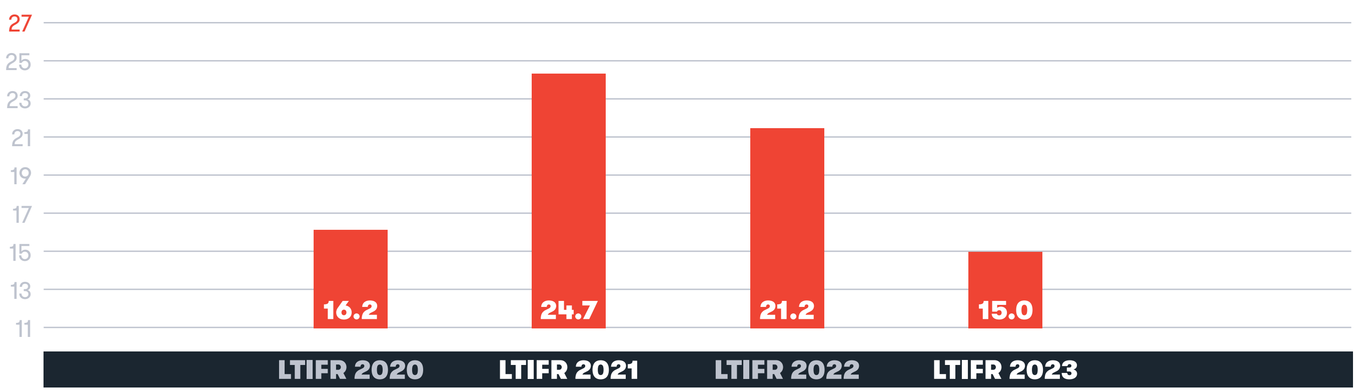
In 2023, 78 injuries were recorded, compared to 86 in the previous year.

Number of LTIs



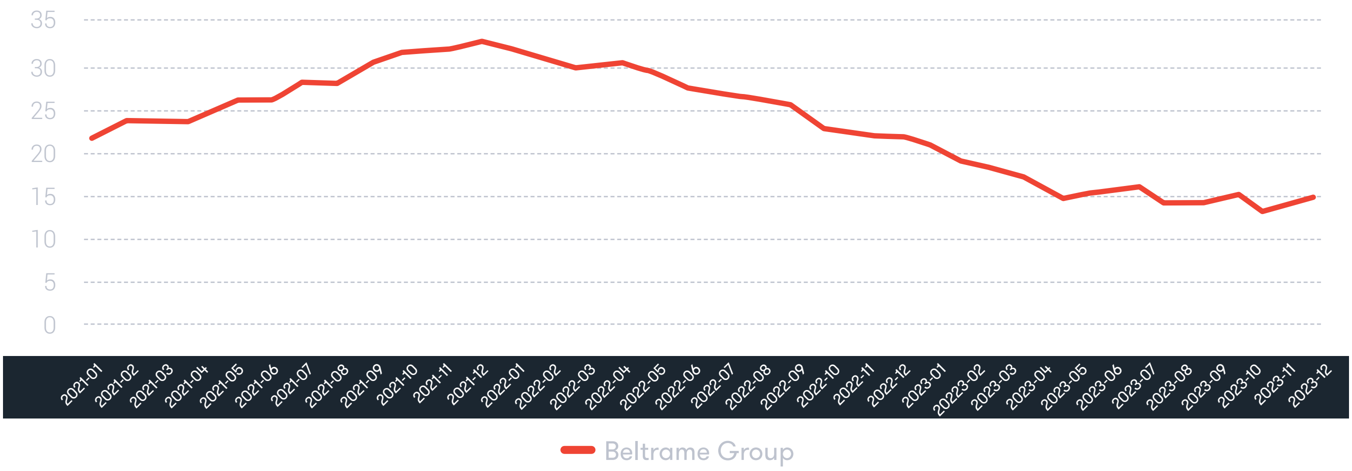
The frequency index at Group level was 15.0, compared to 21.2 in the previous year.

Frequency index trend

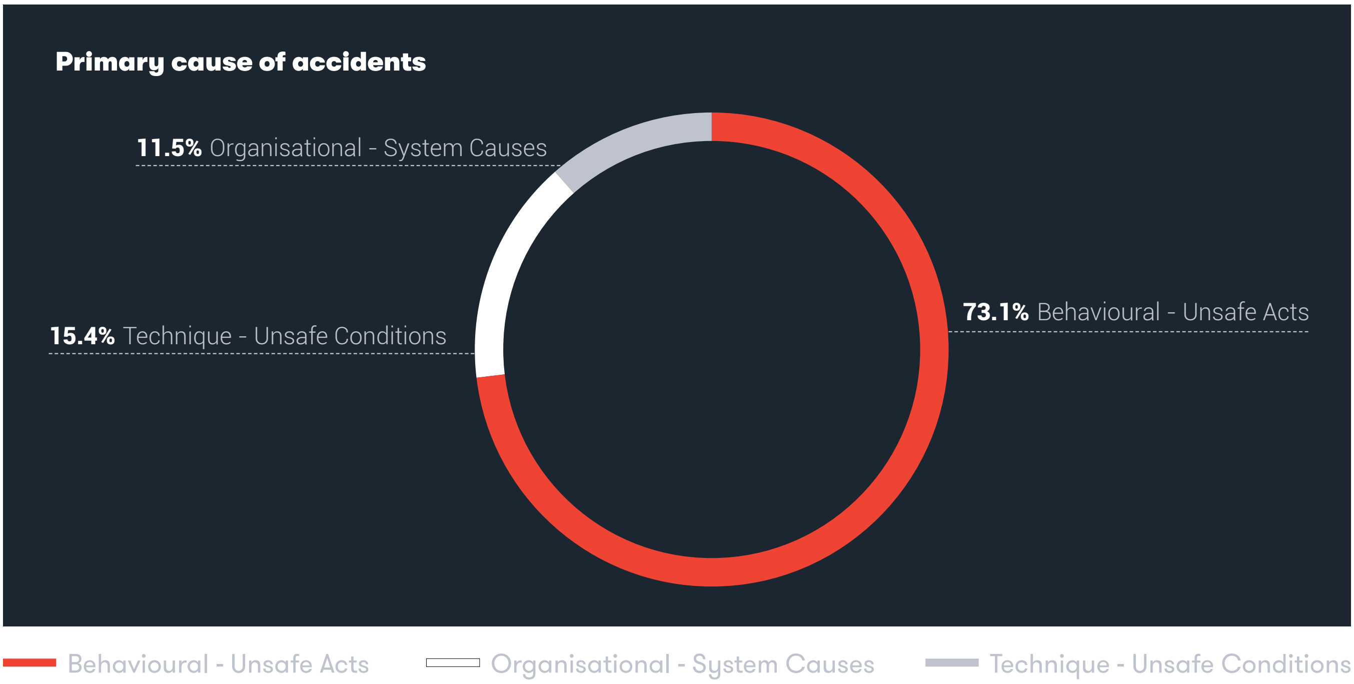


This indicator, expressed as a 12-month moving average, shows a marked decreasing trend, the result of the actions undertaken in the last two years.

LTIFR BELTRAME GROUP - ROLLING 12 MONTHS



The analysis of the causes of injuries (LTI) shows that the main causes are:
- unsafe behaviour or actions for 73.1% of cases;
- organisational deficiency in 15.4% of cases;
- technical causes or dangerous situations in 11.5% of cases.



The main types of injuries that occurred in 2023 are related to sprains, crushing and cuts due to trips or collisions, which involved the upper and lower limbs for about 40% of all injuries.

All the events were analysed and discussed also with the injured party, on their return to work, with the aim of identifying the causes, implementing remedial actions and increasing awareness of a safe approach to the various work phases. This last aspect is significant since about 2/3 of the accidents occurred in the performance of routine activities.

In 2023 no cases were reported with definitive responsibility for claims related to liabilities for work-related illnesses or causes of mobbing.

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k.2.2 MAIN INTERVENTIONS

During 2023, the activities implemented to improve safety awareness and culture at all levels were consolidated through the SHARP project, which began in 2022.

The application of Good Practices, illustrated below, has significantly contributed to the continuous improvement of the accident trend, promoting communication and sharing of various safety aspects.

The following steps were taken:

1. execution of focus on safety or short "safety pills" or training breaks in the departments during work shifts delivered by managers/supervisors, dealing with specific topics or contingent issues in relation to a safe approach to department activities;
2. organisation of safety meetings in production departments, involving EHS with shift managers and department managers, for a periodic examination of accidents that have occurred and their causes, near-misses, reports received on dangerous situations or behaviours;
3. preparation of an accurate and timely analysis of accidents and near-misses with the functions concerned, identifying the root causes of the event by means of specific methodologies (RCA). Approach to any cause identified with radical and targeted action, without neglecting any element that may have contributed to the event;
4. dissemination of press releases and information brochures on significant events, or accidents or near misses, sharing causes and possible common actions between the Group's sites;
5. planning of periodic interactive visits to the production departments by company management, with EHS representatives to make it clear that the priority on safety belongs to all hierarchical levels and organisational functions (Visible felt leadership);
6. resumption and strengthening of interactive visits (SWAT) through an observational approach and the direct involvement of the operators met;
7. assessment and taking charge of the reports that come from workers with resolution plans and feedback to the whistleblowers;
8. dissemination of safety slogans by installing panels containing safety messages in work areas;
9. periodic review of work procedures with respect to technical-organisational changes and correct application in the field;
10. definition of a medium-term training programme on behavioural safety and awareness-raising according to international standards.

In 2023, targets were defined for certain categories of activities and various methods of monitoring and formalising them were tested.

k.2.3 APPLICATION OF GROUP STANDARDS

In 2023, the program for monitoring the application of centrally defined standards on specific safety issues continued in all Group plants.

In particular, the implementation of the ten standards defined, applied and monitored was verified:

1. H&S Reporting and Investigation and Environmental reporting (management of reports relating to incidents and accidents and reports relating to the monitoring of environmental parameters);
2. Mobile Equipment (mobile vehicles and risk of pedestrian/vehicle interference);
3. Work at height;
4. Housekeeping and 5s implementation (order/organisation and cleaning in the workplace);
5. Contractor Safety Management (safe management of contractors);
6. EHS Audit - EHS Scorecard (audit of the different companies);
7. Energy Isolation and LO.TO.TO. (isolation of energy sources before maintenance operations);
8. Liquid steel (risk management related to liquid steel and slag in all phases of handling and transport);
9. SWAT programme (behavioural audit);
10. JSA - Job Safety Analysis (risk assessment analysis of non-routine operations).

Meetings were held dedicated to the definition of specific improvement plans for each site (with specific focus on EHS issues) with the involvement of local committees and the supervision and coordination of Group management.

A benchmarking program was also concluded on the main personal protective equipment (PPE) used in the Group, with particular regard to safety shoes, helmets and protective eyewear, in order to standardise the technical characteristics of the devices.

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k.2.4 HEALTH, SAFETY AND ENVIRONMENT INVESTMENTS

The main investment projects for the management of the environment, health and safety concern:
- improvement of plants and machine tools (MASAI - Machine Safety Improvement Project);
- progress of the programme to upgrade the radiometric monitoring equipment at all sites;
- rationalisation of internal traffic plans to reduce vehicle-pedestrian interference and organisations of rectification of pathways within the plants;
- general arrangement of accesses to work areas, parking areas for operating personnel and changing rooms;
- lateral segregation of the Vicenza scrap yard with perimeter wall on the north side;
- upgrading of electrical equipment, following an update of the risk assessment;
- installation of redundant protections on machinery;
- positioning of bins for the safe storage of various waste;
- extraordinary maintenance of fire prevention systems;
- arrangement of the chemical products storage area in Gerlafingen.

k.3 THE QHSE INTEGRATED MANAGEMENT SYSTEM

To guarantee the principles of the code of ethics and of the quality, health and safety, and environment policies (QHSE), the Group has adopted an Integrated Management System.

The purpose of this system is to facilitate the process for the identification, registration and measurement of QHSE results, in order to drive the continuous improvement process. The attainment of third-party certification is the logical step to implement a management system. The target is to obtain a credited and independent acknowledgement of the Group's commitment.

Regulations adopted at Group level:
- ISO 9001:2015 - Quality management systems;
- ISO 14001:2015 - Environmental management systems - Requirements and user guide;
- ISO 45001:2018 - Occupational health and safety management systems - Requirements;
- ISO 50001:2018 - Energy management systems - Requirements with guidance for use.

The obtaining of certifications has allowed the evolution of performance, thus facilitating the measurement of the same and ensuring the control of corporate processes.

Workers of Vicenza plant, Italy

The table below shows the situation of the certifications obtained by the Group's plants as at the ending date of the 2023 financial year.

Company	Site	Quality Management System	Environmental Management System	Health and Safety Management System	Energy Management System
		EN ISO 9001	EN ISO 14001	EN ISO 45001	EN ISO 50001
AFV Acciaierie Beltrame SPA	Vicenza	x	x	x	x
	San Didero (TO)	x	x	x	x
	San Giovanni Val.no (AR)	x	-	x	x
Stahl Gerlafingen	Gerlafingen (CH)	x	x	x	-
Laminés Marchands Européens SAS	Trith Saint Léger (F)	x	x	x	x
S.C. Donalam Srl	Călăraşi (RO)	x	x	x	-
	Târgovişte (RO)	x	x	x	-

In particular, in 2023 the Group has:

- renewed the certifications relating to the environmental management system (ISO 14001), the safety management system (ISO 45001) and the quality management system (ISO 9001) at the Targoviste site;
- confirmed the certification of the environmental management system (ISO 14001) for all sites, with the exception of the San Giovanni Valdarno plant;
- confirmed the certification of the safety management system (ISO 45001) at all sites;
- extended the certification of the management system for quality (ISO 9001) at all sites;
- attained certification for the energy management system in accordance with the ISO 50001 standard for the three Italian sites and confirmed the certification of compliance with the same standard at the Trith Saint Léger site.

The standards taken as a reference belong to a high-level system (HLS-High Level Structure), which are integrated into a single management system.

This approach involves the analysis of the context in which the company operates, as well as that of the needs and expectations of the parties involved, in this case presenting similarities with the requirements of the approach to sustainability identified by the ESG (Environment, Social, Governance) issues.

The purpose of this approach is essentially to understand the most important aspects that can influence the way in which the company deals with its responsibilities in terms of health and safety. The assessment of risks and consequent opportunities is the tool that the Group has adopted to guide, both at strategic and operational level, its efforts in the implementation and continuous improvement of the safety management system. The standard makes also clear reference to the importance of management awareness and leadership skills and a strong drive towards consultation and participation of workers in issues concerning the safety management system, which the Group has put in place through constant contact with trade unions and workers' representatives for safety.

k.3.1 SHARING AND EXCHANGE OF INFORMATION - CROSS AUDIT

During 2023, a constant exchange of information and checks was maintained within the Group, conducted through comparisons carried out both in person and on a virtual platform, on aspects of legislative compliance and operational management, aimed at sharing of best practices and the identification of ideas for improvement.

Meetings were organised with all EHS managers, often face-to-face, for continuous discussion on various aspects of the Health, Safety and Environment Management System, with reference to the state of application and implementation activities in progress in the plants. In addition to technical and organisational activities, these Safety Managers meetings also cover issues related to Team Building.

The self-assessments on EHS performance of the various plants were also resumed, aimed at conducting intra-group cross-audits, whose methodology and purposes were described in a dedicated workshop ("EHS Cross Audit introduction & training workshop"), focused on the following topics:

- EHS Management System;
- Occupational health and safety;
- Reporting of accidents/injuries and near misses;
- Pollution prevention and control;
- Suppliers, Contractors and Visitors;
- Working at heights;
- Internal logistics and circulation plan;
- Isolation of energy sources (LOTOTO);
- Machinery Safety;
- Workplace tidiness, cleanliness and organisation;
- Management of temporary workers;
- Heavy lifting (use of gantries and lifting accessories);
- Use of Forklift Trucks;
- Management of emergencies;
- Protection of isolated workers;
- Restricted spaces;
- Risks linked to the presence of liquid steel/incandescent slag;
- Legionella risk prevention;
- Health surveillance;
- Collection and separation of waste;
- Status of application of the SHARP project.

Workers of Stahl Gerlafingen plant, Switzerland

k.4 EPD® ENVIRONMENTAL PRODUCT DECLARATION

The Environmental Product Declaration (known as EPD®) is a voluntary product certification scheme, developed in application of ISO 14025 (Type III environmental labelling), according to the International EPD System Programme and validated by independent third-party bodies.

These declarations relate to the environmental impacts that may be associated with the product life cycle and which are assessed through the Life Cycle Assessment (LCA), so as to ensure transparency, objectivity and comparability of the results expressed, relating to the environmental performance of products. The information contained in the EPD is of an informative/communicative nature on environmental performance and there are no prescriptive performance thresholds.

The Group has numerous Environmental Product Declarations (EPD®) validated by independent third parties for its merchant bars, rebar coils, SBQ profiles and the Beltreco industrial aggregate.

Below is a summary of the environmental product declarations held by the Group:

EPD - Product	AFV Beltrame Group Plant	Emission date
Merchant bar	Vicenza	2023
Beltreco inert aggregate	Vicenza	2023
Merchant bar	San Didero	2023
Merchant bar	San Giovanni Valdarno	2023
Merchant bar	Stahl Gerlafingen	2022
Rebars	Stahl Gerlafingen	2022
Merchant bar	L.M.E.	2023
Rebars	L.M.E.	2023
Special steels - SBQ Bars	Donalam	2021

The EPD declarations of the Group's products have been validated and registered within the main international schemes (International EPD® System and IBU - Institut Bauen und Umwelt).

With reference to the assessments on the impacts that emerge from the analysis of the life cycle and which are traced back to standard indicators, the EPD is used in the Group as an operational support in the continuous improvement process, as it allows to identify areas of intervention in the various phases of the production process, supply chain and customer supply. This declaration is also the starting point for identifying the carbon footprint of products (GWP - Global Warming Potential). In Italy the validation of the environmental product declaration meets the requests of some national customers, related to "green" public purchasing and supply, for which the minimum environmental criteria for construction products are considered fulfilled when they have a Type III Environmental Product Declaration (EPD), which complies with UNI EN 15804 and ISO 14025.

Another fundamental element supporting the peculiar circularity of the electric furnace steel supply chain is the declaration of the content of recycled material present in the finished products. Third-party certification available within EPD declarations, consistent with the UNI EN ISO 14021 standard, identifies the percentage of materials from recovery cycles used in the production process, which was higher than 95% also for the year 2023.

Finally, the Climate Declaration, a document containing information on climate impact (GWP - global warming potential) expressed in kg CO_2 eq., has been drawn up for products whose EPD has recently been validated. This information is based on the verified results of a life cycle assessment (LCA).

k.5 GREEN DEAL OF THE EUROPEAN COMMISSION

Regulatory Context
The European Green Deal is a package of strategic initiatives that aims to start the European Union on the path of a green transition with the ultimate goal of achieving climate neutrality by 2050.

The plan aims to support the transformation of the EU into a fair and prosperous society with a modern and competitive economy and highlights the need for a holistic and cross-sectoral approach in which all relevant strategic sectors contribute to the common goal of climate.

The package includes initiatives on climate, environment, energy, transport, industry, agriculture and sustainable finance, all highly interconnected sectors and will offer significant opportunities; for example economic growth potential, new business models and markets, new jobs and technological development.

FIT FOR 55 - How the eu will turn climate targets into legislation
The package aims to translate the ambitions of the Green Deal into legislation and consists of a series of proposals aimed at revising legislation on climate, energy and transport and implementing new legislative initiatives to align EU legislation with its climate objectives.

The plan includes the following points:
- a review of the EU Emissions Trading System (EU ETS), which includes its extension to maritime transport, and a review of aviation emission standards as well as the establishment of an emissions trading system separate for road transport and construction;
- a revision of the Effort Sharing Regulation governing Member States' reduction targets in sectors not included in the EU ETS;
- a revision of the LULUCF regulation on the inclusion of greenhouse gas emissions and removals from land use, land use change and forestry;
- an amendment to the regulation that establishes the rules on CO_2 emissions from cars;
- a revision of the directive on the promotion of renewable energies;
- a revision of the energy efficiency directive;
- a revision of the directive on the taxation of energy products;
- a carbon border adjustment mechanism (CBAM);
- a revision of the directive on the construction of an infrastructure for alternative fuels;
- ReFuelEU Aviation for sustainable aviation fuels;
- FuelEU Maritime for a sustainable European maritime space;
- a social climate fund;
- a revision of the Energy Performance of Buildings Directive (EPBD);
- the reduction of methane emissions in the energy sector;
- a revision of the third "Energy" package on gas.

European climate legislation
With its adoption, the EU and its Member States have committed to reducing net greenhouse gas emissions in the EU by at least 55% by 2030 compared to 1990 levels and to achieve climate neutrality by 2050. This is a legally binding target based on an impact assessment carried out by the Commission.

The main actions envisaged by the regulation are as follows:
- defining the pace of emission reduction until 2050 to guarantee a defined path for businesses, stakeholders and citizens;
- developing a system to monitor progress towards the goal and report on it;
- ensuring a cost-effective and socially fair green transition.

EU climate change adaptation strategy
The strategy outlines a long-term vision for the EU to become resilient to climate change and fully adequate to its inevitable impacts by 2050.

EU Biodiversity Strategy for 2030
The EU biodiversity strategy for 2030 aims to contribute to the recovery of biodiversity in Europe by 2030, which would benefit people, the climate and the planet.

"From producer to consumer" strategy
The Commission's "From producer to consumer" strategy aims to help the EU achieve climate neutrality by 2050, by orienting the current EU food system towards a sustainable model.

Industrial strategy for Europe
The objective of the EU industrial strategy is to support industry in its role as an accelerator and driver of change, innovation and growth, strengthening its resilience and promoting its competitiveness and green and digital transformation.

Action plan for the circular economy
The action plan includes over 30 action points on the design of sustainable products, circularity in production processes and the opportunity to give consumers and public buyers the opportunity to make informed choices. It covers sectors such as electronics and TLC, batteries, packaging, plastics, textiles, construction of buildings and food products.

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Just Transition

The EU has introduced a just transition mechanism to provide financial support and technical assistance to the regions most affected by the transition to a low-carbon economy. The mechanism will help mobilise funds in the period 2021-2027 in favour of:

- people and communities: facilitating job opportunities and redevelopment, improving the energy efficiency of housing and combating energy poverty;
- companies: incentivising investments in the transition to low-carbon technologies, providing financial support and investments for research and innovation;
- member states or regions: investing in new jobs in the green economy, sustainable public transport, digital connectivity and clean energy infrastructure.

Contribution of the financial sector

As part of the Green Deal, the Commission has proposed a series of initiatives on sustainable finance:

- investment plans;
- taxonomy on green investments;
- rules on green bonds;
- financing of the climate transition (general information);
- clean, economic and safe energy.

EU Sustainable Chemicals Strategy

Chemicals are essential for the modern standard of living and for the economy. However, they can be harmful to human health and the environment. The strategy is an essential element of the European Green Deal and its ambitious goal of eliminating pollution.

Forestry strategy and zero deforestation imports

The EU forest strategy for 2030 presented by the Commission in July 2021, one of the main elements of the European Green Deal, is based on the EU biodiversity strategy and plays a central role in efforts to reduce greenhouse gas emissions of at least 55% by 2030.

Carbon border adjustment mechanism (CBAM)

CBAM is a border carbon price adjustment mechanism that clearly addresses the risk of business relocation and carbon emissions (carbon leakage) resulting from the EU's increased climate ambition level. The purpose of this mechanism is to prevent EU emission reduction efforts from being offset by increased emissions outside the EU, through the relocation of production or increased imports of products with a lesser climatic cost at source. The CBAM will be operational from 2026, and will gradually decrease the percentage of free ETS allowances (phase out of free allowances).

As regards the steel sector, all materials under the item "pig iron, iron and steel" in Annex I to Regulation (EU) 2023/1773 are subject to the CBAM, with the exclusion of scrap and some ferroalloys. Among the latter, only ferrochromium, ferromanganese and ferronickel are considered.

In addition, once fully operational, the regulation only requires measurement of direct emissions (therefore excluding indirect emissions associated with electricity consumption) incorporated in the imported product.

On 1 October 2023, the transition phase relating to the implementation of the CBAM Regulation began. The quarter ending on 31 January 2024 represents the first reference period for which communication obligations apply on the part of importers (or indirect customs representatives).

During this transitional period, the EU Commission intends to collect information for the subsequent review steps in order to implement a gradual transition to the operational phase that will start from 1 January 2026.

k.6 GROUP BUSINESS ACTIVITIES

The Group pays particular attention to the evolution of sector regulations and looks further, monitoring the possible risks and opportunities that derive from them. In order to best carry out this activity, a specific organisation within the company was structured already from 2022.

Also in 2023, the scope of the Strategic Committee focussed on the performance of the Group's decarbonisation objectives established in 2022 and the consequent strategies to be implemented to achieve the objectives set in the years to come.

The attention of our stakeholders and the continuously changing regulatory context have offered new development opportunities: reducing CO_2 emissions today is the key to accessing the economic context of tomorrow, in which companies will be called upon in order to be increasingly sustainable in order to remain competitive. In particular, according to the decreasing trend identified in the Group's decarbonisation plan, in 2023 the KPI representing Scope 1 plus Scope 2 CO_2 emissions should have been 0.24 tCO_2/t.

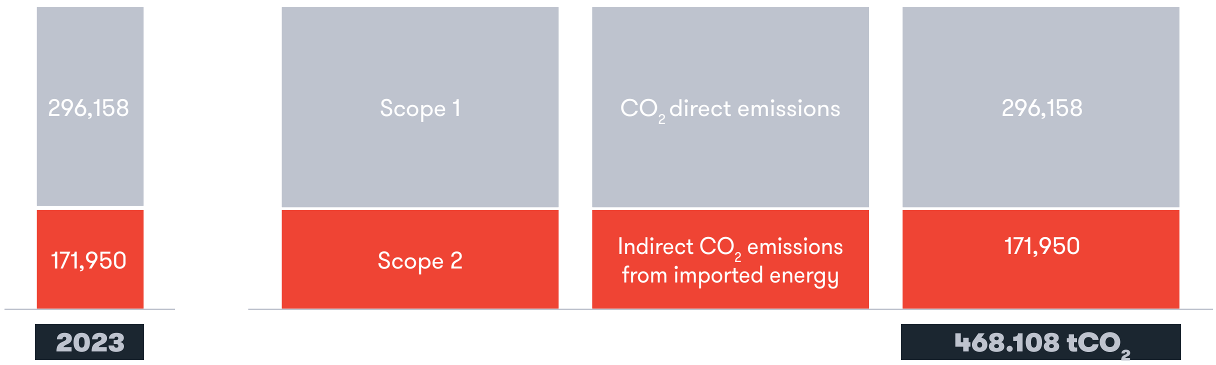
However, it should be emphasised that this indicator is influenced by two variables: production volumes (endogenous variable), which improve the KPIs as production increases, and electricity emissions factors (exogenous variable). In particular, France's electricity emissions factor (source: AIB 2022) was significantly higher than the historical figure due to the exceptional and prolonged shutdowns of French nuclear power plants. Therefore, according with the certification body, an estimate was made that was more representative of the real French energy mix in 2023.

CO_2 emissions are managed through a structured and responsible approach based on three fundamental steps:

Measure **Identify actions** **Reduce**

To measure the emissions of the steel industry, there are two main options: the absolute value of the emissions and the CO_2 intensity, the latter expressed in tonnes of CO_2 per tonne of finished steel product.

The values at Group level of Scope 1 and Scope 2, referring to the year 2023, are shown below.



Notes:
Scope 1 includes the following emissions outside the ETS scheme: fuel combustion from company cars and fugitive emissions;
Scope 2 is calculated by applying a market-based approach, using the AIB 2022 residual mix factors by country.

The CO_2 emission intensity, again referring to Scope 1 + 2 emissions for steel mills and rolling mills, referring to 2023 and expressed in tCO_2/t of finished steel product is shown in the following diagram.

Scope 1: 0.15 tCO_2/t
Scope 2: 0.08 tCO_2/t

Notes:
Scope 1 includes the following emissions outside the ETS scheme: fuel combustion from company cars and fugitive emissions; Scope 2 is calculated by applying a market-based approach, using the AIB 2022 residual mix factors by country.

Also in 2023, the Group has finalised the calculation of its carbon footprint, believing that all the phases that contribute to the generation of the finished product must be considered for the purposes of analysis and measurement. In fact, the Scope 1 + 2 + 3 (upstream) of all steel mills and rolling mills were considered, averaging the specific performance on production.

The Scope 1 + 2 + 3 (upstream) emissions were validated by the RINA accredited Certification Body in compliance with the ISO14064-1 standard.

Specific emissions are lower than both the average of the global steel industry emissions and the European average of the emissions of electric arc furnace steel (EAF), the same production technology.

The Group is committed to further reducing its carbon footprint and has identified tangible actions to reduce its CO_2 emissions as part of a reduction strategy extended to all companies.

Through these initiatives, CO_2 emissions, already among the lowest in the sector, will be further reduced, thanks to a decarbonisation plan that aims to reduce Scope 1 and 2 emissions by 40% by 2030, compared to 2015 levels.

The activity plan is oriented towards four main areas of action:

A) Production efficiency: with projects aimed at improving the efficiency of production processes through various key initiatives for the Group such as, for example, the revamping of the main reheating furnaces, carried out in 2023.

B) Circular economy practices: with measures to improve the quality of scrap and other raw materials, together with measures for the reuse of waste from production processes and the replacement of raw materials with recycled materials.

Some examples of such actions are:

- the internal reuse of steel mill slag or the production of certified industrial aggregates, thus creating the conditions to meet green procurement requirements in the construction chain;
- the use of recycled products deriving from the separate collection chain of plastic in partial replacement of coal.

Furthermore, the Group's production is completely based on the use of scrap as a raw material; in fact, over 95% of all iron used as raw material is recycled.

C) Procurement of green energy: the Group has planned investments to achieve two ambitious targets by 2030: 40% renewable energy of the total supply for Italian and Romanian sites and a significant increase in the quantity of non-fossil energy sources for French and Swiss sites. Also in this case, in 2023, the Group made significant investments in the development of projects for the procurement of green energy (see paragraph 1.1.2 "Energy consumption").

D) Technological solutions that involve the use of hydrogen as an energy carrier: the Group is preparing to use green hydrogen as a fuel, also participating to community projects funded for the study of these solutions. The heating furnaces of the rolling mills are already set up to use hydrogen as a fuel mixed with natural gas. The potential use of green hydrogen is a long-term opportunity (roughly starting from 2026, according to various ongoing studies) which envisages a fuel mix (80% natural gas and 20% green hydrogen) and the support of induction furnaces.

The year 2023 also marked an important step forward in the refinement of data relating to Scope 3 (indirect emissions produced within the Group's value chain). In fact, this category of emissions accounts for about 60% of the Group's total emissions. The company is strongly convinced of the need to further investigate the carbon footprint of its indirect Scope 3 emissions and for this reason has undertaken a stakeholder engagement process focused on the main upstream and downstream raw materials and transport suppliers, i.e. the items with the greatest impact with regard to Scope 3.

The first step was to carry out the mapping of strategic suppliers from the point of view of CO_2 emissions, dividing them into the most impactful macro-categories. Subsequently, a questionnaire was prepared requesting information at various levels, such as the type and quantity of material supplied, country of origin, product CO_2 emissions, means of transport used for the supply and other useful information for the purpose of decarbonisation.

The questionnaire was sent to more than 80% of finished product transporters and more than 95% of suppliers of the most CO_2-impacting raw materials. There was a high level of participation from suppliers, with a response rate of more than 80% in all categories concerned.

After analysing the questionnaires answers, the Group is conducting in-depth interviews with the main partners impacting at Scope 3 level in order to:

- understand customers' awareness level with regard to sustainability and decarbonisation issues;
- check for the presence of specific data (e.g. CO_2 emissions), methods used in the calculation and/or presence of any certifications (e.g. ISO14064-1) to improve the quality of the GHG emissions inventory;
- incentivise the improvement of suppliers' sensitivity on environmental issues, with the possibility of evaluating future partnerships.

The project's objective is to improve the quality of the GHG emissions through the acquisition of primary data from suppliers with specific emission factors instead of using average values from databases.

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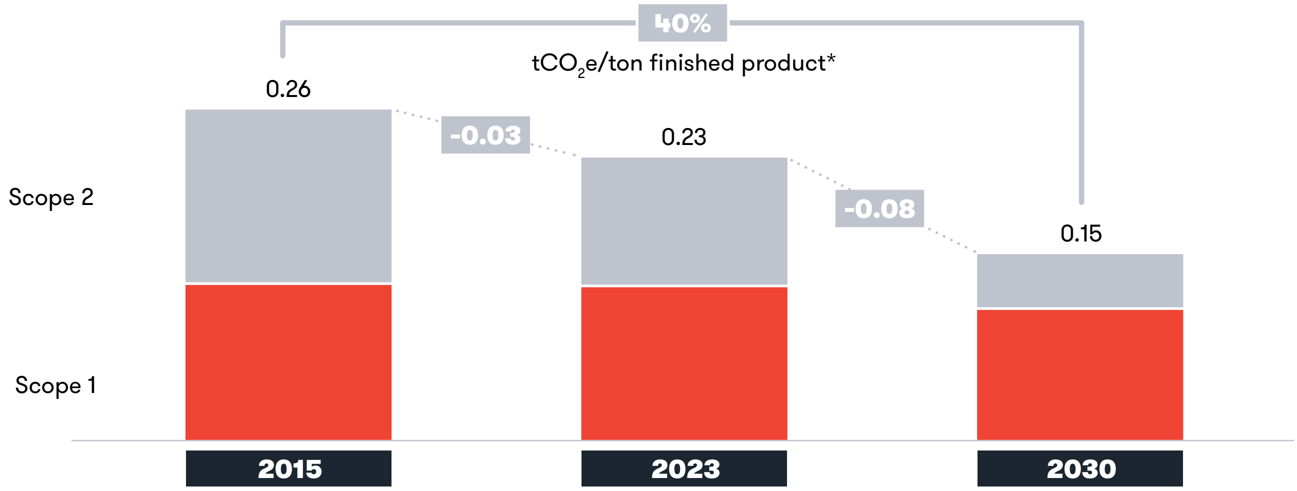
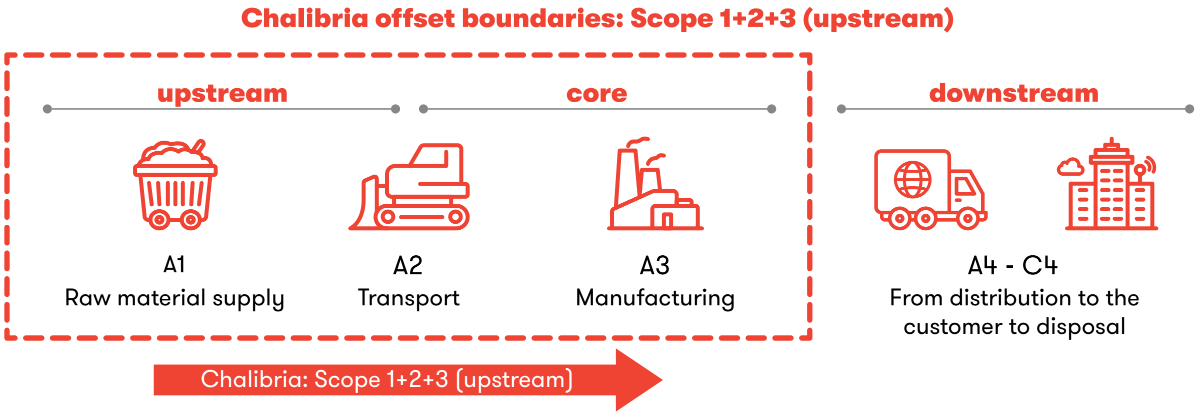
The following chart shows the reduction target by 2030 (compared to 2015) of Scope 1+2 as the Group's target (tCO_2/t of the finished product).



k.7 CHALIBRIA - CARBON NEUTRAL STEEL

Chalibria is the carbon neutral steel of the AFV Beltrame Group in relation to Scope 1 + 2 + 3 emissions (upstream) along the "cradle-to-gate" value chain, whose quantification has been verified by the accredited certification body RINA in compliance with the ISO14064-1 standard (Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals).

The Group uses the RINA digital platform that supports audit activities, "DIAS" (Data Integrity Audit Services platform); this platform guarantees the traceability, integrity and transparency of data along the "cradle-to-gate" chain value for carbon neutral Chalibria steel.
The boundaries of Chalibria's carbon neutrality are shown in the following diagram:



For the CO_2 emissions that the Group is not yet able to reduce through the projects included in the decarbonisation plan, Chalibria's carbon neutrality is obtained by offsetting these emissions through the purchase of carbon credits on a voluntary basis, in line with the PAS2060 certification (Specification for the demonstration of Carbon Neutrality).

The investments of the decarbonisation plan will allow the reduction of emissions of the "cradle-to-gate" chain value and consequently a decreasing purchase of carbon credits.

Carbon neutrality is validated through a certificate issued by RINA in accordance with the standards and sent to all our customers who purchase Chalibria steel.

The AFV Beltrame Group carefully selects projects that generate carbon credits, basing its purchasing process on evaluation criteria that ensure the project's integrity and quality, in particular:

1. procurement of CO_2 credits from Program Operators included in the IETA-ICROA code of conduct (e.g. VCS - Verified Carbon Standard, CDM - Clean Development Mechanism, GS - Gold Standard), validated and verified by independent third parties;
2. selection of projects that meet minimum eligibility criteria (additionality, permanence, no-double counting), preferring those subject to a robust system for quantifying CO_2 emissions (reduction and/or removal);
3. ensuring that projects contribute not only to reducing CO_2 emissions, but also to a wider positive impact on the environment, local communities and sustainable development (SDGs).

The certificate sent to customers that certifies the carbon neutrality of Chalibria steel, shows the reference project for the carbon credit used for offsetting, together with the verification of the compliance of carbon credits issued by RINA in line with the PAS2060 certification.

Plant in Călărași, Romania

k.8 SUSTAINBILITY REPORT

Also in 2023, the Group consolidated its commitment to ESG issues through the preparation of the Sustainability Report. This document clearly reflects the performance and initiatives undertaken to promote sustainable development, with the aim of constantly improving industrial processes, company management and the approach towards stakeholders along the entire value chain.

Particular emphasis was placed on virtuous processes that promote the circular approach of the steel production chain, aiming to reduce raw materials consumption and to identify innovative solutions for the recycling and enhancement of by-products.

With a view to actively involving all stakeholders in the value chain (shareholders, employees, customers, governments, suppliers, local communities), the Group has structured itself internally with a specific organisation dedicated to sustainability. This central unit monitors and coordinates the company's overall commitment, defines the sustainable strategy and validates the projects managed locally.

During 2023, stakeholder mapping was reviewed and approved in line with the engagement approach implemented over the last two years, in compliance with the 2021 Global Reporting Initiative (GRI) Standards, with the aim of creating shared value and identifying material topics.

The list of existing material issues was also re-evaluated internally and approved, confirming impact categories, positive and negative, current and potential, relating to the economy, the environment and people, including human rights.

In following the GRI Standards, the Group considered each step in the revaluation of material topics, assessing negative impacts (risks) based on their severity and probability, and positive impacts based on their scope and extent, consolidated in terms of significance and prioritised for reporting purposes.

With this integrated approach, the Group is committed to promoting sustainable development through practical and transparent actions, which are outlined in the Sustainability Report, concerning key material topics, including:
- health, safety and well-being (including human rights);
- decarbonisation and climate change;
- energy management;
- environmental management (water, air, waste);
- economic performance;
- protection and development of human capital;
- business ethics;
- policy and regulatory risk;
- community impact and development.

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k.9 THE FIVE PILLARS OF SUSTAINABILITY IN AFV BELTRAME

In the more general framework that envisages the integration of sustainability in the Group's activities and strategy, five main pillars have been identified on which to concentrate efforts and define precise objectives:

Safety

The Group has launched a program of concrete actions aimed at reducing accidents and occupational diseases. A focus on people that we consider fundamental for the growth of the Group.
Aiming to make all company levels increasingly aware, increasing opportunities for communication and discussion, in order to guarantee health and safety in the workplace, the SHARP project is part of this context.

Energy consumption

Since the beginning, the Group has invested in reducing energy consumption: efficiency and the reduction of production costs have always been a primary driver for being competitive over the years.
To continue on this path, the production efficiency strategy was strengthened by modernising the gas heating furnaces, designing and implementing heat recovery systems and installing digital control systems.

Water consumption

The Group is constantly working to reduce water consumption. At all sites, the cooling systems were improved to reduce the use of water and the rainwater treatment system was optimised.

CO_2 emissions

The Group has defined the Decarbonisation Plan by 2030 for Scope 1 and 2, with a 40% reduction in emissions compared to 2015. The Decarbonisation Plan is at the heart of the environmental strategy.

Waste management

The Group has launched a circular economy project with specific measures to improve the quality of scrap and other raw materials and to promote the reuse of materials involved in the production process. In line with the "AWaRe" (All Waste Recovered) project, the objective is to optimise the recovery of waste produced at the sites. In 2023, the Group recycled and reused more than 90% of the waste produced.

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k.10 CORPORATE SUSTAINABILITY REPORTING DIRECTIVE PROPOSAL AND TAXONOMY

On 28 November 2022, the European Council definitively approved the Corporate Sustainability Reporting Directive (CSRD), one of the cornerstones of the European Green Deal and of the Sustainable Finance Agenda, which amends Directive 2014/95 (NFRD - Non-Financial Reporting Directive). Entry into force finally took place on 5 January 2023, and will ascribe to large companies, not currently subject to the Non-Financial Reporting Directive, and which meet two of the following criteria:

- turnover exceeding Euro 50 million;
- shareholders' equity exceeding Euro 25 million;
- over 250 employees

in the obligation to submit their reports on issues related to sustainability performance starting from 2026 (with reference to 2025).

The aim of CSRD is to broaden the scope of subjects obliged to provide sustainability information to stakeholders, particularly financial stakeholders, by providing:

1. all the information on how developments in the field of sustainability influence and affect the company (e.g., the effects of climate change on the business model) from a financial materiality perspective.
2. all the information on the effects that the company itself has on the surrounding environment (e.g., the effect of emissions from production processes on the air quality of local residents) in terms of impact materiality.

The concept of "dual materiality" is thus consolidated with regard to both the impacts of the company business on society and the environment, and those induced by the implementation and application of sustainability factors on the prospects and strategies of companies, identifying risks and opportunities.

The reporting standards will also be modified; in particular, the common European standards (ESRS - European Sustainability Reporting Standards), which have been developed by the EFRAG (European Financial Reporting Advisory Group) on the mandate of the European Commission, must be used in line with the objectives of the Green Deal, which must ensure that the information provided by companies is understandable, relevant, verifiable, comparable and faithfully represented, while avoiding disproportionate administrative burdens for the companies themselves.

The sustainability information will be integrated in the supplementary report on the management of the financial statements, with an assessment by the independent auditors limited in the first period to a "limited assurance".

The CSRD directive is strictly linked to the Regulation on Taxonomy (EU Regulation 2020/852), which introduced taxonomy of eco-friendly economic activities into the European regulatory system; a classification of activities that can be considered to be sustainable based on their alignment with the European Union's environmental objectives and compliance with certain social clauses.

To be environmentally friendly, an activity must meet the following criteria:

1. Make a "substantial contribution" to at least one of the six environmental objectives:
   - climate change mitigation;
   - climate change adaptation;
   - sustainable use and protection of water and marine resources;
   - transition to a circular economy;
   - pollution prevention and control;
   - protection and restoration of biodiversity and ecosystems.
2. "Do No Significant Harm" (DNSH) to any of the environmental objectives.
3. Be carried out in compliance with minimum social guarantees (for example, those provided for by OECD guidelines and United Nations documents).
4. Comply with the technical screening criteria set by the European Commission.

In particular, companies subject to regulations on non-financial reporting must declare which "share" of their activities is "aligned" with the taxonomy according to criteria defined above.

The Group has a structure able to cope with the regulatory changes that will be introduced and will dedicate the coming months to the in-depth study of the various mandatory requirements that will be introduced with the CSRD and with the regulation on Taxonomy.

THE CONTINUOUS IMPROVEMENT PROGRAMME

The Group Continuous Improvement Programme was launched in 2016, with the introduction of two main project management modes: the APC (Action Plan & Control) and OpEx (Operational Excellence) functions.

The APC applies to projects with known solutions to be implemented, unlike OpEx, which uses a structured methodology for the development of issues with yet undefined solutions, applying the DMAIC model in a streamlined manner. The APC methodology ensures that plans are shared and respected for each activity, while OpEx also aims to train effective and efficient Project Leaders.

These two management methods are the pillars of the programme and find their adequate application in the top-down support of strategic management activities through the application of Lean-Six-Sigma methodologies aimed at reducing variability (Six-Sigma) and improving the flows (Lean Manufacturing) of business processes.

Since the start of the Continuous Improvement programme, over 500 improvement projects have been carried out, which have led to significant savings thanks to the solutions applied with planned and effectively completed actions.

Continuous improvement is certainly based on support for strategic projects, but this is not its only form: training, coaching and shopfloor management activities are a fundamental element in achieving process excellence.

In fact, customised training programs, resulting in the attainment of Belt certifications, recognised internationally by the British Quality Foundation, are consistently provided to Group personnel.

In 2023 alone, in the Group 521 people were trained in Lean Basics logic, 723 on the 5S +, 117 attended the Yellow Belt course and 5 the Green Belt course. Consequently, 123 Yellow Belts, 6 Green Belts and 2 Black Belts were certified.

Specific improvement activities also find their application directly in the production departments, such as, for example, the 5S + construction sites, which represent a veritable workplace management and organisation strategy, or the visual boards, which play a crucial role in facilitating communication, collaboration and coordination between the various teams and departments.

From 2016 to 2023, the number of people who learned project management and Lean Six-Sigma techniques continued to increase, with the ultimate aim of spreading the logic of continuous improvement and creating a self-sustainable culture. In fact, the ultimate goal of the function is to achieve the excellence of each process through small and constant incremental improvements, to create a corporate culture that makes kaizen (from Japanese "change for the better") a daily activity for everyone, at every level. In fact, people remain the focus of the continuous improvement program, which can be considered a real philosophy, which begins with training and ends with the management of targeted work groups for the development of projects. To date, it is possible to estimate that more than 40% of the Group's personnel are involved in continuous improvement activities.

The creation of this network was possible thanks to the organisation of the function that finds figures dedicated to continuous improvement at each site, who act as facilitators between the departments, especially in the development of projects and are committed to disseminating the results achieved. The Group's central structure supports colleagues at the various production sites in promoting Best Practice projects and is responsible for aligning Management's requirements.

In order to have an overview of the performance of the function, as it has to achieve targets established at Group level, roadmaps have been introduced that, in a simple and explanatory format, present the short-term planning of the activities of the function starting from 2022. These make it clear which company areas are directly involved in the improvement programme and which are the economic results (and which are not) that are expected.

Continuous improvement activities are firmly integrated into the Group's strategies and directly involved in all high-potential strategic projects, working across all processes.

The Board of Directors of the Parent Company, to assure the best conditions of correctness, transparency and lawfulness in the execution of its own corporate functions, adopted, with the Board of Directors' resolution of 15 December 2008 the Organisation, Management and Control Model under Italian Legislative Decree no. 231/2001, which governs the company's administrative liability for unlawful acts by top managers or employees or contractors in the interest or for the benefit of the company.
An integral part of the Organisational Model is the Code of Ethics, approved concurrently with the model, which contains the principles and rules of behaviour guiding the Beltrame Group's activity.
Considering that the Code of Ethics references principles of behaviour (including lawfulness, integrity and transparency) suitable also to prevent the unlawful behaviours under Italian Legislative Decree no. 231/2001, this document acquires relevance for the purposes of the model and, therefore, it is complementary thereto.

Objectives

The purpose of the model is the construction of a structured, organic system of control procedures and activities, such as to allow, through a monitoring action on areas of activity at risk, to intervene promptly to prevent or contrast the perpetration of the types of offences contemplated by Italian Legislative Decree no. 231/2001.

Revisions

Through the years, the Model was revised in view of the new offences taken into consideration by the lawmakers as requirements for the enforcement of Italian Legislative Decree no. 231/2001.
Lastly, on 2 February 2023, the company's Board of Directors approved the updated Organisation, Management and Control Model, which includes the organisational regulations and amendments intervened since the previous versions of the model, the last of which was approved on 22 December 2020, and on 9 February 2024 approved an update of the ethical code, extending its application also to plants acquired following the merger by incorporation of Idroelettriche Riunite S.p.A..

Vigilance over the model and over the other internal control activities

The company appointed the Supervisory Committee to oversee the operation and compliance of the Organisational Model. The Supervisory Committee is vested with autonomous powers of initiative, expense and control and reports directly to the Board of Directors.

Also in 2023, the conflict in Ukraine determined an increase in factors of uncertainty related to the geopolitical situation in Europe, with particular reference to the continuity of supplies and the prices of raw materials and energy resources.

Any disruption in global value chains, resulting in particular from attacks on shipping traffic in the Red Sea, or increase in energy prices caused by a negative development in the war in the Middle East, constitute further downside risks.

Conflict in Ukraine

This conflict causes immeasurable human suffering and marks a turning point for Europe. The situation is very dynamic and will continue to have an impact on the economy and financial markets around the world.

The Group does not operate as an outlet market for its finished products in Russia and Ukraine.

As regards ferrous scrap, the Group purchases the material mainly in the European Union and Switzerland. The availability of this material is therefore confirmed, even if market prices may undergo strong fluctuations.

The specific risks for the Group reside in the supply of ferroalloys, carbon electrodes and graphite used in the melting process in the steel mill and in the supply and availability of natural gas, especially for rolling mills. At present, there are no significant procurement problems and the availability of alternative supply channels makes it possible to mitigate the risk.

Donalam purchased a significant percentage of its semi-finished steel products from Russian suppliers and the preference for this supply channel is linked to geographical proximity and price. The availability of these products on the international market made it possible to evaluate alternative suppliers and supply channels were activated with European operators in Romania, Germany, Austria, Poland and with non-European operators in order to make up for a possible reduction in supplies from Russia.

Maritime trade and attacks on vessels in the Red Sea

Following the hostilities between Israel and Hamas, the Huthi militias, which control part of Yemen, attacked some merchant ships at the entrance to the Red Sea, starting from the second half of last November. The growing risks for crews and cargo safety have progressively driven the main shipping companies to divert naval traffic onto the longer route circumnavigating the African continent.

The Group does not operate as an outlet market for its finished products and as a procurement market for ferrous scrap through the Suez Canal.

The effects of this macroeconomic context inevitably affect also the management of the risks to which the Group is subject.

The Group is monitoring the situation and its possible negative impacts on the business with the utmost attention and is implementing all possible strategies and actions to mitigate the risk.

The objectives and policies for the management of the risks to which the companies of the Group are subject are indicated below:

Risks connected with the Group's activity, strategy and operations

The Group's profitability depends on reaching determined minimum sale volumes. Any reduction in sales would compromise the operating results and the financial situation of the Group because of the significant incidence of fixed costs. In addition, the Group is constantly engaged in the implementation of actions directed at containing costs and hence mitigating this risk.

Risks connected with the performance of global financial markets, with the economy in general

The economic results and financial position of the Group, with particular reference to investment projects and growth objectives in production and sales, are inherently risky and uncertain because they depend on the occurrence of future events and macroeconomic developments, mainly the evolution of the geopolitical situation, the future evolution of demand, supply and prices of steel products, changes in energy and raw material prices, particularly in the Eurozone.
In general, demand in the steel manufacturing segment has historically been subject to high cyclicity and tends to reflect the general performance of the economy, in most cases anticipating it and amplifying it. This tendency leads to a lack of predictability concerning product demand and consequently production volumes.

Risks associated with IT systems

A significant portion of the Group's activities are managed using IT systems. The failure or partial operation of the IT systems for a significant period of time could have a negative impact on the generality of the activities.

In addition to the risks related to malfunctions or human errors, we highlight those related to cyber-security for breaches/theft of sensitive data or interruption of services. The risk linked to cyber-security has increased in relation to the strong impulse given to smart-working, and the consequent external connections to central IT systems. In order to deal with the risks linked to cyber-security, the Group has increased its investments in sophisticated security systems, adapted its protocols and further strengthened the training activities of employees aimed at increasing awareness of the risks associated with IT risks.

Risks connected with trends in commodity markets

The Group is affected to a significant extent by commodity prices, in particular scrap iron, electrodes, ferroalloys and energy costs, which represent the most important expenditure items. In case of significant price increases, the impact on the operating results and on the financial situations of the Group could be significantly negative. The Group monitors constantly the evolution of these cost factors on international markets and promptly adopts, if necessary, special procurement measures or hedging instruments available and deemed effective for its business model. The Group's commercial strategy is directed at reflecting these higher costs on sale prices and hence to the mitigation of this risk.

Risks deriving from the high level of competition

The sector where the Group's companies operate is characterised by a high level of competition where a limited number of significant producers is accompanied by numerous small entities (principally in the transformation of semi-finished products into finished products).
The steel manufacturing sector is also characterised by significant overcapacity. To date, the plant shutdowns by lower-performance producers have only partly reabsorbed the excess output.

Risks deriving from limitations in cash and cash equivalent and from limited access to loans

The Group's companies could have a need to obtain additional loans in order to finance investment programmes or to address contractions in sales, which would have negative effects on working capital and on liquidity. The financial structure and the availability of additional credit facilities also enable the Group to mitigate this risk.

Risks deriving from disputes

The Group's companies are involved directly or through subsidiaries in disputes relating to the environment, concerning employees, and other disputes. The financial statements of the company report allocations that, in view of the uncertainty on the quantification and on the actual possibility that expenditures may manifest themselves, reflect the estimate of the aforesaid liabilities. The negative outcome of these disputes is not individually deemed significant, but the negative outcome of the disputes as a whole would in fact be significant. The Group's companies constantly monitor the evolution of the disputes, also with the aid of outside advisors.

Risks connected with international markets

The Group operates mainly in the markets of Europe, North Africa and in the near Middle East. The outbreak of hostilities between Israel and Hamas and the continuing Russia-Ukraine conflict have affected and will continue to affect negatively the European economic development. A further deterioration of the situation in these areas could cause negative effects on the entire European economy and consequently on the Group.

The presence of extra-European producers with significant excess production, which benefit from support policies by their countries, could create distorting effects on the European market, which is the Group's reference market.

Risks deriving from the Management's ability to operate effectively

The Group's results are tied, to a large extent, to the top executives' and the management's ability to operate effectively. If the Group were not able to provide adequate incentives or to replace these persons with internal or external resources, the activities, the financial situation and the operating results could suffer from negative impacts. While there are no situations in these areas that may originate critical issues, the Group had defined training and experience paths, which may make it possible to overcome the occurrence of such events.

Risks deriving from regulations and government policies

A significant part of the employees of the Group's companies are represented by unions and are subject to collective employment agreement and safeguarded by current labour regulations which can limit the Group's ability to rapidly reorganise activities and reduce costs in response to changes in market conditions. These limitations could negatively influence the ability to promptly adapt the Group's structures, as in the case of other competitors, subject to less rigid regulations.

Risks associated with laws and regulations that limit greenhouse gas emissions

The electric steel industry produces fewer greenhouse gas emissions than the integrated cycle, but meeting the new environmental obligations in this regard may require additional capital expenditure, changes in operating practices and additional reporting obligations.

The European legislative framework of climate policies is subject to continuous discussion and proposals inspired by the principles of the Green Deal. From 2020 onwards, several innovations have been proposed regarding the mechanisms that guarantee sustainable growth, while respecting natural resources, biodiversity and people, in accordance with the climate neutrality goal by 2050, with a growing commitment to greenhouse effect gas reduction.

The European Commission has presented the "Fit for 55" package, which intends to accelerate the reduction of emissions in 2030, to -55% or even -62% compared to 1990, with the aim of achieving climate neutrality by the end of 2050 (as envisaged in 2019 by the EU Climate Law).

The proposals envisage, among other aspects, a reform of the current emissions trading system ("EU-ETS"), and the introduction of a carbon price adjustment mechanism at the borders ("CBAM") to prevent the carbon leakage.

For EU-ETS entities at risk of carbon leakage, the package provides for an increase in the annual reduction rate of free allowances (over 4%) and the total phase-out of the allocation by 2034.

These regulations could have a negative effect on the Group's production levels, income and cash flows. In particular, the further reduction of the free allocation of CO_2 emission rights could entail additional costs and require significant investments.

In addition, having not yet established regulations on greenhouse gases, many non-European nations could introduce less stringent rules, leading to a competitive disadvantage with respect to imports, a disadvantage that will only be partially offset by the CBAM active from 2026, and which in any case will guarantee competition only within the European market.

In the context of sustainable finance, on 28 November 2022 the European Council also definitively approved the "Corporate Sustainability Reporting Directive" (CSRD), which provides for the adoption of European standards for sustainability reporting and which will entail the obligation for large companies to include issues related to sustainability performance in their financial statements starting from 2026 (with reference to 2025).

The classification of taxonomic activities and these standards will influence the considerations of financial institutions or other stakeholders and will make it more competitive to obtain funding for less "green" sectors or non-aligned companies.

Lastly, the European Central Bank has introduced climate risk among the indicators on which the banking system is subject to stress tests. This will push banks, including Italian ones, to reduce credit in favour of energy-intensive companies, unless they demonstrate that they are on the path of transitioning to low or zero carbon solutions.

The Group monitors its emissions and has adopted a short- and medium-long term decarbonisation strategy in line with best practices and that of the main players in the sector and has implemented it into measures to reduce its carbon footprint with investments for energy efficiency and other initiatives that will lead to a significant reduction in emissions. The overall impact of these new regulations on the Company's operations will depend on the timing of implementation and the progress of the projects.

Risks connected with changes on currency exchange rates

The risks deriving from fluctuations in currency rates seems small, inasmuch as the vast majority of the activities is carried out in Euro.
In the case of the Swiss subsidiary Stahl Gerlafingen AG, it should be noted that revenues from sales and purchase costs of scrap are expressed in local currency but strictly related to the price in Euro expressed by European markets.
Transactions denominated in other currencies are systematically monitored and generally hedged using specific financial instruments.

Risks connected to interest rate changes

The risk of variation of interest rates, mainly connected to the medium term financial debt whose interest rates are linked to the Euribor, is constantly monitored and generally managed through appropriate hedging instruments.

Risks connected with changes in purchase and sale prices

The risks of changes in purchase and sale prices, in particular against commitments assumed, are mitigated by the short-term operating cycle. The volatility of such prices, which are often correlated but not synchronised, leads however to a significant residual risk to the inventory value and income margins in the short term.

Credit risk

Credit risk represents the risk that one of the parties in a financial instrument does not fulfil an obligation causing a financial loss to the counterparty. The Group presents different degrees of credit risks in relation to the different markets; however, this is mitigated by the fact that the credit risk is subdivided over a large number of counterparties and customers, almost 82% of which are located in the European Union. The remaining part of receivables are mainly relative to subjects resident in Switzerland.
The financial activities are shown in the financial statements net of the allowance calculated on the basis of default risk, considering the available information on the solvency of the customers and of the counterparties in general, and considering historical data. In most cases loans are subject to insurance guarantees, transfers without recourse, bank guarantees or other procedures suitable to limit the risk.

Cash flow risk

Cash flow risk represents the risk that future cash flows will fluctuate due to a change in the market interest rates.
The Group covers the cash flow risk, mainly related to medium-term debts linked to the Euribor, through hedging instruments. Further comments on financial debts subject to risk hedging and hedging instruments used for such risk hedging were provided in the Notes to the financial statements.

ATYPICAL AND UNUSUAL TRANSACTIONS AND RELATED-PARTY TRANSACTIONS

Atypical and unusual transactions

At the end of June 2023, the Parent Company finalised the acquisition of the entire share capital of Idroelettriche Riunite S.p.A., a renewable energy production company, through the direct purchase of 65.35% of the shares and, for the remaining 34.65%, through the purchase of the entire shareholding of Idra S.r.l.

Equal to Euro 63,958 thousand, the purchase price was determined on the basis of valuations prepared by independent experts and reflects normal market conditions for this type of transaction.

The transaction was carried out with related parties.

Transactions with subsidiaries, affiliates, the Parent Company and with related parties

The Company carries out significant commercial and financial transactions with the subsidiaries, settled at arm's length conditions. The details, by macro-class, are shown in the following tables:

Income statement values (in thousands of Euro)	Revenues from sales	Services and other revenues	Financial income (expenses)	Purchase of goods and services	Total
Ferriera Sider Scal S.r.l. (in liquidation)	-	9	158	910	1,077
Consorzio Valbel	5,822	3	3	9	5,837

Loans disbursed by the Parent Company

(in thousands of Euro)	Balance as at 31 December 2022	2023 disbursements	2023 reimbursements	Balance as at 31 December 2023
Disbursed				
Ferriera Sider Scal S.r.l. (in liquidation)	2,141	553	706	1,988

We also note that the company did not hold treasury shares or shares of parent companies.

International Monetary Fund projections for the Euro indicate a moderate increase in GDP in 2024 (0.9%, from 0.6% in 2023), which is expected to be followed by an acceleration in 2025 (1.7%).

According to projections, inflation in the area is expected to fall to 2.7% in 2024 and to 2.1% in 2025.

The effects of the monetary restriction and the worsening of consumers and business confidence continue to weigh on the international economic scenario.

A regional expansion of the Middle East conflict is a significant risk to growth and inflation. Any disruption in global value chains, resulting in particular from attacks on shipping traffic in the Red Sea, or increase in energy prices caused by a negative development in the war in the Middle East, constitute further downside risks.

In 2024, considering a more favourable evolution of industrial prospects and an increase in demand, a gradual recovery in apparent steel consumption (+5.6%) is expected starting from the second half of the year.

The output of the user sectors is expected to record a further slowdown in 2024 (+0.2%), to then recover with a more sustained growth in 2025 (+1.5%) thanks to the improvement in consumer confidence and the general recovery of the industrial cycle.

However, the overall evolution of steel demand remains subject to very high uncertainty, which will continue to undermine the demand of the user sectors throughout 2024.

Economic activity in the construction sector, after contracting by 2.1% in 2023, is expected to contract by 0.4% also in 2024, then returning to growth only in the second half of the year. For 2025, a more sustained recovery is expected with an overall growth of 2%.

The overall sector activity will continue to benefit, albeit to a more limited extent, from government support for housing and public construction projects, but the impact of these programs is expected to decrease significantly in 2024 due to multiple negative factors, mainly including high borrowing costs.

The mechanical engineering sector, after the moderate growth recorded in 2023 (increase of 1.6%) is expected to show a slight recession trend in 2024 (reduction of 0.5%) and then return to growth in 2025 (increase of 2.4%).

The persistent negative factors affecting the industrial outlook are expected to weigh on the production of the mechanical engineering sector during the first half of 2024. The sector should return to positive territory in the second half of 2024 where the outlook, albeit moderately positive overall, is expected to remain subject to significant factors of uncertainty.

After the strong growth recorded in 2023, the automotive sector is expected to record only a marginal increase in 2024 (+0.1%). In fact, demand is expected to remain weak due to the worsening economic outlook and the reduction in consumers disposable income.

The full recovery of global trade and external demand in major markets such as the United States, China and Turkey will remain a key factor for EU car exporters in a short and medium-term context of high uncertainty linked to war, global supply chains and very high energy and fuel prices. In the long term, the political commitment at EU level towards the full adoption of electric vehicles by 2035 should prove to be somewhat favourable, despite the uncertainties over the development of the electric vehicles market sector, delays in the launch of new models and the lack of facilities (recharging points etc.) proved to be unfavourable to consumer demand and also delayed the investment decisions of car manufacturers.

User sectors	Share of consumption	Q1 24	Q2 24	Q3 24	Q4 24	2024	2025
Costruction	35.0%	-1.7%	-1.0%	0.0%	1.2%	-0.4%	2.0%
Automotive	18.0%	1.7%	1.2%	-0.9%	-1.7%	0.1%	0.2%
Mechanical engineer	14.0%	-2.0%	-1.6%	0.1%	1.4%	-0.5%	2.4%
Metal articles	14.0%	-1.9%	-0.4%	1.4%	1.3%	0.1%	1.3%
Oil & Gas	13.0%	1.4%	1.9%	0.6%	1.4%	1.3%	0.5%
Appliances	3.0%	0.7%	3.8%	5.0%	3.3%	3.1%	2.4%
Other transports	2.0%	-1.6%	5.4%	-2.0%	3.1%	1.2%	1.9%
Others	2.0%	1.8%	2.6%	-0.5%	0.5%	1.1%	1.0%
Total	**100.0%**	**-1.4%**	**-2.2%**	**0.0%**	**1.2%**	**-0.6%**	**1.8%**

Source: Eurofer February 2024

In the first quarter of 2024, the Group maintained a level of activity, in terms of volume, in line with the first months of the previous year and profitability in line with the average profitability of the previous year.

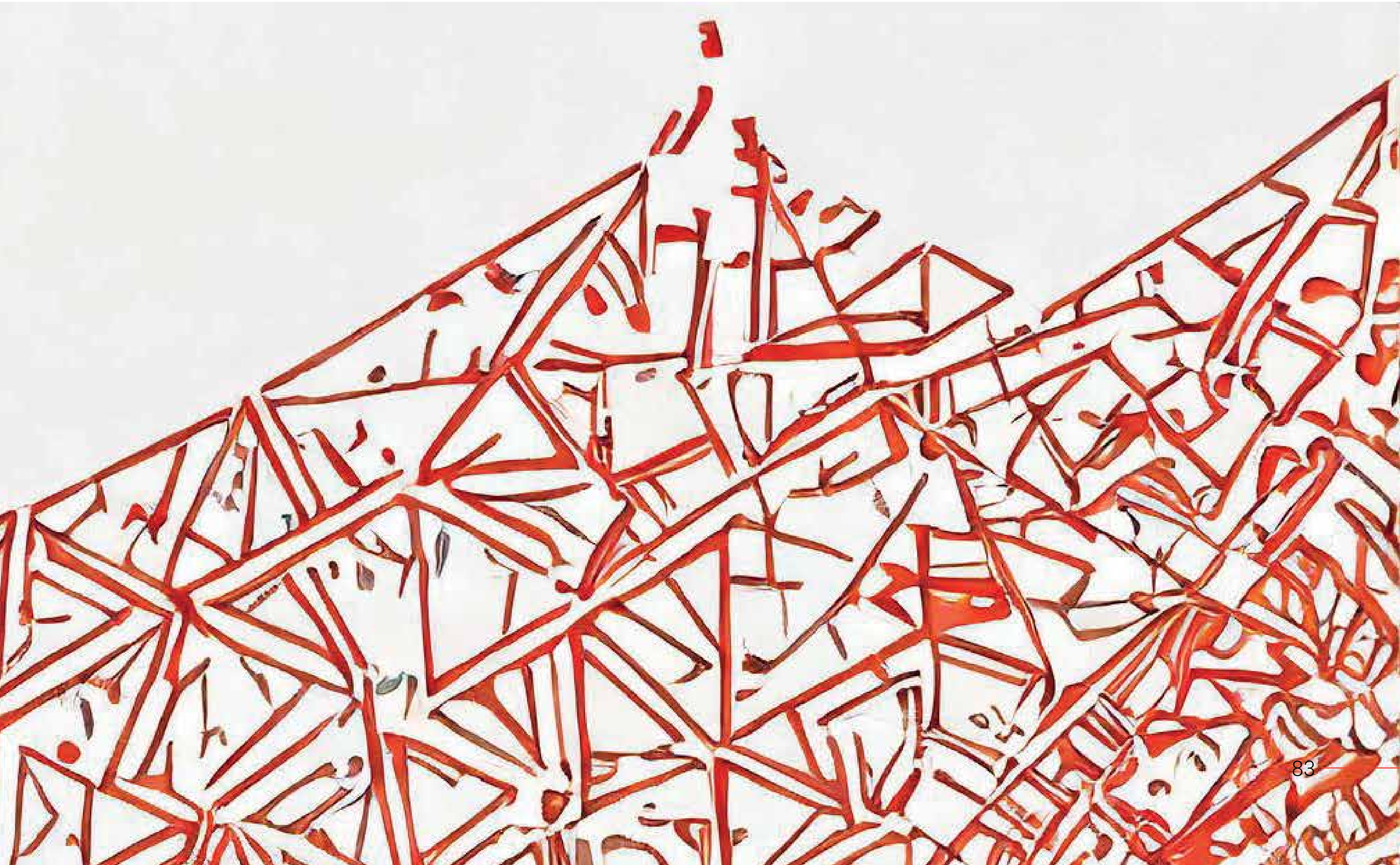
The Board of Directors of the Parent Company, while pointing out that the Group's profitability is closely tied to the market's performance, whose future developments are uncertain, deems achievable, for 2024, positive profitability and cash flow generation targets.

Vicenza, 28 March 2024

AFV Acciaierie Beltrame S.p.A.
The Chairman of the Board of Directors
Mr. Antonio Beltrame

Hydroelectric power plant of Valstagna (VI), Italy

02_CONSOLIDATED BALANCE SHEET, INCOME STATEMENT, STATEMENT OF CASH FLOWS



CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2023 AND 2022

ASSETS (values in Euro units)	2023	2022
A - AMOUNTS DUE FROM STOCKHOLDERS FOR SHARE SUBSCRIBED BUT NOT CALLED	-	-
B - FIXED ASSETS		
I - INTANGIBLE FIXED ASSETS		
1) Start-up and expansion costs	2,597	2,597
3) Industrial patents and intellectual property rights	324,349	429,904
4) Concessions, licenses, trademarks and similar rights	81,803	17,000
5) Goodwill	37,820,930	8,978,925
6) Assets under construction and advances	16,887,861	5,558,640
7) Others	6,654,348	5,963,031
Total I - Intangible assets	61,771,888	20,950,097
II - TANGIBLE FIXED ASSETS		
1) Land and buildings	199,379,287	177,723,358
2) Plant and machinery	326,976,566	278,998,557
3) Industrial and commercial equipment	24,362,414	24,626,133
4) Other assets	4,859,917	3,998,501
4-bis) Assets subject to reversion free of charge	6,759,777	1,200,000
5) Construction in progress and advances	104,885,359	99,179,755
Total II - Tangible fixed assets	667,223,320	585,726,304
III - FINANCIAL FIXED ASSETS		
1) Equity investments in:		
a) subsidiaries	10,000	10,000
b) associated companies	219,067	5,000
d bis) others	6,212,131	4,480,000
2) Receivables:		
d bis) from others	16,645,873	12,930,841
Total III - Financial fixed assets	23,087,071	17,425,841
TOTAL B - FIXED ASSETS	752,082,279	624,102,242
C - CURRENT ASSETS		
I - INVENTORIES		
1) Raw, ancillary and consumable materials	86,094,124	64,423,404
2) Work in progress and semi-finished products	90,658,691	157,827,806
4) Finished products and goods	272,484,359	319,167,975
6) Plant and machinery held for sale	225,000	4,159,727

ASSETS (values in Euro units)	2023	2022
Total I - Inventories	449,462,174	545,578,912
II - RECEIVABLES		
1) From suppliers	47,645,489	75,909,721
2) From subsidiaries		
- for trading operations	76,139	36,571
- for loans	2,336,507	2,140,939
4) From parent company		
- for trading operations	20,685	8,620
5-bis) Tax receivables	21,693,335	18,254,882
5-ter) Deferred tax assets	16,752,092	12,912,041
5-quater) From others	17,583,716	39,142,281
Total II - Receivables	106,107,963	148,405,055
III - FINANCIAL ASSETS NOT		
5) Derivative financial instruments assets	310,934	-
6) Other investments	502,730	-
Total III - Financial assets not representing fixed assets	813,664	-
IV - LIQUID FUNDS		
1) Bank and post office accounts	217,831,598	199,392,173
2) Cheques	3,574	197
3) Cash on hand	15,960	35,228
Total IV - Liquid funds	217,851,132	199,427,598
TOTAL C - CURRENT ASSETS	774,234,933	893,411,565
D - ACCRUED INCOME AND PREPAID EXPENSES		
I - PREPAYMENTS AND ACCRUED INCOME		
1) due within one year	8,947,167	6,946,049
2) due beyond one year	121,282	1,129,008
TOTAL D - ACCRUED INCOME AND PREPAID EXPENSES	9,068,449	8,075,057
TOTAL ASSETS	**1,535,385,661**	**1,525,588,864**

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2023 AND 2022

LIABILITIES (values in Euro units)	2023	2022
A - SHAREHOLDERS' EQUITY		
I - SHARE CAPITAL	113,190,480	113,190,480
II - SHARE PREMIUM RESERVE	-	-
II - SHARE PREMIUM RESERVE FOR SHARES TO BE REDEEMED	4,014,685	4,014,685
III - REVALUATION RESERVES	-	-
IV - LEGAL RESERVE	22,638,096	22,638,096
V - STATUTORY RESERVES	-	-
VI - OTHER RESERVES		
a) Extraordinary reserve and other reserves	525,023,864	279,657,753
b) Tax suspension reserve	515,391	515,391
b-2) Tax-deferred reserves - Italian Law 244/2007	1,241,811	1,241,811
b-3) Tax-deferred reserves from revaluations - Italian Decree Law 104/2020	64,219,609	64,256,235
VII - RESERVE FOR CASH FLOW HEDGING	(1,581,730)	-
VIII - PROFIT (LOSS) CARRIED FORWARD	-	-
IX - GROUP PROFIT (LOSS)	(89,583,365)	268,888,726
X - NEGATIVE RESERVE FOR TREASURY SHARES IN PORTFOLIO	-	-
SHAREHOLDERS' EQUITY PERTAINING TO THE GROUP	639,678,841	754,403,177
MINORITY INTERESTS IN SHAREHOLDERS' FUNDS	53,287,513	38,869,834
CONSOLIDATED NET PROFIT (LOSS) PERTAINING TO MINORITY SHAREHOLDERS	2,699,416	14,499,895
CONSOLIDATED NET EQUITY PERTAINING TO MINORITY SHAREHOLDERS	55,986,929	53,369,729
TOTAL A - TOTAL SHAREHOLDERS' EQUITY	695,665,770	807,772,906
B - RESERVE FOR RISKS AND CHARGES		
1) For retirement benefits and similar obligations	450,047	1,745,359
2) For taxes, also deferred	11,457,301	18,962,159
3) Derivate financial instruments liabilities	1,313,450	-
4) Other	18,456,118	14,133,587
TOTAL B - TOTAL RESERVE FOR RISK AND CHARGES	31,676,916	34,841,105
C - RESERVE FOR EMPLOYEE SEVERANCE INDEMNITY	12,995,853	11,913,622
D - AMOUNTS PAYABLE		
4) Payables to banks		
1) due within one year	44,823,913	16,023,744
2) due beyond one year	123,402,710	106,475,947
5) Payables to other lenders		
1) due within one year	2,156,391	1,945,500
2) due beyond one year	2,309,650	2,553,164

LIABILITIES (values in Euro units)	2023	2022
6) Advance payments		
1) due within one year	1,075,637	4,411,996
7) Trade payables		
1) due within one year	498,623,889	466,843,793
2) due beyond one year	-	2,440,000
9) Payables to subsidiaries		
- for trading operations	3,942	998
11) Payables to parent companies		
- for trading operations and other	2,148,704	504
12) Tax payables		
1) due within one year	10,512,666	18,341,433
2) due beyond one year	312,885	-
13) Social security payables		
1) due within one year	7,508,107	7,728,326
14) Other payables		
1) due within one year	44,461,970	24,950,244
2) due beyond one year	50,601,455	14,833,299
15) Payables to affiliated company for loan		
TOTAL D - TOTAL PAYABLES	787,941,919	666,548,948
E - ACCRUED EXPENSES AND DEFERRED INCOME		
I - ACCRUED EXPENSES AND DEFERRED INCOME		
1) due within one year	6,498,555	3,370,296
2) due beyond one year	606,648	1,141,987
TOTAL E - TOTAL ACCRUED EXPENSES AND DEFERRED INCOME	7,105,203	4,512,283
TOTAL LIABILITIES	**1,535,385,661**	**1,525,588,864**

CONSOLIDATED INCOME STATEMENT
AS AT 31 DECEMBER 2023 AND 2022

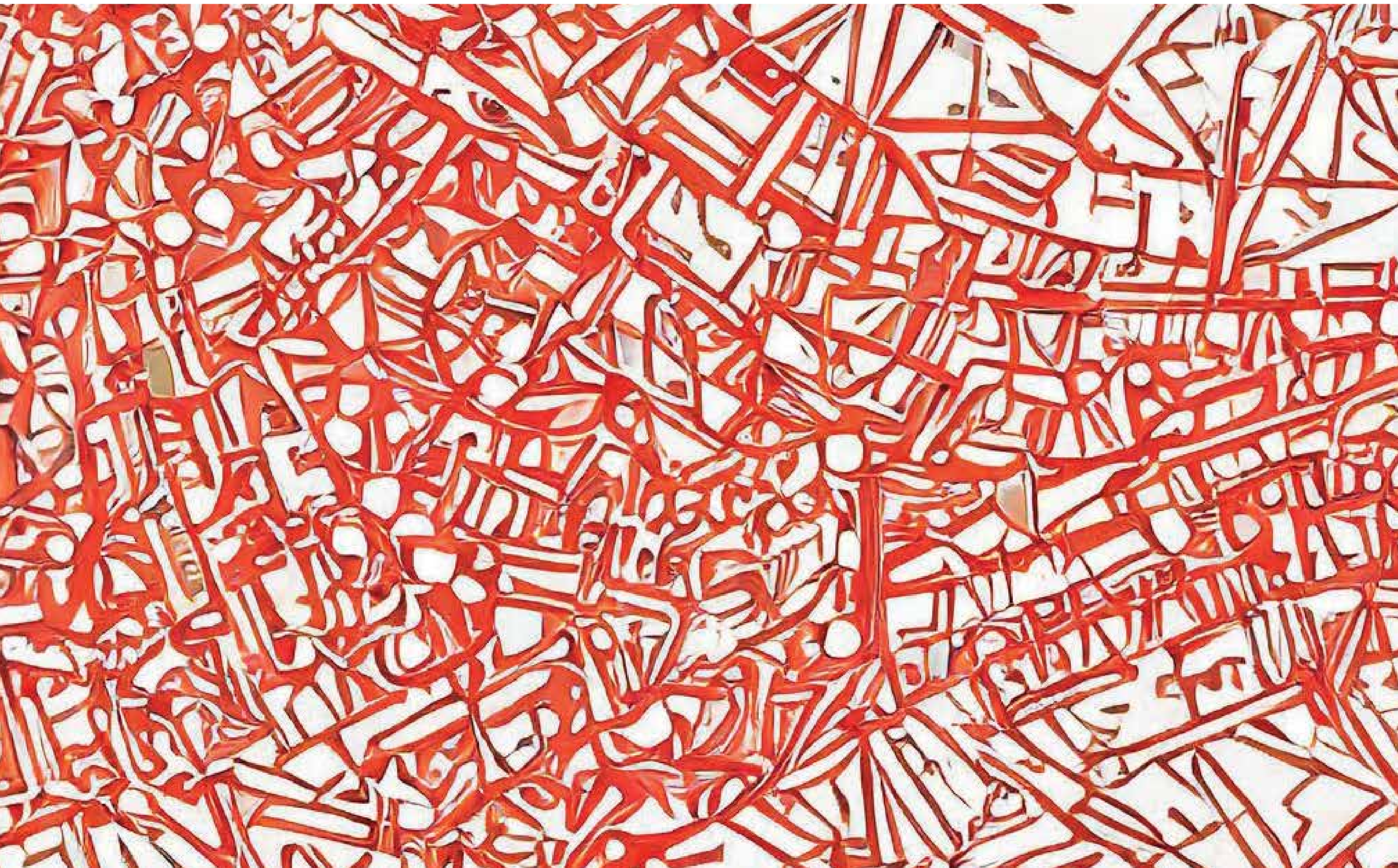
Consolidated Income Statement (values in Euro units)	2023	2022
A - VALUE OF PRODUCTION		
1) Revenue from sales and services	1,704,380,970	2,174,043,826
2) Changes in work in progress, semifinished and finished products inventories	(119,599,223)	98,835,386
4) Additions to internally produced fixed assets	13,946,477	14,406,531
5) Other income and revenues		
- current year grants	5,889,184	2,469,143
- others	37,619,855	36,928,884
TOTAL VALUE OF PRODUCTION	1,642,237,263	2,326,683,770
B - COST OF PRODUCTION		
6) Raw, ancillary and consumable materials and goods	1,054,569,080	1,213,176,950
7) Services	358,165,421	486,029,298
8) Leases and rentals	7,274,046	6,375,770
9) Personnel costs		
a) Wages and salaries	134,786,443	125,067,620
b) Social security costs	35,480,892	33,815,522
c) Employment severance indemnity	3,007,577	3,579,155
e) Other costs	6,162,637	7,194,033
TOTAL 9 - PERSONNEL COSTS	179,437,549	169,656,330
10) Amortisation, depreciation and write-downs		
a) depreciation of intangible fixed assets	7,156,157	5,382,997
b) depreciation of tangible fixed assets	64,549,765	59,698,862
c) write-down of tangible and intangible fixed assets	39,100,286	979,663
d) write-down of receivables included under current assets and liquid funds	35,432	275,030
TOTAL 10 - AMORTISATION, DEPRECIATION AND WRITE-DOWNS	110,841,640	66,336,552
11) Changes in raw materials, ancillary and consumable materials and goods	(19,749,836)	17,524,651
12) Provisions for risks	2,574,953	1,652,072
13) Other provisions	-	183,512
14) Other operating expenses	9,884,678	11,852,437
TOTAL COST OF PRODUCTION	1,702,997,531	1,972,787,572
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A-B)	**(60,760,268)**	**353,896,198**
C - FINANCIAL INCOME AND EXPENSES		
16) Other financial income		
d) sundry financial income - from third parties	1,519,257	5,671,606
- from parent company	-	1,392
- from subsidiaries	179,137	56,505

Consolidated Income Statement (values in Euro units)	2023	2022
17) Interests and financial charges - from third parties	18,960,740	11,208,763
- from subsidiaries	13,326	2,820
- from parent company	73,711	504
17 bis) Profit (loss) on exchange rates	675,600	927,114
TOTAL FINANCIAL INCOME AND EXPENSES	(16,673,783)	(4,555,470)
D - ADJUSTMENT TO FINANCIAL ASSETS AND LIABILITIES		
18) Revaluations of:		
c) securities recorded under current assets	5,951	-
19) Write-downs of:		
a) equity investments	449,322	107,529
TOTAL ADJUSTMENT TO FINANCIAL ASSETS AND LIABILITIES	(443,371)	(107,529)
PROFIT (LOSS) BEFORE TAX	(77,877,422)	349,233,199
22) Income taxes		
a) current	10,902,689	58,712,009
b) deferred	(7,616,186)	7,195,934
c) prepaid	5,720,024	(63,365)
TOTAL 22 - INCOME TAXES	9,006,527	65,844,578
23) Profit (loss) for the year	(86,883,949)	283,388,621
Group profit (loss)	(89,583,365)	268,888,726
Profit (loss) pertaining to minority interest	2,699,416	14,499,895

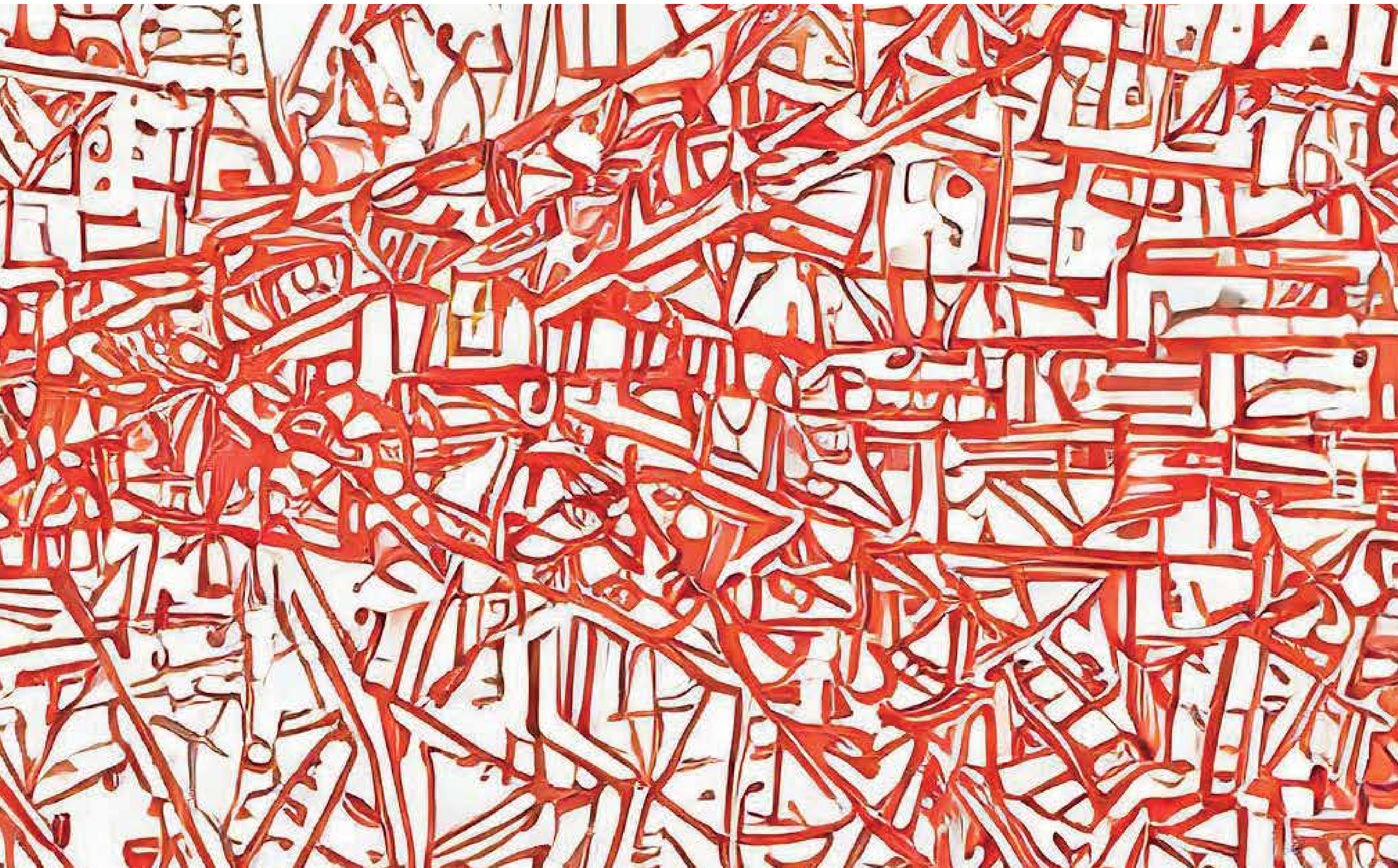
CONSOLIDATED CASH FLOW STATEMENT
AS AT 31 DECEMBER 2023 AND 2022

Consolidated cash flow statement (values in Euro units)	2023	2022
A. FINANCIAL FLOWS FROM OPERATING ACTIVITIES		
- Profit (loss) for the year	(86,883,949)	283,388,621
- Income taxes	9,006,526	65,844,578
- Interest expense/(interest income)	17,349,383	5,482,584
- Dividends	0	0
- Capital gains from the sale of assets, net	(220,783)	(6,136,154)
1 Profit (loss) for the year before income taxes, interest, dividend income and capital gains/losses on disposal	(60,748,823)	348,579,629
Adjustments for non-monetary items that did not have a balancing entry in the working capital		
- Allocations to provisions	7,332,661	5,321,839
- Depreciation of fixed assets	71,705,922	65,081,859
- Write-downs for accumulated impairment losses	39,100,286	979,663
- Other adjustments to non-monetary items	(2,322,130)	(2,325,969)
TOTAL ADJUSTMENTS TO NON-MONETARY ITEMS	115,816,739	69,057,392
2 Cash flow before changes in working capital	55,067,916	417,637,021
Changes in working capital		
- Decrease (increase) in inventories	102,001,689	(80,357,738)
- Decrease (increase) in trade receivables	31,178,299	18,720,793
- Increase (decrease) in trade payables	22,326,263	15,908,053
- Increase (decrease) in prepayments and accrued income	(881,892)	145,097
- Increase (decrease) in accrued expenses and deferred income	1,052,898	990,452
- Other changes in working capital	19,396,722	(36,959,851)
TOTAL CHANGES IN WORKING CAPITAL	175,073,980	(81,553,194)
3 Cash flow after changes in working capital	230,141,896	336,083,827
Other adjustments		
- Interest collected/(paid)	(15,963,097)	(4,072,574)
- Income taxes (paid)	(31,700,671)	(84,966,148)
- Dividends received	0	0
- Use of provisions	(6,144,779)	(4,990,732)
TOTAL OTHER ADJUSTMENTS	(53,808,547)	(94,029,454)
Cash flow from operating activities (A)	176,333,349	242,054,373
B. CASH FLOWS FROM INVESTMENT ACTIVITIES		
Tangible fixed assets		
(Investments)	(151,549,113)	(153,132,438)
Sale price of disinvestments	10,079,306	7,619,335

Consolidated cash flow statement (values in Euro units)	2023	2022
Intangible fixed assets		
(Investments)	(11,200,059)	(7,227,372)
Sale price of disinvestments	0	0
Financial fixed assets		
(Investments)	(19,671,264)	(7,817,372)
Sale price of disinvestments	0	0
Current financial assets		
(Investments)	(334,230)	0
Sale price of disinvestments	0	0
Acquisition or sale of subsidiaries or business units net of cash and cash equivalents	0	0
Cash flow from investment activities (B)	(172,675,360)	(160,557,847)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Third- party funds		
Increase (decrease) in short-term payables to banks	28,791,086	(944,678)
Opening of loans	32,363,994	118,548,289
Repayment of loans	(15,814,315)	(172,135,954)
Charges incurred for new loan	(45,000)	(2,557,344)
Disposal (purchase) of treasury shares	(90,000)	0
Share capital increase against payment	0	1,250
Closing of derivatives	(245,453)	0
Dividends (and advances on dividend income) paid	(30,126,342)	(24,103,465)
Cash flow from financing activities (C)	14,833,969	(81,191,902)
Translation differences	(68,425)	1,278,748
Increase (decrease) in cash and cash equivalents (A +/- B +/- C)	18,423,534	1,583,372
Cash and cash equivalents at the beginning of the year	199,427,598	197,844,226
Cash and cash equivalents at the end of the year	217,851,132	199,427,598



03_NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



1 FORM AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Beltrame Group consist of the AFV Acciaierie Beltrame S.p.A. financial statements as at 31 December 2023 (hereinafter also referred to as the "Parent Company") and those of the following companies directly or indirectly controlled by the Parent Company:

Name	% Interest held	
	Direct	Indirect
Donalam S.r.l. - Steel manufacturing company		
Călăraşi (RO) - Share capital Leu 589,918,700	94.49	-
Donalam Siderprodukte AG - Trading company		
Zurich (CH) - Share capital CHF 300,000	-	70.87
Laminés Marchands Européens S.A.S. - Steel manufacturing company		
Trith Saint Léger (F) - Share capital Euro 32,300,345 (hereafter also L.M.E. S.A.S.)	80.23	-
Laminoirs du Ruau S.A. - Steel manufacturing company		
Monceau sur Sambre (B) - Share capital Euro 10,000,000 (hereafter also RUAU S.A.)	-	80.23
Sipro Beltrame AG - Trading company		
Zurich (CH) - Share capital CHF 300,000	50.00	-
Stahl Gerlafingen AG - Steel manufacturing company		
Gerlafingen (CH) - Share capital CHF 61,001,000	86.47	-
Alternative Energy Innovation S.r.l. - energy industry		
S.G.Lupatoto (I) - Share capital Euro 10,000	50.00	-

The financial statements were prepared by consolidating the financial statements of the above-mentioned companies on a line-by-line basis. Compared to the previous year, we report that the Parent Company in relation to:

- the subsidiary Donalam S.r.l., subscribed on 13 December 2023 a share capital increase for 745,620 shares with a unit value of RON 100, paying the amount of Euro 15 million. As a result of the above transactions, the percentage held increased from 93.69% to 94.49%.
  The share capital increase carried out during the year relates to the upgrading by the subsidiary of the production site in Targoviste (Romania). Further information is given in the Report on Operations;
- the subsidiary Laminés Marchands Européens S.A.S., purchased 18 shares from minority shareholders for Euro 90 thousand, leaving the percentage held almost unchanged.

Furthermore, at the end of June 2023, the Parent Company finalised the acquisition of the entire share capital of Idroelettriche Riunite S.p.A., a renewable energy production company, through the direct purchase of 65.35% of the shares and, for the remaining 34.65%, through the purchase of the entire shareholding of Idra S.r.l.

The two companies were merged by incorporation into the Parent Company with effect from 31 December 2023 for statutory, accounting and tax purposes.

For the purposes of these consolidated financial statements, as the merging entity, the Parent Company is required to consolidate the income statement of the merged companies from the time of acquisition to the merger effective date.

1

The Parent Company and its subsidiaries have a majority holding or exercise significant influence on the following companies:

Name	% Interest held	
	Direct	Indirect
Ferriera Sider Scal S.r.l. in liquidation - Steel manufacturing company		
Vicenza - Share capital Euro 100,000	100.00	-
Consorzio Valbel - Service company		
Vicenza - Share capital Euro 70,000	28.57	-
Laminados Industriales S.A. - Steel manufacturing company		
Villa Constitution (RA) - Share capital Pesos 846,782,317 (hereafter also LISA)	5.59	-
Metal Interconnector S.c.p.A. - Financial company		
Milan - Share capital Euro 128,950,422	5.16	-
Nord Ferro - Manufacturing company		
ZAC de Valenciennes (F) - Share capital Euro 200,000	-	25.00
Renewability S.c.a.r.l. - Energy company		
Trento - Share capital Euro 25,000	33.33	-
Consorzio CEIP - Service company		
Milan - Share capital Euro 60.000	8.33	-
Sirio S.r.l. - Energy industry		
Carmignano di Brenta (PD) - Share Capital Euro 345,034	49.00	-

As regards Ferriera Sider Scal S.r.l., in liquidation, this investee was not consolidated on materiality grounds.

In the previous year, the share capital increase of the associated company Metal Interconnector S.c.p.a. was completed, from Euro 110,000 thousand to Euro 128,950 thousand, subscribed proportionally by the shareholders with partial use of loans disbursed previously.

As a result of the incorporation of the company Idroelettriche Riunite S.p.A., the Parent Company acquired:

- the equity investment in the company Sirio S.r.l. for an interest of 49% of the Share Capital;
- the equity investment of 14.28% in Consorzio Valbel, increasing the interest already held and reaching an interest of 28.57% of the Share Capital. It should be noted that in January 2024, the interest acquired following the incorporation was returned to restore the equity balance among the Consortium members.

The consolidated financial statements, comprised of the balance sheet, the income statement, the statement of cash flows and the notes to the financial statements, have been prepared in accordance with the criteria stated by Italian Legislative Decree 127/91, as well as being supplemented with the accounting principles prepared by the Italian Accounting Board ("Organismo Italiano di Contabilità - OIC") and, where deficient and inasmuch as they are not in contrast with the Italian accounting rules and standards, by the International Accounting Standard / International Financial Reporting Standards.

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The financial statements of the consolidated companies are those prepared by the Board of Directors for approval. They have been adjusted, where necessary, in order to conform to the valuation criteria of Art. 2426 of the Italian Civil Code, uniformly applied within the Group, as well as being interpreted and integrated with the accounting principles issued by the OIC and, where deficient, by the International Accounting Standard / International Financial Reporting Standards.
These notes to the consolidated financial statements fulfil the function of providing an illustration, an analysis, and, in certain cases, a supplement to the financial statements. They also contain the information required by Articles 2427 and 2427 bis of the Italian Civil Code, other provisions of Italian Legislative Decree no. 127/1991, or other laws. Moreover, they contain all the relevant information deemed necessary in order to provide a true and fair view, even if not required by specific provisions of the law.
The Balance Sheet, the Income Statement and the Statement of Cash Flows contain values expressed in units of Euro, while in these notes to the consolidated financial statements, except where indicated otherwise, values are expressed in thousands of Euro.
In compliance with Art. 2423 ter of the Italian Civil Code, the sub-captions of the Balance Sheet and of the Income Statement identified by a capital letter and an Arabic number respectively have been omitted, as the amount was zero for both the financial years.
Amounts to be settled beyond twelve months have been separately shown in the Balance Sheet.

For an analysis of the nature of the activity and of the significant events occurred after 31 December 2023, of the business outlook and of any other information pertaining to the financial statements of the year, please refer to the report on operations.

The reconciliation between shareholders' equity and net income of AFV Acciaierie Beltrame S.p.A. as at 31 December 2023, of the previous year and those reflected in the consolidated financial statements of the same dates is detailed in the following table (in thousands of Euro):

	2023		2022	
	Shareholders' equity	Result for the year	Shareholders' equity	Result for the year
Statutory financial statements of the Parent Company	610,998	29,461	613,115	158,358
Group's share of the adjusted shareholders' equity of the consolidated companies	254,126	(120,518)	369,709	110,032
Carrying value of the consolidated companies	(238,092)	-	(235,066)	-
Translation difference of the financial year	6,787	(5,148)	7,545	1,243
Intercompany profit	(218)	682	(900)	(671)
Dividend collected from the consolidated companies	-	(99)	-	(73)
Adjustment of asset deficit allocation		(285)		
Adjustment for write-down of Minority	5,552	5,552	-	-
IR/IDRA merger	526	772		
Consolidated Group financial statements	639,679	(89,583)	754,403	268,889

Consolidation criteria

The most relevant consolidation criteria, adopted for the preparation of the consolidated financial statements, which do not differ from those used in the previous financial year, with the exception of what is noted in the "Other information" paragraph, are as follows:

a) the assets and liabilities, income and expenses of the consolidated companies are consolidated on a line-by-line basis, eliminating the carrying amounts of the equity investments against the subsidiaries' shareholders' equity regardless of the percentage owned;
b) the difference between the acquisition cost and the shareholders' equity of the investees is allocated to the specific assets and liabilities on the basis of their fair value at the acquisition date. Any excess amount is posted as the goodwill between the intangible fixed assets net of the related amortisation calculated estimating their expected future benefit;
c) the lower price paid at the time of the acquisition of equity investments compared to the related shareholders' equity is allocated in the consolidated shareholders' equity as "Consolidation reserve" or, when the lower price paid is due to a forecast of unfavourable results, as a liability to the line item "Consolidation provision for risks and future charges";
d) receivables, payables, revenues and expenses, as well as unrealised profit deriving from transactions between Group consolidated companies are derecognised;
e) dividends received from Group companies are derecognised from the consolidated income statement;
f) minority interests in consolidated subsidiaries are separately indicated as well as income attributable to minority shareholders;
g) adjustments and provisions accounted for in application of tax laws only are derecognised;
h) the translation into Euro of the financial statements of foreign subsidiaries denominated in other currencies is made using the year-end exchange rates for balance sheet items, historic rates for the shareholders' equity reserves, while the average exchange rate for the year has been used for the income statement. The exchange rate differences caused by the translation have been accounted for directly within a shareholders' equity reserve.

The following exchange rates were applied for the preparation of these financial statements:

	CHF	LEU
Exchange rate as at 31 December 2022	0.9847	4.9495
Average exchange rate in the financial year 2023	0.9718	4.9467
Exchange rate as at 31 December 2023	0.9260	4.9756


Plant in Trith Saint Léger, France

Valuation criteria

The most significant valuation criteria adopted for the preparation of the consolidated financial statements are the following:

Intangible fixed assets

Intangible fixed assets are accounted for at acquisition or realisation cost. The cost of intangible fixed assets with finite life is systematically amortised over the residual useful life, generally of five years.
In the cases where, irrespective of the amortisation already accounted for, a long-term loss of value resulted, the fixed assets are correspondingly impaired. If in following years the assumptions of the impairment no longer hold true, then the original value will be restated, to the limit of the net book value that the asset would have had, had the impairment not been accounted for.

Tangible fixed assets

Tangible fixed assets are recorded at acquisition or production cost, adjusted in order to take into account the higher purchase price paid compared to the tangible fixed asset carrying amounts held by the acquired companies. In any case, the carrying amounts are within the limits of the corresponding market value and/or value in use of the assets.
Acquisition cost includes ancillary costs. The cost of production includes all costs directly referred to the fixed asset. It may also include other costs, for the portion that can be reasonably referred to the asset during the manufacturing period until the asset can be used.
Depreciation for finite life fixed assets is calculated every financial period on a straight-line basis in relation to their residual useful lives.
Group companies periodically commission a specialised company to update the estimate of the useful life and residual life of the main tangible fixed assets in order to obtain input to determine the correct depreciation period. As a consequence of this update useful and residual life of the following asset categories were redefined:

	USEFUL LIFE	RESIDUAL LIFE
Large specific plants	18	6
Generic plants	18	5
General and specific equipment	16	6

For those assets, at the reference date of the estimate depreciation was calculated allocating residual value over residual life. For newly acquired assets, depreciation was calculated allocating historic cost over useful life.
For those categories of tangible fixed assets, which were not included in the study, the depreciation rates and criteria, which had previously been applied, remained in place and are shown hereafter:

Industrial buildings	3.0 - 5.0%
Office furniture and equipment	12.0 - 20.0 - 25.0%
Means of transport	20.0 - 25.0%

In the year 2020, as permitted by Italian Law Decree 104/2020, the Parent Company revalued and estimated the useful and residual life of the buildings, plants and machinery of the Vicenza site already in place as at 31 December 2019. The activity, entrusted to independent experts, allowed the recognition of higher values for a total amount of Euro 66,414 thousand. This revaluation, as required by the afore-mentioned Italian Law Decree, was defined after the recognition of the 2020 depreciation of the assets subject to revaluation and the higher depreciation amounts were allocated starting from the 2021 financial year.

Newly acquired assets are considered conventionally entered into the production process at mid-year; for this reason, depreciation is reduced by 50%.
In the cases where, independently of the depreciation already accounted for, a long-term loss of value resulted, the fixed assets are correspondingly impaired. If in following years the assumptions of the impairment no longer hold true, then the original value will be restated.
The carrying amount of the tangible fixed assets cannot exceed the recoverable amount. The recoverable amount is defined as the higher between the market value (the amount that can be obtained from the disposal of the tangible fixed asset in an arm's length transaction between knowledgeable willing parties, net of costs to sell) and its value in use (present value of the future cash flows expected to be derived from or attributable to the continuous use of the asset, including the amount recoverable from its disposal at the end of its useful life).
The valuation of the value in use implies forecasting future positive and negative cash flows derived from its operations and eventual disposal and by applying appropriate discount rates to the estimated cash flows.
Ordinary repair and maintenance expenses are charged in the income statement as incurred. Leased assets have been accounted for following the financial method, which requires the assets and residual liabilities to be included into the balance sheet, while amortisation and financial expenses are to be shown in the income statement.

Financial fixed assets
Equity investments in unconsolidated subsidiaries and associates are measured at equity. If the value of the equity investment is not significant, it is valued at cost, represented by the value of the underwriting or the acquisition price. The cost is reduced in case of impairment that is when the subsidiaries incurred losses and insufficient profits to absorb those losses are expected in the near future. The original value is reinstated in future years if the reasons for such impairment no longer apply.

Inventories
Inventories are stated at the lowest of purchase or manufacturing cost, determined using the weighted average cost method, and the corresponding market value (replacement cost for raw material and net realisable costs for finished and semi-finished goods).
Manufacturing costs include the cost of raw materials, labour and both direct and indirect production costs attributable to the finished products.
Manufacturing cost is determined assuming normal capacity of the production facilities. The normal capacity is defined as the production expected to be achieved by the production facilities assuming reasonable levels of efficiency.
Inventories are written down due to obsolescence and/or slow-moving stock.

Receivables and Payables
Receivables and payables are recognised in the financial statements according to the amortised cost criterion. The amortised cost criterion is not applied when effects are scarcely significant or if receivables are short term (i.e. with due date of less than 12 months). Receivables are stated at their estimated realisable value by means of an adequate allowance for doubtful accounts.

Securities reported in working capital
Securities reported in working capital are valued at the lower of purchase costs inclusive of ancillary costs and the realisable value obtained from the market.

Accruals and Prepayments
The caption prepayments and accrued income details the revenues of the current financial year whose consideration is due in successive financial years, as well as those costs incurred before year-end but accrued in subsequent financial years. The caption accrued expenses and deferred income lists the costs of the financial year that are due in successive financial years and the revenues whose consideration is collected before year-end and related to successive financial years. The amounts are determined on a time basis.

Provisions for risks and charges
The provisions for risks and charges include provisions to cover losses or liabilities whose existence is certain or that are likely to be incurred, but where uncertainty remains as to the amount or date when this will happen. Provisions reflect the best estimate of losses to be incurred based on the information available. Contingent liabilities are disclosed in the notes, without allocation to a provision for risks and charges.


Plant in Călărași, Romania

Allowance for employee severance indemnity

The allowance reflects the liabilities to all employees of the Group companies, determined on the basis of laws and labour contracts in force in the countries in which the companies included in the consolidation area operate.

With regard to the Parent Company, starting from 1 January 2007, as a result of the pension reform introduced by the 2007 National Budget, the severance indemnity accrued from that date onwards is transferred monthly to private pension funds or to a treasury fund held by INPS, based on the employees' choice. The allowance reflects the liabilities up to 31 December 2006, net of the advances paid, for current employees and revalued in compliance with the law.
In the case of the foreign subsidiaries, the provisions are discounted once a year on the basis of a rate matching that of low-risk bonds, on average retirement age, on average time of employment with the company, on life expectancy and on salary increases.

Derivative financial instruments

Derivative financial instruments are assets and liabilities recognised at fair value.
Derivatives are classified as hedging instruments only when, at the start of the hedge, there is a close, documented correlation between the characteristics of the hedged element and those of the hedging instrument and such hedging relationship is formally documented and the effectiveness of the hedge, verified periodically, is high.

When hedging derivatives cover the risk of change in the fair value of the hedged instruments (fair value hedge) they are recognised at fair value through profit or loss; consistently, the hedged items are adequate to reflect fair value changes associated with the hedged risk.
When the derivatives cover the risk of changes in the future cash flows of the hedged instruments (cash flow hedge), the effective portion of the gains or losses on the derivative financial instrument is suspended in the shareholders' equity. The gains and losses associated with a hedge for the ineffective portion are recognised in the income statement. At the time the related transaction is realised, the accumulated gains and losses, recorded in shareholders' equity until that time, are recognised in the income statement (as an adjustment or supplement of the income statement item impacted by the hedged cash flows). Therefore, changes in the fair value of hedging derivatives are allocated:

- in the income statement, under items D18 or D19 in the case of fair value hedge of an asset or liability recorded in the financial statements, as well as fair value changes of the hedged items (if the fair value change of the hedged item has a higher absolute value than the fair value change of the hedging instrument, then the difference is recognised in the income statement entry affected by the covered item);
- in a dedicated shareholders' equity reserve (in item AVII "Reserve for hedges of expected cash flows") in the case of cash flow hedge in such a way as to offset the effects of the hedged flows (the ineffective component, as well as the change in the time value of options and forwards, is classified under items D18 and D19).

For derivatives classified as held for trading, inasmuch as, though they were stipulated to hedge the interest rate risk, they were not designated in hedge accounting, fair value changes are recognised in the balance sheet and allocated to the income statement under items D18 or D19.

The derivative instruments embedded in other financial instruments also have to be measured at fair value. An embedded derivative is separated from the primary contract and accounted for as a derivative financial instrument if, and only if:

- the economic characteristics and the risks of the embedded derivative are not closely correlated to the economic characteristics and the risks of the primary contract. There is a close correlation in the cases in which the hybrid agreement is stipulated according to market practices;
- all the elements of the definition of derivative financial instruments, as defined by OIC 32.11, are satisfied.

The provisions of Article 2426, paragraph 11-bis), of the Italian Civil Code, by express indication contained in the article itself, shall not apply if the following conditions are concurrently met:

- the contract was executed and is maintained to meet the needs expected by the company that prepares the financial statements for the purchase, sale or utilisation of the goods;
- the contract was intended for this purpose since its execution;
- performance of the contract is expected to take place through the delivery of the goods.

Revenues and Costs

Revenues from sales and costs from purchases are accounted for on an accrual basis. Concerning goods, revenues and costs are accounted for when transfers of ownership have taken place, which generally corresponds to the time of shipping or receiving.

Operating grants

Operating grants are accounted for in the income statement taking into account the disbursement resolutions of the supplying entities and the accrual principle.

Dividends

Dividends are recorded in the period in which their distribution is approved by the shareholders.

Taxes

Income taxes are accrued by each consolidated company in the year to which they relate on the basis of the taxable income, taking into account the due tax credits.

Deferred tax assets and liabilities are accounted for on the temporary difference between assets and liabilities recorded in the financial statements and the related values recognised for tax purposes. Moreover, they are recorded on the consolidated adjustments, wherever applicable.

Deferred tax assets on tax losses carried forward are recorded when their utilisation in the short term becomes reasonably certain. This is due to future taxable incomes that will absorb the tax losses before their expiry dates, in compliance with tax laws. On the other hand, deferred tax liabilities are accounted for on all temporary differences. Deferred tax liability on reserves under tax suspension regimes are not recorded if it is highly unlikely the reserves will be distributed to the shareholders.

Amendment to accounting standard OIC 25 “Income taxes”

As a result of the consultation launched in 2023, on 18 March 2024 the OIC published some amendments to accounting standard OIC 25 which concern specific disclosure to be provided in the financial statements as part of Pillar Two; following these amendments, the following amendments to accounting standard OIC 25 apply:

a) the temporary exception to the recognition of deferred tax assets and liabilities related to the application of the Pillar Two provisions;
b) the disclosure obligation in relation to the portion of taxes deriving from the application of Pillar Two pertaining to own income and to the portion of income of other companies belonging to the same group;
c) with reference to the 2023 annual financial statements, the obligation to provide information about the inclusion of the company in the scope of application of the Pillar Two model and a description of the progress of this model implementing process.

Foreign currency balances

Foreign currency costs and revenues are converted into Euro at the exchange rates at the relevant transaction date. For sale or purchase agreements of goods in currencies other than the Euro, with deferred delivery and a related hedging instrument, the exchange differences since the contractual date are classified as an adjustment to the underlying commercial transaction.

The exchange differences between the transaction and the balance sheet date for receivables, payables and foreign currencies held in cash not classified as long term, are recorded in the income statement.

Guarantees and commitments

Guarantees, commitments and third-party assets held by the company, excluding guarantees given and commitments made for events recognised in the financial statements or entailing additional risks that are deemed remote, are described in point 5.20 below.

Recognition of assets and liabilities at amortised cost in the balance sheet

Receivables and payables present in the balance sheet are recognised using the amortised cost criterion. The initial recognition value is the nominal value minus any bonuses, discounts, rebates, transaction costs, fee income and expenses and every difference between initial value and nominal value at maturity. At the end of each year following the year of recognition, the book value is aligned to the present value of future cash flows at the effective interest rate.

Detection of greenhouse gas emission quotas

In the event of greenhouse gas emissions higher than those assigned free of charge to the Group companies, there is an obligation to recognise, on an accrual basis, the cost necessary to cover the payable to the national Authority under the item "Other operating expenses". The allocation is made at the market value of the emission allowances at the end of the year, under the balance sheet liability item "Other payables".

If the Group companies have previously purchased allowances exceeding those necessary to cover the higher emissions, the surplus of emission allowances purchased and not sold at the end of the year is recorded, at purchase cost, under the item "Accruals and deferrals" of the Balance Sheet.

If the allowances assigned free of charge during the year are lower than actual emissions, any residual allowances assigned free of charge from previous years, purchased allowances with a defined expiry date and lastly purchased allowances without a defined expiry date are used in sequence, using the last purchased ones as a priority.

Any contingent assets or liabilities deriving from the purchase or sale of the emission allowances after the end of the year are recorded, respectively, under the item "Other revenues" and "Other operating expenses" in the Income Statement.

Hydroelectric power plant in Colzè (VI), Italy

3 OTHER INFORMATION

Dispensations with reference to the 4th paragraph of Art. 2423 of the Italian Civil Code
It is also stated that no dispensation was used with reference to the 4th paragraph of Art. 2423 of the Italian Civil Code.

4 COMMENTS ON THE PRINCIPAL ITEMS OF THE BALANCE SHEET

Comments on the economic environment and Beltrame Group operations as well as comparison between the current financial year figures against the previous one are made in the "Report on Operations". In particular, during the year, the Parent Company carried out the acquisition of the companies Idroelettriche Riunite S.p.A. and IDRA S.r.l., subsequently merged by incorporation without backdating of the statutory, accounting and tax effects and with effectiveness from 31 December 2023.

4.1 INTANGIBLE FIXED ASSETS

Intangible fixed assets, net of amortisation, consist of the following:

(in thousands of Euro)	Rights, patents, and intellectual property	Concessions, licenses, trademarks and similar rights	Goodwill	Under con-struction	Other Fixed assets	Total
Balance as at 31 December 2021	470	18	11,972	1,507	7,198	21,165
Increases	6	-	-	5,132	121	5,259
Translation differences	-	-	-	-	(23)	(23)
Reclassification and others	220	-	-	(1,080)	792	(68)
Amortisation	(266)	(1)	(2,993)	-	(2,123)	(5,383)
Balance as at 31 December 2022	430	17	8,979	5,559	5,965	20,950
Increases	71	73	33,510	12,162	2,144	47,960
Translation differences	-	-	-	-	-	-
Reclassification and others	9	-	-	(833)	842	18
Amortisation	(186)	(8)	(4,668)	-	(2,294)	(7,156)
Balance as at 31 December 2023	324	82	37,821	16,888	6,657	61,772

The increases for the current financial year are equal to Euro 47,960 thousand (Euro 5,259 thousand in 2022). The most significant interventions refer to:

- Recognition of Goodwill of Euro 33,510 thousand deriving from the allocation of the higher values generated following the acquisition by the Parent Company of the companies Idroelettriche Riunite S.p.A. and Idra S.r.l., amortised over 10 years.
  At the end of June 2023, the Parent Company finalised the acquisition of the entire share capital of Idroelettriche Riunite S.p.A., a renewable energy production company, through the direct purchase of 65.35% of the shares and, for the remaining 34.65%, through the purchase of the entire shareholding of Idra S.r.l.
  The aim of the transaction is to accelerate the decarbonisation strategy, allowing remote self-consumption and significantly reducing CO_2 emissions.
  For further details on the transaction, please refer to the Report on Operations prepared by the Directors;
- rights to receive and consume electricity produced with renewable sources acquired at a price that guarantees economic savings over the useful life of the plants being completed by paying a fee of Euro 8,508 thousand to the company Renewability S.c.a.r.l., for a total of Euro 11,694 thousand. The agreement envisages an investment (equal to two other operators) for each consortium member for a total of Euro 13.235 thousand broken down as follows:
  - phase 1 for Euro 10,921 thousand;
  - phase 2 for Euro 2,314 thousand.

  It is estimated that the plants will start operating in 2024.
- feasibility studies related to potential new investments and to the purchase and configuration of software linked to production, as well as safety and financial management.

The amortisation of the intangible fixed assets in 2023 was Euro 7,156 thousand (Euro 5,383 thousand in the previous year). The prevalently used amortisation rate is 20%. The most significant values refer to depreciation:

- of the goodwill recognised for the consolidation of Nuova Ferrosider S.r.l. for Euro 2,993 thousand, subsequently incorporated by the Parent Company in 2021;
- of the goodwill recognised for the consolidation of Idroelettriche Riunite S.p.A. and IDRA S.r.l. for Euro 1,675 thousand, incorporated by the Parent Company at the end of the year under review;
- of the customer portfolio that the Parent Company acquired in 2021 from Feralpi Profilati Nave S.r.l. for Euro 1,260 thousand.

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4.2 TANGIBLE FIXED ASSETS

Most of the tangible fixed assets consist of items owned by the Parent Company and by its subsidiaries with manufacturing operating activities. The changes that occurred during the year, compared to the previous one, are summarised as follows:

(in thousands of Euro)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Revertible assets and others	Work in progress and advances	Total
Historical cost	332,738	1,131,614	76,777	17,095	37,196	1,595,420
Allocation of difference	51,351	35,990	-	-	-	87,341
Revaluation	17,890	46,424	1,949	51	-	66,314
Accumulated depreciation	(233,821)	(950,385)	(57,089)	(12,022)	-	(1,253,317)
Provisions for impairment	(6,820)	(3,462)	(396)	(1,055)	(8,571)	(20,304)
Balance as at 31 December 2021	161,338	260,181	21,241	4,069	28,625	475,454
Increases	23,870	43,310	9,055	1,622	89,449	167,306
Disposals and other changes, net	(7,022)	(320)	(45)	(2)	(256)	(7,645)
Classification to asset for initial operation/reclass.	1,634	16,813	488	485	(19,352)	68
Uses/allocations to provision for impairment	4,127	559	(2)	-	340	5,024
Reclassification of provision for impairment	-	(678)	(20)	-	-	(698)
Translation differences	1,018	4,106	418	(2)	374	5,914
Depreciation	(7,243)	(44,973)	(6,509)	(974)	-	(59,699)

(in thousands of Euro)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Revertible assets and others	Work in progress and advances	Total
Historical cost	356,656	1,206,759	87,492	19,035	107,411	1,777,353
Allocation of difference	51,351	35,990	-	-	-	87,341
Revaluation	17,890	46,424	1,879	51	-	66,244
Accumulated depreciation	(245,481)	(1,007,271)	(64,347)	(12,833)	-	(1,329,932)
Provisions for impairment	(2,693)	(2,903)	(398)	(1,055)	(8,231)	(15,280)
Balance as at 31 December 2022	177,723	278,999	24,626	5,198	99,180	585,726
Increases	17,150	59,762	6,039	1,327	66,702	150,980
Increases due to the IR-IDRA merger	13,199	15,841	33	7,248	117	36,438
Disposals and other changes, net	(10,542)	(977)	(10)	(2,345)	(367)	(14,241)
Classification to asset for initial operation/reclass.	7,308	53,470	586	837	(62,082)	119
Uses/reclassifications of provision for impairment	2,204	826	-	1,055	583	4,668
Allocations to provision for impairment	(485)	(38,615)	-	-	-	(39,100)
Translation differences	1,436	4,412	590	(7)	752	7,183
Depreciation	(8,614)	(46,741)	(7,502)	(1,693)	-	(64,550)
Historical cost	400,711	1,386,567	96,739	48,967	112,532	2,045,517
Allocation of difference	43,886	35,941	-	-	-	79,827
Revaluation	17,890	46,408	1,857	51	-	66,206
Accumulated depreciation	(262,416)	(1,101,247)	(73,836)	(37,398)	-	(1,474,898)
Provisions for impairment	(692)	(40,692)	(398)	-	(7,647)	(49,429)
Balances as at 31 December 2023	199,379	326,977	24,362	11,620	104,885	667,223

In the year 2020, as permitted by Italian Law Decree 104/2020, the Parent Company revalued and estimated the useful and residual life of the buildings, plants and machinery of the Vicenza site already in place as at 31 December 2019. The activity, entrusted to independent experts, allowed the recognition of higher values for a total amount of Euro 66,414 thousand. This revaluation, as required by the afore-mentioned Italian Law Decree, was defined after the recognition of the 2020 depreciation of the assets subject to revaluation and the higher depreciation amounts were allocated starting from the 2021 financial year. In 2022, the estimate of useful and residual lives previously prepared for the Vicenza site was updated for all the sites of the Group companies.
The net book value of buildings, plants, machinery and production equipment of the sites whose operations were halted or forecast to be halted and are, therefore, held for sale, totalled Euro 795 thousand (Euro 10.4 million in the previous financial year).
Tangible fixed assets include those in progress which, as at 31 December 2023, amounted to Euro 104,885 thousand (Euro 99,180 thousand in the previous year), of which Euro 117 thousand deriving from the incorporation of the companies Idroelettriche Riunite S.p.A. and IDRA. S.r.l. These fixed assets are classified in their pertinent categories when they start operating.
The 2023 investments in tangible fixed assets (including the interventions which were not already operational by the year end) amount to Euro 150,980 thousand (Euro 167,306 thousand in the previous year) and Euro 36,438 thousand deriving from the incorporation of the companies Idroelettriche Riunite S.p.A. and IDRA S.r.l. The main interventions were aimed at increasing product quality and optimising the energy consumption of steel production plants, improving efficiency and reducing natural gas consumption of rolling mills, developing finishing lines and product verticalisation, for the gradual expansion of the production range and enlargement of the offer in higher-margin market segments, and strengthening logistics infrastructures within the production sites.
Investment projects developed during the year are also aimed at maintaining high plant and safety/environmental standards.
The disinvestments carried out in the year under review mainly relate to the sale:

- by the Parent Company of the Marghera real estate complex, in the municipality of Venice, already subject to a "Rent to Buy" contract signed in 2020, with a net book value of Euro 9,638 thousand (net of a value adjustment made in previous years for Euro 3,981 thousand), at the price of Euro 9,644 thousand (net of charges accessory to the sale);
- of production equipment in most cases referring to assets for which the depreciation process was almost completed.

The book values of property, plant and production equipment were tested for impairment.
The recoverable amount was determined comparing the net book value of the assets with either the higher fair value derived from appraisals carried out by third party experts and valuations made by internal experts, and their values in use calculated according to the Discounted Cash Flow (DCF) method on the basis of the cash flows forecast. The reference time frame for the estimated future cash flows is a period of three years, from 2024 to 2026, subsequently using the perpetual return criterion.
The estimated growth rate of the cash flows subsequent to those expressed in the Plan period is shown below while, as regards the discounting rate used, the WACC (weighted average cost of capital) shows the range of rates applied based on the subsidiaries' country of origin:

	2023	2022
Terminal value growth rate	1.60-2.00%	1.61-2.00%
Discount rate	9.28-11.24%	7.30-10.72%

The recovery of the property, plant and production equipment is subject to the uncertainties connected in particular with the market environment in which the Group operates, described in the "Report on Operations".
As a result of the impairment test, it was necessary to write-down the invested capital relating to the Swiss subsidiary for Euro 38,279 thousand.
Total write-downs of property, plant and equipment as at 31 December 2023 amounted to Euro 49,429 thousand (Euro 15,280 thousand in the previous year).

Based on the test results, a sensitivity analysis was developed on the difference between the recoverable value and the book value of the Net Invested Capital of the individual CGUs and of the Group, varying some of the basic metrics of the estimate carried out (WACC, terminal value EBITDA, "g" growth rate). The outcome of this analysis confirms the substantial adequacy of the values as the tested variables change.

In the 2023 financial statements the book value of the land is higher than the value for taxation purposes by Euro 47,446 thousand (unchanged compared to the previous year), because of the allocation to the category of merger deficits deriving from transactions carried out by companies incorporated by the Parent Company in the 2003 and 2004 financial years.
The fixed assets carrying amounts, which include the allocation of the merger differences completed both in the current and in previous financial years and higher acquisition costs compared to the carrying amount of the fixed assets held by the acquired companies, do not exceed their market value and/or their value in use.
The assets are not encumbered by mortgages.

4.3 FINANCIAL ASSETS

The carrying value of equity investments amounted to Euro 6,441 thousand (Euro 4,495 thousand in the previous year), and is mainly referable to the companies:

Metal Interconnector S.c.p.A. entry value Euro 6.142 thousand

Metal Interconnector is a joint-stock consortium company, established by companies in the steel manufacturing segment and in other energy-intensive sectors of the Italian industry, such as the non-ferrous metallurgy, but also including companies in other segments (including wood, paper, chemistry, concrete and glass). This consortium was established in the second half of 2014. Metal Interconnector represents energy-intensive companies with a high impact of electricity consumption on their production. It includes little less than 70% of companies that took part in the Terna bids, as envisaged by Art. 32 “Fostering the creation of a single energy market through the interconnector development and the involvement of energy-intensive end customers” of Italian Law no. 99 of 2009.
The consortium is intended to be an instrument to fund the electric interconnection lines between Italy and other countries, which will permit other shareholder companies involved to use the same lines, as soon as operational and in proportion to the level of investment made.
Three initiatives are currently being implemented/made operational by the investee companies:

- **Interconnector Italia S.c.p.A.** - The company holds 100% of the shares of Piemonte Savoia S.r.l., which has created an 'Italy-France' direct current interconnection between the Piossasco (IT) and Grande Ile (FR) nodes. The work has made the electricity frontier with France the most important for our country, increasing the cross-border interconnection capacity by 1,200 MW, of which 350 MW already available in exemption to the Selected Entities, which will increase from the current approximately 3 GW to over 4 GW. On 26 July 2019, on behalf of the Selected Entities, an exemption request was submitted to the Italian Ministry of Economic Development (MiSE) for an additional capacity of 250 MW on the border with France. This request was subsequently withdrawn by the same Italian Ministry following rejection by the European Commission; therefore, the Consortium will no longer finance the additional capacity of 250 MW. The work entered into operation in November 2022;
- **Interconnector Energy Italia S.c.p.A.** - The company holds all the shares of Monita Interconnector S.r.l., which has built a 500 kV direct current interconnection between the stations of Villanova (IT) and Lastva (ME) with a route, partly in submarine cable and partly in terrestrial cable, of about 445 kilometres. The first interconnection module became operational on 28 December 2019, creating an interconnection capacity of 600 MW. 200 MW, out of the 600 MW associated with the first module, were made available free of charge to the Selected Entities;
- **Interconnector Energy Italia** - On 21 January 2021, Interconnector Energy Italia informed the shareholders that the Italian Ministry of Economic Development had sent to the European Commission for Energy the Exemption Decree for the new 150 MW interconnector on the Austrian border. Upon receipt of the positive opinion, the Italian Ministry of Economic Development (MiSE) has proceeded to notify RESIA Interconnector S.r.l. of the Exemption Decree, the latter being the company set up specifically by Terna for the construction of the Italy-Austria interconnector; after 90 days, on 3 September 2021, the assignees completed the purchase of the above-mentioned Special Purpose Vehicle and Terna left the corporate structure completely. The work is underway and is expected to start operating in 2024.

The 2022 financial statements of Metal Interconnector S.c.p.A. were approved by the Shareholders' Meeting on 26 September 2023 and show a break-even result as in the previous year. The break-even result for 2022 derives from obtaining operating grants of Euro 1,160 thousand, sufficient to cover the costs for the year recognised in the income statement.
During the year in question, the company completed a share capital increase for Euro 1,672 thousand for the fully subscribed shareholder for the interest already held.

Consorzio Valbel book value Euro 20,000

The Company's corporate purpose is a) the design, coordination, performance and organisation of the business activity of the shareholders relating to the procurement of natural gas, including through the development and management of natural gas storage infrastructures and all other goods and services necessary for the activities of the consortium members; b) services carried out in favour of the National Electricity System such as the interruption of loads.
The increase in the book value is attributable to the share held by the merged entity Idroelettriche Riunite S.p.A., equal to Euro 10 thousand, which was transferred to the merging entity as a result of the merger.
It should be noted that in January 2024, the interest acquired following the incorporation was returned to restore the equity balance among the Consortium members.

Sirio S.r.l. book value Euro 169,067

The Company's corporate purpose is to carry out transactions relating to the energy sector, with the aim of developing photovoltaic plants for the production of renewable energy.

Consorzio CEIP
book value Euro 50,000

The Company's corporate purpose is the design, organisation, coordination and execution of the shareholders' business activities relating to development and/or feasibility aimed at exploring possible investment and/or purchase opportunities abroad in relation to the procurement of direct reduced iron.

Alternative Energy Innovation S.r.l.
book value Euro 5,000

The Company's corporate purpose is to carry out transactions relating to the energy sector. During the previous year, the purchase of land and the authorisations currently held by the transferors was finalised with the aim of developing the construction of plants for the production of energy.

Renewability S.c.a.r.l.
book value Euro 50,000

The corporate purpose of the company is to aggregate the electricity consumption of the consortium members through supply contracts from owned or third-party renewable production plants. Transactions also include purchases on the wholesale spot markets or with future delivery.

Laminados Industriales S.A.
book value zeroed out in previous financial years

The company owns a plate rolling mill in Santa Fe (Argentina). Production, started in 2012, was repeatedly slowed and shut down because of the company's financial hardship, of the weakness of Argentine domestic consumption and, more in general, of the country as a whole. The situation described above led the company to apply for a "concurso preventivo", i.e. bankruptcy protection procedure, as allowed by Argentine Law 24.522. The procedure started on 10 February 2014. On this basis, the Directors, in previous years, had deemed that the investee had suffered an impairment loss and adjusted the carrying amount of the equity investment to zero.

Ferriera Sider Scal S.r.l.
in liquidation, book value zeroed out in 2018

The company owns a production facility in Villadossola (VB), which, in 2008, ceased definitely its production. The rolling mill was definitely dismantled and sold in 2017.
The production site, active since the end of the 19th century, was purchased by the company in October 2001. Previously, for the period that goes from March 2000 to October 2001, it was operated by another subsidiary of the Parent Company, which then was merged into this by incorporation.
Currently, the company is engaged in the management of two environmental issues. The first one, it is the presence of polluting materials within the production site for which, in March 2023, the approval of the additions made to the operational reclamation project was obtained.
Furthermore, in the first months of 2024, reclamation activities were started in accordance with the approved project.
The second issue is related to areas outside the plant, in particular to the bed of a canal, which crosses the site, and to lands located downstream of the site, where contaminated materials were found.
On 11 May 2021, an agreement was signed with a specialised company for the demolition of almost all the industrial buildings located within the Villadossola site. The works, which began in October 2021, were completed at the end of 2023. A second demolition phase relating to the buildings still present in the area is being evaluated.
The negative result for 2023 takes into account provisions recognised in the income statement for the year in question against overheads expected up to the 2025 financial year.

The other receivables included within the financial fixed assets, which amount to Euro 16,646 thousand (Euro 12,931 thousand in 2022) include:

- shareholders' loans granted by the Parent Company to its investee company Metal Interconnector S.c.p.A., interest-free, in the amount of Euro 4,768 thousand, unchanged compared to the previous year, which can be allocated, partially or entirely, according to the decisions to be made by the Board of Directors, to the subscription of shares held by the latter, to capital increases, and/or to the disbursement of interest-free loans;
- a guarantee fund paid by the Parent Company against the commitment to finance the construction of electricity transport works for Euro 5,683 thousand (Euro 5,096 thousand in 2022). The work will be carried out through the investee Metal Interconnector S.c.p.A.;
- receivables pertaining to the Parent Company relating to the development of an industrial start-up project for Euro 2,359 thousand (Euro 209 thousand in the previous year);
- receivables from public bodies for residential construction of the subsidiary L.M.E. S.A.S. of Euro 1,679 thousand (Euro 1,573 thousand in 2022);
- a security deposit lodged by the subsidiary L.M.E. S.A.S. with a French bank for Euro 506 thousand, unchanged compared to the previous year, against the objection raised by the company against a tax assessment, currently awaiting settlement.

The receivables are deemed to be entirely collectable.

4.4 INVENTORIES

Inventories consist of the following:

(in thousands of Euro)	2023	2022
Finished products	272,484	319,168
Semi-finished products	90,659	157,828
Raw materials	33,500	16,682
Consumable materials	39,433	34,087
Ancillary materials	13,161	13,654
Plants and machineries held for sale	225	4,160
Total	**449,462**	**545,579**

Change in inventories are analysed below with reference to the main categories:

- finished products, with reference to the previous year's scope of consolidation, decreased by 12% in quantities and by 8% in unit values (increased by 20% in quantities and essentially unchanged in unit values in 2022 compared to 2021);
- semi-finished products decreased in quantities by 33% and in unit values by 12% (in the financial year 2022 compared to the financial year 2021, quantities increased by 38% and unit values by 6%);
- raw materials increased in quantities by 119% and increased in unit values by 2% (in the financial year 2022 compared to the financial year 2021, quantities decreased by 54% and unit values by 15%).

The value of inventories was adjusted, during the year and in previous years, mainly in the cases:

- of stock materials and spare parts of Euro 7,170 thousand to take into account in some cases technical obsolescence and in others lack of use in recent years;
- of finished and semi-finished products of Euro 28,863 thousand. The adjustment was made to align the manufacturing cost with the corresponding market value (replacement cost for raw materials and net realisable value for finished and semi-finished goods);
- of raw materials for Euro 2,614 thousand to take into account the market value at the end of the year;
- of plants intended for sale as they are not used at the sites owned by the company for Euro 3,092 thousand.

At the closing date of these financial statements, finished products and semi-finished products were stored to a limit of Euro 24,529 thousand in a warehouse at the company from which the Parent Company acquired the company Nuova Ferrosider S.r.l., incorporated on 1 October 2021 and which currently carries out its processing activities on behalf of the Parent Company. As a partial guarantee of the residual deferred instalments for the payment of the company Nuova Ferrosider S.r.l., recorded in the item "Other payables" in these financial statements, the Parent Company has established a revolving pledge of Euro 17,077 thousand on part of its products in deposit.

4.5 TRADE RECEIVABLES

Trade receivables, net of allowance for bad debt, whose change is detailed below, passed from Euro 75,910 thousand in the previous financial year to Euro 47,645 thousand in 2023. The level of trade receivables decreased mainly due to seasonality and the decrease in unit prices.
Trade receivables from customers include the amounts related to trade relations of the Parent Company with the subsidiary Consorzio Valbel for Euro 3,792 thousand (Euro 2,806 thousand in the previous financial year).
Trade receivables have been aligned to their realisable value, through an allowance for bad debt whose changes are shown below:

(in thousands of Euro)	2023	2022
Opening balance	2,529	2,456
Allocations during the year	43	275
Amounts recovered from bankruptcy and other minor proceedings	-	2
Translation differences	28	28
Uses during the year	(287)	(232)
Closing balance	**2,313**	**2,529**

Please note that the Group companies have insurance contracts in place to cover risks deriving from insolvency on trade receivables and have their own structures dedicated to the management of this risk. As a result of these factors, the amount of insolvency relating to transactions carried out in recent years was not significant.
The receivables due within the next financial year, of which approximately 82% (88% in 2022) are from customers within the European Union, following the write-downs applied are substantially aligned with their estimated realisation value.

4.6 RECEIVABLES FROM UNCONSOLIDATED ASSOCIATES AND SUBSIDIARIES

The amount of Euro 2,413 thousand (Euro 2,178 thousand in the previous year) refers to values recognised in the financial statements of the Parent Company for transactions with:

- its subsidiary Ferriera Sider Scal S.r.l. - in liquidation for:
  - loans of Euro 1,988 thousand (Euro 2,141 thousand in the previous year);
  - trade receivables of Euro 76 thousand (Euro 37 thousand in the previous year);
- the associate Sirio S.r.l. for a loan of Euro 349 thousand.

4.7 RECEIVABLES FROM ULTIMATE PARENT COMPANY

The receivables, recognised in the financial statements of the Parent Company from its parent company, all due within the year 2023, refer to administrative services and interest accrued on the above loan for Euro 21 thousand (Euro 9 thousand in 2022).

4.8 TAX RECEIVABLES

Tax receivables amounted to Euro 21,693 thousand (Euro 18,255 thousand in the previous year). The most significant amounts refer to:

- payments on account during the year for direct taxes higher than the final charge for Euro 12,724 thousand;
- VAT for Euro 4,388 thousand (Euro 14,253 thousand in 2022);
- tax receivables for investments in capital goods recorded in the Parent Company's financial statements for Euro 1,571 thousand (Euro 1,758 thousand in the previous year). The receivables, which arose in 2020, 2021 and 2022 following the enactment:
  - of Italian Law 160/2019 for Euro 695 thousand, used for Euro 304 thousand;
  - of Italian Law 178/2020 for Euro 2,078 thousand, of which Euro 706 thousand recorded in the current year, used for Euro 991 thousand, of which Euro 758 thousand in the current year;
  - of Italian Law 160/2019 and 178/2020 for Euro 93 thousand in 2021;
- registration tax paid by the Parent Company and for which repayment by the Tax Authorities has been arranged for Euro 1,160 thousand;
- VAT credit of Euro 437 thousand (Euro 451 thousand in the previous year) recognised by the Parent Company for insolvency proceedings for which, at the end of the year, the procedure envisaged by current tax regulations for the recovery in monthly VAT instalments had not been completed.

4.9 DEFERRED TAX ASSETS

Deferred tax assets, recorded at Euro 16,752 thousand (Euro 12,912 thousand in 2022), derived from temporary differences on taxable income and tax losses. The breakdown is analysed in the following table.

	Initial balance	2023 Reabsorptions	Increases 2023	Final balance
Write-down of non-deductible assets and materials	4,246	(1,635)	306	2,917
Valuation of the tax loss of previous years	3,248	(2,267)	-	981
Prepaid taxes on IR goodwill redemption	-	-	5,009	5,009
Prepaid taxes from IR incorporation	-	(1,972)	3,653	1,681
Prepaid taxes on NFS goodwill redemption	1,915	(383)	-	1,532
Allocations to provisions for risks and charges	1,463	(422)	391	1,432
Adjustment of the book value of the inventory	1,116	(1,030)	1,748	1,834
Amortisation/depreciation deductible in subsequent years	508	-	190	698
Membership and other unpaid contributions	256	(256)	17	17
Write-down of taxed receivables	152	-	-	152
Unrealised exchange rate adjustment	8	(8)	-	-
Valuation of derivative instruments	-	-	499	499
Total	**12,912**	**(7,973)**	**11,813**	**16,752**

Deferred tax assets are accounted for in compliance with the principle of prudence and with the reasonable certainty of sufficient future taxable income that would allow their recovery.
Deferred tax assets, recognised for Euro 5,009 thousand against the redemption of the goodwill generated by the merger of Idroelettriche Riunite S.p.A. and IDRA S.r.l. into the Parent Company, relate to the cost to be incurred in 2024 (substitute tax), the benefits of which will be recognised by the company for accounting purposes only in future years through the tax deductibility of residual amortisation of goodwill starting from 2025.

For the sake of completeness, the table below summarises the deferred tax assets of the company Idroelettriche Riunite S.p.A. included in the financial statements of the Parent Company following the merger by incorporation (values in thousands of Euro):

	Rate	Opening balance	Reclassifications	2023 Reabsorptions	2023 Increases	Final balance
Provisions for risks and charges	27.90%					548
Provision for impairment of non-deductible assets and materials	27.90%					531
Amortisation/depreciation deductible in subsequent years	27.90%					4
Costs deductible in subsequent years	27.90%					326
Costs deductible in subsequent years	24.00%					32
Provisions for write-down of other financial assets	24.00%					240
Recoverable tax losses	24.00%					1,972
Total						**3,653**

4.10 OTHER RECEIVABLES

Other receivables include the following:

(in thousands of Euro)	2023	2022
Transfer, contributions and refunds to be received on energy consumption	11,474	32,613
Advances to suppliers	2,971	4,437
Insurance reimbursements to be received	1,674	1,319
Receivables from social security and employees	1,126	644
Others	339	129
Total	**17,584**	**39,142**

The grants to be received on electricity consumption, recognised in the financial statements of the subsidiaries L.M.E. S.A.S., Stahl Gerlafingen AG and the Parent Company are recognised by their respective national authorities.
Advances to suppliers refer for Euro 2,971 thousand to payments on account by the subsidiaries L.M.E. S.A.S. and Stahl Gerlafingen AG.
Insurance reimbursements to be received, recorded for Euro 1,674 thousand, refer to the subsidiary L.M.E. for Euro 1,278 thousand, to the subsidiary Donalam S.r.l. for Euro 367 thousand and to the Parent Company for Euro 29 thousand.

Plant in Gerlafingen, Switzerland

4.11 DERIVATIVE FINANCIAL INSTRUMENTS ASSETS

Financial instruments assets, referring entirely to hedging transactions, amount to Euro 311 thousand (not present in the previous year). In particular, these are interest rate hedges on the bank loan in place for the company.

4.12 OTHER SECURITIES AND OTHER FINANCIAL ASSETS

Other assets include financial payments on account made by the subsidiary Stahl Gerlafingen AG for contributions to employees' supplementary pension plans for Euro 334 thousand. The mechanism presumes that the Company makes a payment in advance at the beginning of the year to cover all the monthly instalments pertaining to the reference year. The last instalment pertaining to 2023 was paid in January 2024.
With regard to the Parent Company, as a result of the merger of Idroelettriche Riunite S.p.A., securities were incorporated to cover a guarantee issued by Banca Intesa S. Paolo for Euro 169 thousand.

4.13 LIQUID FUNDS

The amount recognised of Euro 217,851 thousand (Euro 199,428 thousand in 2022) derives mostly from funds in the current accounts and, for the remaining part, from the cash on hand of the companies as at the end of the respective financial years.
The amounts shown can be converted promptly into cash and are not subject to significant risk of changes in value.
The change in available funds is analysed in the cash flow statement reported at the end of this document.

4.14 PREPAYMENTS AND ACCRUED INCOME

The amount recognised of Euro 9,068 thousand (Euro 8,075 thousand in 2022), refers principally to:

- Euro 5,669 thousand (Euro 4,820 thousand in the previous year) which represent the valuation using the criterion of the cost incurred by the Parent Company and its subsidiaries L.M.E. and Stahl Gerlafingen AG for the valuation of greenhouse gas emission quotas, available to the companies at the end of the year, freely tradable in the market. The valuation at market prices at the end of the year is significantly higher than the book value;
- Euro 1,235 thousand (Euro 1,595 thousand in the previous year) for accessory charges incurred against loans obtained by the Parent Company in the years 2022 and 2019, respectively;
- Euro 780 thousand (Euro 876 thousand in 2022) for software licences pertaining to the following year;
- Euro 518 thousand for interest on factoring transactions carried out by the Parent Company;
- Euro 189 thousand (Euro 131 thousand in 2022) for interest to the Parent Company's customers on advances for payables not due until after the reporting date.

4.15 SHAREHOLDERS' EQUITY

The subscribed and paid-in share capital of the Parent Company amounts to Euro 113,190,480 and is represented by 217,674 ordinary shares with a nominal value of Euro 520 each.
Shareholders' equity includes deferred tax reserves for a total of Euro 74,849 thousand (Euro 74,885 thousand in the previous year), mainly deriving from the revaluations present in the shareholders' equity of the Parent Company. If these reserves are distributed, they would be subjected to the payment of an adjustment surplus.
There are no restricted reserves pursuant to Article 2426, paragraph 5) of the Italian Civil Code.

(in thousands of Euro)	Share capital	Surplus share price reserve	Legal reserve	Other reserves	Reserve for cash flow hedging	Group profit (loss)	Consolidated Shareholders' equity	Minority interest	Shareholders' equity as at 31 December
Balance as at 31 December 2021	113,190	4,015	18,670	212,676	(1,045)	154,306	501,812	38,198	540,010
Allocation of the profit for the year									
To reserve	-	-	3,968	126,337	-	(130,305)	-	-	-
To shareholders	-	-	-	-	-	(24,001)	(24,001)	-	(24,001)
Capital increase made by minority shareholders	-	-	-	-	-	-	-	1	1
Allocation to minority shareholders of shareholders' equity	-	-	-	(755)	-	-	(755)	755	-

(in thousands of Euro)	Share capital	Surplus share price reserve	Legal reserve	Other reserves	Reserve for cash flow hedging	Group profit (loss)	Consolidated Shareholders' equity	Minority interest	Shareholders' equity as at 31 December
Use of reserves for allocation of derivatives	-	-	-	-	1,045	-	1,045	-	1,045
Distribution of reserves	-							(103)	(103)
Reclassifica-tions, transla-tion difference and others	-	-	-	7,413	-	-	7,413	19	7,432
Profit (loss) for the year	-	-	-	-	-	268,889	268,889	14,500	283,389
Balance as at 31 December 2022	113,190	4,015	22,638	345,671		268,889	754,403	53,370	807,773
Allocation of the profit for the year	-	-	-	-	-	-	-	-	-
To reserve	-	-	-	238,891	-	(238,891)	-	-	-
To shareholders	-	-	-	-	-	(29,998)	(29,998)	-	(29,998)
Capital increase made by minori-ty shareholders	-	-	-	-	-	-	-	-	-
Purchase of mi-nority interest	-	-	-	-	-	-	-	-	-
Allocation to minority shareholders of shareholders' equity	-	-	-	-	-	-	-	-	-
Use/allocation to derivatives reserves	-	-	-	-	(1,582)	-	(1,582)	-	(1,582)
Distribution of reserves	-	-	-	-	-	-	-	(129)	(129)
Reclassifica-tions, transla-tion difference and others	-	-	-	6,439	-	-	6,439	47	6,486
Profit (loss) for the year	-	-	-	-	-	(89,583)	(89,583)	2,699	(86,884)
Balance as at 31 December 2023	113,190	4,015	22,638	591,001	(1,582)	(89,583)	639,679	55,987	695,666

The changes pertaining to transactions on the capital of Group companies are illustrated in the previous point "Structure and content of the consolidated financial statements".

4.16 DEFERRED TAX LIABILITIES

Deferred tax liabilities amounted to Euro 11,457 thousand (Euro 18,962 thousand in the previous financial year) and referred to the Parent Company, which made allocations in view of:

- the higher values of Euro 47,446 thousand (unchanged with respect to the previous year) attributed to land at the time of the allocation of deficits in the years 2002 and 2003, not paid, for Euro 11,387 thousand (unchanged compared to the previous year);
- instalments of capital gains on fixed assets disposed of for Euro 44 thousand (Euro 51 thousand in the previous financial year).

The breakdown is analysed in the following table.

	Rate	Initial balance	2023 Reabsorptions	2023 Increases	Final balance
Deferred taxes on allocations not paid	24.00%	11,387	-	-	11,387
Deferred taxes on inventory adjustments	-	6,785	(6,785)	-	-
Deferred taxes on differences relating to the supplementary pension fund	-	629	(629)	-	-
Capital gains in instalments	27.90%	51	(22)	15	44
Others	-	110	(110)	26	26
Total		**18,962**	**(7,546)**	**41**	**11,457**

4.17 OTHER PROVISIONS

The breakdown of this item is as follows:

(in thousands of Euro)	2022	Allocations	Uses	Trans. Diff.	2023
Provision for environmental charges	5,551	3,000	(1,878)	74	6,747
Provision for risks and future charges	4,242	1,719	(961)	1	5,001
Provision for adjustment of value of equity investments	1,800	449	-	-	2,249
Provision for charges for restoration of assets subject to reversion free of charge	-	1,977	-	-	1,977
Provision for restructuring risks and charges	1,688	677	(682)	-	1,683
Derivative liabilities	-	1,313	-	-	1,313
Provision for tax litigation	800	-	-	-	800
Retirement provision	1,745	18	(1,313)	-	450
Provision for exchange rate risks	53	-	(53)	-	-
Total	**15,879**	**9,153**	**(4,887)**	**75**	**20,220**

Provision for environmental charges was allocated by the Parent Company and the subsidiaries Stahl Gerlafingen AG, L.M.E. S.A.S. and Laminoirs du Ruau S.A. to take into account liabilities the companies may incur. The provision includes the estimated expense for the treatment of processing residues of the Parent Company and the subsidiaries Stahl Gerlafingen AG and L.M.E. S.A.S.

Provision for risks and future charges was accounted for due to liabilities that could emerge from the unfavourable evolution of issues currently being reviewed relating to both actual and potential litigation, mainly of labour and trade (bankruptcy claw back, disputes and other).

The provision for the adjustments to the carrying value of equity investments was allocated by the Parent Company during the year 2018 and increased in the two previous and the current financial year to take into account the emergence of a negative equity value of the subsidiary Ferriera Sider Scal S.r.l. - in liquidation. The negative value of the shareholders' equity mainly derives from the allocation of provisions and costs incurred for the decontamination of the subsidiary's site and the low amount of structural expenses anticipated over the period for these initiatives.

The provision for charges for restoration of assets subject to reversion free of charge derives entirely from the first consolidation and subsequent incorporation of the company Idroelettriche Riunite S.p.A.

Provision for restructuring risks and charges was allocated to take into account the expenses that the subsidiary Laminoirs du Ruau S.A. will have to incur for interventions mainly aimed at the shut-down of the Ruau production site.

The provision for derivatives financial instruments liabilities refers to transactions to hedge interest rates on the bank loan in place pertaining to the Parent Company.

The provision for tax litigation was allocated in previous years by the Parent Company to take into account liabilities that may emerge during a tax audit. Point 4.25 below provides a brief description of the tax position of the Parent Company and of the main consolidated companies.

The Retirement provision was allocated by the Parent Company and it is related to the allowance due to the agents who collaborate with the company, in compliance with the "Accordo Economico Collettivo" (general labour agreement). The provisions for pensions included the provision for end-of-term indemnities, established on 20 May 2020 at the time of the appointment of the new members of the Board of Directors, used during the current year and not renewed with the appointment of the new members of the Board of Directors on 2 May 2023.

4.18 PERSONNEL AND SEVERANCE INDEMNITY

The breakdown of the changes in the severance indemnity is detailed as follows:

(in thousands of Euro)	2023	2022
Opening balance	11,914	14,667
Allocations during the year	2,278	912
Translation differences	61	122
Uses/discounting during the year	(1,257)	(3,787)
Closing balance	**12,996**	**11,914**

The item includes the severance indemnity of the Parent Company and the pension funds of the foreign entities of the Group, updated, if necessary, with actuarial calculations and monetary revaluations in compliance with the appropriate legal requirements.

The provisions for severance indemnity refer mainly for:
- Euro 7,336 thousand to the subsidiary L.M.E. S.A.S. (Euro 6,527 thousand in 2022);
- Euro 4,317 thousand to the Parent Company (Euro 4,181 thousand in 2022);
- Euro 1,065 thousand to the subsidiary Stahl Gerlafingen A.G. (Euro 928 thousand in 2022).

With regard to the subsidiary L.M.E. S.A.S., the most significant amounts refer to the IRUS fund of Euro 2,608 thousand (Euro 1,937 thousand in the previous year) relating to employees as at 31 December 1989, who benefit, upon retirement, from a supplement to the pension paid to other retirees, and a fund for category employee severance indemnity, amounting to Euro 3,322 thousand (Euro 3,264 thousand in the previous year).
The numbers of employees of the Group companies at the end of the financial year and at the end of the prior financial year are provided below, along with the average number:

	Factory Staff	Office Staff	Managers
31 December 2022	2,107	782	50
2023 average number	2,115	721	55
31 December 2023	2,146	679	58

4.19 BORROWINGS FROM BANKS

Payables to banks totalled Euro 168,227 thousand (Euro 122,500 thousand in 2022) and include the use of the following technical loan forms:

(in thousands of Euro)	2023	2022
Bank overdraft facilities, having effect on the single portfolio and short-term financing account	31,810	3,019
Medium and long-term loans - due within the following financial year	13,014	13,005
Total short-term payables to banks	44,824	16,024
Medium and long-term loans - due beyond the following financial year	123,403	106,476
Total payables to banks	**168,227**	**122,500**

Medium and long-term loans, including the short-term part, amounted to Euro 136,417 thousand (Euro 119,481 thousand in 2022).

The Parent Company:
In December 2022, the Parent Company entered into an agreement with the banking sector ("Pool" Loan) that involved the repayment of the medium and long-term loans existing at that date and the disbursement of a new loan divided into the following two credit lines:

- **Refinancing Line** for a total amount of Euro 116 million; repayment is envisaged in twelve half-yearly instalments on 30 June and 30 December of each year, the first eight instalments of Euro 6 million, the subsequent two instalments of Euro 9 million and the last two instalments of Euro 10 million and Euro 40 million respectively, the latter maturing on 22 December 2028;
- **Capex Line** for a total amount of Euro 104 million to finance its own investments and those of the subsidiaries. The availability period is 30 months from the signing date and the repayment plan is envisaged in seven six-monthly instalments with the first instalment expiring on 31 December 2025.

The loan agreement provides for compliance with two "Financial Covenants" calculated on financial statement ratios as at 31 December and 30 June of each year, on a consolidated basis.
The contract also provides for two KPIs relating to ESG sustainability performance measured annually starting from 31 December 2023: upon reaching specific targets defined by the contract, an interest rate reduction is envisaged.

In December 2021, the Parent Company signed a loan agreement with Banca Intesa San Paolo S.p.A. for Euro 5 million, with a 6-year maturity, 2 years of pre-amortisation and 4 years of straight-line amortisation with half-yearly repayments. This contract is aimed at financing the share capital increase resolved by the subsidiary Stahl Gerlafingen A.G. and is today used for Euro 3,333 thousand. The loan benefits from an interest subsidy.

On 19 June 2023, the Parent Company signed a new loan agreement with Crédit Agricole Italia S.p.A. for Euro 45,000 thousand, divided into the following two lines:

- **Amortising Line** for an aggregate principal amount of Euro 35 million, with due date on 30 June 2029, aimed at financing investments. This line has an availability period that ends on 31 March 2026 and is paid off through eight equal deferred half-yearly instalments of Euro 4,375 thousand due on 30 June and 31 December, with the first repayment date on 31 December 2025.
- **Revolving Line** for a total principal amount of Euro 10 million intended to finance the company's working capital. The availability period ends on 30 June 2025 and the line offers the possibility of uses over one, three or six months, on a revolving basis, for a minimum amount of Euro 3 million.

The new loan agreement envisages compliance with two "Financial Covenants" and two KPIs relating to the ESG sustainability performance, all in line with those defined within the "Pool" Loan.
As at 31 December 2023, the Parent Company used the Amortising line for Euro 30 million.
The financial covenants were fully respected as at 31 December 2023.

With regard to medium and long-term loans, the following table shows the relation between amounts (determined by applying the amortised cost method) and maturity terms in place in the financial statements under evaluation compared with the previous year.

(in thousands of Euro)	Balance as at 31 December 2023	Balance as at 31 December 2022	Change in cash flows
Initial amount	119,122	119,678	
Interest rate	variable	variable	
Payment of interest	half-year	half-year	
Balance as at 31 December	149,073	119,122	
2019 disbursements	-	-	
2020 disbursements	-	-	
2021 disbursements	5,000	5,000	
2022 disbursements	114,678	114,678	
2023 disbursements	30,000	-	30,000
2020 reimbursements	-	-	
2021 reimbursements	-	-	
Amortised cost accrued in 2021	-	-	
2022 reimbursements	145,840	145,840	
2023 reimbursements	12,816	12,816	
2024 reimbursements	12,857	12,857	
2025 reimbursements	16,611	12,861	3,750
2026 reimbursements	20,406	12,906	7,500
2027 reimbursements	25,316	17,816	7,500
2028 reimbursements	57,366	49,866	7,500
2029 reimbursements	3,750	-	3,750

The above details show values recorded according to the amortised cost criterion.

4.20 PAYABLES TO OTHER LENDERS

The amount of Euro 4,466 thousand (Euro 4,499 thousand in 2022) refers for Euro 4,416 thousand to residual payments due to the acquisition of technical fixed assets for Euro 8,050 thousand made by the Stahl Gerlafingen AG subsidiaries through financial leasing agreements and accounted for using the financial method (Euro 6,066 thousand in 2022).

4.21 ADVANCES

The advances recognised in the financial statements of the present year, i.e. Euro 1,076 thousand (Euro 4,412 thousand in the previous year), refer to amounts received from the Parent Company for deliveries of products which the company will carry out in the initial months of the following year and for which sale prices have been set. The decrease compared to 2022 is due to the sale in the first few months of 2023 of a rolling plant for Euro 4,160 thousand, for which the Parent Company had received an advance.

4.22 TRADE PAYABLES

Payables to suppliers amounted to Euro 498,624 thousand (Euro 469,284 thousand in 2022), all due within the year 2024 (Euro 2,440 thousand in 2022 due beyond next financial year). The majority is represented by suppliers of raw materials.
The amount included payables for Euro 9 thousand (Euro 8 thousand in the previous year) from the investee Consorzio Valbel.
The item included trade payables of Euro 105,596 thousand (Euro 110,172 thousand in 2022) to suppliers not located within the European Union. Most of the amount refers to the trade payables recognised in the financial statements of the subsidiaries Stahl Gerlafingen AG and Donalam S.r.l.

4.23 PAYABLES TO SUBSIDIARIES

Payables to subsidiaries recognised for Euro 4 thousand (Euro 1 thousand in the previous year) derive from interest accrued in relation to the Group VAT payment procedure in place with the subsidiary Ferriera Sider Scal S.r.l. - in liquidation.

4.24 PAYABLES TO PARENT COMPANY

The payable of Euro 2,149 thousand (Euro one thousand in the previous year) is recognised:
- for Euro 2,075 thousand for the losses used by the Parent Company, recognised as part of the National Tax Consolidation Regime and not yet remunerated;
- for Euro 74 thousand against interest accrued on transactions recognised as part of the National Tax Consolidation Regime.

4.25 TAX PAYABLES AND TAX EXPOSURE

The breakdown of this item is as follows:

(in thousands of Euro)	2023	2022
Substitute tax	5,456	664
Withholdings on employees and self-employed contractors	2,002	2,227
Value Added Tax (VAT)	845	2,719
Parent company for IRES payable from tax consolidation	-	7,517
Tax on salaries	833	346
Income taxes	331	3,432
Property taxes	414	414
Other	945	1,022
Total	**10,826**	**18,341**

The payable for substitute tax, recognised by the Parent Company, refers to the redemption of:
- the goodwill recognised at the time of the merger by incorporation of the companies Idroelettriche Riunite S.p.A. and Idra S.r.l., equal to Euro 5,009 thousand;
- the surplus value recognised on capital goods at the time of the merger by incorporation of the companies Idroelettriche Riunite S.p.A. and Idra S.r.l. equal to Euro 447 thousand, of which Euro 313 thousand due beyond the year.

The Parent Company's IRES payable to its parent company is equal to zero (Euro 7,517 thousand in the previous year), since the payments on account are higher than the final charge.
In the current year, no IRAP payable pertaining to the Parent Company was recorded as the advances paid were sufficient to entirely cover the final liability. In the previous year, the IRAP payable amounted to Euro 1,156 thousand.
Payables related to income taxes refer to the disbursement expected taking account of tax liabilities related to previous years, prepaid taxes, withholding taxes and effects resulting from the adhesion of the Group tax consolidation scheme.
The VAT payable to the Tax Authorities of Euro 845 thousand refers for Euro 643 thousand to the Parent Company and for Euro 202 thousand to the subsidiary Donalam Siderprodukte.

The liability for employee withholding taxes of a total of Euro 2,002 thousand is attributable to the Parent Company in the amount of Euro 1,690 thousand.

As at the date of preparation of these notes to the consolidated financial statements:
- the Parent Company received a number of complaints relating to the 2016 and 2017 tax year. These disputes mainly concern the definition of the calculation basis relating to ACE (Aid to Economic Growth) subject to appeal for both years;
- the subsidiary Donalam S.r.l., following an audit started in 2019, received some challenges. Some of the disputes were appealed, while in other cases the tax losses carried forward were adjusted; however, the related tax benefit had not been recorded in the financial statements;
- the subsidiary L.M.E. S.A.S. received some challenges following a tax audit, currently in the definition phase. The company is currently carrying out in-depth analyses on the issues identified and has not made any allocations to date. It should be recalled that in connection with the objections formulated to the company, the French tax authorities were asked to set up an escrow deposit already highlighted in section 4.3.

As of the date of preparation of this document, the Parent Company's direct and indirect taxes have been settled up to the 2017 financial year.
For the other main companies, direct taxes are settled as follows:
- Laminés Marchands Européens S.A.S. up to financial year 2020;
- Stahl Gerlafingen AG up to financial year 2018;
- Donalam S.r.l. up to financial year 2018.

4.26 SOCIAL SECURITY PAYABLES

Social security payables decreased from Euro 7,728 thousand to Euro 7,508 thousand. The amounts reported include receivables that the Group companies hold against the respective Social Security Institutes for advances paid to employees.

4.27 OTHER PAYABLES

The item Other payables, all falling due within the next financial year, with the exception of the payables deriving from the acquisition of Nuova Ferrosider S.r.l., Idroelettriche Riunite S.p.a. and IDRA S.r.l., is composed as follows:

(in thousands of Euro)	2023	2022
Payable deriving from the acquisition of the companies Idroelettriche Riunite and IDRA	53,459	-
Payable deriving from the acquisition of the company Nuova Ferrosider S.r.l. – Discounted value	21,539	21,220
Due to employees, Directors and withholdings for the supplementary severance fund for employees	14,228	17,140
Lease payables	3,459	-
Payables to customers	1,596	-
Insurance premium balance	334	411
Advances on property leases	-	820
Others	448	193
Total	**95,063**	**39,784**

The payable in the financial statements of the Parent Company deriving from the acquisition of the companies Idroelettriche Riunite S.p.A. and Idra S.r.l. was recognised for Euro 53,459 thousand (of which Euro 42,250 thousand due beyond the next year), equal to the capital portion envisaged in the deed of purchase net of the first portion paid at the time of closing. Pursuant to Art. 2423, paragraph 4, of the Italian Civil Code, the payable was not recognised at amortised cost as the effects would have been irrelevant with respect to the un-discounted value, since the effective interest rate established by the contract is not significantly different from the market interest rate.
The debt deriving from the acquisition of Nuova Ferrosider S.r.l. was recognised for Euro 21,539 thousand (of which Euro 8,351 is due beyond the next financial year) according to the amortised cost criterion.

The amount, recorded against payables accrued to employees, is principally related to December wages and to the allocation made for holidays accrued, but not yet taken and compensation tied to performance.
The balance for advances on the sale of properties is equal to zero following the sale of the Marghera site in the year under review.

4.28 ACCRUED EXPENSES AND DEFERRED INCOME

Accrued expenses and deferred income consist of the following:

(in thousands of Euro)	2023	2022
Deferred income on grants for capital expenditure	5,397	4,296
Accrued interest on payable for IR and IDRA acquisition	1,383	-
Accrued interest on financing	72	69
Differential accrued on hedging transactions	-	-
Other	253	147
Total	**7,105**	**4,512**

Grants on capital expenditure are mainly accounted for and referable by the production companies of the Parent Company and of the subsidiary L.M.E..
In the current year, the accrual of Euro 1,383 thousand was recognised for the Parent Company for the correct allocation of interest expense on the acquisition of the companies Idroelettriche Riunite S.p.A. and Idra S.r.l.

Plant in Trith Saint Léger, France

5 COMMENTS ON THE PRINCIPAL ITEMS OF THE INCOME STATEMENT

Comments on the economic environment and Beltrame Group operations as well as comparison between the current financial year figures against the previous one are made in the "Report on Operations". Particularly significant effects are linked to reduced product prices compared to the previous year, the weakness of demand, the uncertainty of energy prices, methane gas and the generally of raw materials mainly deriving from the tensions related to the invasion of Ukraine.

5.1 REVENUES FROM SALES AND SERVICES

The apportionment of revenues is summarised in the table below:

(in thousands of Euro)	2023	2022
Merchant Bars	1,128,539	1,362,432
Ribbed bars for construction industries	395,530	627,661
Special steel bars	113,810	148,874
Semi-finished products	51,041	29,318
Sale of electricity	8,521	-
Wire rod	5,377	3,707
Raw materials	879	779
Other	684	1,273
Total	**1,704,381**	**2,174,044**

The Report on Operations provides broader disclosure on the reference market.
The change in product sales revenues is due to an approximately 8% increase in volumes compared to the previous financial year and a 28% increase in unit prices.
The disposals of semi-finished products, carried out by the Parent Company and the subsidiary L.M.E., are mainly done in order to increase the production level of the respective steel production departments.
It should be highlighted that in the 2023 financial year, 75% of revenues were generated from sales in European Union countries (77% in the previous year).
It should be noted that the item "Revenues from sales and services" includes sales of electricity, as a core business, carried out by the company Idroelettriche Riunite S.p.A., acquired at the end of June 2023.

Plant in Trith Saint Léger, France

5.2 CHANGES IN SEMI-FINISHED AND FINISHED GOODS INVENTORIES

The decrease in the value of inventories during the financial year was equal to Euro 119,599 thousand (an increase of Euro 98,835 thousand in 2022). The analysis of the change is illustrated in point 4.4 above.

5.3 INCREASES IN INTERNALLY MANUFACTURED FIXED ASSETS

The recorded amount, equal to Euro 13,946 thousand (Euro 14,407 thousand in 2022), refers to the capitalisation of personnel, materials and ancillary costs incurred to carry out the capital expenditure plans described in point 4.2 above.
The most significant amount of Euro 9,435 thousand (Euro 11,428 thousand in the previous year) refers to activities carried out at the Targoviste production site by the subsidiary Donalam S.r.l.

5.4 OTHER REVENUES AND INCOME

Other revenues and income include:

(in thousands of Euro)	2023	2022
Electricity sales	20,494	22,376
Compensation and other reimbursements	8,275	3,137
Operating grants	5,889	2,469
Refunds for energy consumption	2,839	494
Third parties due to lower processing yields	2,111	1,923
Grants on investments	753	589
Non-recurring income	604	463
Services rendered by employees	411	57
Rental income	331	507
Release/Use of provisions	273	904
Use of provisions	89	53
Capital gains on assets disposal	78	6,217
Other	1,362	209
Total	**43,509**	**39,398**

Electricity sales refer to the subsidiary L.M.E. SA for Euro 19,224 thousand (Euro 21,401 thousand in the previous year) and to the subsidiary Donalam S.r.l. for Euro 1,270 thousand (Euro 975 thousand in 2022). In both cases, these are sales carried out during shut-downs of the production plants of the two companies related to purchase contracts that provide for guaranteed consumption components by the latter.
Compensation and other reimbursements recognised for a total of Euro 8,275 thousand (Euro 3,137 thousand in the previous year) refer for Euro 6,779 thousand to an amount obtained by the subsidiary L.M.E. S.A.S. for the insurance settlement relating to the plants shutdown in the fourth quarter of 2021.
Operating grants amounted to Euro 5,889 thousand (Euro 2,469 thousand in 2022) and refer for Euro 5,220 thousand (Euro 1,852 thousand in 2022) to a disbursement obtained by the Parent Company from the Energy Transition Fund in the Industrial Sector to offset indirect costs relating to CO_2 emissions. During the year, the portion of Euro 2,781 thousand relating to the year 2021, approved and disbursed during the 2023 financial year, and the portion of Euro 2,534 thousand relating to the year 2022 resolved in December 2023 and disbursed in January 2024 were recognised. In the previous year, the portion of Euro 2,017 thousand was recognised in relation to the year 2020.
The recasts received from third parties recorded for Euro 2,111 thousand (Euro 1,923 thousand in 2022) mainly refer to minor returns on processing of semi-finished goods into finished products commissioned by the Parent Company to third parties.
The grants on investments recognised by the Parent Company for Euro 753 thousand (Euro 589 thousand in the previous year) are mainly recognised against new subsidised capital goods following the enactment of Italian Laws 160/2019 and 178/2020 or for which compliance has been certified with respect to the requirements established by the regulations relating to transformation processes defined by the national Industry 4.0 plan.
Non-recurring income mainly refers to the definition of positions related to supply relationships.
Rental income is recognised in the financial statements of the Parent Company and of the subsidiaries Donalam S.r.l., L.M.E. S.A.S. and Stahl Gerlafingen AG. It refers to properties not used for their activities.

5.5 COSTS FOR RAW, ANCILLARY AND CONSUMABLE MATERIALS AND PRODUCTS

The breakdown of these costs can be summarised as follows:

(in thousands of Euro)	2023	2022
Raw materials	775,351	927,085
Semi-finished products	151,791	147,579
Ancillary materials	92,168	100,710
Consumables and maintenance materials	31,892	31,521
Packaging	2,904	3,817
Products	463	2,465
Total	**1,054,569**	**1,213,177**

The purchase volumes of raw materials decreased by 1% with respect to those recorded in the previous year, while unit prices decreased by 14%.
The purchase of semi-finished products is mainly attributable to the subsidiary Donalam S.r.l. which, as it does not have a steel production department, purchases the semi-finished product from third parties.

5.6 SERVICE COSTS

Details of the principal items are listed below:

(in thousands of Euro)	2023	2022
Electricity and methane	183,717	315,027
Logistics	72,938	67,230
Maintenance charges	34,215	33,467
Charges for the disposal of production by-products and other environmental costs	9,835	13,466
Processing of semi-finished goods through third parties	9,571	11,503
Legal, administrative, technical and IT charges	9,361	7,590
Directors and Statutory Auditors compensation	4,784	5,315
Insurance	4,323	4,404
Canteen	2,750	1,776
Sales and purchase commissions	2,719	2,542
Bank charges	2,296	1,790
Production outsourcing	2,236	2,134
Employee training costs	1,959	2,120
Travel expenses	1,915	1,569
Security	1,763	1,756
Advertising	1,586	1,010
Cleaning expenses	1,249	984
Warehouse handling services	1,207	950
Phone and post expenses	639	645
Audit	357	346
Other	8,745	10,405
Total	**358,165**	**486,029**

In accordance with the resolution of the Authority for Electricity and Gas, directed at creating a single energy market for the whole of the European Union, the Parent Company was selected, amongst other entities, to finance the planning and development of facilities to strengthen infrastructure to connect the electricity grid with others abroad. In view of the outlay, the Parent Company will be entitled to use the infrastructure, as soon as operational, in proportion to the level of investment made.
During the planning and development phase of the infrastructure, the Parent Company was entitled to purchase definitive quantities of electricity from abroad, therefore sourcing energy from both the national grid as well as importing it and thus making considerable savings.
The costs for electricity recorded during the year decreased compared to those recorded in the previous year in relation to the decrease in the price of methane gas and petroleum products recorded during the year, although lower compared to the previous year, and remained at significantly higher levels than in the period prior to the outbreak of the geopolitical tensions that led to the invasion of Ukraine by Russia.
Costs for energy are shown net of the government operating grants received due to the fact that the company is included in an energy intensive category, for a total of Euro 12,178 thousand for electricity and Euro 3,610 thousand for methane gas.

Logistics costs refer mostly to the sale of finished and semi-finished products.
The change recorded in transport costs is primarily linked to tariff increases mainly deriving from the increase in the cost of fuels.
The other logistics costs refer to movements of materials among the various production sites of the Parent Company and other minor sites.
Maintenance activity is derived from planned systematic checks for ensuring the maintenance of efficiency levels of structures, plants and machinery present at the Group's production sites. The activity is generally carried out through preventive maintenance work, based on predetermined schedules.
Charges for the disposal of production by-products are incurred mainly in steel production sites. During the melting process, some waste materials are reusable (only the iron part after a mechanical screening process can be sent for melting once again) and others are moved to authorised landfills. Other environmental costs are mainly connected to activities which allow for the reutilisation of by-products.
Third-party processing refers to the transformation of semi-finished products into finished products commissioned by the company to a leading national steel producer.

Plant in Stahl Gerlafingen, Switzerland

5.7 LEASES AND RENTAL COSTS

Lease and rental costs totalling Euro 7,274 thousand (Euro 6,376 thousand in 2022), refer mostly to the lease of buildings and machinery by the Parent Company and the subsidiaries L.M.E. S.A.S. and Stahl Gerlafingen AG.

5.8 PERSONNEL COSTS

Personnel costs in the financial year under review totalled Euro 179,438 thousand (Euro 169,656 thousand in 2022). The increase is mainly attributable to remuneration elements linked to company performance and to the usual remuneration dynamics.

5.9 AMORTISATION, DEPRECIATION AND WRITE-DOWNS

Amortisation of intangible fixed assets

The amount allocated in the financial year came to Euro 7,156 thousand (Euro 5,383 thousand in 2022). The value refers for Euro 5,928 thousand to:

- the amortisation of Euro 2,993 thousand of the goodwill of Euro 14,965 thousand relative to the acquisition of the total equity investment in Nuova Ferrosider S.r.l.;
- the amortisation of Euro 1,675 thousand of the goodwill of Euro 33,510 thousand recognised for the consolidation of Idroelettriche Riunite S.p.A. and IDRA S.r.l., incorporated by the Parent Company at the end of the year under review;
- the amortisation of Euro 1,260 thousand of the customer portfolio of Feralpi Profilati Nave S.r.l. acquired in 2021 for Euro 6,300 thousand.

Depreciation of tangible fixed assets

The amount was equal to Euro 64,550 thousand (Euro 59,699 thousand in 2022). The increase is mainly due to:

- higher depreciation and amortisation accrued during the year following the revaluation carried out on the plant and machinery of the production sites of the foreign subsidiaries and on those of San Didero (To) and San Giovanni Valdarno (Ar);
- the increase in investments made and which became operational during the year.

Other write-downs of fixed assets

In the financial year under examination, the Parent Company and the subsidiary Donalam S.r.l. respectively carried out write-downs for Euro 376 thousand and Euro 445 thousand (Euro 980 thousand in the previous year), primarily referable to assets that are no longer used for production. The recoverability of the value of tangible and intangible assets was verified by means of an impairment test carried out with the Discounted Cash Flow (DCF) method, using the expected cash flows, defined over the explicit period of the 2024-2026 Plan. Following the test, the subsidiary Stahl Gerlafingen AG. carried out a write-down of a plant for Euro 38,279 thousand.

Write-down of current trade receivables

Write-downs of receivables included in current assets amounted to Euro 35 thousand (Euro 275 thousand in the previous year). The modest incidence of losses on receivables is linked to the credit risk management policy of which information is provided in point 4.5 above.

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5.10 CHANGES IN RAW MATERIALS, ANCILLARY AND CONSUMABLE MATERIALS INVENTORIES

The increase in the value of inventories during the financial year was equal to Euro 19,750 thousand (a decrease of Euro 17,525 thousand in 2022). The analysis of the change is illustrated in point 4.4 above.

5.11 ALLOCATIONS FOR RISKS

Provisions for risks are mainly recognised in the financial statements of L.M.E. S.A.S. and its subsidiary RUAU, respectively for Euro 1,600 thousand and Euro 874 thousand (Euro 667 thousand and Euro 985 thousand in 2022).

5.12 OTHER PROVISIONS

The amount recorded under the item other provisions in the previous financial statements for Euro 184 thousand refers to the Parent Company and is entirely attributable to write-downs of assets, mainly plant and machinery no longer in use, held for sale.

Plant in Stahl Gerlafingen, Switzerland

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5.13 OTHER OPERATING EXPENSES

The item "other operating expenses" consists of the following:

(in thousands of Euro)	2023	2022
Derivation fees	2,176	-
Property tax	1,949	1,596
Various taxes calculated on personnel costs	1,484	1,585
Use of greenhouse gas emission quotas	1,469	4,720
Territorial economic contribution	887	1,669
Other taxes	564	579
Non-recurring loss on operating activities	397	805
Capital loss derived from fixed assets disposal	299	193
Association fees	261	247
Other	399	458
Total	**9,885**	**11,852**

Derivation fees relate to the charge pertaining to the second half of 2023 recognised by the company Idroelettriche Riunite S.p.A., related to plants concessions.
Property tax and the territorial economic contribution refer mainly to the Parent Company, Laminés Marchands Européens S.A.S. and Donalam S.r.l.
Various taxes calculated on personnel costs are reported by Laminés Marchands Européens S.A.S..
The use of CO_2 quotas, valued at Euro 1,469 thousand (Euro 4,720 thousand in the previous year), derives from the final calculation of the emissions for the year that were higher than the free allocations received.

5.14 FINANCIAL INCOME

No income from equity investments was recognised in the year under review.

Financial income comprises:

(in thousands of Euro)	2023	2022
Bank interest	893	156
Proceeds from the settlement of interest rate risk hedging contracts	295	5,402
Other interest income	221	-
Interest on loans granted to subsidiaries, unconsolidated companies and ultimate parent company	179	58
Interest on loans granted to related parties	94	104
Other	16	10
Total	**1,698**	**5,730**

The interest charged to the subsidiaries refers to interest-bearing loans at normal market conditions, disbursed:
- to the subsidiary Ferriera Sider Scal S.r.l. - in liquidation, for Euro 172 thousand (Euro 52 thousand in 2021);
- to the associate Consorzio Valbel for Euro 3 thousand (Euro 5 thousand in the previous year);
- to the associate Sirio S.r.l. for Euro 4 thousand (not present in the previous year).

In the previous year, there was interest of Euro one thousand due to the parent company Beltrame Holding S.p.A.

Plant in San Giovanni Valdarno (AR), Italy

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5.15 INTEREST AND OTHER FINANCIAL CHARGES

Interest and other financial charges are classified as follows:

(in thousands of Euro)	2023	2022
Interest charges on medium and long-term loans	7,289	4,496
Charges on receivables transferred without recourse	4,052	1,248
Interest to customers for advance payments	3,466	3,724
Interest on purchases Equity investment Idroelettriche Riunite and IDRA	1,383	-
Financial charges on short-term bank loans	1,117	12
Amortised cost on purchase of equity investment	318	413
Interest on loans from parent company and subsidiary	87	3
Charges on interest rate hedging instruments	-	536
Other financial charges	1,336	780
Total	**19,048**	**11,212**

Interest on medium and long-term loans increased in 2023 due to the increase in debt to banking sector.
The recognition of the payable, recognised by the Parent Company using the amortised cost method, deriving from the acquisition of the company Nuova Ferrosider S.r.l., payable by 2028, entailed the recognition of financial expenses of Euro 318 thousand (Euro 413 thousand in the previous year).

5.16 GAINS AND LOSSES ON EXCHANGE RATES

Gains and losses on exchange rates amounted to Euro 8,949 thousand and Euro 8,273 thousand, respectively (Euro 4,986 thousand and Euro 4,059 thousand in 2022).

5.17 ADJUSTMENTS TO FINANCIAL ASSETS

The value recorded under adjustments to financial assets of Euro 449 thousand refers to the equity investment held by the Parent Company in the subsidiary Ferriera Sider Scal S.r.l. - in liquidation (Euro 108 thousand in the previous year). Given the full zeroing of the book value carried out in previous years, the above amounts were recognised as an increase of an allocation already made among the Provisions for Risks and Charges of Euro 1,800 thousand.

As regards the reasons that led to the recognition of the write-downs, please refer to the previous note 4.3.

5.18 INCOME TAXES

Current taxes, debited to the income statement, amounted to Euro 10,903 thousand (Euro 58,712 thousand in 2022) and refer mainly to IRES and IRAP accounted for in the financial statements of the Parent Company respectively of Euro 6,317 thousand and Euro 1,876 thousand (Euro 40,229 thousand and Euro 6,800 thousand in 2022) and to income taxes allocated by the subsidiaries L.M.E. for Euro 2,094 thousand (Euro 10,359 thousand in the previous year). Total taxes of Euro 10,903 thousand are recognised net of the tax effect of Euro 264 thousand recognised for commercial transactions carried out between consolidated companies.
Deferred taxes credited for Euro 7,616 thousand (debited for Euro 7,196 thousand in the previous year), refer almost entirely to the subsidiary Stahl Gerlafingen AG. The nature of the allocations and of the uses for deferred taxes is described in detail in the table shown in point 4.16 above.
Deferred tax assets debited for Euro 5,720 thousand (accredited for Euro 63 thousand in the previous year), derive mainly from utilisations, recognised by the Parent Company and the subsidiary L.M.E. S.A.S. for the use of tax losses.
The nature of the allocations and of the uses for deferred tax assets is described in detail in the table shown in point 4.9 above.
With reference to the obligation to provide information on the inclusion of the company within the scope of application of the “Pillar Two” model envisaged by the amendment to accounting standard OIC 25, the Company has applied the temporary exception to the recognition of deferred tax assets and liabilities related to the application of the provisions of Pillar Two envisaged by the same accounting standard.
The Italian Government has implemented the Pillar Two regulation with effect from 1 January 2024 (as required by Italian Legislative Decree no. 209 of 28 December 2023, hereinafter "Italian Decree on Pillar Two"). The Beltrame Group, understood as a set of companies consolidated on a line-by-line basis by Beltrame Holding S.p.A., falls within the scope of application of this regulation. A process was therefore started to manage compliance with said regulations.

5.19 DIRECTORS AND STATUTORY AUDITORS COMPENSATION

The amounts debited to the consolidated income statement for the remuneration due to the Directors and Statutory Auditors of the Parent Company for carrying out their responsibilities, also in the companies included within the area of consolidation, are detailed below:

(in thousands of Euro)	2023	2022
Directors	4,346	4,801
Statutory Auditors	86	87
Auditing company for services provided to the Parent Company	136	122
Auditing company for the services provided to other companies within the scope of consolidation	195	150
Total	**4,763**	**5,160**

In this financial year, as in the previous one, no additional compensation has been assigned to Directors on the destination of the annual result. Expenses related to activities carried out by external auditors different from the ones used by the Parent Company are not included here.

5.20 COMMITMENTS NOT REPORTED IN THE BALANCE SHEET

For the acquisition of the company Nuova Ferrosider S.r.l., in relation to the deferred payment envisaged in the contract, the company issued a pledge in favour of the transferor on the product inventories in the warehouse at Ospitaletto (BS) up to the value of Euro 17,077 thousand, unchanged from the previous year.
While subscribing shares, in years 2016, 2017, 2020 and 2021, the Parent Company signed, with the minority shareholder of the subsidiary Donalam S.r.l., a put and call options agreement to acquire the minority interest. The exercise price of the option is connected to the market value of the equity investment at the same date; the agreement provides an indication of the cap and floor values. The minimum valuation at year end of the presumed value of the contractual commitment is equal to Euro 7.462 thousand, of which:

- Euro 2,500 thousand maturing on 31 July 2024 (capital contribution year 2016);
- Euro 2,500 thousand maturing on 30 June 2024 (capital contribution year 2017);
- Euro 1,231 thousand maturing on 31 October 2027 (capital contribution year 2020);
- Euro 1,231 thousand maturing on 11 November 2028 (capital contribution year 2021).

At the time of signing the share capital increase of the subsidiary Stahl Gerlafingen AG, paid in by SIMEST S.p.A. in the previous year, the Parent Company entered into agreements with the same that envisage the commitment of the parties for the purchase and sale of the equity investment held by the latter through put and call options. The exercise price of the option is connected to the market value of the equity investment at the same date; the agreement provides an indication of the cap and floor values. The minimum valuation at year end of the presumed value of the contractual commitment is equal to Euro 15.3 million.

5.21 TRANSACTIONS WITH ASSOCIATES, AFFILIATES, THE PARENT COMPANY AND COMPANIES CONTROLLED BY THEM

It should be noted that at the end of June 2023, the Parent Company finalised the acquisition of the entire share capital of Idroelettriche Riunite S.p.A., a renewable energy production company, through the direct purchase of 65.35% of the shares and, for the remaining 34.65%, through the purchase of the entire shareholding of Idra S.r.l.
Equal to Euro 63,958 thousand, the purchase price was determined on the basis of valuations prepared by independent experts and reflects normal market conditions for this type of transaction. The transaction was carried out with related parties.

Transactions with the parent company and the subsidiaries, carried out at arm's length conditions, are referable to the receivables described in points 4.6, 4.7, 4.23, 4.24, 4.25, 5.4, 5.14 and 5.15.

Related-party transactions, identified in compliance with the IAS 24 international accounting standard, are essentially related to the rendering of services, exchanging of goods and providing disbursement or reimbursement of loans within subsidiaries and affiliates. All of these transactions are within the normal business activities, and are carried out at arm's length.
All transactions are carried out in the best interest of the companies.
In accordance with Art. 2427 of the Italian Civil Code, we specify that there are no receivables and payables with a duration exceeding five years, except as specified in point 4.19 and 4.27.

Further information on Group operations and significant post balance sheet events has been provided in the Report on Operations.

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Hydroelectric power plant in Pontetto, Montecrestese, Italy


Hydroelectric power plant in Pontetto, Montecrestese, Italy

5.22 TRANSPARENCY OF PUBLIC FUNDING

With reference to the provision pursuant to Article 1, paragraph 125 and 125-bis, of Italian Law no. 124 of 4 August 2017 - in the continuing uncertainty of interpretation and application of the aforementioned regulatory provision, in particular following the recent extension, by Article 22-bis paragraph 1 of Italian Law Decree no. 198 of 20/12/2022 (so-called Milleproroghe Decree Law), as at 1 January 2024 of the provisions contained in paragraph 125-ter below on the sanction regime - the following table shows the amounts and information relating to grants, subsidies, benefits, contributions or aid, in cash or in nature, not of a general nature and without consideration, remuneration or compensation nature, actually disbursed (cash principle) to the Parent Company by public administrations in the year 2023, part of which already indicated in the National Aid Register (so-called NAR).

Year	Grantor	Type of subsidy	Amount
2023	CSEA	Energy-intensive 2022 tax credits used in 2023	1,482,448
2023	CSEA	Gas-intensive 2022 tax credits used in 2023	245,661
2023	CSEA	Energy-intensive 2023 tax credits used in 2023	12,177,582
2023	CSEA	Gas-intensive 2023 tax credits used in 2023	3,610,085
2023	Veneto Region	ESF support for growth, employment and training	16,062
2023	Veneto Region	ESF support for growth, employment and training	10,496
2023	Acquirente Unico Spa	Aid to companies in certain sectors to offset the increase in electricity prices deriving from the integration of the costs of greenhouse gas emissions in application of the EU ETS	5,220,693
2023	Piemonte Region	Work placement incentives	8,000

Part of the above amounts are published in the "National Aid Register".

5.23 SIGNIFICANT EVENTS AFTER THE REPORTING DATE

International Monetary Fund projections for the Euro zone indicate a moderate increase in GDP in 2024 (0.9%, from 0.6% in 2023), which is expected to be followed by an acceleration in 2025 (1.7%).
According to projections, inflation in the area is expected to fall to 2.7% in 2024 and to 2.1% in 2025.
The effects of the monetary restriction and the worsening of consumers and business confidence continue to weigh on the international economic scenario. A regional expansion of the Middle East conflict is a further significant risk to growth and inflation.
Any disruption in global value chains, resulting in particular from attacks on shipping traffic in the Red Sea, or increase in energy prices caused by a negative development in the war in the Middle East, constitute further downside risks.
In 2024, considering a more favourable evolution of industrial prospects and an increase in steel demand, a gradual recovery in apparent steel consumption (+5.6%) is expected starting from the second quarter of the year.
The output of the user sectors is expected to record a further slowdown in 2024 (+0.2%), to then recover with a more sustained growth in 2025 (+1.5%) thanks to the improvement in consumer confidence and the general recovery of the industrial cycle.
However, the overall evolution of steel demand remains subject to very high uncertainty, which is likely to continue to undermine the demand of the user sectors throughout 2024.
Economic activity in the construction sector, after contracting by 2.1% in 2023, is expected to contract by 0.4% also in 2024, then returning to growth only in the second half of the year. For 2025, a more sustained recovery is expected with an overall growth of 2%.
The overall sector activity will continue to benefit, albeit to a more limited extent, from government support for housing and public construction projects, but the impact of these programs is expected to decrease significantly in 2024 due to multiple negative factors, including the shortage of construction materials and increased prices, and more generally high borrowing costs.
The mechanical engineering sector, after the moderate growth recorded in 2023 (increase of 1.6%) is expected to show a slight recession trend in 2024 (reduction of 0.5%) and then return to growth in 2025 (increase of 2.4%).
The persistent negative factors affecting the industrial outlook are expected to weigh on the production of the mechanical engineering sector during the first half of 2024. The sector should return to positive territory in the second half of 2024 where the outlook, albeit moderately positive overall, is expected to remain subject to significant factors of uncertainty.
After the strong growth recorded in 2023, the automotive sector is expected to record only a marginal increase in 2024 (+0.1%). In fact, demand is expected to remain weak due to the worsening economic outlook and the reduction in consumers disposable income.
The full recovery of global trade and external demand in major markets such as the United States, China and Turkey will remain a key factor for EU car exporters in a short and medium-term context of high uncertainty linked to war, global supply chains problems and very high energy and fuel prices. In the long term, the political commitment at EU level towards the full adoption of electric vehicles by 2035 should prove to be somewhat favourable, despite the uncertainties over the development of the electric vehicles market sector, delays in the launch of new models and the lack of facilities (recharging points etc.) proved to be unfavourable to consumer demand and also delayed the investment decisions of car manufacturers.

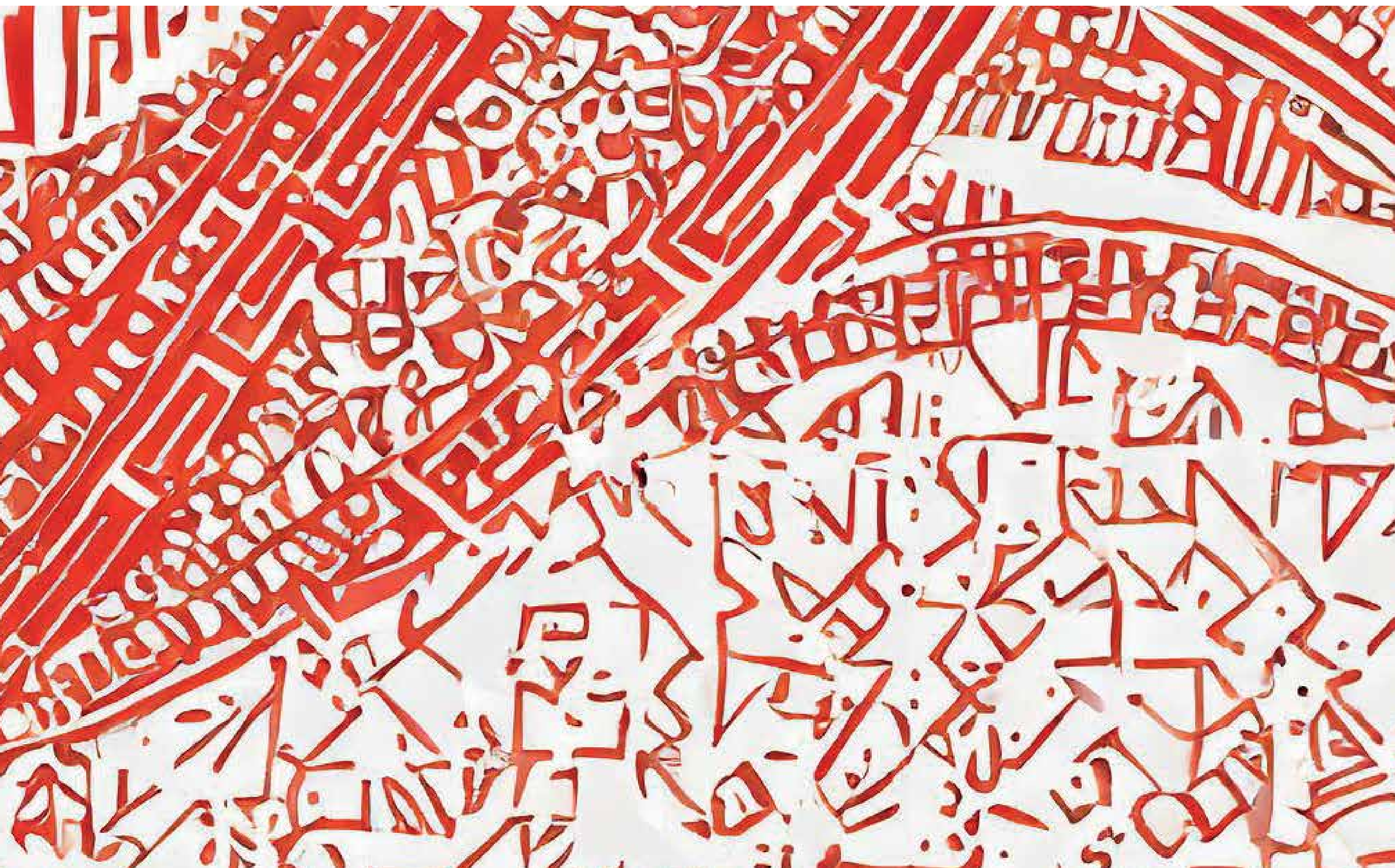
User sectors	Share of consumption	Q1 24	Q2 24	Q3 24	Q4 24	2024	2025
Construction	35.0%	-1.7%	-1.0%	0.0%	1.2%	-0.4%	2.0%
Automotive	18.0%	1.7%	1.2%	-0.9%	-1.7%	0.1%	0.2%
Mechanical engineer	14.0%	-2.0%	-1.6%	0.1%	1.4%	-0.5%	2.4%
Metal articles	14.0%	-1.9%	-0.4%	1.4%	1.3%	0.1%	1.3%
Oil & Gas	13.0%	1.4%	1.9%	0.6%	1.4%	1.3%	0.5%
Appliances	3.0%	0.7%	3.8%	5.0%	3.3%	3.1%	2.4%
Other transports	2.0%	-1.6%	5.4%	-2.0%	3.1%	1.2%	1.9%
Others	2.0%	1.8%	2.6%	-0.5%	0.5%	1.1%	1.0%
Total	**100.0%**	**-1.4%**	**-2.2%**	**0.0%**	**1.2%**	**-0.6%**	**1.8%**

In the first quarter of 2024, the Group maintained a level of activity, in terms of volumes, in line with the first months of the previous year and profitability in line with the average profitability of the previous year.
The Board of Directors of the Parent Company, while pointing out that the Group's profitability is closely tied to the market's performance, whose future developments are uncertain, deems achievable, for 2024, positive profitability and cash flow generation targets.

Vicenza, 28 March 2024

The Chairman of the Board of Directors
Antonio Beltrame

04_INDEPENDENT AUDITORS' REPORT



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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
AFV Acciaierie Beltrame S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of AFV Acciaierie Beltrame Group (the "Group"), which comprise the consolidated balance sheet as at December 31, 2023, the consolidated statement of income and statement of cash flows for the year then ended and the explanatory notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Italian law governing financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of AFV Acciaierie Beltrame S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

Deloitte.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10

The Directors of AFV Acciaierie Beltrame S.p.A. are responsible for the preparation of the report on operations of AFV Acciaierie Beltrame Group as at December 31, 2023, including its consistency with the related consolidated financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of AFV Acciaierie Beltrame Group as at December 31, 2023 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the report on operations is consistent with the consolidated financial statements of AFV Acciaierie Beltrame Group as at December 31, 2023 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Cristiano Nacchi
Partner

Padua, Italy
April 14, 2024

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.