Beltrame Group
Consolidated Financial Statements 2020

(TRANSLATION FROM THE ORIGINAL IN ITALIAN)

AFV BELTRAME GROUP

Consolidated Financial Statements 2020

BELTRAME GROUP
STEEL SINCE 1896

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2020 Report on Operations

AFV BELTRAME GROUP
STEEL SINCE 1896

AFV Acciaierie Beltrame S.p.A.
Viale della scienza 81
36100 Vicenza - (Italy)
Share capital as of December 31, 2018:
Euro 113,190,480 fully paid in
Tax identificazion number:
No 13017310155

Registered office and headquarters:
Viale della scienza, 81 - zona industriale
36100 Vicenza (Italy)
T. (+39) 0444 967 111
F. (+39) 0444 348 577

gruppobeltrame.com

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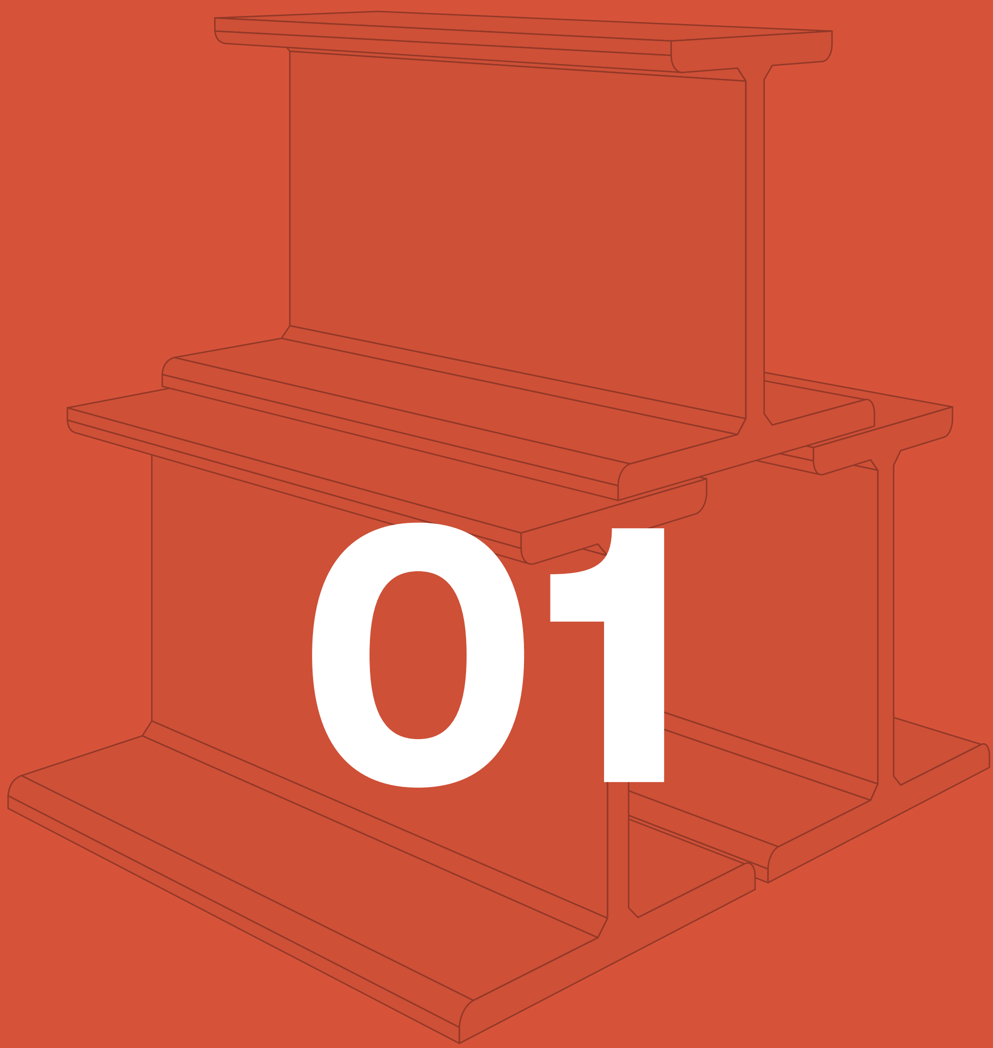

01

Report on Operations

A Highlights

	2019	2018	2017
Revenues from sales	976,960	1,102,419	1,240,303
VALUE ADDED	157,935	201,060	242,439
%	16.17%	18.24%	19.55%
EBITDA	30,482	70,427	114,717
EBITDA (adjusted)	41,558	73,971	113,635
%	4.25%	6.71%	9.16%
OPERATING PROFIT (LOSS)	(9,899)	31,055	73,143
NET PROFIT (LOSS)	(21,421)	14,599	49,646
Number of employees as at December 31	2,114	2,046	2,012
Fixed assets	495,642	403,947	389,209
Net working capital	(16,006)	34,252	55,585
Shareholders' equity	363,914	320,477	319,169
Net financial position	73,468	73,524	75,822
Operating cash flow	44,048	65,975	98,434
Cash flow for technological investments	(42,326)	(38,061)	(43,679)

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 take into account primarily the following non-recurring elements, which impacted some items in the financial statements as at December 31, 2020:

— The Group's activities were heavily influenced by the restrictions imposed by the national authorities, or in any case deriving from widespread lockdowns, and necessary to face the first phase of the COVID-19 health emergency during the months of March, April and May 2020. The actions taken to deal with the various phases of the health emergency throughout 2020 and the reduction of production activities during the first wave in March, April and May 2020, led to direct and indirect costs for a total amount of Euro 10,640 thousand, as shown below:

(in thousands of Euro)	Direct costs	Indirect costs	Total
STAFF COSTS	---	5,256	5,256
SAFETY AND SECURITY COSTS	1,100	27	1,127
UTILITIES	---	976	976
PROFESSIONAL SERVICES	33	764	797
RENTAL EXPENSES	50	250	300
MAINTENANCE	200	46	246
INFORMATION SYSTEM COSTS	5	115	120
PRODUCTION MATERIALS	---	165	165
TRAVEL EXPENSES	---	29	29
OTHER GENERAL COSTS	415	1,209	1,624
Total	**1,803**	**8,837**	**10,640**

— the Group continued the activities directed at managing and increasing the value of the sites to be divested, and it incurred net non-recurring expenses, recorded according to their nature among the operating components of the income statement, amounting to Euro 180 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 Organismo Italiano di Contabilità, including the Ebitda, the Ebitda adjusted and the Net Financial Position, which could therefore not be directly comparable to the indicators used by the other operators of the same industry.

B Corporate bodies

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Board Of Directors	**Antonio Beltrame**	Chairman and Managing Director	1
	Patrizia Beltrame	Deputy Chairwoman and Managing Director	2
	Angiola Beltrame	Deputy Chairwoman and Managing Director	3
	Alain Creteur	Managing Director	4
	Raffaele Ruella	Managing Director	5
	Carlo Beltrame	Director	6
	Carlo Carraro	Director	7
Board Of Statutory Auditors	**Andrea Valmarana**	Chairman	
	Dario Semenzato	Standing Auditor	
	Massimo Mari	Standing Auditor	
Independent Auditors	**Deloitte & Touche S.p.A.**		

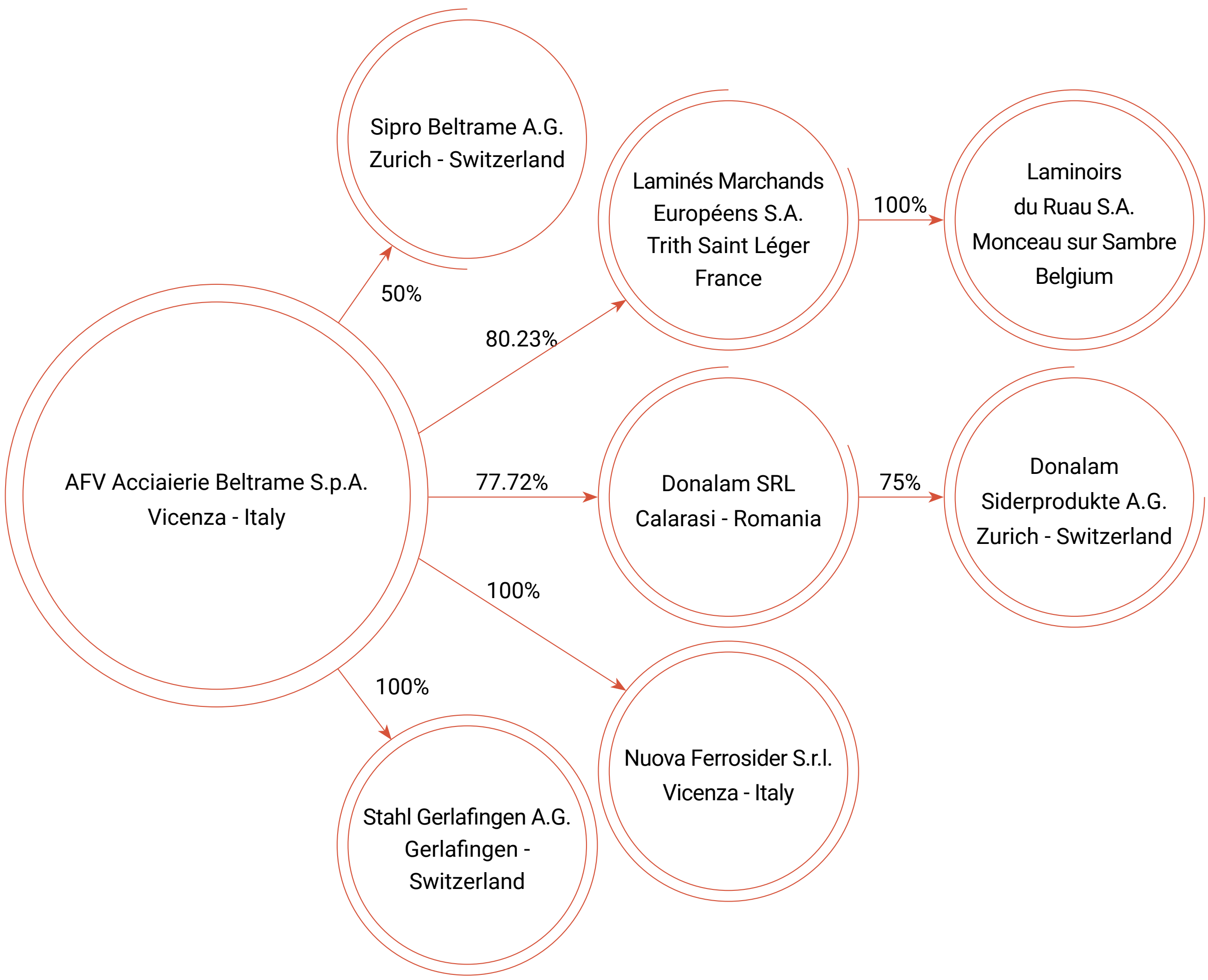
C

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

Structure of the Beltrame Group



Compared to the previous year we point out that:
On October 27, 2020, the minority shareholder of the subsidiary Donalam S.r.l. subscribed a capital increase approved by the company by paying the amount of Euro 1 million. The operation changes the percentage he holds from 19.64% to 22.28%.

On December 29, 2020, the Parent Company finalised the purchase of 100% of the shareholdings of Nuova Ferrosider Srl, a company belonging to the Ori Martin Group and owner of the branch having as core business the trading of merchant bars in “JR” and “J0” quality.

E Economic Scenario

HEALTH EMERGENCY Covid-19

At the beginning of 2020, the Covid-19 epidemic spread all over the world with increasing intensity and with infections first concentrated in the neighbouring countries of China (mainly South Korea and Japan) and which subsequently affected Europe, the Middle East and the United States. In mid-April, more than 2 million people in the world contracted the virus and 5 countries registered more than 100,000 confirmed infections.
The first country outside Asia which found a high number of infections and applied particularly severe containment policies was Italy. Starting from March 5, 2020, restrictive measures were gradually applied such as people mobility limitation, schools and universities closing, and suspension of all non-essential economic activities. In the following weeks similar measures were applied in the United States, France, Germany, Spain and in the other major Western and Central European countries.

The containment measures, implemented with different intensity according to the evolution of the pandemic in the various states, aimed mainly at reducing contacts between people, with limitations on movement, closure of schools and production activities and more generally accentuating interpersonal distancing.
Therefore, the number of new cases per day began to decrease in Europe and in the main countries affected by the pandemic. Containment measures were gradually reduced starting from May, with a situation that seemed to stabilise during the summer months. However, a second wave of the pandemic, with a new surge in infections between October and December, particularly intense in the European Union and the United States, led to a further and progressive strengthening of containment measures in many countries during the autumn.
The containment measures implemented during the first and second waves of the

pandemic have overall had a strong impact on economic activity and global trade.

In the first half of 2020, the gross domestic product registered a marked contraction in the main economies; international trade significantly declined because of private consumption decrease and lockdowns, in a context of strong employment reduction.

Starting from May, the industrial production returned to grow in China while the epidemic was spreading more intensely in other emerging countries, particularly in Latin America, increasing uncertainty about the macroeconomic prospects.

In the third quarter of 2020, after an unprecedented contraction in the first half of the year, the recovery in the primary advanced economies was strong, especially in the manufacturing sector, following the slowdown of the first wave and thanks to the exceptional measures introduced globally.

In the fourth quarter of 2020, global economic activity began to slow down again due to the second wave.

In 2020 among the main economies, only in China the gross domestic product was higher than it was before the spread of the Covid-19 epidemic.

The main world economies and supranational bodies have promptly introduced stimulus measures to counter the effects of the pandemic, such as: allocation of funds for the health system, local administrations and emergency management; direct support to families and unemployment benefits; business loans and credit guarantees.

The countries of the European Union have also gradually adopted income support instruments and interventions to guarantee loans to individuals and businesses. Moreover, on a proposal from the European Commission, the Council has approved the activation of the general safeguard clause of the Stability and Growth Pact, making it possible to reduce the intensity of the return path of the Pact and to allocate the necessary resources to face the emergency.

INTERNATIONAL MACROECONOMIC PERFORMANCE

In 2020, according to the data of the OECD and the most recent indications of the main international organisations, the world's GDP contracted by 4.2% on an annual basis, with uneven performance in different economies along the quarters, according to the pandemic evolution.

In the United States and Japan, GDP level was lower than it was before the pandemic, by 3.7% and 5.3% respectively. In China, instead, it reported an overall growth of 1.8% on an annual basis.

These trends affected global trade which, after a partial recovery in the third quarter, slowed down again in the fourth one. Overall, in 2020, on the basis of the estimates of the Bank of Italy, international trade decreased by 9%.

Inflation in the main advanced economies remained contained in 2020 and at the end of the year was lower than the levels prior to the pandemic, with a trend in prices that reflects the weakness of global demand.

Oil product prices have risen since the end of October, driven by encouraging news about vaccines, the overcoming of uncertainty about the outcome of the US elections, the

Asian demand and the OPEC decision to adopt a more gradual production recovery from January 2021.

After an unprecedented fall in the first half of the year and a strong recovery in the third quarter, economic activity in the Eurozone weakened at the end of the year, because of the second wave effects and the new increasing of infections which led to further containment measures strengthening. According to the most recent indications of the OECD, GDP decreased by 7.5% overall on an annual basis.

The change in consumer prices in the Eurozone was overall negative (the macroeconomic projections formulated by the OECD show a negative annual rate of 0.3% in 2020), reflecting the evolution of prices in the sectors which were most affected by the crisis.

BREXIT - AGREEMENT ON TRADE AND COOPERATION BETWEEN EUROPEAN UNION AND UNITED KINGDOM

On December 30, 2020, the agreement on future relations between the United Kingdom and the European Union was signed and the EU Council authorized its provisional application from January 1, 2021, pending the formal approval by the European Parliament.

The agreement is based on three pillars:

(a) the establishment of a free trade area for goods produced within the European Union and the United Kingdom, with the full exclusion of duties and restrictions, and the creation of a new economic and social partnership with the United Kingdom. However, significant limitations are envisaged about the exchange of services, the right of establishment for natural persons and the mutual recognition of professional qualifications and authorizations to carry out certain activities.

(b) the creation of a new partnership for the safety of citizens, with provisions for police and judicial activities cooperation, and fundamental rights and personal data protection. The exchange of information, British participation in Union programs and collaboration in the field of anti-money laundering were also regulated.

(c) the definition of an agreement on the governance of relations between the European Union and the United Kingdom with the creation of a Partnership Council and specialised technical committees.

Overall, the agreement allows the European Union and the United Kingdom to maintain some bilateral trade benefits, mainly in the exchange of goods, and at the same time to protect the EU from competition distortions.

DOMESTIC MACROECONOMIC PERFORMANCE

In Italy, the gross domestic product was strongly affected by the effects of the pandemic during 2020 and, according to the most recent indications from the OECD, GDP decreased by 9.1% overall on an annual basis.

In the first half of the year, gross domestic product contracted sharply following the collapse in demand and the prolonged interruption of many production sectors due to the lockdown in March, April and May.

In the third quarter, the Italian GDP grew significantly in all sectors, driven by the sharp rise in exports and domestic demand, and in the summer months of 2020 the growth was higher than expected, underlining a significant resilience of our economy.

In the fourth quarter, activity began to decline again with the accentuation of the effects of the second wave and the growth in infections.

The measures taken to counter the spread of the second wave weighed more heavily on services but causing less economic damage than in the spring. Manufacturing was less affected; not withstanding this, after a strong recovery in the summer, the industrial production slightly decreased in the last months of the year.

In 2020 inflation stood at -0.2%, affected in particular by the weakness of demand and the reduction in energy prices, with a modest growth in the prices of goods and a reduction in those of tourism related services, which have been deeply affected by the consequences of the pandemic.

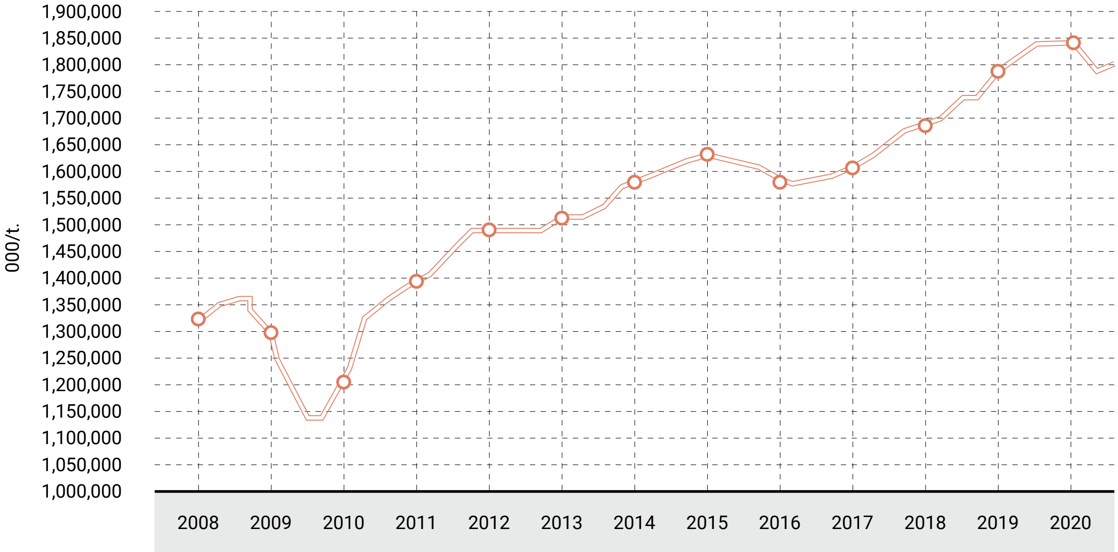
(var. and percentage points)		2020	Forecast 2021
PIL			
World		**(4.2)**	**4.2**
Advanced countries			
Of which:	EU	(7.5)	3.6
	Japan	(5.3)	2.3
	U.K.	(11.2)	4.2
	U.S.A.	(3.7)	3.2
Emerging countries			
Of which:	Brazil	(6.0)	2.6
	China	1.8	8.0
	India	(9.9)	7.9
	Russia	(4.3)	2.8
Italy		(9.1)	4.3

Source: OECD March 2021

F Performance of the steelmaking sector

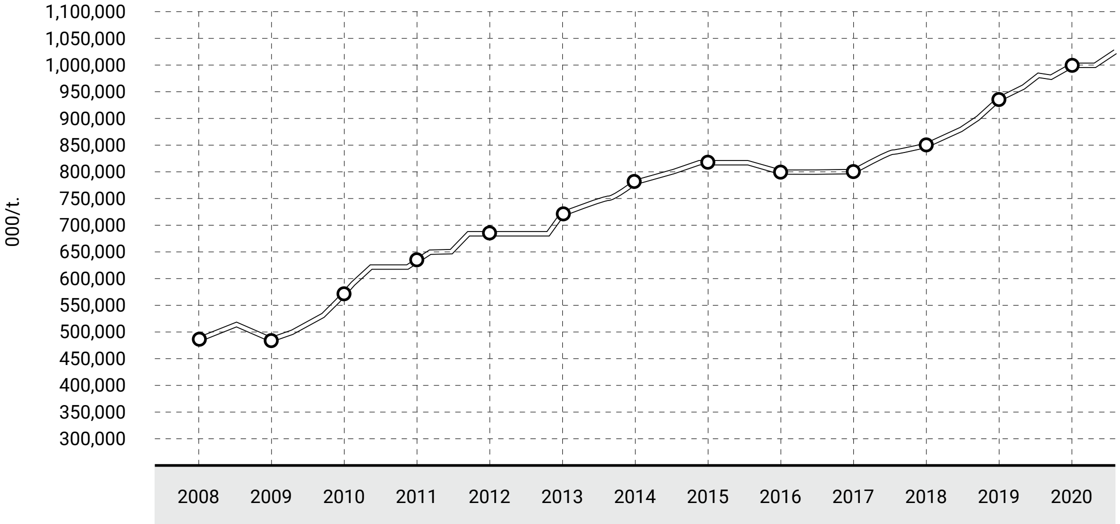
In 2020, worldwide steel production, according to the most recent indications published by the World Steel Association, amounted to 1,864 million tonnes, underling a decrease by approximately 0.9% compared to the previous year.

China confirmed its position as the world's leading producer, with a total output of 1,053 million tonnes and a 5.2% increase compared to the previous year.



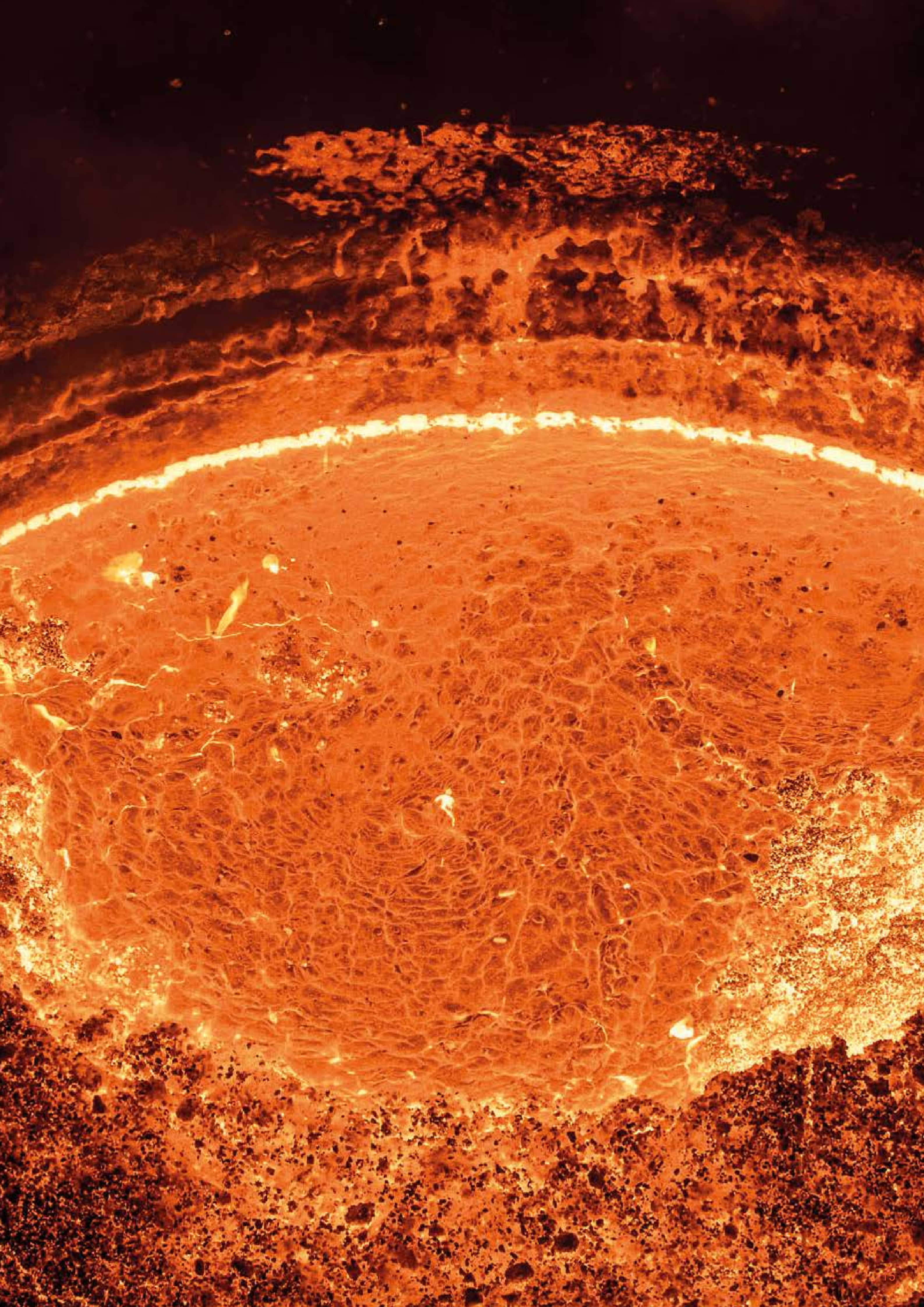
World Steel Production

Source: World Steel Association



China Steel Production

Source: World Steel Association



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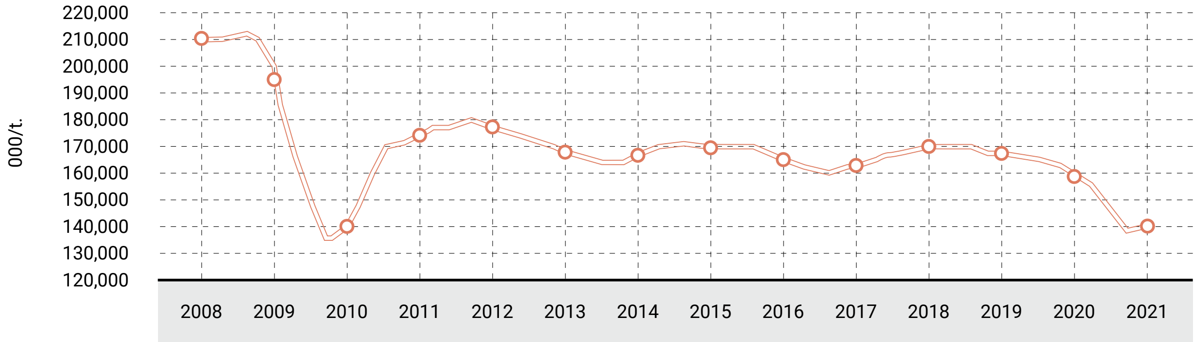
(milion of tons)	2020	2019	variation
Steel production			
World	**1,864.0**	**1,880.1**	**-0.9%**
Asia	**1,374.9**	**1,354.4**	**1.5%**
of which: China	1,053.0	1,001.3	5.2%
Japan	83.2	99.3	-16.2%
Europe	**281.1**	**296.8**	**-5.3%**
of which: EU (28)	138.8	157.4	-11.8%
CIS	102.0	100.4	1.6%
North America	**101.1**	**119.7**	**-15.5%**
of which: USA	72.7	87.8	-17.2%
South America	**38.2**	**41.7**	**-8.4%**
Africa	**17.2**	**17.2**	**0.0%**
Middle East	**45.4**	**44.3**	**2.5%**
Oceania	**6.1**	**6.2**	**-1.6%**

Source: World Steel Association

(milion of tons)	2020	2019	variation
Steel production			
EU (28)	**138.8**	**157.4**	**-11.8%**
of which: Germany	35.7	39.6	-9.8%
Italy	20.2	23.2	-12.9%
France	11.6	14.5	-20.0%
Spain	10.9	13.6	-19.9%
Poland	7.9	9.0	-12.2%
United Kingdom	7.2	7.2	0.0%
Austria	6.7	7.4	-9.5%
Belgium	6.2	7.8	-20.5%
Holland	6.1	6.7	-9.0%

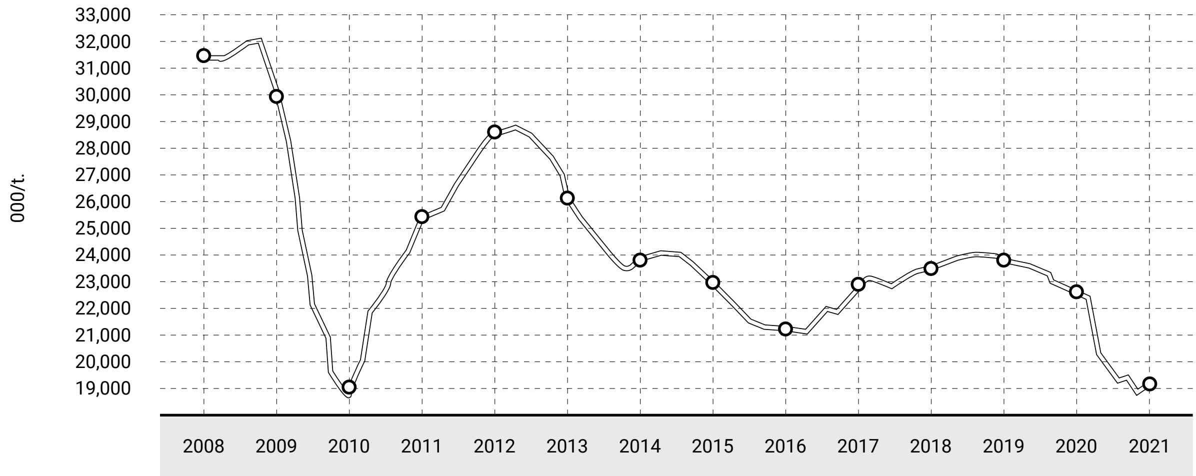
Source: World Steel Association

The European Union reported an overall production of 139 million tonnes, down by 11.8% compared to the previous year. Germany and Italy were confirmed as the main European producers, respectively with 36 million tonnes (-10.0% compared to 2019) and 22 million tonnes (-12.9% compared to 2019).



EU Steel Production

Source: World Steel Association



Italy Steel Production

Source: World Steel Association

In 2020 average prices for steel products remained at a lower level compared to the average of the previous year, in a context which was however characterised by high volatility resulting from the price trend of steelmaking commodities, both ore and ferrous scrap metal.

During the last quarter of 2020, the prices on European and international markets recorded a marked recovery, in line with the consolidation of expectations of improvement in the global economy and a gradual exit from the health emergency.

The prices of ferrous scrap reached their highest levels at the end of 2020, with an upward trend that continued in the early months of 2021.

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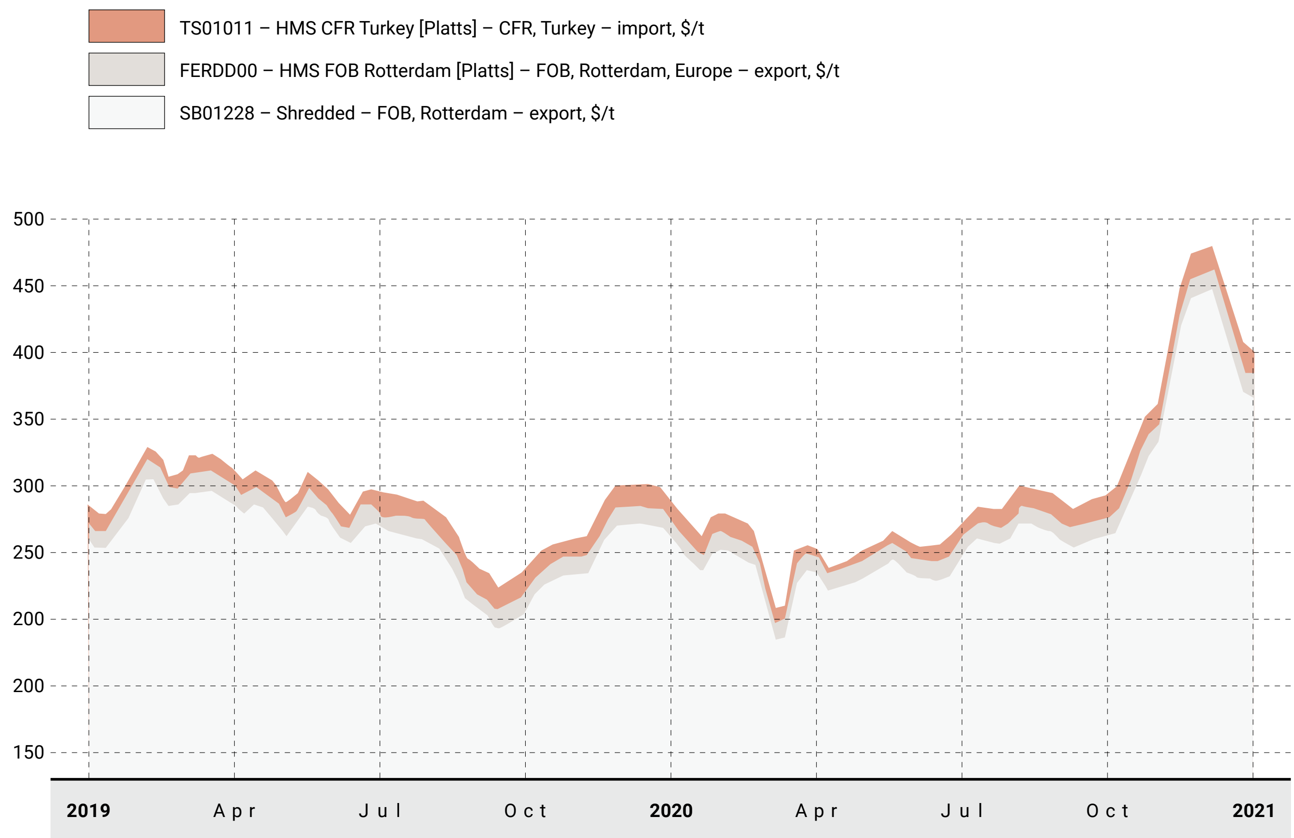

Source: Platts

The production activity of the main steel user sectors began to contract starting from the second half of 2019, following the progressive worsening of the overall conditions of the manufacturing sector and of domestic demand.
The first quarter of 2020 suffered only to a limited extent the negative effects resulting from the lockdown measures adopted by the various countries to face the first wave of Covid-19. The most severe consequences were recorded in the second quarter of 2020 following the prolonged shutdown of manufacturing activities. The gradual removal of the lockdown measures starting from May allowed the restart of industrial activities with a significant recovery compared to the months of March, April and May.
In the second part of the year, the user sectors activity remained weak and exposed to high and significant factors of risk and uncertainty.

Overall, in 2020 the European user sectors recorded a reduction in production activity of 11% on an annual basis, with different intensity according to countries and sectors.

User sectors	Share of consuption	Q1 20	Q2 20	Q3 20	Q4 20	Year 2020
Constructions	35.0%	0.3%	-12.9%	-4.1%	-4.5%	-5.7%
Automotive	18.0%	-14.5%	-47.1%	-10.7%	-5.5%	-19.5%
Mechanical engineering	14.0%	-7.9%	-20.3%	-9.0%	-7.0%	-11.5%
Metal articles	14.0%	-5.5%	-18.8%	-7.3%	-4.5%	-9.6%
Oil & Gas	13.0%	-13.1%	-27.3%	-11.6%	-7.0%	-15.2%
Appliances	3.0%	-4.5%	-19.3%	9.5%	-2.0%	-3.6%
Other transports	2.0%	-4.0%	-18.1%	-7.5%	-8.0%	-9.9%
Other	2.0%	-4.3%	-16.8%	-9.2%	-5.0%	-9.4%
Total	**100.0%**	**-6.5%**	**-24.4%**	**-6.4%**	**-5.0%**	**-11.0%**

Source: Eurofer February 2021 – Q4 forecast internal rev

The economic activity of the European construction and mechanical engineering sectors began to slow down during the second half of 2019, following the generalised reduction in manufacturing activity and the decline in domestic demand for both consumer and investment goods. This trend continued during the first quarter of 2020.

In the second quarter of 2020, the activity suffered a drastic contraction following the collapse in demand and the activity interruption in the main public and private construction sites and infrastructure projects, resulting from the intensification of the Covid-19 pandemic effects.

During the third and fourth quarters, the two sectors showed a modest recovery, benefiting from the gradual restart of economic activities. Nevertheless, the levels remained lower than those before the pandemic.

The European construction sector overall recorded a reduction in production activity of 5.7% on an annual basis; the mechanical engineering sector recorded a decline of 11.5% on an annual basis

The European automotive sector was heavily penalised by a negative economic situation (the worst since the 2009-2012 crisis) even before the Covid-19 pandemic. In March and April 2020 there was a complete stop of new cars production throughout Europe.

The sector activity progressively restarted from May 2020, following the easing of the lockdown measures adopted by the various countries, resulting in a significant recovery during the third and fourth quarters of the year, but remaining at lower levels compared to those before the pandemic.

European automotive sector production activities declined (for the second consecutive year) by 19.5% on an annual basis in 2020.

In response to the tariff increases applied by the United States on steel imports starting from May 2018, the European Community adopted some countermeasures, including the safeguard, to impose quantitative limits on steel imports and to stem the influx caused by the trade diversion resulting from US measures.

The final measures introduced by the European Community on February 2, 2019 and

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in force until June 30, 2021, were subject to two annual reviews, in October 2019 and in July 2020, which led to some changes in the management of quotas. The exit of the United Kingdom from the EU determined a significant change in the territorial application of the safeguard, making it necessary to recalculate the quotas and to reduce the relative volumes starting from January 1, 2021.
On February 1, 2021, US President Biden, in one of his first trade decisions, reintroduced the tariff on aluminium imports from the Arab Emirates, which was removed by his predecessor shortly before the end of his mandate, confirming the alleged internal pressure for maintaining the measures implemented by the domestic industry and, on the other hand, curbing European expectations of a duty removal on steel and aluminium.
In this scenario and considered the safeguard expiry, the Ministers of 12 EU Member States requested to evaluate the continuation of the measures, through a review that considers the data and recommendations produced by the European sector industry.
At the moment, the European Commission decisions on the matter are not known. However, to comply with the procedural deadlines, the proposal for a regulation with the notification of the initiation of a formal investigation should be adopted in the short term.

G

Performance of the Beltrame Group

In 2020, the Beltrame Group recorded a decrease in sale volumes compared to the previous year, totalling 6.8%, in a context strongly impacted by the pandemic evolution of and the prolonged lockdowns imposed in Italy and France during the first wave in March, April and May. Despite the continuous improvement of efficiency and industrial performance, and the promptly implemented measures of spending review and mitigation of production shutdown effects, the business reduced operating margins due to the reduction in volumes and commercial margins.

The Group achieved an adjusted Ebitda of Euro 41.6 million (Euro 74 million in 2019) with a trend characterised by a recovery in volumes starting from the summer and in economic margins especially during the last months of year. In the fourth quarter, the Group reported sales volumes of 481 thousand tons (483 thousand tons in the fourth quarter of 2019) and an adjusted Ebitda of Euro 15.8 million (Euro 12.3 million in the fourth quarter of 2019).

Merchant bar sales experienced a reduction of 11.3% compared to the previous year, maintaining their leadership in the segment of merchant bars in the main domestic markets of interest. The Italian and French production facilities continued to continuously improve their efficiency and maintained excellent industrial performance levels, but were unable to entirely offset the decline in profitability deriving from the reduction in commercial margins in the European construction and mechanical engineering markets. Overall, the business achieved adjusted Ebitda of Euro 36.4 million (Euro 57.2 million in 2019).

Steel sales for construction, produced in the Gerlafingen plant (reinforced concrete rebar and derivatives) showed growth in volumes of 2.0% on an annual basis. Despite the continuous improvement in efficiency and industrial performance, the profitability of the business was down due to the reduction in the commercial margins of the European construction markets. The plant recorded an overall adjusted Ebitda of Euro 6.5 million (Euro 16.1 million in 2019).

Sales of large dimensions special steel (SBQ - Special Bar Quality) rounds produced in the Calarasi plant reached 101 thousand tonnes (down 3.9% compared to 2019) and the business recorded a negative adjusted Ebitda of Euro 1.5 million (positive for Euro 0.6 million in 2019). The market situation of user sectors, particularly automotive, oil & gas plants and earth moving equipment, experienced a highly critical period due to the pandemic and economic factors already present in the second half of 2019. Even large competitors of Donalam suffered from this situation, leading to a sudden drop in volumes and sale prices, therefore reducing margins.

The Beltrame Group's economic and financial performance in 2020 can be summarised as follows:

— net revenues changed from Euro 1,102 million in 2019 to Euro 977 million in 2020, with a decrease of 11.13%; sales volumes changed from 2,032 thousand tonnes in 2019 to 1,891 thousand tonnes in 2020;

— the adjusted Ebitda amounted to Euro 41.6 million (Euro 74 million in 2019) decreasing in all business lines compared to the previous year;

— depreciation and amortisation, allocations to provisions and impairment totalled Euro 40.4 million (Euro 39.4 million

in 2019);

— operating profit was negative for Euro 9.9 million (positive profit of Euro 31.1 million in 2019);

— financial charges amounted to Euro 6.1 million (Euro 9.2 million in 2019);

— net profit was negative for Euro 21.4 million (positive profit of Euro 14.6 million in 2019) and included net exchange losses of Euro 0.5 million.

The Group's profitability was highly influenced by the restrictions imposed by the national authorities, or in any case deriving from widespread lockdowns, and necessary to face the first phase of the COVID-19 health emergency during the months of March, April and May 2020. The actions taken to deal with the various phases of the health emergency throughout 2020 and the reduction of production activities during the first wave in March, April and May 2020, led to direct and indirect costs for a total amount of Euro 10,640 thousand.

The net financial position of Euro 73.5 million as at December 31, 2020, remained almost unchanged compared to the position as at December 31, 2019.

This result was generated by a positive operating cash flow of Euro 44.0 million (Euro 66.0 million in 2019), thanks above all to careful management of working capital, fully absorbed by net investments in tangible and intangible fixed assets amounting to Euro 44.2 million (Euro 39.9 million in 2019). No dividend was paid to shareholders in 2020.

The investments in tangible fixed assets made in 2020 totalled Euro 42.3 million and referred mainly to work on steel production plants, directed at improving product quality and optimising energy consumption, and on rolling mills and product finishing and verticalisation lines, for the progressive expansion of the production range and to broaden the offering in the market segments with the highest margins.

The investment projects developed during the year were also directed at maintaining high plant and environmental safety standards.

In the 2020 financial year, the Parent Company commissioned independent external consultants to update the estimate of the value, useful life and residual life of the main technical fixed assets and industrial buildings. The external consultants were commissioned limited to the Vicenza site where the majority of the company's fixed assets are, in order to obtain useful elements for a more correct representation in the company's financial statements.

Based on the documentation mentioned above, as allowed by the L.D. 104/2020, the company recorded in these financial statements the new values, increasing the historical cost of fixed assets for Euro 66,414 thousand after the allocation of the amortisation for the year 2020.

Starting from the financial year 2021, the amortisation of the assets will be determined on these new values and will be relevant from a fiscal point of view following the payment of the substitute tax in the amount of 3% allocated in these financial statements. The substitute tax will be paid in three instalments by financial year 2023.

The intangible and tangible fixed asset net book values have been tested for impairment. The recoverable amount of each site was determined as the higher value between their fair value and their values in use, calculated as the net present value of the expected cash

flows for the period 2021 – 2023.
Deferred tax assets equal to Euro 13.2 million (Euro 13.0 million in 2019) were accounted for in compliance with the principle of prudence and with the reasonable certainty of sufficient future taxable income that would allow their recovery, estimated to take place in 5 years. Deferred tax assets not recognised in the consolidated financial statements, on prudential basis, referred to the benefit for tax losses carried forward by the foreign companies, amounted to Euro 14.6 million.

The Group immediately implemented measures to counter the effects of the Covid-19 pandemic and set up a crisis committee to create common guidelines aimed at ensuring the health of workers and business continuity, sharing the actions and measures adopted in the different countries, analysing various issues, and proposing solutions.
Starting from February 24, 2020, for all the countries in which the Group operates, guidelines for the adoption of safeguard measures have been shared, such as the suspension of travel and business trips, the use of audio / video conferencing tools for business meetings avoiding the entry of outsiders (customers / suppliers / consultants), the invitation to employees who had travelled for professional or personal reasons to inform the competent HR management and the implementation of basic measures for the prevention of contagion (such as washing hands frequently, keeping a safe distance, staying at home if flu symptoms occur, etc.).
Appropriate information was distributed to employees and sent to external companies, also activating precautionary measures for the access of transporters to the plant.
Some of these measures (for example canteen and changing rooms access) have been progressively further strengthened, the use of smart-working has been extended as well, and the sanitisation activities of offices, canteen, changing rooms, infirmary, refreshment areas, pulpits, reception area have been started.
The activity of the steel sector has suffered significant repercussions due to the Covid-19 epidemic and the restrictions imposed by the national authorities in relation to the evolution of the health situation which led to the limitation or suspension of certain economic activities, especially in March, April and May.

With regard to the Group’s sites, we point out that:

— in the Italian sites, production activity was gradually stopped starting from March 16 in order to proceed with a better sanitisation of some workstations; the restart, originally scheduled for March 23, was postponed in accordance with the Prime Ministerial Decree of March 20, 2020. Upon communication to the competent Prefect and in compliance with the Prime Ministerial Decree of March 22, April 1, and April 10, the production activity was then gradually and partially restarted on April 6, limited to the steel mill, and on April 14 and 20 for rolling mills;

— at the Trith Saint Léger site, the activity was suspended on March 16, 2020, at the request of the workers. Starting from April 16, it was gradually and partially restarted on April 28 and May 5, limited to the rolling mills, and on May 6 for the steel mill;

— activities continued regularly at the Gerlafingen and Calarsi sites.

H Economic and financial data and indicators

1. The Group

AFV BELTRAME GROUP
STEEL SINCE 1896

Income statement (in thousands of Euro)	2020	2019
Revenues from sales (A.1 + A.5)	976,960	1,102,419
Value of operating production (A.1 + A.2 + A.3 + A.4)	990,017	1,080,990
- External operating costs (B.6 + B.7 + B.8 + B.11 + B.14)	838,213	886,839
VALUE ADDED	157,935	201,061
%	16.17%	18.24%
- Personnel costs (B.9)	127,453	130,634
EBITDA	30,482	70,427
EBITDA adjusted	41,558	73,971
%	4.25%	6.71%
- Amortisation, depreciation and allocations to provisions (B.10 + B.12 + B.13)	40,381	39,372
OPERATING PROFIT (LOSS)	(9,899)	31,055
+/- Profit (loss) from the financial area (C + D)	(7,302)	(9,644)
GROSS PROFIT (LOSS)	(17,201)	21,411
- Income taxes	(4,220)	(6,812)
NET PROFIT (LOSS)	(21,421)	14,599

Statement of Financial Position (in thousands of Euro)	2020	2019
Tangible and intangible fixed assets	479,931	388,435
Financial fixed assets	15,711	15,512
Trade receivables	48,140	47,559
Trade payables	294,477	251,368
Closing balances of warehouse facility	269,982	223,507
Other current assets and liabilities	(39,651)	14,554
Net working capital	(16,006)	34,252
Provisions for risks and charges and severance indemnity	42,254	44,198
Capital resources, net	437,382	394,001
Shareholders' equity	363,914	320,477
Net financial position	73,468	73,524

Indicators	2020	2019
Operating cash flow (in thousands of Euro)	44,028	65,975
Cash flow for technological investments (in thousands of Euro)	(42,326)	(38,061)
Equity / fixed assets ratio (Se / Fa)	0.73	0.79
Equity plus consolidated liabilities / fixed assets ratio [(Se + Conl) / Fa]	1.04	1.06
Debt to equity ratio [(Conl + Cl) / Se]	1.62	1.39
Debt (long-term interest bearing) to equity ratio (Nfp / Se)	0.20	0.23
Current assets / current liabilities ratio (Ca / Cl)	1.05	1.07
(Deferred liquidity + immediate liquidity) / Current liabilities ratio	0.43	0.41
Ebitda adjusted / net revenues	4.25%	6.71%
Financial charges, net / net revenues	0.68%	0.87%
Labour cost / net revenues	0.13	0.12
Nfp / Ebitda adjusted	1.77	0.99

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

H

2 The Parent Company AFV Beltrame S.p.A.

AFV ACCIAIERIE BELTRAME S.P.A.
AFV BELTRAME GROUP

Income statement (in thousands of Euro)	2020	2019
Revenues from sales (A.1 + A.5)	435,140	492,225
Value of operating production (A.1 + A.2 + A.3 + A.4)	439,319	480,381
- External operating costs (B.6 + B.7 + B.8 + B.11 + B.14)	375,469	398,835
VALUE ADDED	69,205	87,789
%	15.90%	17.84%
- Personnel costs (B.9)	44,741	49,174
EBITDA	24,464	38,615
EBITDA adjusted	28,963	39,282
%	6.66%	7.98%
- Amortisation, depreciation and allocations to provisions (B.10 + B.12 + B.13)	10,233	9,946
OPERATING PROFIT (LOSS)	14,231	28,669
+/- Profit (loss) from the financial area (C + D)	(2,381)	(4,421)
GROSS PROFIT (LOSS)	11,850	24,248
- Income taxes	(2,825)	(6,179)
NET PROFIT (LOSS)	9,025	18,069

Statement of Financial Position (in thousands of Euro)	2020	2019
Tangible and intangible fixed assets	241,390	166,718
Financial fixed assets	213,943	173,326
Trade receivables	44,048	39,222
Trade payables	139,930	118,211
Closing balances of warehouse facility	102,127	96,737
Other current assets and liabilities	(39,990)	7,960
Net working capital	(33,745)	25,708
Provisions for risks and charges and severance indemnity	26,964	27,850
Capital resources, net	394,624	337,902
Shareholders' equity	391,193	318,295
Net financial position	3,431	19,607

Indicators	2020	2019
Operating cash flow (in thousands of Euro)	33,889	35,736
Cash flow for technological investments (in thousands of Euro)	(15,388)	(13,318)
Equity / fixed assets ratio (Se / Fa)	0.73	0.78
Equity plus consolidated liabilities / fixed assets ratio [(Se + Conl) / Fa]	1.00	1.03
Debt to equity ratio [(Conl + Cl) / Se]	1.00	0.87
Debt (long-term interest bearing) to equity ratio (Nfp / Se)	0.01	0.06
Current assets / current liabilities ratio (Ca / Cl)	1.00	1.07
(Deferred liquidity + immediate liquidity) / Current liabilities ratio	0.58	0.50
Ebitda adjusted / net revenues	6.66%	7.98%
Financial charges, net / net revenues	0.47%	0.90%
Labour cost / net revenues	0.10	0.10
Nfp / Ebitda adjusted	0.12	0.50

KEY:

Se: Shareholders' equity — Conl: Consolidated liabilities — Nfp: Net financial position

Fa: Fixed assets — Cl: Current liabilities — Ca: Current assets

Revenues from sales, totalling Euro 435,140 thousand, decreased compared to the previous year mainly as a result of the overall decrease in volumes and prices of steel products. The decrease amounted approximately to 11.6% compared to 2019. Volumes of finished products shipped amounted to 721 thousand tonnes (773 thousand tonnes in 2019).

The Italian production facilities continued to continuously improve their efficiency and maintained excellent industrial performance levels, but were unable to entirely offset the decline in profitability deriving from the reduction in volumes and commercial margins in the Southern European construction and mechanical engineering markets.

The financial structure of the company shows overall net financial indebtedness of Euro 3.4 million, down by a total of Euro 16.2 million compared to December 31, 2019.

In the 2020 financial year, the Parent Company commissioned independent external consultants to update the estimate of the value, useful life and residual life of the main technical fixed assets and industrial buildings. The external consultants were commissioned limited to the Vicenza site where the majority of the company's fixed assets are, in order to obtain useful elements for a more correct representation in the company's financial statements.

Based on the documentation mentioned above, as allowed by the L.D. 104/2020, the company recorded in these financial statements the new values, increasing the historical cost of fixed assets for Euro 66,414 thousand after the allocation of the amortisation for the year 2020. Starting from the financial year 2021, the amortisation of the assets will be determined on these new values.

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 slabs;

— Rolling mill comprising continuous mill for mid-size products with 19 cages for sections / small beams;

— Rolling mill comprising continuous mill for small products with 21 cages for small sections.

SAN DIDERO (TO):

— Rolling mill comprising continuous mill for mid-size products with 19 cages for sections / small beams;

— Rolling mill comprising continuous mill for small products with 24 cages for small sections, reinforcing bars.

SAN GIOVANNI VALDARNO (AR):

Rolling mill comprising continuous mill with 18 cages for small sections.

3
The subsidiary Laminés Marchands Européens S.A.

LAMINÉS MARCHANDS EUROPÉENS
AFV BELTRAME GROUP

As reported above in point D. "Structure of the Beltrame Group", 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)	**2020**	**2019**
Revenues from sales (A.1 + A.5)	218,284	274,509
Value of operating production (A.1 + A.2 + A.3 + A.4)	218,360	267,573
- External operating costs (B.6 + B.7 + B.8 + B.11 + B.14)	190,446	220,414
VALUE ADDED	31,275	50,351
%	14.33%	18.34%
- Personnel costs (B.9)	29,444	32,665
EBITDA	1,831	17,686
EBITDA adjusted	7,441	17,908
%	3.41%	6.52%
- Amortisation, depreciation and allocations to provisions (B.10 + B.12 + B.13)	11,350	10,877
OPERATING PROFIT (LOSS)	(9,519)	6,809
+/- Profit (loss) from the financial area (C + D)	(1,256)	(2,676)
GROSS PROFIT (LOSS)	(10,775)	4,133
- Income taxes	(1,354)	(552)
NET PROFIT (LOSS)	(12,129)	3,581

Statement of Financial Position (in thousands of Euro)	**2020**	**2019**
Tangible and intangible fixed assets	77,844	77,129
Financial fixed assets	1,408	1,410
Trade receivables	5,980	6,949
Trade payables	56,019	54,407
Closing balances of warehouse facility	58,864	53,294
Other current assets and liabilities	(225)	4,328
Net working capital	8,600	10,164
Provisions for risks and charges and severance indemnity	12,667	12,630
Capital resources, net	75,185	76,073
Shareholders' equity	48,031	60,160
Net financial position	27,154	15,913

H

Indicators	2020	2019
Operating cash flow (in thousands of Euro)	(829)	18,164
Cash flow for technological investments (in thousands of Euro)	(10,315)	(11,184)
Equity / fixed assets ratio (Se / Fa)	0.61	0.77
Equity plus consolidated liabilities / fixed assets ratio [(Se + Conl) / Fa]	0.99	1.09
Debt to equity ratio [(Conl + Cl) / Se]	2.32	1.69
Debt (long-term interest bearing) to equity ratio (Nfp / Se)	0.57	0.26
Current assets / current liabilities ratio (Ca / Cl)	0.99	1.09
(Deferred liquidity + immediate liquidity) / Current liabilities ratio	0.26	0.39
Ebitda adjusted / net revenues	3.41%	6.52%
Financial charges, net / net revenues	0.60%	0.66%
Labour cost / net revenues	0.13	0.12
Nfp / Ebitda adjusted	3.65	0.89

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 218,284 thousand, decreased compared to the previous year as a result of the significant decline in volumes and prices of steel products. The decrease amounted approximately to 20.5% compared to 2018. Volumes shipped amounted to 405 thousand tonnes (499 thousand tonnes in 2019).
The French production facility continued to continuously improve its efficiency and maintained excellent industrial performance levels, but was unable to entirely offset the decline in profitability deriving from the reduction in volumes and commercial margins in the Northern European construction and mechanical engineering markets.
The financial structure of the company shows overall net financial indebtedness of Euro 27.2 million, up by a total of Euro 11.3 million compared to December 31, 2019.
By reason of the fact that the recovery of prior tax losses is uncertain over a limited number of years, the company's financial statements did not disclose, on prudential basis, the related tax benefit of Euro 14.6 million.

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 TG&P continuous mill with 21 cages for sections/beams;
— Rolling mill comprising TPP continuous mill with 20 cages for small sections.

4 The subsidiary Stahl Gerlafingen A.G.

As reported above in point D. “Structure of the Beltrame Group”, the Parent Company holds the entirety of the company’s share capital.

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)	**2020**	**2019**
Revenues from sales (A.1 + A.5)	321,537	342,343
Value of operating production (A.1 + A.2 + A.3 + A.4)	321,277	340,362
- External operating costs (B.6 + B.7 + B.8 + B.11 + B.14)	267,171	283,540
VALUE ADDED	55,007	58,203
%	17.11%	17.00%
- Personnel costs (B.9)	49,128	44,767
EBITDA	5,879	13,436
EBITDA adjusted	6,460	16,097
%	2.01%	4.70%
- Amortisation, depreciation and allocations to provisions (B.10 + B.12 + B.13)	15,537	14,461
OPERATING PROFIT (LOSS)	(9,658)	(1,025)
+/- Profit (loss) from the financial area (C + D)	(1,768)	(1,588)
GROSS PROFIT (LOSS)	(11,426)	(2,613)
- Income taxes	0	0
NET PROFIT (LOSS)	(11,426)	(2,613)

Statement of Financial Position (in thousands of Euro)	**2020**	**2019**
Tangible and intangible fixed assets	113,432	110,094
Financial fixed assets	333	332
Trade receivables	2,947	2,006
Trade payables	70,198	62,098
Closing balances of warehouse facility	55,781	51,526
Other current assets and liabilities	2,176	3,026
Net working capital	(9,294)	(5,540)
Provisions for risks and charges and severance indemnity	2,656	2,961
Capital resources, net	101,815	101,925
Shareholders’ equity	64,644	75,603
Net financial position	37,171	26,322

Indicators	2020	2019
Operating cash flow (in thousands of Euro)	4,636	12,426
Cash flow for technological investments (in thousands of Euro)	(15,187)	(7,761)
Equity / fixed assets ratio (Se / Fa)	0.57	0.68
Equity plus consolidated liabilities / fixed assets ratio [(Se + Conl) / Fa]	0.98	1.02
Debt to equity ratio [(Conl + Ca) / Se]	1.91	1.39
Debt (long-term interest bearing) to equity ratio (Nfp / Se)	0.58	0.35
Current assets / current liabilities ratio (Ca / Cl)	0.97	1.04
(Deferred liquidity + immediate liquidity) / Current liabilities ratio	0.24	0.28
Ebitda adjusted / net revenues	2.01%	4.70%
Financial charges, net / net revenues	0.45%	0.46%
Labour cost / net revenues	0.15	0.13
Nfp / Ebitda adjusted	5.75	1.64

KEY:
Se: Shareholders' equity — Conl: Consolidated liabilities — Nfp: Net financial position
Fa: Fixed assets — Cl: Current liabilities — Ca: Current assets

Revenues from sales, totalling Euro 321,537 thousand, decreased compared to the previous year as a result of the significant decline in the prices of steel products. The decrease, mostly tied to the downturn of the average prices of commodities in the year, amounted approximately to 6.1% compared to 2019. Volumes shipped amounted to 663 thousand tonnes (650 thousand tonnes in 2019).
Despite the continuous improvement in efficiency and industrial performance, the profitability of the Swiss production facility was down due to the reduction in the commercial margins of the European construction markets.
The financial structure of the company shows overall net financial indebtedness of Euro 37.2 million, up by a total of Euro 10.9 million compared to December 31, 2019.

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, reinforcing bars, and wire rod;
— 1 continuous rolling mill for plates and universal plates, sections, and beams;
— 1 system for the production of welded wire meshes;
— 6 rewinders.

5
The subsidiary Donalam S.r.l..

As reported above in point D. "Structure of the Beltrame Group", the Parent Company 77.72% 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)	**2020**	**2019**
Revenues from sales (A.1 + A.5)	66,316	78,259
Value of operating production (A.1 + A.2 + A.3 + A.4)	70,912	72,355
- External operating costs (B.6 + B.7 + B.8 + B.11 + B.14)	69,603	69,093
VALUE ADDED	2,291	4,592
%	3.46%	5.87%
- Personnel costs (B.9)	4,140	4,028
EBITDA	(1,849)	564
EBITDA adjusted	(1,493)	564
%	-2.25%	0.72%
- Amortisation, depreciation and allocations to provisions (B.10 + B.12 + B.13)	3,512	3,214
OPERATING PROFIT (LOSS)	(5,361)	(2,650)
+/- Profit (loss) from the financial area (C + D)	(1,519)	(1,770)
GROSS PROFIT (LOSS)	(6,880)	(4,420)
- Income taxes	(21)	(56)
NET PROFIT (LOSS)	(6,901)	(4,476)

Statement of Financial Position (in thousands of Euro)	**2020**	**2019**
Tangible and intangible fixed assets	31,979	34,232
Financial fixed assets	5	5
Trade receivables	3,317	6,388
Trade payables	34,181	23,988
Closing balances of warehouse facility	26,829	21,950
Other current assets and liabilities	(565)	(1,126)
Net working capital	(4,600)	3,224
Provisions for risks and charges and severance indemnity	48	80
Capital resources, net	27,336	37,381
Shareholders' equity	18,666	25,002
Net financial position	8,670	12,379

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Indicators	2020	2019
Operating cash flow (in thousands of Euro)	4,721	(2,603)
Cash flow for technological investments (in thousands of Euro)	(1,838)	(3,379)
Equity / fixed assets ratio (Se / Fa)	0.58	0.73
Equity plus consolidated liabilities / fixed assets ratio [(Se + Conl) / Fa]	0.74	1.03
Debt to equity ratio [(Conl + Cl) / Se]	2.70	1.60
Debt (long-term interest bearing) to equity ratio (Nfp / Se)	0.46	0.50
Current assets / current liabilities ratio (Ca / Cl)	0.82	1.03
(Deferred liquidity + immediate liquidity) / Current liabilities ratio	0.23	0.30
Ebitda adjusted / net revenues	-2.25%	0.72%
Financial charges, net / net revenues	2.29%	2.26%
Labour cost / net revenues	0.06	0.05
Nfp / Ebitda adjusted	-5.81	21.96

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 66,316 thousand, decreased compared to the previous year by around 15.3% as a result of the reduction in volumes and the significant decrease in the prices of steel products. Volumes shipped amounted to 101 thousand tonnes (106 thousand tonnes in 2019).

The company's financial structure highlights an overall net financial indebtedness of Euro 8.7 million, down by Euro 3.7 million as at December 31, 2019.

The market situation of user sectors, particularly automotive, oil & gas plants and earth moving equipment, experienced a highly critical period due to the pandemic and economic factors already present in the second half of 2019. Even large competitors of Donalam suffered from this situation, leading to a sudden drop in volumes and sale prices, therefore reducing margins. The market is expected to recover starting in the second quarter of 2021.

The productive structure of the company consists of a rolling mill with 4 cages for large sections and bars. In 2012, the system was equipped with the necessary machinery for the production of medium and large thickness plates.


EST-ROM
Donalam SRL

H

6
The smaller companies

Sipro Beltrame AG (Zurich - Switzerland)

(in thousands of Euro)	2020	2019
Current assets	4,627	4,310
Total assets	4,627	4,310
Liabilities	3,967	3,614
Shareholders' equity	660	696
Revenues	24,064	28,664
Net profit (loss)	58	85

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..

Laminoirs du Ruau S.A. (Monceau sur Sambre - Belgium)

(in thousands of Euro)	2020	2019
Current assets	117	771
Total assets	369	1,024
Liabilities	2,811	3,584
Shareholders' equity	(2,441)	(2,560)
Net profit (loss)	119	(864)

The Company, wholly owned by the subsidiary LME S.A., 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.

Nuova Ferrosider srl (offices in Vicenza and site in Ospitaletto – Brescia)

(in thousands of Euro)	2020	2019
Current assets	24,441	-
Total assets	24,441	-
Liabilities	1,138	-
Shareholders' equity	23,303	-
Net profit (loss)	-	-

On December 29, 2020, the Parent Company finalised the purchase of 100% of the shareholdings of Nuova Ferrosider Srl, a company belonging to the Ori Martin Group and owner of the branch having as core business the trading of merchant bars in "JR" and "J0" quality. Only the values relating to the 2020 financial year have been indicated above, since the company was incorporated on December 4, 2020. The payment of the purchase price of the investment was established in a plurality of instalments, the first one was paid on January 5, 2021, while the last will be on December 31, 2028.

FERRIERA SIDER SCAL S.R.L. in liquidation (offices in Vicenza and site in Villadossola - Verbania Cusio-Ossola)

(in thousands of Euro)	2020	2019
Current assets	1,631	1,749
Total assets	1,631	1,749
Liabilities	2,205	2,318
Shareholders' equity	(574)	(569)
Net profit (loss)	(5)	(10)

The company owns a production facility in Villadossola (VB) which, in 2008, ceased definitively 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 is related to the presence of contaminated materials located within the production site for which the call of the service conference is pending for the approval of additions made to the reclamation 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.

Metal Interconnector S.c.p.A. (registered office in Milan)

Metal Interconnector is a joint-stock Consortium Company, established by companies in the steelmaking segment and in other energy-intensive sectors of the Italian industry, such as the non-ferrous metallurgy, also including companies in other segments (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 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/ planned by the investee companies:

- Interconnector Italia – PI.SA. A direct current “Italy-France” interconnection between the Piossasco and Grande Ile nodes. The work will make 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 July 26, 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 250MW.

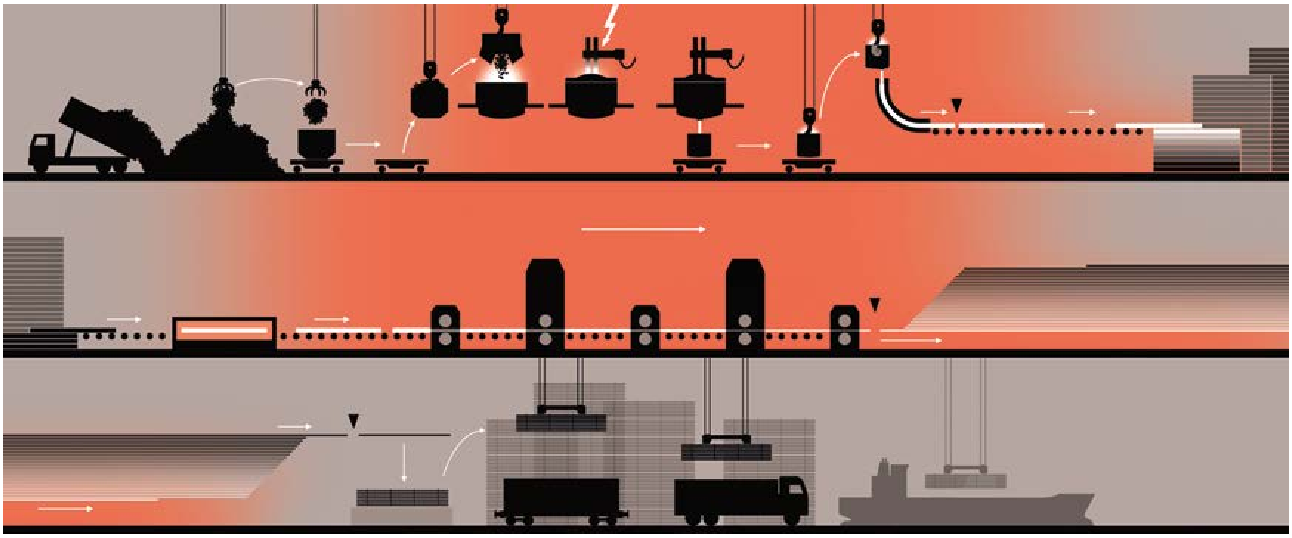
— Interconnector Energy Italia – MON.ITA. A project that involves the construction of a 500 kV direct current interconnection line between the stations of Villanova (IT) and Lastva (ME) with a route, partly in submarine cable and partly in land cable, of approximately 445 kilometres. The first interconnection module became operational on December 28, 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 – RESIA. On January 21, 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) will notify RESIA, the company set up specifically by Terna for the construction of the Italy-Austria interconnector; from the date of receipt of the notification, the assignees will have 90 days within which to complete the purchase of the above mentioned Special Purpose Vehicle and Terna will have to leave the corporate structure completely.

I Productions

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 graphite 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 to obtain the semi-finished product called billet (steel parallelepipeds with square or rectangular cross section and variable length from 4 metres to 12 metres) which is 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.

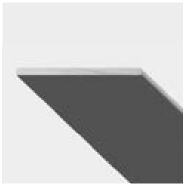


2.
The products

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

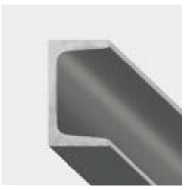

T bars

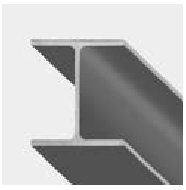

Small U-channels

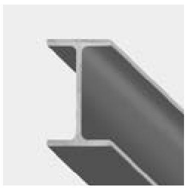

Squares


Rounds

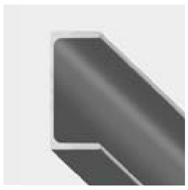
Beams


Rolled Beams UPN


Rolled Beams UPE/UAP


Rolled Beams IPE


Rolled Beams IPN


Rolled Beams HE

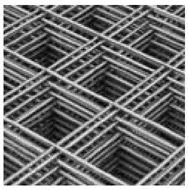
Special steel SBQ and reinforcing steel


Special Bar Quality SBQ


Reinforcing bars topar-S 500C


Reinforcing bars topar-Rc in compact rings


Wire rod


Stock meshes
Connecting systems
Distance cones

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EHS system management - Environment, Health and Safety

The sustainable development and the continuous improvement have always been the fundamental priorities for the Beltrame 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 Beltrame 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 in Vicenza is tasked with harmonising the activities pertaining to Environment, Health and Safety (EHS) Management, defining the action lines, checking their application and coordinating the activities carried out in individual plants. The resources allocated to each plant are specifically trained 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:

— 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, energy consumption and water consumption).

In this context, the Group carried out important investments, both on plants and machinery, and in the development of its human resources in these last years.

In 2020, the Company consolidated the integrated approach to issues related to Quality, Health, Safety and Environment, according to the reference standards (e.g., ISO 9001, ISO 14001 and ISO 45001), and focused on aspects relating to the context analysis, the involvement of all parties concerned and the continuous improvement of processes and company management systems.

The main activities and the results obtained in 2020 in relation to the protection of the environment, health and workplace safety and integrated management systems are described below.

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 penalties or punishments were imposed.

1.1 Main environmental aspects

1.1.1 USE OF WATER RESOURCES

With regard to water consumption, the Group has implemented policies to optimise the cooling water circuits, setting up recycling systems and cascade plants capable of recovering drainage water from the lines, limiting the quantities discharged.

The cooling water circuit of the Vicenza furnace was updated, with the installation of a new closed-cycle cooling battery (air-cooler and plate heat exchangers), aimed at both reducing electricity consumption and the quantity of water drawn from the subsoil.

This new plant, in addition to increasing the cooling capacity of the system by more than 50%, has made it possible to reduce by approximately 25% the annual intake of water from the subsoil during the plant's two years' development.

At the Trith Saint Léger plant, a weather water collection basin with a capacity of approximately 3000 m3 was built and a plant is being designed that will be able to treat the storm water released to the surface water body.

Other Group plants favour the use of cooling water taken from surface water bodies flowing nearby, where it is released after purification treatments and analytical controls.

1.1.2 ATMOSPHERIC EMISSIONS

Emission reduction technologies compliant with best available techniques (BAT) are adopted in all Group plants, published in the reference documents prepared by the European Union and subject to periodic review and updating.

All production plants are subject to monitoring and control plans defined and verified by the inspection bodies. The emissions of the smelting plants (EAF furnaces) are also subject to continuous monitoring to determine the flow of particulate matter exiting the chimneys located downstream of the flue gas treatment plants. For a long time they have been equipped with systems dosing adsorbent material into fumes, so as to guarantee emission levels much lower than the strict European limits.

Operational monitoring focuses also on the continuous control of process parameters and on intervention programmes to maintain the efficiency and effectiveness of production and auxiliary plants.

1.1.3 PRODUCTION AND TREATMENT OF WASTE AND BY-PRODUCTS

The Group pays great attention to ensuring that its activities have a reduced impact on the environment and are consistent with the expectations of stakeholders, also by limiting the use of raw materials and natural resources. For this purpose, the Group carries out continuous research on techniques and operating methods that make it possible to replace natural materials with by-products of industrial origin and products deriving from waste recovery flows and to optimise the efficiency of its production plants.

The Group's steel mills use technology based on electric arc furnaces (EAF), which involves the use of selected scrap iron of predetermined quality that is part of the steel production flow at the end of its life cycle, whether it is related to the industrial sector (processing waste, classified as pre-consumer) or downstream of common use (so-called post-consumer). On average, the content of material deriving from recycling activities in the Group's finished product is over 95%.

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The scrap iron entering plants can be classified either as a product deriving from a recovery cycle ("end of waste" according to European regulation EU 333/2011) or as waste and must comply with strict purchase specifications as well as be subject to strict verification and classification protocols on entrance to the scrap yard area.

A scrap pre-selection plant is in operation at the Trith Saint Legér plant, which makes it possible to select high-performance ferrous materials for the electric furnace, guaranteeing high yields and reduced energy consumption. The resulting material deriving from the selection of scrap has a significant content of non-ferrous metals, which is recovered and enhanced in processing cycles outside the site.

The iron and steel production process includes also the addition of subsidiary materials, which provide energy and chemical value to the liquid steel bath present in the furnace (with reducing and fluxing functions, etc.). They are typically represented by lime, dolomite, coal and other slag necessary for the formation of slag of adequate quality for the protection of the plants and its subsequent use.

With a view to the circularity of products and processes, the Group has identified alternative materials and substitutes for some of these raw materials flows. In particular, some types of residues, which originate from internal processes, are reused as slagging agents, helping to reduce the consumption of lime and therefore the exploitation of non-renewable natural resources.

The Group has launched a project called AWaRe (All Waste Recovered), which aims to

optimise the recovery of waste produced on the sites, starting from their internal reuse. In 2020, approximately 90% of the waste produced at the various sites was sent for recovery and enhancement operations (both internal and external).

In addition, also in 2020, energy efficiency projects continued to be carried out to reduce consumption and use energy more efficiently.

The main projects for improvement in the management of environmental aspects carried out in 2020 pertained to:

— the completion of phase 1 of the construction of the network and of the weather water collection basin of the steel mill site, including the identification of the treatment system of the same for their subsequent release in the surface water body (Trith Saint Léger);

— the continuation of the project to optimise separate waste collection at the Trith Saint Léger site with the "Ambassadeurs du tri" initiative, aimed at achieving a level of differentiated waste collection greater than 95%;

— the development of an alarm system on the values measured by the continuous monitoring system of the emissions of the steel mill, which makes it possible to intervene promptly to prevent uncontrolled emissions (Vicenza);

— the design of a new area for the storage, washing and maintenance of vehicles used for the handling of waste (Vicenza);

— the development of an internal recycling system of the white slag, which is blown into the furnace to partially replace lime, which allowed to identify the operating parameters; in the first year of tests a recovery of about 10% of the white slag produced (Vicenza);

— the carrying out of industrial tests for the injection in the furnace of secondary recovery polymeric material (SRA), in partial replacement of the blown-in coal, in order to provide energy input during melting, and to improve the metallurgical performance of the process, favouring the production of foamy slag. During 2020, tests carried out showed a potential saving of anthracite (primary natural resource) of up to 50% of the total used (Vicenza);

— the growing use of wagon transport for the supply of scrap and internal movement of semi-finished products;

— the launch of a study on the updating of sound sources that can cause complaints from residents in areas adjacent to the plant, in order to implement protection and prevention measures (Gerlafingen);

— the conclusion of the process of characterisation of the water flows discharged at the Gerlafingen site;

— the installation of a combustion control system (APC) in the heating furnace of Gerlafingen.

1.2 Eco-Index

In order to monitor their own environmental performance and identify and direct their improvement plans, all the Group's plants are provided with an instrument called "Eco-index", which integrates the main environmental aspects and relative impacts in a single parameter, easy to read and visualised on a dashboard. The indicator is specific to each Group site and is based on specific impacts and improvement objectives of the individual site. The parameters considered are related to emissions of dust and CO2 into the atmosphere, water consumption and discharges, waste recovery rate and natural gas consumption.

In 2020, the Eco-Index (average of the trend of all companies) recorded a value of 83.9%.

1.3 Environmental authorisations

All of the Group's EU sites operate in compliance with the IPPC Directive and in accordance with the provisions of specific authorisations issued by the competent entities. In Switzerland, environmental authorisations are issued by the competent AFU (Amt für Umwelt - Environment Office).

The Italian, French and Romanian plants operate within the scope of the IPPC (Integrated Pollution Prevention and Control) Directive and they are subjected to periodic checks by the authorities (provincial administrations, ARPA, Prefectures and the Ministry of Environment) to verify compliance with the regulatory and prescriptive provisions set out in Authorisations.

In 2020, the checks carried out by the control Agencies certified the full compliance with regulatory prescriptions, in some cases suggesting actions for improvement.

The marking of the industrial aggregate produced in the Vicenza and Gerlafingen plants, deriving from the processing of electric furnace slag, was also maintained in 2020. These products are marketed under the names Beltreco and Ruvido (for Vicenza and Gerlafingen, respectively).

In 2020, there was a recovery in the Italian market of secondary materials derived from the treatment, recovery and enhancement of waste. In particular, the Beltreco industrial aggregate produced in the Vicenza plant by processing EAF furnace slag found an important outlet in a site where it was used as filler and substrate material, for a quantity equal to about 10% of the total slag production of the steel mill. However, the situation of the aggregates market in France and Switzerland continues to be more complex. Feasibility studies and contacts with suppliers are underway at all of the Group's steel mills in order to use the material in the production of concrete.

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1.4 Allocation of CO_2 quotas

Greenhouse gas emissions under Italian Law 316/2004 can be summarised below:

	2019			2020		
	AFV	LME	Donalam	AFV	LME	Donalam
Assignments	108,899	72,055	13,274	106,653	70,569	13,008
Purchase of quotas	0	0	0	0	0	0
Sale of quotas	0	0	0	0	0	0
Emissions	103,157	70,073	14,459	90,732 (*)	60,524	17,116

Note (*): The value reported for 2020 relating to the Italian plants is to be considered to be an estimate, pending the certifications scheduled for March 2021.

It is noted that pursuant to the MiFID2 directive, the CO2 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 CO2 emissions".

By extending the horizon to the so-called IV allocation period (valid for the years 2021-2030), all plants have completed the collection of historical data requested by the European Union and, to date, the preliminary allocations of quotas envisaged for 2021 have not yet been disclosed.

The issue of ETS will be strongly influenced, in the coming years, by what was announced by the European Commission in the so-called Green Deal (Carbon Neutrality by 2050). The values of the assignments indicated in the previous table may therefore be subject to changes linked to ambitious projects to reduce permitted CO2 emissions.

2. Safety Management In Workplaces

Activities relating to the protection of health and safety in the workplace are among the main assets 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 2020, activities pertaining to workplace health and safety continued.

2.1 Main interventions

Some of the activities carried out on a pre-established timetable in the Group's plants, in order to monitor the application of the procedures and standards defined in the field of safety, are reported below:

— monthly meetings were organised at each Group site, during which the main indicators are presented and any corrective actions to be implemented are assessed;

— the Safety Walk and Talk behavioural audit programme continued, involving managers and team leaders as auditors in the field, with the aim of identifying possible improvement actions towards unsafe behaviour. In 2020, the audits focused particularly on the correct application of the protocols put in place to combat the viral spread of SARS-COV-2, without neglecting the most typical aspects of industrial safety;

— in 2020, around 17,000 hours of EHS training were provided at Group level. The reduction compared to the previous year is due to the organisational difficulties encountered in the scheduling of face-to-face courses, due to the pandemic emergency;

— the promotion continued of the need to report near misses, dangerous conditions and unsafe behaviours and the related definition of the consequent improvement actions. At Group level, 332 risk situations were reported, for which responsibility was taken to implement improvement actions, with short- or medium-term activities;

— in 2020, the traditional Safety Day event was conducted remotely, given the pandemic emergency, with the involvement and awareness of workers through the projection of a series of filmed interviews with the

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management on safety management in the various plants, according to different approaches suited to the individual local realities and expressed in all operating activities, always characterised by the common denominator represented by the motto "Safety First";

— the improvement of safety plants and work equipment continued according to the evolution of technical standards, involving Group plants (MASAI - Machine Safety Improvement project);

— the access and segregation systems of the risk areas were extended (e.g. with access interlocking, installation of trapped key systems and security PLCs);

— at the Italian sites (Vicenza, San Didero, San Giovanni Valdarno) the contribution of reports and proposals from the EHS Tutors was consolidated, in order to further promote health, safety and environmental issues within the company. The EHS Tutor is a figure identified among the operators, who on a daily basis has the opportunity to come into direct contact with issues related to the environment and safety and contributes actively to the resolution of problems, promoting EHS culture;

— work uniforms were purchased with included washing service, in order to guarantee functionality and maintenance of the original protective characteristics. Duties were also identified, which require dedicated fire-retardant suits or with protective features for work under electrical voltage.

2.2 Group EHS Roadmap

In 2020, in all Group plants, the "EHS Roadmap for Excellence" project continued with the following activities:

- implementation of Group EHS standards, ten standards defined, applied and monitored:
    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/organization 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 for risk assessment of non-routine operations.
- definition of a specific improvement plan for each site (EHS Roadmap);
- monthly meetings of the EHS Committee in all companies;
- monthly calls for coordination and sharing among companies.


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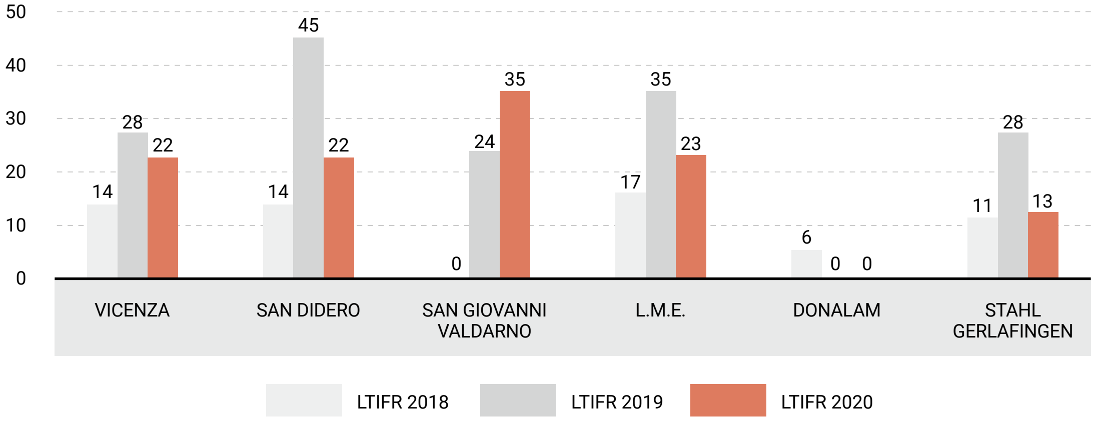
2.3 Injuries and occupational diseases

With regard to injuries, we point out that the Group recorded progressive improvement in terms of injuries in recent years.
A summary chart of the injury frequency index (LTIFR = Lost Time Injury Frequency Rate) at the Group's plants is provided. It should be noted that the reporting standard defined at Group level includes all injuries that involved at least one working day lost in the LTIFR calculation.



In 2020, there was a reduction in the Group frequency index (LTIFR) of approximately 37%. There were 55 injuries (with at least one day of work lost). The analysis of the causes of injuries (LTI) shows that the main causes are:

— behavioural in 76% of cases;
— technical in 12% of cases;
—organisational in 12% of cases;

The main type of injuries is linked also in 2020 (more than 45% of the entire Group) to stumbling and slipping, in particular with activities related to simple movements from one place to another and not related to process operations.
In 2020, the following activities were implemented:

— revision of the main Group standards and updating of the Roadmap on the main safety improvement activities;
— focus on the principles of accident prevention through audio-visual means, projected on the plant's monitors, with particular regard to the rules of conduct for work on the ground and at height;
—involvement of personnel upon return from injury and their superiors in the preparation of a discussion on the causes of occurrence and on possible corrective measures to be implemented, both in behavioural and technical-operational terms, to be disseminated to departmental colleagues;
— ever-increasing involvement of supervisors and EHS tutors in interactive safety visits (SWAT), which are focused on risky and correct behaviours, providing operators with immediate feedback from both negative and positive evidence;

In 2020 no cases were reported with definitive responsibility for claims related to liabilities for work-related illnesses or causes of mobbing.

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3. Health, Safety And Environment Investments

The main investment projects for the management of the environment, health and safety concern:

— maintenance of the BS OHSAS 18001 (Health and Safety at Work Management System) certification and migration to the ISO 45001 standard;

— maintenance of the EPD (environmental product declaration) certification for merchant bars and for reinforced concrete bars);

— improvement of plants and machine tools in all the sites of the Group (MASAI - Machine Safety Improvement project);

— installation of a new ladle heating burner (Vicenza) to optimise production flow and energy savings;

— re-lamping implementation of new lighting in offices;

— adjustments related to fire safety;

— installation of new radioactivity measurement systems in Vicenza and Gerlafingen;

— installation of protected passages dedicated to pedestrians;

— installation of lifelines and fall protection devices;

4. 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 obtaining of a certification, by an external entity, 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 system;
- ISO 14001:2015 - Environmental management systems – Requirements and user guide;
- OHSAS 18001:2007 or ISO 45001 - Occupational health and safety management systems – Requirements;
- ISO 50001:2011 - Energy management systems - Requirements with guidance for use.

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

The table below shows the situation of the certifications obtained by the Group's plants as at the ending date of the 2020 financial year.

		Quality Management System	Environmental Management System	Health and Safety Management System		Energy Management System
Company	**Site**	**EN ISO 9001**	**EN ISO 14001**	**BS OHSAS 18001**	**ISO 45001**	**ISO 50001**
AFV Acciaierie BELTAME SPA	Vicenza	x	x	-	x	-
	San Didero (TO)	x	x	-	x	-
	San Giovanni Valdarno (AR)	-	-	-	x	-
STAHL GERLAFINGEN AG	Gelafingen (CH)	x	x	-	x	-
LAMINÉS MARCHANDS EUROPÉENS LME	Trith Saint Léger (F)	x	x	-	x	x
S.C. DONALAM SRL	Calarasi (RO)	x	x	-	x	-

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In particular, in 2020 the Group:

— confirmed the certification of the environmental management system for all sites (ISO 14001), with the exception of the San Giovanni Valdarno plant;

— following the surveillance and certification audits, obtained confirmation of compliance of the safety management system with the OHSAS 18001 standard for the sites in Trith Saint Léger and Gerlafingen;

— confirmed the ISO 45001 certification of the safety management system of the Italian and Calarasi sites and completed the preparation process for the transition to the same standard in the Trith Saint Léger and Gerlafingen plants, pending certification audits.

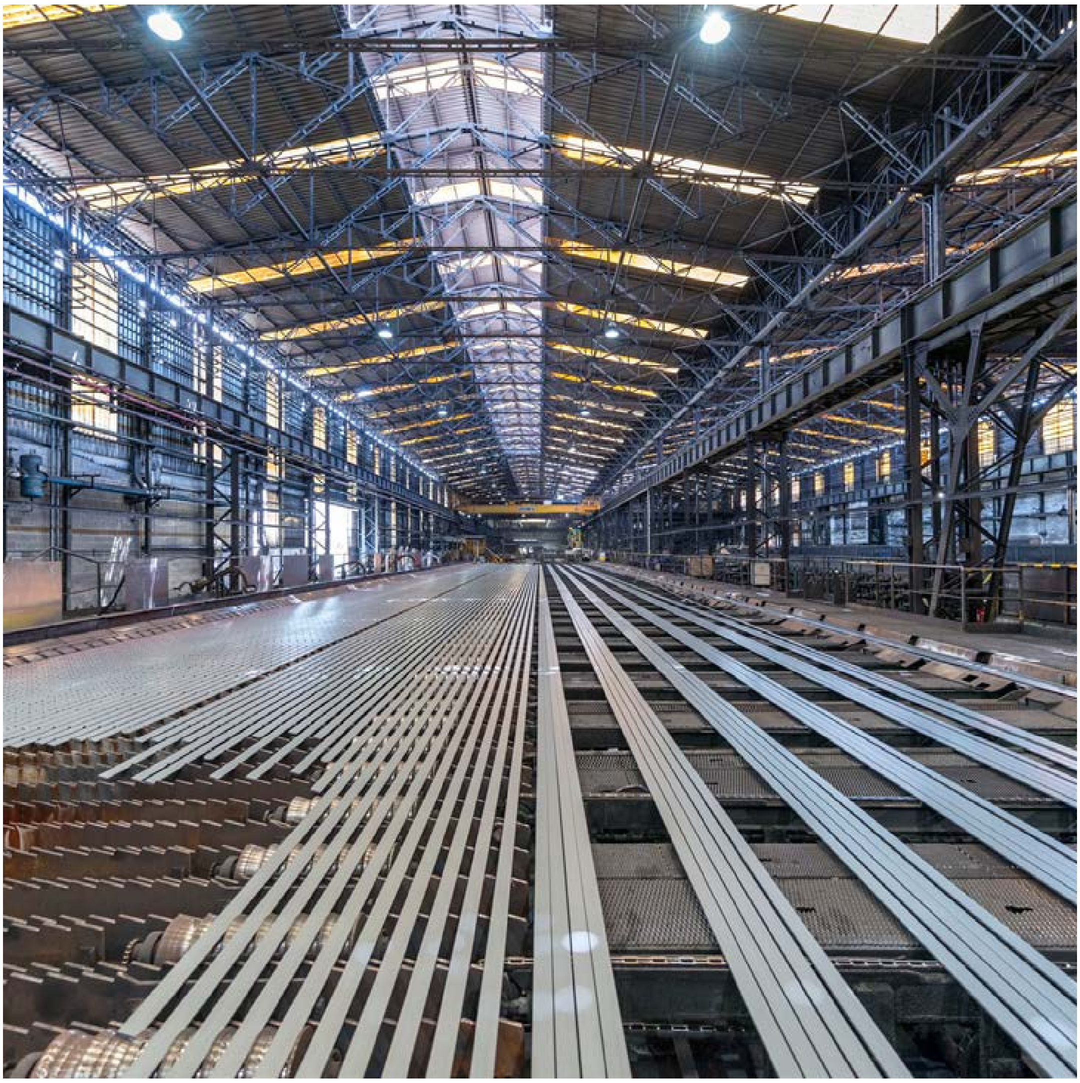
The ISO 45001 standard offered the plants that adopted it numerous ideas for management improvement, being part of a high-level system (HLS-High Level Structure), already present in the other system standards (ISO 14001 for the environment and ISO 9001 for quality), which can now be perfectly integrated 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 new 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.

4.1 The EHS Cross Audits

Despite restrictions on travel and interpersonal exchanges due to the pandemic emergency, a constant exchange of information and checks was maintained, conducted through comparisons between Group plants carried out 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.

The topics covered in the meetings concerned mainly the following areas of the Health and Safety Management System with reference to the application progress and ongoing implementation activities in the Group's plants:



1. EHS Management System
2. Occupational health and safety
3. Reporting of accidents/injuries and near misses
4. Pollution prevention and control
5. Suppliers, Contractors and Visitors
6. Working at heights
7. Internal logistics and circulation plan
8. Isolation of energy sources (LOTOTO)
9. Machinery Safety
10. Workplace tidiness, cleanliness and organisation
11. Management of temporary workers
12. Heavy lifting (use of gantries and lifting accessories)
13. Use of Forklift Trucks
14. Management of emergencies
15. Protection of isolated workers
16. Restricted spaces
17. Risks linked to the presence of liquid steel / incandescent slag
18. Legionella risk prevention
19. Health surveillance
20. Collection and separation of waste

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5. Covid-19 Management

Since February 2020, upon the emergence of the first evidence of the numerous infections due to the SARS-COV-2 virus, the Group's plants have been activated with the preparation of safety protocols aimed at operators, contractors operating within the plants and visitors, which envisaged restrictions and instructions to be respected with regard to emergency management. In addition, notice boards dedicated to various communications and a specific COVID-19 info point were prepared. The Health and Safety Management System has also incorporated this aspect, formalising the activities in some specific procedures that contain the prevention and protection measures defined by the company.
Information brochures were distributed to all personnel, body temperature measurement points were set up and, on a voluntary basis, antigenic swabs ("rapid") were made available at the company infirmary in Vicenza. At the Trith Saint Léger plant, an agreement was activated with a neighbouring medical centre for the execution of molecular tests ("PCR") on samples collected by the plant's infirmary.
A COVID-19 committee was set up at each Group plant, which met at least monthly, and often every two weeks, to monitor the trend of the epidemic in the workplace. At Group level, a similar committee discussed common problems and the exchange of good practices and information specific to each country.

6. 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 prepared a life cycle analysis and prepared an environmental product declaration for the hot rolled merchant bars, produced in the Italian and French plants, as well as for the reinforced concrete rebar in coils, produced by the Swiss subsidiary.
The EPD declarations of the Mercant Bars of AFV Acciaierie Beltrame, LME and Stahl Gerlafingen were 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.

In Italy, the environmental product declaration of AFV Acciaierie Beltrame obtained the validation by ICMQ for the subsequent publication at the National Program Operator EPDItaly©.

The registration of the environmental product declaration in EPDItaly© also makes it possible to meet customer requests related to "socially responsible" public purchases and supplies. As part of the Minimum Environmental Criteria envisaged for products intended for construction, the compliance with the environmental requirements of the materials is in fact recognised, when these have a Type III environmental product declaration (EPD), compliant with the UNI EN 15804 standard and the ISO 14025 standard, such as EPDItaly© or equivalent.

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7. Green Deal Of The European Commission

On December 11, 2019, the European Commission presented officially the communication relating to the "European Green Deal" to the European Parliament in plenary session.

The European Green Deal includes an action plan aimed at:

— promoting the efficient use of resources by moving to a clean and circular economy;

— restoring biodiversity and reducing pollution.

The plan illustrates the necessary investments and the financing instruments available and explains how to ensure a fair and inclusive transition. Each EU State Member is required to prepare a targeted action plan to meet the proposed sustainable growth objectives.

The EU intends also to achieve climate neutrality by 2050 and achieve a 55% reduction (compared to 1990) by 2030. For this reason, states but also individual economic entities must work to achieve the envisaged objectives.

To achieve this objective, action by all economic sectors will be necessary to:

— develop investment projects in technologies with reduced environmental impact, promoting the green transition;

— aim to the search for innovative industrial aspects;

— promote sustainable and clean mobility;

— decarbonise the energy sector;

— operate in order to increase the energy efficiency of buildings, plants and production and auxiliary activities;

— create a network of contacts and collaborate with international partners to improve environmental standards.

The EU will provide financial support and technical assistance to facilitate this transition to the green economy, through the so-called just transition mechanism, which will help to mobilise at least Euro 100 billion for the 2021-2027 period.

The Group is ready to seize the opportunities that are emerging and manage them in the best possible way. In fact the central technical function, to which all development and investment projects are channelled, operates transversally, in collaboration with the other Group departments, to define the development needs and identify partnerships able to frame the various projects within the pillars envisaged by the Green Deal and thus be able to access the subsidised loans and funds that the EU has made available.


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8. Sustainability Report

The Group has prepared the first official Sustainability Report for the year 2020, which represents a communication and transparency project, with the aim of expressing the importance attributed by the Group to sustainable development, pursued through the continuous improvements implemented to reduce the environmental impact of production, reduce energy consumption and the consumption of raw materials, enhance waste and by-products with a view to a circular economy and support communities.

The basic objective is to make the actions taken known and to report on the material aspects that recall the Sustainable Development Goals (SDGs) indicated by the United Nations, simultaneously strengthening dialogue and cooperation with all internal and external stakeholders.

For the preparation of the document, the Reporting Standards proposed by the GRI (Global Reporting Initiative) version G4 were used, according to the "In accordance-Core" option, which contains the essential elements required for a Sustainability Report; Core indicators are universally applicable and are considered relevant for the organisation.

These standards aim to assist organisations in identifying, measuring and reporting on the impacts that activities have on sustainability-related aspects.

The GRI standards are divided into four series of which the first pertains to the common standards and the following three are representative of specific standards pertaining to the three fundamental areas of sustainability reporting (Environmental - Series 300, Social - Series 400, Economic - Series 200).

The fundamental principles are defined in the Series 100, which explains the criteria for drawing up a report in line with the GRI standards, starting from the identification of significant aspects ("material") with respect to the needs and expectations of the stakeholders and from the information provided on the context in which the company operates. For each material topic identified, the Group has quantified the indicators required by the specific Series and at least one generic indicator, also identifying additional relevant indicators for aspects not covered by the standards.

Two Sustainability Committees were set up to prepare the report:

Sustainability Steering Committee - SSC

Steering Committee, responsible for developing the corporate strategy on sustainability, sponsoring the project, defining and updating the areas of interest and action, remodulating the objectives in a strategic function.

Operational Sustainability Committee - OSC

Operational Committee, with support functions to operating activities, involvement of other functions in the sustainability project, collection of data and information for the preparation of the sustainability report

In developing the project, the relevant aspects were identified ("material topics") and an analysis of the stakeholders and their expectations was also carried out, through:

- reference to the indicators envisaged by the GRI (Global Reporting Initiative) standards, internationally recognised;
- benchmarking with companies in the sector;
- comparison with trade associations (Federacciai, Eurofer, Worldsteel);
- preparation of forms for the collection of qualitative information and quantitative data;

— internal scouting and analysis of employee evaluations (internal stakeholders);

— identification of external stakeholders;

— involvement of all internal and external stakeholders by means of a digital questionnaire, in which some topics potentially relevant for the Group were proposed and a similar assessment was requested in order of the importance attributed to them. Sharing of a summary document with a list of new material topics and stakeholders of reference for the Group.

The combination of the results between internal evaluation and external perception led to the Materiality Matrix.

The materiality analysis attributed primary importance (high importance for both the Group and the stakeholders) to the following main aspects:

— Environmental impact of production activities;
— Health, safety and well-being;
— Energy efficiency;
— Product and service quality;
— Economic sustainability;
— Customer relations;
— Development and training of human resources.

Workshops were also organised with the members of the Sustainability Steering Committee and other managers from all of the Group companies, identified by the company as "key" internal stakeholders, with a specific focus on issues considered to be "material" from a viewpoint of long-term value generation.

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Continuous Improvement - The Continuous Improvement Programme of the Beltrame Group

OPEX BELTRAME

The Group Continuous Improvement Programme was launched in 2016, with the introduction of two APC (Action Plan & Control) and OpEx (Operational Excellence) functions.
This programme, further developed during the year, is based on the implementation of improvement projects in all business areas, which aim to achieve excellence in each process.
The pillars of the Programme are based on the support of strategic management activities, through Action Plan & Control (APC) and OpEx Project management techniques.
APC aims to ensure that plans are shared and respected for each strategic activity and OpEx aims to train effective and efficient Project Leaders.
From 2016 to 2020, 130 resources were trained within the group, who learned Lean Six-Sigma project management techniques that reduce variability (Six-Sigma) and improve flows (Lean Manufacturing); these resources belong to all company functions, in order to spread the logic of continuous improvement in a capillary manner. The projects were managed through dedicated work groups, attended by approximately 20% of Group staff.

This process led to the achievement of internationally recognised certification by the British Quality Foundation: 70 team leaders achieved the Green Belt certification, demonstrating project management skills, and 14 team leaders achieved the Black Belt certification, in addition validating their statistical knowledge applied to the processes.
Figures dedicated to continuous improvement at each site make sure to identify team leaders and strategic projects, then act as facilitators in the performance and dissemination of results.
A central structure supports the production sites and company management in promoting Best Practice projects among the various plants and in aligning these projects with the Management requests.
Since the start of the Continuous Improvement programme, more than 350 improvement projects have been carried out, which have led to significant savings thanks to the high number of actions planned and effectively completed.
The OpEx and APC activities are entirely integrated within Group strategies and they are directly involved in all high-potential improvement projects.

L Adoption of the model pursuant to Italian Legislative Decree 231/2001

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 December 15, 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 of the company 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.

1. 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.

2. 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 December 22, 2020, 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 June 28, 2018.

3. 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.

M Risk management

As is known, starting from January 2020, the national and international scenario was characterised by the spread of the Coronavirus and the consequent restrictive measures for its containment, put in place by the public authorities of the countries concerned, including Italy. These circumstances, extraordinary in terms of nature and extent, have direct and indirect repercussions on economic activities and have created a context of general uncertainty, the evolution and effects of which are not foreseeable to date. The effects of this macroeconomic context inevitably affect also the management of the risks outlined below.

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

According to the forecasts of the OECD, the global product should expand again in 2021, exceeding the levels before the pandemic by the end of the year. The projections reflect the maintenance of the support of the expansionary economic policies in the international context and a large-scale vaccination by the end of the current year. The recovery could be slowed down by the effects of further recurrence of the contagions that were not faced with new fiscal support measures. On the other hand, any large-scale administration of the vaccines carried out more quickly than expected could support growth.

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, including the

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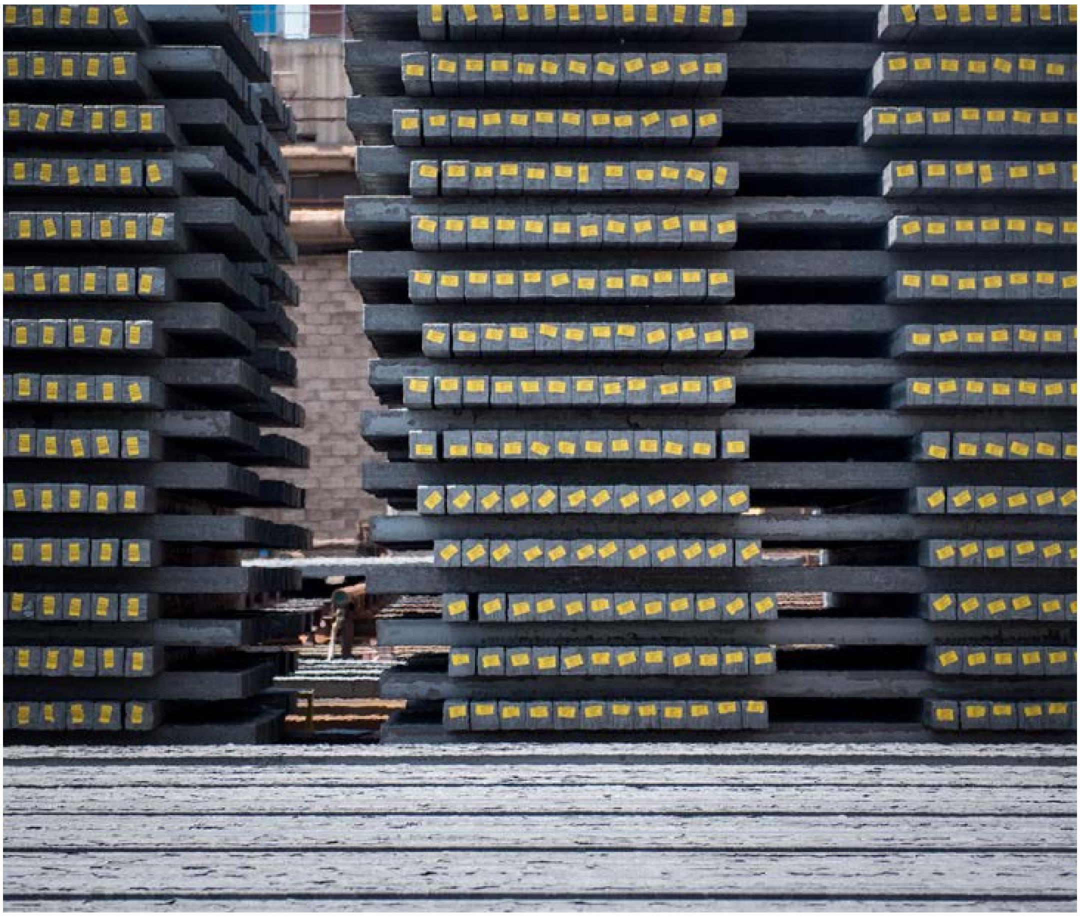
impact of the COVID-19 pandemic, the future evolution of demand, supply and prices of steel products, changes in energy and raw material prices, particularly in the Eurozone.
In general, demand in the steel manufacturing segment has historically been subject to high cyclicity and tends to reflect the 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 related to the evolution of the COVID-19 pandemic
The uncertainty over the extent and intensity of the global spread of the COVID-19 pandemic and the timing of its containment make it extremely difficult to quantify its negative impact on global growth, also in consideration of the fact that the restrictions adopted so far, albeit to a lesser extent, must also be maintained at a later stage. Asynchronous contagion cycles between countries could limit the ability to recover even in economies where the health emergency could stop earlier. The transmission channels of the economic effects in the short term are linked to the interruption of production activities in the sectors subject to greater restrictions and to the fall in demand for goods and services at global level. In the medium term, a rapid return to growth depends on several factors; firstly, the possibility that economic policies



can prevent the effects of the crisis from being amplified by business failures and the destruction of global value chains; secondly, the economic recovery capacity, with the risk that the deterioration of household confidence, the loss of income and jobs and the possible exit of companies from the market will lead to a lasting weakening of the economy.

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, during the COVID-19 pandemic period, increased in relation to the strong impulse given to smart-working, and the consequent connections from the outside to the central IT systems made available to almost all white-collar workers, in order to limit health risks. In order to deal with the risks linked to cyber-security, the Group has adapted its protocols and further strengthened the training activities of employees aimed at increasing awareness of the risks associated with IT risks such as phishing and social engineering.

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 two of 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 company operate is characterised by a high level of competition where a limited number of significant producers is accompanied by numerous small entities (in particular in the transformation of semi-finished products into finished products). In particular, for the small players, a significant availability of semi-finished products originating from extra-European producers could give rise to a significant contraction of profit margins.

The steel manufacturing sector is also characterised by significant overcapacity. To date, the plant shutdowns by lower-performance producers has only partly reabsorbed the excess output, which continuous to cause downward pressures on prices.

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 monetary policies implemented by the European Central Bank and situation of stress on the liquidity of Credit Institutions, in particular Italian ones, could weaken the financial situation and cause the contraction of the operating results, reducing the ability to fulfil the obligations assumed with respect to counterparties. 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 situation of the near Middle East and North Africa has had, and continues to have, negative effects on 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, without influencing other competitors, subject to less rigid regulations.

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, the majority of revenues and costs are recorded in Swiss Francs and therefore the results are substantially balanced. 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 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 95% 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 customer 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 and hedging instruments were provided in the Notes to the financial statements.

N Atypical and unusual transactions and related-party transactions

Atypical and unusual transactions

No atypical and/or unusual transactions are noted, including intercompany transactions, nor any transactions, which fall outside of the usual activities carried out by the Group or which could influence in a significant way the Group's financial position, results of operations and cash flows.

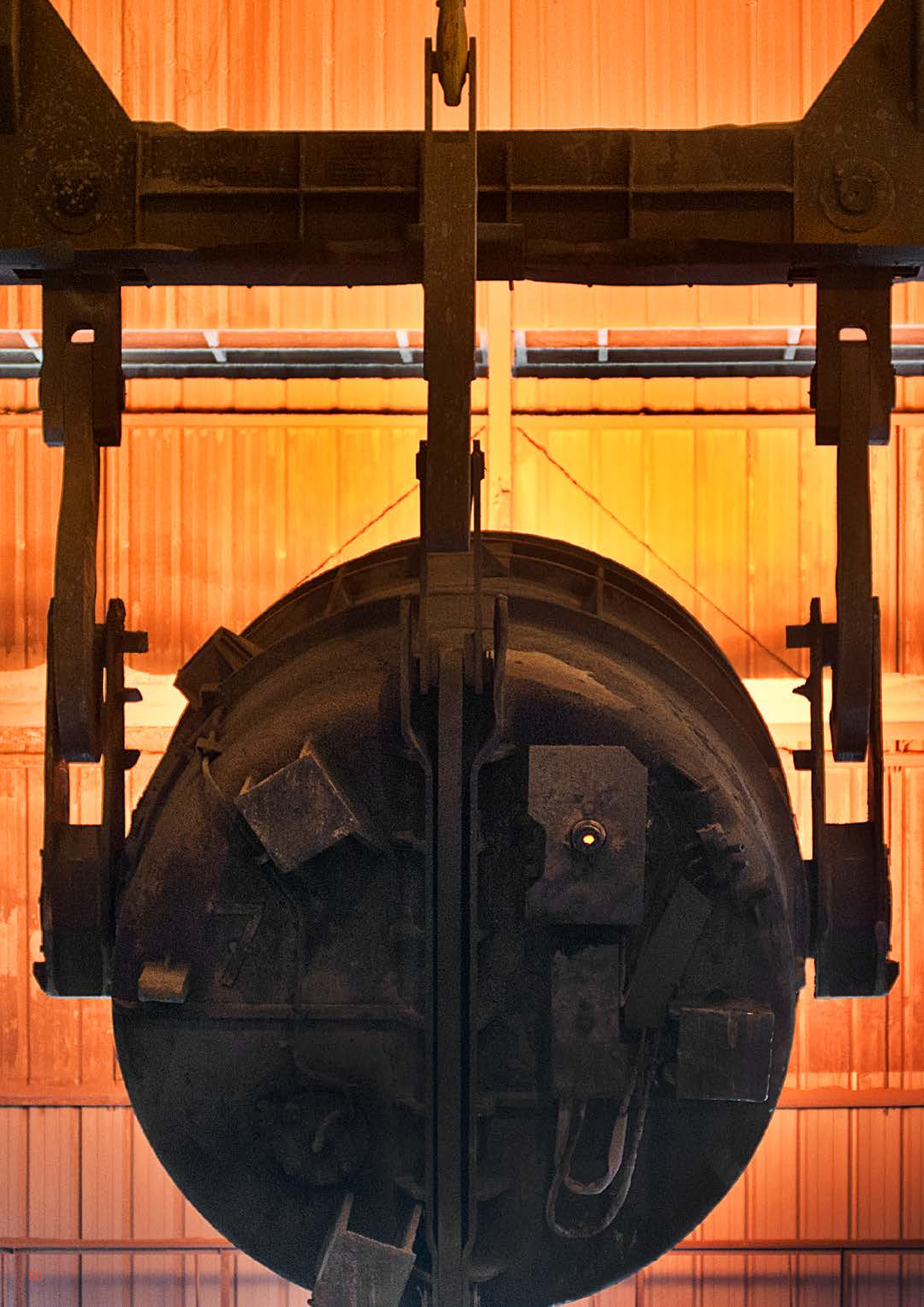
Transactions with subsidiaries, affiliates, the Parent Company and with related parties

The Parent 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
LME S.A.	3,211	1,727	774	42,695	48,407
Donalam S.r.l.	---	762	459	95	1,316
Sipro Beltrame AG	15,382	---	---	---	15,382
Stahl Gerlafingen AG	7,270	1,744	1,452	7,473	17,939
Ferriera Sider Scal S.r.l. – in liquidation	---	12	30	---	42
Beltrame Holding S.p.A.	---	9	1	---	10
Consorzio Valbel	5,067	3	2	7	5,079

Loans disbursed by the Parent Company (in thousands of Euro)	Balance as at December 31, 2019	2020 disbursements	2020 reimbursements	Balance as at December 31, 2020
Disbursed				
Stahl Gerlafingen AG for loans	36,000	24,000	15,000	45,000
LME S.A. for loans	23,500	22,465	16,500	29,465
Donalam S.r.l. for loans	10,850	7,130	10,000	7,980
Donalam S.r.l. for advances on supplies	159	19,727	19,593	293
Ferriera Sider Scal S.r.l. – in liquidation	847	414	106	1,155
Beltrame Holding S.p.A.	---	291	103	188
LME S.A. for advances on supplies	---	13,313	13,313	---

We also point out that none of the Group's companies, in the current and previous years, held any treasury shares or parent company shares.



O Business outlook

At the end of 2020, the main international experts reported an economic trend in 2021 characterised by a progressive improvement in the recovery trend of the economic activity of the steel user sectors, particularly accentuated for the automotive sector starting from the second quarter of the year.

The forecasts showed overall growth expectations in 2021 and 2022 of 7.4 per cent and 4.1 per cent, respectively.

User sectors	Share of consumption	Q1 21	Q2 21	Q3 21	Q4 21	Year 2021	Year 2022
Constructions	35.0%	-1.3%	9.5%	4.5%	4.8%	4.3%	4.0%
Automotive	18.0%	2.7%	62.3%	9.1%	7.4%	15.9%	4.8%
Mechanical engineering	14.0%	-1.2%	18.9%	5.8%	5.8%	7.0%	4.5%
Metal articles	14.0%	-0.5%	21.0%	3.3%	4.2%	6.4%	4.9%
Oil & Gas	13.0%	-2.3%	20.9%	9.0%	7.8%	8.4%	5.1%
Appliances	3.0%	1.0%	16.9%	-0.3%	4.5%	.4.8%	.3.5%
Other transports	2.0%	-6.1%	19.1%	6.8%	7.3%	5.9%	4.3%
Other	2.0%	-4.9%	13.8%	3.0%	3.8%	3.5%	4.1%
Total	**100.0%**	**-0.7%**	**21.1%**	**5.5%**	**5.8%**	**7.4%**	**4.1%**

Source: Eurofer January 2021

Despite a general context of uncertainty relating especially to the intensity and timing with which the measures adopted by governments to contain the COVID-19 epidemic will begin to bear fruit, in the first quarter of 2021 the Beltrame Group recovered a level of activity and profitability aligned with that of the two-year period 2018-2019.

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 positive profitability and cash flow generation targets achievable for 2021.

AFV ACCIAIERIE BELTRAME S.P.A.
The Chairman of the Board of Directors
Mr Antonio Beltrame

02

Consolidated Balance Sheet, Consolidated Income Statement and Consolidated statement of cash flows

Consolidated balance sheet
as of December 31st, 2020 and 2019

BALANCE SHEET - ASSETS (amounts in unit of Euro)	2020	2019
A - AMOUNTS DUE FROM STOCKHOLDERS FOR SHARE SUBSCRIBED BUT NOT CALLED		
B - FIXED ASSETS		
I - INTANGIBLE FIXED ASSETS		
3) Industrial patents and intellectual property rights	525,460	887,031
4) Concessions, licenses, trademarks and similar rights	19,000	0
5) Goodwill	14,964,875	0
6) Assets under construction and advances	1,291,828	847,294
7) Others	1,785,849	1,313,100
Total I - Intangible assets	18,587,012	3,047,425
II - TANGIBLE FIXED ASSETS		
1) Land and buildings	161,204,942	143,928,360
2) Plant and machinery	244,592,976	194,840,308
3) Industrial and commercial equipment	21,177,468	17,177,190
4) Other assets	2,314,596	2,402,069
4-bis) Leased property	1,200,000	1,200,000
5) Construction in progress and advances	30,853,653	25,840,001
Total II - Tangible fixed assets	461,343,635	385,387,928
III - FINANCIAL FIXED ASSETS		
1) Investments in:		
d bis) others	5,647,505	5,647,505
2) Receivables:	0	0
d bis) others receivables	10,063,616	9,864,580
Total III - Financial fixed assets	15,711,121	15,512,085
TOTAL B - FIXED ASSETS	495,641,768	403,947,438
C - CURRENT ASSETS		
I - INVENTORIES		
1) Raw, ancillary and consumables materials	55,812,014	51,788,302
2) Work in progress and semi-finished products	43,003,867	43,258,621
4) Finished products and goods	169,424,402	128,227,797
6) Plant and machinery held for sale	1,741,797	232,268
Total I - Inventories	269,982,080	223,506,988
II - RECEIVABLES		
1) Trade receivables	48,119,325	47,527,811
2) Receivables from subsidiaries		
a) trading receivables	11,031	10,727
b) financial receivables	1,154,908	846,794

BALANCE SHEET - ASSETS (amounts in unit of Euro)	2020	2019
4) Receivables from parent company		
a) trading operations	9,742	20,036
b) financial	187,621	0
5-bis) Tax receivables	11,729,416	14,471,234
5-ter) Deferred tax assets	13,235,214	13,006,662
5-quater) Other receivables	3,316,143	6,950,725
Total II - Receivables	77,763,400	82,833,989
IV - LIQUID FUNDS		
1) Bank and post office accounts	106,948,224	50,406,415
3) Cash on hand	46,267	33,539
Total IV - Liquid funds	106,994,491	50,439,954
TOTAL C - CURRENT ASSETS	454,739,971	356,780,931
D - ACCRUED INCOME AND PREPAID EXPENSES		
I - ACCRUED INCOME AND PREPAID EXPENSES		
1) within one year	4,108,525	4,060,196
2) beyond one year	398,419	645,408
TOTAL D - ACCRUED INCOME AND PREPAID EXPENSES	4,506,944	4,705,604
TOTALE ASSETS	**954,888,683**	**765,433,973**

Consolidated balance sheet as of December 31st, 2020 and 2019

BALANCE SHEET - LIABILITIES AND SHAREHOLDERS' EQUITY (amounts in unit of Euro)	2020	2019
A - SHAREHOLDERS' EQUITY		
I - SHARE CAPITAL	113,190,480	113,190,480
II - SHARE PREMIUM RESERVE	4,014,685	4,014,685
III - REVALUATION RESERVE	0	0
IV - LEGAL RISERVE	18,218,524	17,315,082
V - STATUTORY RESERVES	0	0
VI - OTHER RISERVES		
a) Extraordinary reserve and other reserves	166,338,239	152,911,376
b) Tax suspension reserve	515,391	515,391
b-2) Tax suspension reserve - Law 244/2007	1,241,811	1,241,811
b-3) Tax suspension reserve - Law 104/2020	64,421,608	0
VII - RESERVE FOR DERIVATIVE FINANCIAL INSTRUMENTS	(2,156,805)	(1,607,250)
VIII - PROFIT (LOSS) CARRIED FORWARD	0	0
IX - GROUP PROFIT (LOSS)	(19,060,001)	13,792,799
X - NEGATIVE RESERVE FOR OWN SHARES IN PORTFOLIO	0	0
GROUP SHAREHOLDERS' EQUITY	346,723,932	301,374,374
MINORITY INTEREST	19,551,174	18,296,461
INCOME (LOSS) ATTRIBUTABLE TO MINORITY SHAREHOLDERS	(2,360,949)	806,392
NET EQUITY ATTRIBUTABLE TO MINORITY SHAREHOLDERS	17,190,225	19,102,853
TOTAL A - TOTAL SHAREHOLDERS' EQUITY	363,914,157	320,477,227
B - RESERVE FOR RISKS AND CHARGES		
1) For retirement benefits and similar obligations	1,003,605	562,608
2) For taxes, also deferred	11,803,417	12,131,574
3) For derivate financial instruments	3,230,898	2,114,802
4) Other	11,052,679	13,262,508
TOTAL B - TOTAL RESERVE FOR RISK AND CHARGES	27,090,599	28,071,492
C - RESERVE FOR EMPLOYEE SEVERANCE INDEMNITY	15,162,934	16,126,492
D - AMOUNTS PAYABLE		
4) Borrowings from banks		
1) due within one year	38,096,520	15,734,295
2) due beyond one year	115,677,500	105,721,727
5) Payables to other lenders		
1) due within one year	26,195,305	2,028,821
2) due beyond one year	1,835,809	1,326,036

BALANCE SHEET - LIABILITIES AND SHAREHOLDERS' EQUITY (amounts in unit of Euro)	2020	2019
6) Advance payments	829,315	1,183,660
7) Trade payables		
1) due within one year	293,647,645	250,183,050
9) Payables to subsidiaries		
1) trading operations	217	1,085
12) Tax payables		
1) due within one year	10,846,048	3,407,056
2) due beyond one year	1,328,281	0
13) Social security payables		
1) due within one year	7,846,934	5,627,686
14) Other payables		
1) due within one year	15,172,642	12,488,151
2) due beyond one year	34,218,285	0
TOTAL D - TOTAL PAYABLES	545,694,501	397,701,567
E - ACCRUED EXPENSES AND DEFERRED INCOME		
I - ACCRUED EXPENSES AND DEFERRED INCOME		
1) due within one year	2,486,175	3,057,195
2) due beyond one year	540,317	0
TOTAL E - TOTAL ACCRUED EXPENSES AND DEFERRED INCOME	3,026,492	3,057,195
TOTAL LIABILITIES	**954,888,683**	**765,433,973**

Consolidated Income Statement
as of December 31st, 2020 and 2019

CONSOLIDATED INCOME STATEMENT (amounts in unit of Euro)	2020	2019
A - VALUE OF PRODUCTION		
1) Revenue from sales and services	970,829,438	1,095,509,331
2) Changes in work in progress, semifinished and finished		
products inventories	16,296,600	(18,378,487)
4) Additions to internally produced fixed assets	2,891,283	3,859,105
5) Other income and revenues		
- grants	3,573,547	3,008,625
- others	2,556,723	3,901,397
Total value of production	996,147,591	1,087,899,971
B - COST OF PRODUCTION		
6) Raw, ancillary and consumable materials	637,226,848	666,760,270
7) Services	194,250,692	197,656,006
8) Leases and rentals	5,328,697	5,475,054
9) Personnel costs		
a) Wages and salaries	93,326,181	94,154,533
b) Social security costs	27,036,220	27,814,318
c) Employment severance indemnity	2,703,089	2,555,578
e) Other costs	4,387,091	6,109,291
Total 9 - Personnel costs	127,452,581	130,633,720
10) Amortisation, depreciation and writedowns		
a) amortisation of intangible fixed assets	867,011	988,912
b) depreciation of tangible fixed assets	38,516,269	36,234,494
c) writedown of fixed assets	608,258	180,800
d) writedown of receivables among current assets	306,292	238,836
Total 10 - Amortisation, depreciation and writedowns	40,297,830	37,643,042
11) Changes in raw materials, ancillary		
and consumable materials	(4,002,514)	10,083,976
12) Provisions for risks	66,324	1,184,910
13) Others provisions	17,000	543,811
14) Other operating expenses	5,408,840	6,864,186
Total cost of production	1,006,046,298	1,056,844,975
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A-B)	(9,898,707)	31,054,996
C - FINANCIAL INCOME AND EXPENSES		
b) from other companies	1,000	0
16) Other financial income: - from subsidiaries	32,430	23,727
- from parent company	1,278	2,582

CONSOLIDATED INCOME STATEMENT (amounts in unit of Euro)	2020	2019
- from third parties	241,929	113,181
17) Interests and financial charges - from third parties	6,375,186	9,346,260
- from subsidiares company	437	1,085
17 bis) Profit (loss) on exchange rates	(501,820)	(436,309)
Total financial income and expenses	(6,600,806)	(9,644,164)
D - ADJUSTMENT TO FINANCIAL ASSETS		
19) Writedowns of		
a) equity investments	306,077	0
b) of derivative financial instruments	395,808	0
Total adjustment to financial assets	(701,885)	0
PROFIT (LOSS) BEFORE TAX	(17,201,398)	21,410,832
22) Income taxes		
a) current	2,522,990	6,633,840
b) deferred costs	(328,157)	(1,355,364)
c) deferred income	2,024,719	1,533,165
Total 22 - Taxes	4,219,552	6,811,641
23) Income (loss) for the year	(21,420,950)	14,599,191
Group net income (loss)	(19,060,001)	13,792,799
Minority interest	(2,360,949)	806,392

Consolidated Statements of Cash Flows for the Year ended December 31st, 2020 and 2019

CONSOLIDATED STATEMENTS OF CASH FLOWS (amounts in unit of Euro)	2020	2019
A. Cash flows from (used in) operating activities		
- Profit (loss) for the year	(21,420,950)	14,599,191
- Income taxes	4,219,552	6,811,641
- Interests income and charges, net	6,098,986	9,207,855
- Net gain (loss) on disposal of tangible fixed assets	(83,855)	(666,000)
1 Profit (loss) for the year after income taxes, interests, dividends and	(11,186,267)	29,952,687
gains/losses for disposals	3,138,504	3,969,567
- Provisions	39,383,280	37,223,406
- Depreciation of tangible fixed assets	914,550	419,636
- Depreciations	975,946	223,689
- Other adjustments for non-cash items	44,412,280	41,836,298
Total adjustments for non-cash items	33,226,013	71,788,985
3 Cash flow before changes in net working capital		
Changes in net working capital	(20,299,112)	29,460,373
- (Increase) decrease in inventories	391,430	25,996,878
- (Increase) decrease in accounts receivables	36,593,170	(28,193,327)
- Increase (decrease) in trade payables	196,046	(122,699)
- (Increase) decrease in accrued incomes and prepaid expenses	203,343	(987,115)
- Increase (decrease) in accrued expenses and prepaid incomes	6,180,743	(2,447,002)
- Others changes in net working capital	23,265,620	23,707,108
Total changes in net working capital	56,491,634	95,496,093
3 Cash flow after changes in net working capital		
Others adjustments	(6,319,986)	(7,817,414)
- Interests received / (paid)	(394,546)	(16,092,686)
- Income tax payments	(5,749,040)	(5,611,470)
- Provision utilizations	(12,463,572)	(29,521,570)
Total amount of others adjustments	44,028,062	65,974,523
Cash flow from operating activities (A)		
B. Cash flows from (used in) investment operations		
Tangible fixed assets		
Additions	(42,326,283)	(38,061,000)
Disposals	93,855	785,000
Intangible fixed assets		
Additions	(1,868,000)	(1,870,000)
Financial fixed assets		
Additions	(197,532)	(5,682,936)
Disposals	0	304,000
Others non- fixed financial assets		

CONSOLIDATED STATEMENTS OF CASH FLOWS (amounts in unit of Euro)	2020	2019
Additions	(495,735)	0
Disposals	0	64,598
Cash flows from (used in) investment operations (B)	(44,793,695)	(44,460,338)
C. Cash Flows from (used in) financial activities		
Third parties		
Increase (decrease) in short term bank debts	22,286,381	1,546,342
Loans granted	51,015,331	121,504,129
Loans reinboursed	(17,122,293)	(146,556,420)
Accessory charges relating new loan	0	(1,994,353)
Share capital increase	1,000,000	0
Disbursment for derivative financial instruments	0	(1,901,850)
Dividends	(96,938)	(16,065,135)
Cash Flows from (used in) financial activities (C)	57,082,481	(43,467,287)
Translation adjustment	237,690	367,542
Net increase (decrease) in liquid funds (A+/- B +/- C)	56,554,537	(21,585,560)
Liquid funds at beginning of the year	50,439,954	72,025,514
Liquid funds at end of the year	106,994,491	50,439,954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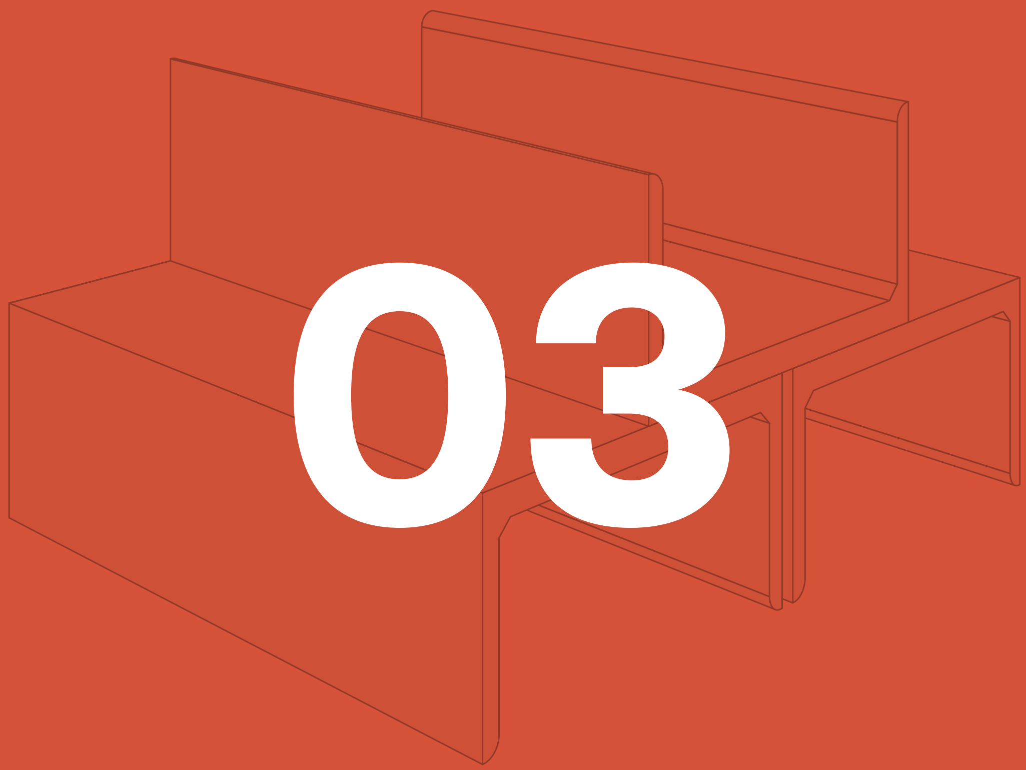

Consolidated Financial Statements as of December 31st, 2019

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 December 31, 2020 (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		
Calarasi (Ro) – Share capital Leu 148,265,800	77.72	---
Donalam Siderprodukte AG - Trading company		
Zurich (CH) – Share capital CHF 300,000	---	58.29
Laminés Marchands Européens S.A. - Steel manufacturing company		
Trith Saint Léger (F) – Share capital Euro 32,300,345		
(hereafter also LME S.A.)	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
Nuova Ferrosider S.r.l. - Steel manufacturing company		
Vicenza – Share capital Euro 100,000	100.00	---
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 50,000,000	100.00	---

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, the scope of consolidation changed in relation to:

— the inclusion of the equity investment in Nuova Ferrosider S.r.l. acquired by the Parent Company on December 29, of the year in question;

— the subscription by the minority shareholder of the entire share capital increase resolved by the subsidiary Donalam S.r.l. for the amount of Euro 1 million. Following the transaction, the percentage interest held by the latter increased from 19.64% to 22.28%.

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

Name	% Interest held – Direct	% Interest held – 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	14.28	---
Immobiliare Siderurgica S.r.l. - Real estate company		
Milan – Share capital Euro 99,000	5.03	---
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 110,000,000	5.12	---
Nord Ferro – Manufacturing company		
ZAC de Valenciennes (F) – Share capital Euro 200,000	--	25.00

Compared to the previous year, the share capital increase resolved by the subsidiary Laminados Industriales SA should be noted, which, underwritten in a non-proportional manner to the shares previously held, led to a decrease in the percentage interest held from 14.84% to 5.59%.

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

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 the Italian Legislative Decree 127/91, as well as being supplemented with the accounting principles prepared by "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.

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 Organismo Italiano di Contabilità – OIC and, where deficient, by the International Accounting Standard / International Financial

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Reporting Standards.

These notes to the consolidated financial statements fulfil the function of providing an illustration, an analysis, and, in each case, 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 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 December 31, 2020, 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 December 31, 2020 and those reflected in the consolidated financial statements of the same date is detailed in the following table (in thousands of Euro):

	2020		2019	
	Shareholders' equity	Result for the year	Shareholders' equity	Result for the year
Statutory fin. st. of the Parent Company	391,193	9,025	318,295	18,069
Group's share of the adjusted Shareholders' equity of the consolidated companies	152,982	(28,036)	137,967	(4,201)
Carrying value of consolidated companies	(197,538)	---	(157,001)	---
Translation difference of the financial year	87	---	2,113	(28)
Dividend collected from the consolidated companies	---	(49)	---	(47)
Consolidated Group financial statements	346,724	(19,060)	301,374	13,793

2 Criteria

CONSOLIDATION CRITERIA

The most relevant consolidation criteria, adopted for the preparation of the consolidated financial statements, and 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 allowance 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 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 within an shareholders' equity reserve.

The following exchange rates were applied:

	CHF	Leu
Exchange rate as at December 31, 2019	1.0854	4.7830
Average exchange rate in the financial year 2020	1.0705	4.8383
Exchange rate as at December 31, 2020	1.0802	4.8683

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 amortised over the 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 construction cost, adjusted in order to take into account the higher purchase price paid compared to the tangible fixed asset carrying amounts held by the acquiring 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 tangible fixed assets is calculated every financial period on a straight-line basis in relation to their residual useful lives.

During the periodic updating of the useful life of assets, in 2017 a specialised company was entrusted the task to update the estimate of the useful and residual life of the main tangible fixed assets, in order to obtain useful elements for a correct calculation of the 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	8
Generic plants	18	6
General and specific equipment	11	3

For those assets, in place as at December 31, 2016, 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 here after:

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

In 2020, the Parent Company commissioned from independent external consultants, limited to the Vicenza site where the majority of the company's fixed assets are located, an update of the estimated value, useful life and residual life of the main technical fixed assets and of the main industrial buildings in order to obtain useful elements for a more correct representation in the financial statements of the company.

On the basis of the above documentation, as permitted by Italian Law Decree 104/2020, the company proceeded, after the allocation of the depreciation for the year 2020, to the recognition in its financial statements of the new values increasing the historical cost of the fixed assets. On these values, starting from the 2021 financial year, the depreciation of these fixed assets will be determined in line with the residual lives defined by the documentation of the independent external consultants.

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 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.

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 on average 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 immaterial 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 relate 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 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.

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 January 1, 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 December 31, 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, of 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 art. 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.

Costs and revenues

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

Current year grants

Current year grants are accounted for on an accrual basis 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.

Income 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.

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

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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.

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".

4.1 Intangible Fixed Assets

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

(in thousands of Euro)	Information technology system development and software acquisition	Expenses for work on third-party assets	Concessions, licenses, trademarks and similar rights	Goodwill	Under construction	Total
Balance as at December 31, 2018	2,442	171	---	---	357	2,970
Increases	620	---	---	---	564	1,184
Write-off capital losses	---	(96)	---	---	---	(96)
Translation differences	(1)	---	---	---	---	(1)
Reclassification and others	63	(11)	---	---	(73)	(21)
Amortisation	(975)	(14)	---	---	---	(989)
Balance as at December 31, 2019	2,149	50	---	---	848	3,047
Increases	826	112	20	14,965	476	16,399
Write-off capital losses	---	---	---	---	---	---
Translation differences	(5)	---	---	---	---	(5)
Reclassification and others	45	---	---	---	(32)	13
Amortisation	(815)	(51)	(1)	---	---	(867)
Balance as at December 31, 2020	2,200	111	19	14,965	1,292	18,587

The increases for the current financial year are equal to Euro 16,399 thousand (Euro 1,184 thousand in 2019). The most significant interventions refer to:

- the recognition of the higher value paid at the time of acquisition by the Parent Company, with respect to the current value attributable to the assets and liabilities of the subsidiary Nuova Ferrosider S.r.l., recorded in these financial statements for Euro 14,965 thousand under goodwill;
- to the purchase and configuration of software linked to production, safety and financial management.

The amortisation of the intangible fixed assets in 2020 was Euro 867 thousand (Euro 989 thousand in the previous year). The prevalently used amortisation rate is 20%. The goodwill recognised for the first consolidation of the subsidiary Nuova Ferrosider S.r.l. was not amortised during the year as the acquisition was completed on December 29, 2020.

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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	Assets transferable to others	Assets in progress and advances	Total
Historical cost	306,906	1,013,062	56,409	14,951	35,940	1,427,268
Allocation of difference	51,352	36,021	---	---	---	87,373
Accumulated depreciation	(207,886)	(854,844)	(43,164)	(10,647)	---	(1,116,541)
Impairment provisions	(7,956)	(4,565)	(80)	(1,055)	(8,326)	(21,982)
Balance as at December 31, 2018	142,416	189,674	13,165	3,249	27,614	376,118
Increases	5,293	19,723	5,148	412	11,875	42,451
Disposals and other changes, net	---	(10)	---	(13)	---	(23)
Classification to asset for initial operation / reclass.	1,663	8,899	2,447	538	(13,529)	18
Uses/allocations to allowance for bad debt	---	(24)	---	---	(157)	(181)
Translation differences	664	2,303	238	(3)	37	3,239
Depreciation	(6,107)	(25,727)	(3,819)	(581)	---	(36,234)
Historical cost	317,368	1,045,611	63,606	15,705	34,320	1,476,610
Allocation of difference	51,352	36,007	---	---	---	87,359
Accumulated depreciation	(216,836)	(883,065)	(46,349)	(11,048)	---	(1,157,298)
Impairment provisions	(7,955)	(3,713)	(80)	(1,055)	(8,480)	(21,283)
Balance as at December 31, 2019	143,929	194,840	17,177	3,602	25,840	385,388
Increases	3,095	18,462	5,999	337	20,892	48,785
Disposals and other changes, net	---	(8)	---	(2)	---	(10)
Classification to asset for initial operation / reclass.	869	13,417	699	212	(15,226)	(29)
Uses/allocations to allowance for bad debt	---	(86)	(266)	---	(256)	(608)
Reclassification of allowance for bad debt	1,500	(1,170)	(11)	---	(319)	---
Appreciation	17,890	46,427	2,046	51	---	66,414
Translation differences	(27)	10	17	(3)	(77)	(80)
Depreciation	(6,051)	(27,300)	(4,483)	(682)	---	(38,516)
Historical cost	321,631	1,074,506	70,120	15,868	39,906	1,522,031
Allocation of difference	51,352	35,999	---	---	---	87,351
Appreciation	17,890	46,427	2,046	51	---	66,414
Accumulated depreciation	(223,213)	(908,216)	(50,634)	(11,349)	---	(1,193,412)
Impairment provisions	(6,455)	(4,123)	(355)	(1,055)	(9,052)	(21,040)
Balance as at December 31, 2020	161,205	244,593	21,177	3,515	30,854	461,344

In the year in question, as permitted by Italian Law Decree 104/2020, the Parent Company appreciated and estimated the useful and residual life of the buildings, plants and machinery of the Vicenza site already in place as at December 31, 2019. The activity, entrusted to independent experts, allowed the recognition of higher values for a total amount of Euro 66,414 thousand, reported in the previous table. This appreciation, as required by the aforementioned Italian Law Decree, was defined after the recognition of the 2020 depreciation of the assets subject to appreciation and the higher depreciation amounts will be allocated starting from the 2021 financial year. Also in the year 2021, the useful lives will be adjusted on the basis of what is defined by the independent experts.

The net book value of buildings, plants, production machinery and equipment of the sites whose operations were halted and are, therefore, held for sale, totalled Euro 14.6 million (Euro 14.4 million in the previous year), of which Euro 11.7 million referred to property (Euro 10.3 million in the previous year).

Tangible fixed assets included assets under construction that, as at December 31, 2020, were equal to Euro 30,854 thousand (Euro 25,840 thousand in 2019). These fixed assets are classified in their pertinent categories

when they start operating.
The 2020 increases in tangible fixed assets (including the assets, which were not already operational by the year end) amounted to Euro 48,785 thousand (Euro 42,451 thousand in 2019). The increases were carried out specifically to:

- assure the efficiency and safety of the production plants and of the production sites;
- expand the product range through the purchase of equipment and spare parts.

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 for the period from 2021 to 2023.
Hereafter the growth rate applied to the terminal value is shown, together with discount rates used. The discount rates (WACC – weighted average cost of capital) vary depending on the country where the subsidiary is located; the range is provided below:

	2020	2019
Terminal value growth rate	1.00%	1.00%
Discount rate	4.56% - 5.74%	5.03% - 6.41%

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”.
Write-downs of property, plant and equipment amounted to Euro 21,040 thousand (Euro 21,283 thousand in the previous year).
On August 6, 2020, the Parent Company signed a concession agreement with the right to purchase (rent to buy) concerning the property complex of Marghera owned by the company with a duration until December 31, 2026. The contract provides for the payment of variable quarterly fees and variable sale prices in relation to the date of exercise of the option.
In the 2020 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 tangible fixed assets’ carrying amounts, which include the allocation of the merger differences completed in previous financial years, higher acquisition costs compared

to the carrying amount of assets held by the acquired companies, adjusted as a result of allocations when deemed necessary, do not exceed their market value and/or their recoverable amount.

4.3 Financial Assets

The carrying value of equity investments amounted to Euro 5,648 thousand (unchanged from the previous year), and are mainly referable to the company:

Metal Interconnector S.c.p.A. – entry value Euro 5,632 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/planned by the investee companies:

- Interconnector Italia - PI.SA. An "Italy-France" direct current interconnection between the Piossasco and Grande Ile nodes. The work will make 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 July 26, 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.
- Interconnector Energy Italia - MON.ITA. A project that involves the construction of a 500 kV direct current interconnection line between the stations of Villanova (IT) and Lastva (ME) with a route, partly in submarine cable and partly in land cable, of approximately 445 kilometres. The first interconnection module became operational on December 28, 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 - RESIA. On January 21, 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) will notify RESIA, the company set up specifically by Terna for the construction of the Italy-Austria interconnector; from the date of receipt of the notification, the assignees will have 90 days within which to complete the purchase of the above mentioned Special Purpose Vehicle and Terna will have to leave the corporate structure completely.

Moreover, the Parent Company holds equity investments, with a cancelled carrying value, in the following companies:

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

The company, an investee of the Parent 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 the Argentine law 24.522. The procedure started on February 10, 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. In November 2019, the company resolved a new share capital increase from pesos 507,026,756.76 to pesos 846,782,317.48, subscribed during the year in question, for the value of Euro 306,077 by AFV through the conversion of its receivables, fully written down, of the same amount. Following the transaction described above, the interest held in the company fell to 5.59%. Consequently, the value of the equity investment remains fully written down.

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. In the first case, it is the presence of polluting materials within the production site for which the call of the service conference is pending for the approval of the additions made to the operational reclamation project. The call has not yet taken place as a result of the emergency situation linked to the COVID-19 pandemic.

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.

With reference to this second issue, in 2017, the company was served an ordinance of the Verbania Cusio Ossola provincial government, served to the Parent Company, ordering:

- to submit the characterisation plan to the Villadossola municipality;
- to implement the procedure for the clean-up and the subsequent restoration of the condition of the locations in relation to the territory containing the network of canals relating to the steelmaking plant.

The Company and the Parent Company filed an appeal against this ordinance with the Piedmont TAR (Regional Administrative Court). The defensive arguments presented by the company are directed at challenging the liability, taking into account that the contaminations being charged are for the most part due to third parties' activities, which, since the late 19th Century, succeeded each other not only in the plant itself but throughout the Villadossola area and, with regard to the Parent Company, the direct operation of the plant in question is limited to the period from March 2000 to October 2001.

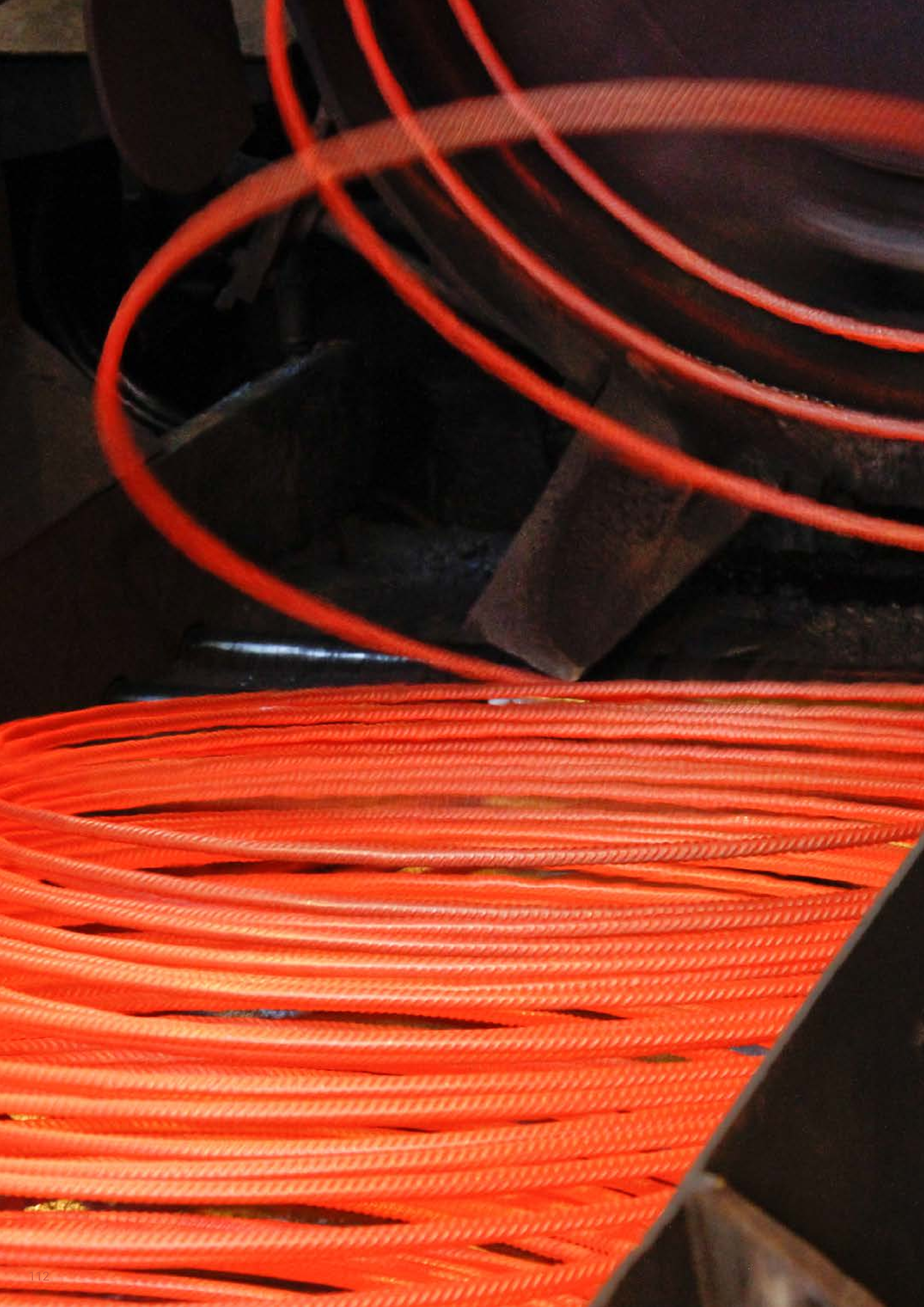
It is the opinion of the company and of its advisors that these defences are grounded on regulatory principles that have already been recognised in the jurisprudence and from whose application results a delimitation of liability that is circumscribed to the individual contributions of the alleged event. The defensive elements collected seem adequate to deem it likely that the appeal will be successful.

The company and the Parent Company have also decided to collaborate with the local authorities in the phases of characterisation of the areas up to the presentation of a risk analysis. The investigation plan was approved, aimed at characterising the site, which envisages the carrying out of investigations on properties owned by third parties. One of these third-party owners challenged the resolution of the services conference that approved the investigation plan whose completion times cannot be estimated at present, given the pending proceedings initiated by the third party and despite the fact that a subsequent services conference confirmed the investigation plan.

In any case, investigations were carried out in the areas to which access was allowed and we are waiting for the Municipality of Villadossola to order access to the site of the third-party owner who presented the objection: it is hoped that the investigation plan can be completed by the end of the year 2021.

The other receivables, recognised within the financial fixed assets for a total of Euro 10,064 thousand (Euro 9,865 thousand in 2019) include:

- an interest-free shareholder loan of Euro 4,426 thousand (Euro 4,917 thousand in the previous year), disbursed by the Parent Company, which may be allocated, in part or in full, according to the decisions taken by Board of Directors, for subscription, in proportion to the equity investment held, of the share capital increase of the investee Metal Interconnector S.c.p.A., in order to participate in the resolving share capital increase of its investee Metal Interconnector S.c.p.A. and/or the disbursement to the same of an interest-free shareholder loan;
- guarantee fund paid by the Parent Company against the commitment to finance the construction of electricity transport works for Euro 3,735 thousand (Euro 3,046 thousand in 2019). The work will be carried out through the investee



Metal Interconnector S.c.p.A.;

— receivables from public bodies for residential construction of the subsidiary LME S.A. of Euro 1,306 thousand (Euro 1,306 thousand in 2019);

— a security deposit of Euro 333 thousand established by the subsidiary Stahl Gerlafingen AG with a Swiss bank in relation to customs operations (Euro 332 thousand in 2019).

The receivables are deemed to be entirely collectable.

4.4 Inventories

Inventories consist of the following:

(in thousands of Euro)	2020	2019
Finished products	169,424	128,228
Semi-finished products	43,004	43,259
Consumable materials	32,800	30,778
Raw materials	19,891	17,039
Ancillary materials	3,121	3,971
Plants and machineries held for sale	1,742	232
Total	269,982	223,507

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

— with reference to the scope of consolidation of the previous year, finished products increased by 9% in quantities while unit values increased by 4% (in 2019, compared to 2018, quantities were almost unchanged, while unit values decreased by 9%). The residual change relates to the actual increase resulting from the acquisition of Nuova Ferrosider S.r.l., equal to Euro 24,872 thousand;

— semi-finished products increased by 4% in quantities and decreased in unit values by 4% (in 2019 compared to 2018, quantities decreased by 4% while unit values decreased by 8%);

— raw materials increased by 5% in quantities and by 11% in unit value (in 2019 compared to 2018, quantities decreased by 4% while the unit values decreased by 15%).

The adjustment of the manufacturing cost to the corresponding market value (replacement cost for raw materials and net realisable value for finished goods and semi-finished products) generated a write down of Euro 7,924 thousand (Euro 9,428 thousand in 2019).

4.5 Trade Receivables

Trade receivables, net of allowance for bad debt, whose change is detailed below, moved from Euro 47,528 thousand in the previous financial year to Euro 48,119 thousand in 2020. The level of trade receivables is influenced by the trends in deliveries recorded in the last quarter and by their geographic distribution.
Trade receivables from customers include the amounts related to trade relations of the Parent Company with the subsidiary Consorzio Valbel for Euro 3,286 thousand (Euro 2,154 thousand in 2019). Receivables from Laminados Industriales S.A., recorded in the financial statements of the previous year for Euro 386 thousand, were used during the year in question for the subscription of a share capital increase of the investee.

Trade receivables have been aligned to their realisable value, through an allowance for bad debt whose changes are shown below:

(in thousands of Euro)	2020	2019
Opening balance	3,417	3,833
Allocations during the year	306	490
Amounts recovered from bankruptcy and other minor proceedings	28	---
Translation differences	(6)	21
Uses during the year	(1,293)	(927)
Closing balance	2,452	3,417

Uses during the year refer mainly to receivables arising in previous years, in most cases referring to the sale of tangible fixed assets, for which the requirements of certainty of non-recoverability accrued during the period in question. We point out that the company has an insurance contract in place to cover risks deriving from insolvency on trade receivables and has its own structure 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 77% (80% in 2019) are from customers within the European Union, following the write-downs applied are substantially aligned with their estimated realisation value.
Receivables for Euro 2 thousand of the Parent Company from the related party Idroelettriche Riunite S.p.A. are due to administration services provided (Euro 3 thousand in 2019).

4.6 Receivables from Unconsolidated Associates and Subsidiaries

The amount of Euro 1,166 thousand (Euro 858 thousand in 2019) refers to values recorded in the financial statements of the Parent Company for relations occurred with the subsidiary Ferriera Sider Scal S.r.l. – in liquidation for:

— loans amounting to Euro 1,155 thousand (Euro 847 thousand in 2019);

— trade receivables of Euro 11 thousand (unchanged compared to the previous year).

4.7 Receivables from Ultimate Parent Company

The receivables, recognised in the financial statements of the Parent Company from its parent company, are all due within the year 2021, and refer to:

— loans disbursed under normal market conditions and repayable on demand for Euro 188 thousand (not present in the previous year). The loan agreement provides for full repayment of principal and interest by June 30, 2022;

— administrative services and interest accrued on the above loan of Euro 10 thousand (Euro 20 thousand in 2019).

4.8 Tax Receivables

Tax receivables amounted to Euro 11,729 thousand (Euro 14,471 thousand in 2019). The most significant amounts refer:

— contributions and tax relief provided to the subsidiaries Stahl Gerlafingen AG and LME S.A. in relation to energy consumption, amounting to Euro 4,919 thousand (Euro 3,704 thousand in 2019 to the subsidiary LME S.A.);

— VAT for Euro 2,312 thousand (Euro 3,195 thousand in 2019);

— tax receivables for competition and employment recognised by the subsidiary LME S.A., amounting to Euro 1,611 thousand (Euro 2,340 thousand in the previous year);

— advances paid during the year for income taxes by the Parent Company and the subsidiary LME S.A., higher than the final charge for a total of Euro 761 thousand. The receivables will be used during the 2021 financial year against the advances due for the same taxes;

— taxes on assets paid by the subsidiary LME pertaining to the following year of Euro 549 thousand (not present in the previous year);

— VAT credit of Euro 490 thousand (Euro 595 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 instalments had not been completed.

In the previous financial year, in Parent Company's financial statements, receivables were recognised for Euro 1,573 thousand for refund of IRES for claims filed in compliance with Italian Law Decree no. 185 of November 29, 2008 and Italian Law Decree no. 201 of December 6, 2011 for the partial recognition of the deductibility of IRAP paid in previous financial years. The receivable was collected during the year of interest.

4

4.9 Deferred Tax Assets

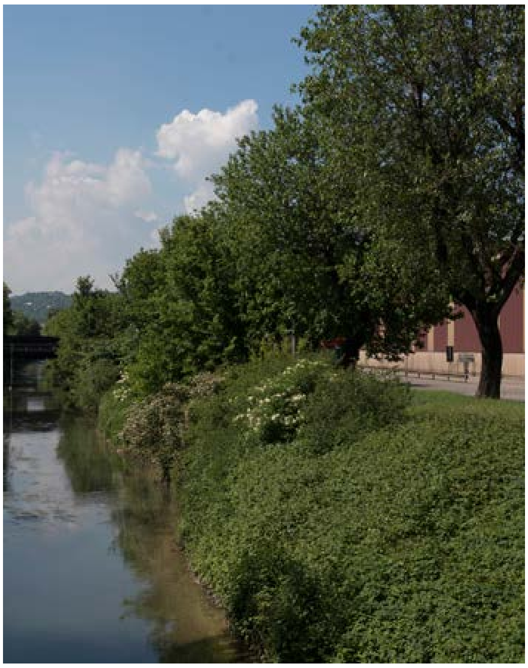
Deferred tax assets, recorded at Euro 13,235 thousand (Euro 13,007 thousand in 2019), derived from temporary differences on taxable income and tax losses. The breakdown is analysed in the following table.

(in thousands of Euro)	2019 Deferred tax assets	2020 Increases	2020 Reabsorptions	2020 Deferred tax assets
Non-deducted adjustments to assets	5,866	71	(236)	5,701
Valuation of the tax loss	3,797	---	(1,669)	2,128
Redemption of the goodwill of Nuova Ferrosider	---	2,394	---	2,394
Allocations to provisions for risks and charges	1,806	257	(659)	1,404
Adjustments to value of inventories	654	566	(654)	566
Change in valuation of derivative financial instruments	508	265	(85)	688
Non-deducted write-downs of receivables	204	35	(94)	145
Others	172	79	(42)	209
	13,007	3,667	(3,439)	13,235

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, deriving from the accounting of tax losses, only for the portion that is estimated as recoverable in the following five years, are disclosed in the financial statements of LME S.A. With regard to the subsidiaries Stahl Gerlafingen AG and Donalam S.r.l., recognition was postponed until the conditions for the certainty of the recovery are fully achieved.

Deferred tax assets on the exemption of the goodwill of Nuova Ferrosider S.r.l. were recognised to take into account the tax benefit that the subsidiary will recognise in subsequent years through the tax deductibility of the goodwill amortisation.



4.10 Other Receivables

La voce crediti diversi include:

(in thousands of Euro)	2020	2019
Refunds to be received on energy consumption	2,124	5,506
Receivables from social security and employees	790	370
Advances to supplier	161	201
Insurance claims to be liquidated	9	645
Others	232	229
Total	3,316	6,951

Reimbursements to be received on energy consumption, recorded in the financial statements of the subsidiary Stahl Gerlafingen AG, accrued during the year in question, are recognised in the form of excise duties.

4.11 Liquid Funds

The amount recognised of Euro 106,994 thousand (Euro 50,440 thousand in 2019) derives mostly from funds in current and cash accounts of the companies as at December 31, 2020.

The amounts shown can be converted promptly into cash and are not subject to significant risk of changes in value.

4.12 Prepayments and Accrued Income

The amount recognised of Euro 4,507 thousand (Euro 4,706 thousand in 2019), refers principally to:

- Euro 3,309 thousand (Euro 3,312 thousand in the previous financial year) recognised for greenhouse emission quotas;
- Euro 402 thousand (Euro 773 thousand in the previous year) refer to accessory charges incurred for loans obtained in 2019 by the Parent Company;
- Euro 334 thousand (Euro 239 thousand in 2019) for software licences pertaining to the following year;
- Euro 106 thousand (Euro 128 thousand in 2019) for interest to the Parent Company's customers on advances for payables not due until after the reporting date.

4

4.13 Shareholders' Equity

The underwritten and paid-in share capital of the Parent Company amounts to Euro 113,190,480 and it is represented by 217,674 ordinary shares with a nominal value of Euro 520 each.

In the financial year of interest or in the prior one no shareholders' equity reserves are "not distributable" in accordance with art. 2426, paragraph 5), of the Italian Civil Code or related to unrealised income from foreign exchange translation.

Reserves under tax suspension regime previously shown in the shareholders' equity of subsidiaries merged by the Parent Company for Euro 1,082 thousand (unchanged compared to the previous financial year) were reformed by binding the share premium reserve and part of the extraordinary reserve.

Shareholders' equity includes untaxed reserves for a total of Euro 75,051 thousand, mainly deriving from appreciations or 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.

In the financial year of interest the Parent Company restricted shareholders' equity made "not distributable" in accordance with art. 2426, paragraph 5), of the Italian Civil Code or derived from unrealised profits from foreign exchanges for Euro 30 thousand, not recognised in the previous year.

The changes in shareholders' equity are set out in detail in the table that follows.

(in thousands of Euro)	Share capital	Share premium reserve	Legal reserve	Other reserves	Reserve for cash flow hedging	Group profit (loss)	Consolidated Shareholders' equity	Minority interest	Shareholders' equity as at December 31
Balance as at December 31, 2018	113,190	4,015	15,864	121,749	(2,420)	48,417	300,815	18,354	319,169
Allocation of the profit for the year									
To reserve	—	—	1,451	30,976	—	(32,427)	—	—	—
To shareholders	—					(15,990)	(15,990)	(75)	(16,065)
Redemption of excess amortisation of the Parent Company	—	—	—	(169)	—	—	(169)	—	(169)
Use of reserves for allocation of derivatives	—	—	—	—	813	—	813	—	813
Translation difference and others	—	—	—	2,112	—	—	2,112	18	2,130
Profit (loss) for the year	—	—	—	—	—	13,793	13,793	806	14,599
Balance as at December 31, 2019	113,190	4,015	17,315	154,668	(1,607)	13,793	301,374	19,103	320,477
Allocation of the profit for the year									
To reserve	—	—	904	12,889	—	(13,793)	—	—	—
To shareholders	—	—	—	—	—	—	—	(97)	(97)
Capital increase made by minority interest	—	—	—	—	—	—	—	1,000	1,000
Appreciation of tangible fixed assets	—	—	—	64,422	—	—	64,422	—	64,422
Use of reserves for allocation of derivatives	—	—	—	—	(550)	—	(550)	—	(550)
Reclassifications, translation difference and others	—	—	—	538	—	—	538	(455)	83
Profit (loss) for the year	—	—	—	—	—	(19,060)	(19,060)	(2,361)	(21,421)
Balance as at December 31, 2020	113,190	4,015	18,219	232,517	(2,157)	(19,060)	346,724	17,190	363,914

In the year 2020, following the appreciation described in point 4.2 above, the Parent Company established a restricted reserve of Euro 66,414 thousand. As established by Italian Law Decree 104/2020, the same was used for Euro 1,992 thousand for the allocation of the substitute tax payable deriving from the option for the tax exemption of the reassessed values.

4.14 Deferred Tax Liabilities

Deferred tax liabilities amounted to Euro 11,803 thousand (Euro 12,132 thousand in the previous financial year) and mainly referred to the Parent Company, which made allocations in view of:

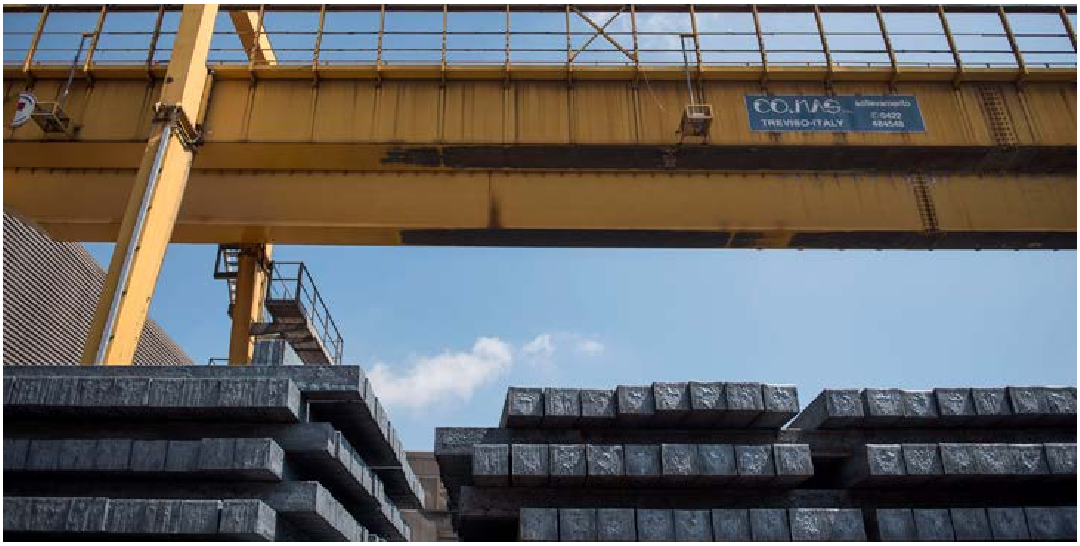
- the higher values of Euro 47,446 thousand (unchanged with respect to the previous year) attributed to land at the time of the allocation of deficits in the years 2002 and 2003, not exempt, for Euro 11,387 thousand (unchanged compared to the previous year);
- instalments of capital gains on fixed assets disposed of for Euro 411 thousand (Euro 727 thousand in the previous financial year).

The decrease in deferred taxes on excess amortisation derives from the realignment, carried out in accordance with Italian Law 160/2019, of the civil and tax values on excess amortisation allocated by the Parent Company against Italian Law 244/2007.

The breakdown is analysed in the following table.

(in thousands of Euro)	Rate	Initial amount	2020 Reabsorptions	2020 Increases	Final balance
Allocations not paid	24.00%	11.387	---	---	11.387
Capital gains in instalments	24.00%	727	(327)	11	411
Accelerated amortisation on equity reserves					
exempted for IRES purposes	3.90%	10	(5)	---	5
Unrealised exchange rate adjustment	24.00%	8	(8)	---	---
Total		12.132	(340)	11	11.803

The utilisation, by the Parent Company, of taxes on allocation of unredeemed merger differences is described at the previous point 4.2.



4.15 Other Provisions

The breakdown of this item is as follows:

(in thousands of Euro)	2019	Allocations	Uses	Trans. Diff.	2020
Provision for environmental charges	5,454	906	(1,917)	17	4,460
Provision for risks and future charges	4,823	1,081	(1,770)	---	4,134
Derivative liabilities	2,115	1,119	---	(3)	3,231
Provision for restructuring	1,625	163	(689)	---	1,099
Provision for tax litigation	800	---	---	---	800
Retirement provision	563	444	(4)	---	1,003
Provision for adj. of interests value	560	---	---	---	560
Total	15,940	3,713	(4,380)	14	15,287

Provision for environmental charges was recorded by the Parent Company and the subsidiaries Stahl Gerlafingen AG and Laminoirs du Ruau S.A. to take into account liabilities the companies may incur. With regard to the Parent Company the allocation is primarily referred to the charge estimated for the treatment of by-products from the production process of the Vicenza site.

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). This item includes also an allocation for the expenses that the company Laminoirs du Ruau S.A. will have to incur during the liquidation period.

Derivative liabilities are allocated to hedge the risk of change in the fair value of hedge contracts related to interest rate risks, as described in the following item 4.17.

Provision for restructuring was allocated to take into account the expenses that the company LME and its subsidiary Laminoirs du Ruau S.A. will have to incur for interventions mainly aimed at the shutdown of the Ruau production site.

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 4.22 below provides a brief description of the tax position of the Parent Company and of the main consolidated companies.

The pension fund is allocated:

— by the Parent Company and the subsidiary Nuova Ferrosider S.r.l. with respect to the indemnities indicated by the general labour agreement (Accordo Economico Collettivo), which regulates relationships with the agents who collaborate with the company;

— by the Parent Company on May 20, 2020 when appointing the new members of the Board of Directors.

The provision for the adjustments to the carrying value of equity investments was allocated by the Parent Company during the year 2018 to take account of a negative value occurred in the shareholders' equity of the subsidiary Ferriera Sider Scal S.r.l. – in liquidation. The negative value of the shareholders' equity derive from the allocation of provisions for the decontamination of the site and the low amount of structural expenses anticipated over the period for these initiatives.

4.16 Personnel and Severance Indemnity

(in thousands of Euro)	2020	2019
Opening balance	16,126	16,733
Allocations during the year	403	528
Translation differences	5	35
Deconsolidation and other minor changes	---	---
Uses during the year	(1,371)	(1,170)
Closing balance	15,163	16,126

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 9,005 thousand to the subsidiary LME S.A. (Euro 9,397 thousand in 2019);
- Euro 5,092 thousand to the Parent Company (Euro 5,653 thousand in 2019);
- Euro 1,037 thousand related to the subsidiary Stahl Gerlafingen A.G. (Euro 967 thousand in 2019);

With regard to the subsidiary LME S.A., the most significant amounts refer to the IRUS fund of Euro 4,675 thousand (Euro 5,225 thousand in the previous year) relating to employees as at December 31, 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 3,085 thousand (Euro 3,043 thousand in the previous financial 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
December 31, 2019	1,515	498	33
2020 average number	1,535	499	38
December 31, 2020	1,576	500	38

4.17 Payables to Banks

Payables to banks totalled Euro 153,774 thousand (Euro 121,456 thousand in 2019) and include the use of the following technical loan forms:

(in thousands of Euro)	2020	2019
Bank overdraft facilities, having effect on the single portfolio and short-term financing account	23,791	1,526
Medium and long-term loans – due within the following financial year	14,306	14,208

Total short-term payables to banks	38,097	15,734
Medium and long-term loans – due beyond the following financial year	115,677	105,722
Total payables to banks	153,774	121,456

Medium and long-term loans, including the short-term part, amounted to Euro 129,983 thousand (Euro 119,930 thousand in 2019).
The main part of medium and long-term loans is included in the financial statements of the Parent Company who, in September 2019, entered into an agreement with the banking sector that involved the repayment of the medium and long-term loans existing at that date and the disbursement of a new loan, the main features of which are described below:

— an amortising line for Euro 70 million; repayment is envisaged in 10 half-yearly instalments with the first instalment falling due six months after the signing date;

— a bullet line for Euro 50 million; repayment is expected after a five-year period of pre-amortisation with the payment of two half-yearly instalments, one of Euro 7 million after 66 months from the signing and one instalment on maturity of Euro 43 million;

— RCF line for Euro 30 million; the duration is three years from the signing date with the possibility of extension for a further two years and bullet repayment on maturity;

— CAPEX line for Euro 50 million, intended for investments; the availability period is 24 months from the signing date and repayment is scheduled over eight half-yearly instalments of the same principal amount with the first instalment falling due 30 months after the signing date.

Minor loans are included in the financial statements of the subsidiaries Donalam S.r.l. and LME, respectively outstanding at the closing date of these financial statements for Euro 5,000 thousand and Euro 2,000 thousand.

With regard to medium and long-term loans, the following table shows the relation between amounts (recognised in accordance with 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 December 31, 2020**	**Balance as at December 31, 2019**	**Change in cash flows**
Disbursement date	2019 - 2020	2013 - 2019	
Original amount	-------	-------	
Interest rate	variable	variable	
Payment of interest	half-year	half-year	
Residual loans from the previous year	119,929	146,102	
Loans received	24,162		
Residual loans for the current year	129,983		
2019 reimbursements		143,108	
2020 reimbursements	13,187	14,207	1,020
2021 reimbursements	14,306	14,081	(225)
2022 reimbursements	23,760	13,884	(9,876)
2023 reimbursements	18,538	13,651	(4,887)
2024 reimbursements	18,701	13,801	(4,900)
2025 reimbursements	54,678	50,305	(4,373)

Loan agreements envisage that some financial covenants be fulfilled for the entire duration of the agreement. These covenants are calculated as indexes on the data of the consolidated financial statements, connected to the income performances and at indebtedness and capitalisation level and negative pledges, which are fulfilled as at December 31, 2020.

As regards credit lines granted in 2019, the Parent Company signed the following interest rate risk hedging contracts (Interest Rate Swaps):

Effective date	Maturity date	Original notional	Notional as at December 31, 2020	Estimated market value (Euro/1000)
09/30/2019	09/27/2024	26,250	21,000	(390)
09/30/2019	09/27/2025	18,750	18,750	(806)
09/30/2019	09/27/2024	26,250	21,000	(388)
09/30/2019	09/27/2025	18,750	18,750	(800)
09/30/2017	03/09/2024	5,107	2,750	(64)
09/29/2017	03/11/2024	1,520	1,520	(53)
09/29/2017	03/11/2024	2,071	1,115	(22)
03/29/2018	03/11/2024	8,571	5,000	(86)
04/30/2020	09/29/2025	7,238	7,238	(85)
04/30/2020	09/29/2025	7,238	7,238	(85)
04/30/2020	09/29/2025	1,544	1,544	(19)
04/30/2020	09/29/2025	965	965	(12)
04/30/2020	09/29/2025	1,448	1,448	(18)
04/30/2020	09/29/2025	869	869	(10)
Total		126,570	109,186	(2,838)

The estimated market values are shown in brackets as they are negative.

4.18 Payables to other Lenders

The amount of Euro 28,031 thousand (Euro 3,355 thousand in 2019) refers mainly to:

- a short-term loan disbursed on June 23, 2020 by Cassa Depositi e Prestiti S.p.A. for Euro 25,000 thousand to the Parent Company. The loan, part of an initiative approved by the lender in order to support medium and large-sized companies that have suffered a reduction in turnover due to the COVID-19 emergency, provides for repayment in a single solution on December 15, 2021;
- residual payments due to the acquisition of technical fixed assets for Euro 2,861 thousand made by the Stahl Gerlafingen AG subsidiaries through financial leasing agreements and accounted for using the financial method (Euro 2,025 thousand in 2019).

4.19 Advances

The current financial statements recognised Euro 829 thousand (Euro 1,184 thousand in the previous year) entirely referrable to the Parent Company against deliveries of products, which the company will carry out in the initial months of 2020 and for which sale prices have been set.

4.20 Trade Payables

Trade payables amounted to Euro 293,648 thousand (Euro 250,183 thousand in 2019) and are entirely due in 2021. The majority is represented by suppliers of raw materials.

The amount included payables for Euro 7 thousand (Euro 6 thousand in the previous year) from the investee Consorzio Valbel. The item included trade payables of Euro 40,593 thousand (Euro 40,450 thousand in 2019) to suppliers not located within the European Economic Community. Most of the amount refers to the trade payables recognised in the financial statements of the subsidiary Stahl Gerlafingen AG.

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4.21 Payables to Subsidiaries

No payables to subsidiaries were recognised in the financial year under evaluation. The amount of Euro 1,000, recognised in the previous year, was related to interest accrued on deferred tax assets allocated by the subsidiary Ferriera Sider Scal S.r.l. – in liquidation within the National Tax Consolidation Scheme.

4.22 Tax Payables and Tax Exposure

The breakdown of this item is as follows:

(in thousands of Euro)	2020	2019
Substitute tax	4,387	77
Value Added Tax (VAT)	2,303	302
Withholdings on employees and self-employed contractors	1,731	1,677
Property taxes	1,630	437
Income taxes	1,732	401
Tax on salaries	226	169
Other	165	344
Total	12,174	3,407

The substitute taxes refer to the provisions necessary for tax recognition:

- of the higher values recorded in these financial statements for the purchase of Nuova Ferrosider S.r.l. for Euro 2,394 thousand;
- of the appreciation of the Parent Company's tangible fixed assets described in point 4.2 above for Euro 1,992 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.

Payables due to the Inland Revenue Office for VAT for Euro 2,303 thousand refer for Euro 1,864 to the Parent Company and derives from the liquidation related to the month of December 2020.

The payable for amounts withheld on employee wages refers mostly to the Parent Company and the subsidiary LME. Taxes on salaries are allocated by the subsidiary LME S.A. and, bearing on all French companies, they are allocated for the training of employees.

As at the date of preparation of these notes to the consolidated financial statements:

- the Parent Company is in the process of defining two reliefs received from the Tax Authorities. Considering the modest amount of these findings, the Company intends to define the positions using a tax assessment settlement;
- the subsidiary Donalam S.r.l., following an audit started in 2019, received a number of challenges fully settled in 2021. Part of the objections will be appealed. The cost is

estimated by the company's consultants at around Euro 200 thousand;

— the subsidiary LME S.A., following an audit started in 2019, received some challenges. On the advice of the tax consultants, confident in the possibility of obtaining the cancellation of the dispute, the company has not made any provision.

The Parent Company's direct and indirect taxes are closed for tax review up to the financial year 2015.

For the other main companies, direct taxes are settled as follows:

— Laminés Marchands Européens S.A. up to financial year 2017;

— Stahl Gerlafingen AG up to the financial year 2017 for indirect taxes and 2018 for direct taxes.

— Donalam S.r.l. up to the financial year 2018.

4.23 Social Security Payables

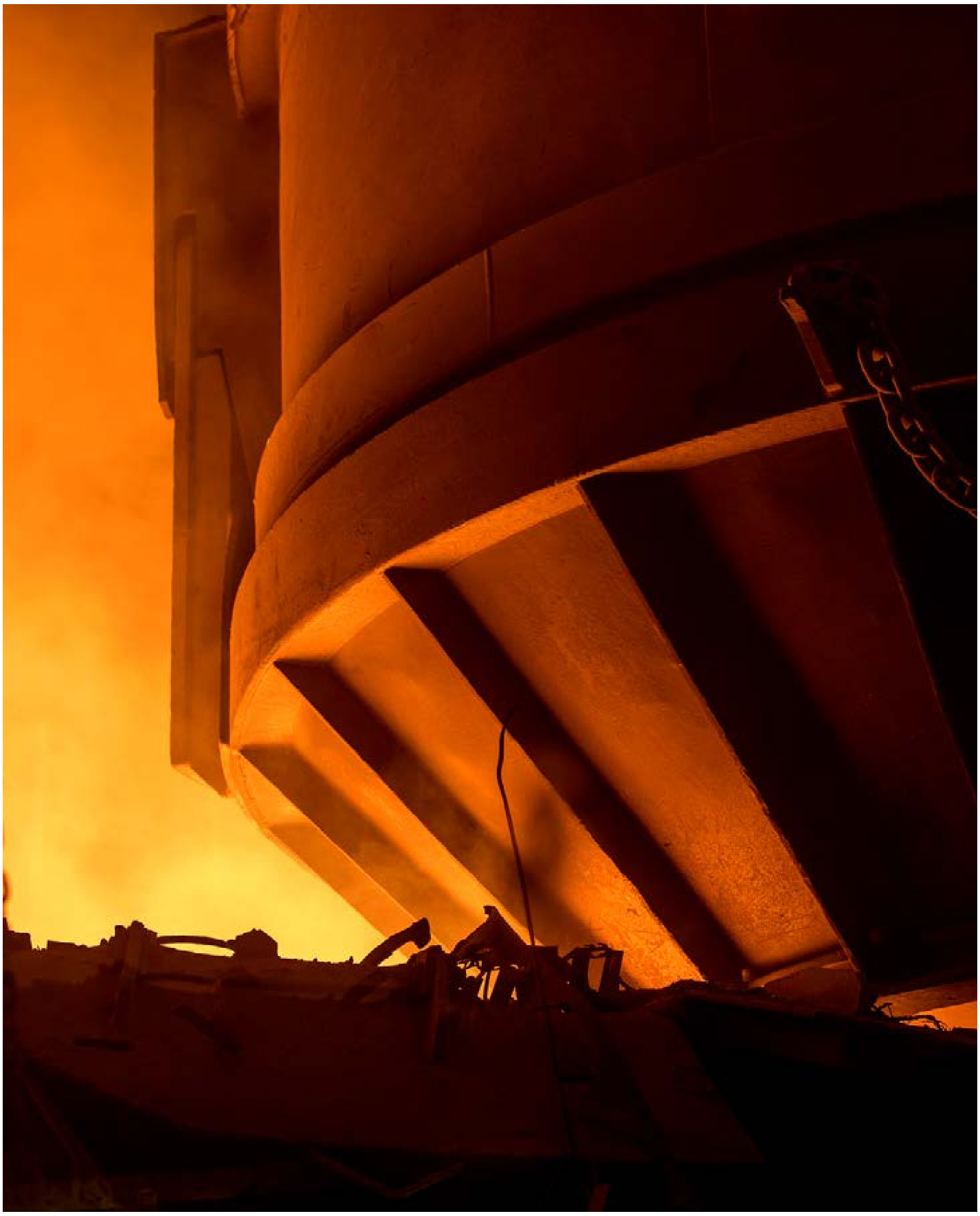
Social security payables increased from Euro 5,628 thousand to Euro 7,847 thousand. The amounts reported include receivables that the Group companies hold against the respective Social Security Institutes for advances paid to employees.

4.24 Other Payables

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

(in thousands of Euro)	2020	2019
Payable deriving from the acquisition of the company Nuova Ferrosider S.r.l. – Discounted value	40,418	---
Due to employees, Directors and withholdings for the supplementary severance fund for employees	8,346	12,179
Insurance premium balance	194	175
Amounts received as collateral for third-party obligations	200	
Advance on property lease	200	---
Others	33	134
Total	49,391	12,488

The payable, recorded in the financial statements of the Parent Company according to the amortised cost criterion for Euro 40,418 thousand, deriving from the acquisition of



the company Nuova Ferrosider S.r.l., totalled a nominal amount of Euro 42,193 thousand. The first instalment of Euro 6,705 thousand was paid on January 5, 2021. The additional 8 annual instalments for a total of Euro 35,488 thousand will be paid by December 31, 2028.

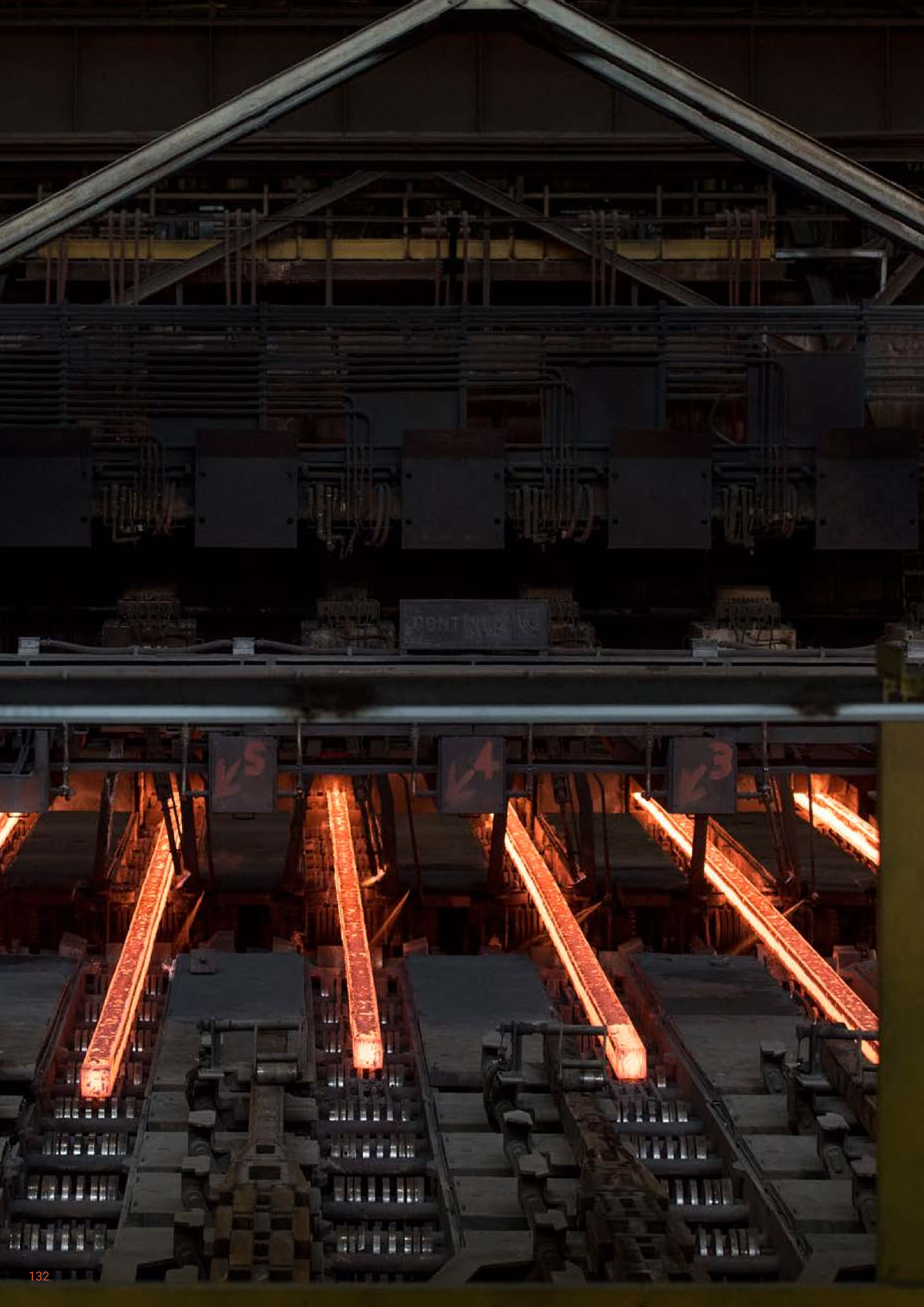
The amount, recorded against payables accrued to employees, is principally related to December wages and to the allocation made for holidays accrued, but not yet taken and compensation tied to the performance of individual companies or of the Group as a whole.

4.25 Accrued Expenses and Deferred Income

Accrued expenses and deferred income consist of the following:

(in thousands of Euro)	2020	2019
Deferred income on grants for capital expenditure	2,076	2,332
Accrued interest on financing	733	526
Differential accrued on hedging transactions	208	194
Other	9	5
Total	3,026	3,057

Grants on capital expenditure are accounted for by the production subsidiaries. For Donalam S.r.l. the grant is part of the regional European Development fund called "Strengthening Economic Competitiveness (POS EEC) 2007-2013".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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". The Group's activities were heavily influenced by the restrictions imposed in various ways by the national authorities, or in any case resulting from widespread lock-downs, and more generally made necessary to deal with the first phase of the COVID-19 health emergency during the months of March, April and May 2020.

5.1 Revenues From Sales And Services

The apportionment of revenues is summarised in the table below:

(in thousands of Euro)	2020	2019
Merchant Bars	587,472	714,290
Ribbed round bars for construction industries	282,058	296,036
Special steel rods	67,295	80,033
Semi-finished products	32,924	2,490
Processing residues	698	---
Other	382	2,660
Total	970,829	1,095,509

The Report on Operations provides broader disclosure on the reference market.
The changes of approximately 7% in product sales revenues and 8% in unit prices are due to a decrease in volumes compared to sales recorded in the previous financial year.
Revenues from the sale of semi-finished products derived mainly from sales made by the Parent Company whose production is aimed at increasing the production level of the steel-making unit of Vicenza.
It should be highlighted that in the 2020 financial year, 69% of revenues were generated from sales in EU countries (66% in the previous year).

5.2 Changes in Semi-Finished and Finished Goods Inventories

The increase in the value of the inventories during the financial year was equal to Euro 16,297 thousand (decrease of Euro 18,378 thousand in 2019). The analysis of the change is illustrated in point 4.4 above.

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5.3 Increases in Internally Manufactured Fixed Assets

The recorded amount, equal to Euro 2,891 thousand (Euro 3,859 thousand in 2019), refers to the capitalisation of personnel, materials and ancillary costs incurred to carry out the capital expenditure plans described in point 4.2 above.

5.4 Other Revenues and Income

Other revenues and income include:

(in thousands of Euro)	2020	2019
Current year grants	3,574	3,009
Compensation and various reimbursements	616	700
Rent	362	312
Non-recurring income	254	735
Sale of greenhouse gas emission quotas (CO2)	208	---
Use of provisions	468	824
Services rendered by employees	132	227
Capital gains on assets disposal	84	872
Cash flow edging	60	---
Other	372	231
Total	6,130	6,910

Current year grants amounted to Euro 3,574 thousand (Euro 3,009 thousand in 2019), with Euro 3,121 thousand referred to contributions granted to the subsidiary LME S.A. in relation to greenhouse gas emissions (Euro 2,380 thousand in the previous year).

Capital gains from disposals of assets recorded in the previous year mostly refer to the subsidiary Donalam S.r.l., which, in the period in question, proceeded with the demolition and subsequent sale of assets no longer used in production.

The provision of employee services refers mainly to services rendered by the Parent Company to the subsidiary Ferriera Sider Scal S.r.l. - in liquidation - and to its parent company Beltrame Holding S.p.A. and by LME SA to its subsidiary Laminoirs du Ruau SA.

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)	2020	2019
Raw materials	486,230	508,441
Ancillary materials	66,809	78,987
Semi-finished products	56,522	59,740
Consumables and maintenance materials	17,787	17,067
Products	9,327	1,920
Packaging	552	605
Total	637,227	666,760

The purchase volumes of raw materials were in line with those recorded in the previous year, while unit prices decreased by 4%.

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5.6 Services

Details of the principal items are listed below:

(in thousands of Euro)	2020	2019
Electricity and methane	91,240	89,376
Logistics	41,636	43,983
Maintenance charges	24,863	26,137
Charges for the disposal of production by-products and other environmental costs	9,322	8,764
Legal, technical and administrative charges	3,666	5,769
Directors and Statutory Auditors compensation	3,480	1,712
Insurance	2,790	2,972
Sales and purchase commissions	2,336	3,392
Security	1,742	1,650
Production outsourcing	1,663	1,939
Bank charges	1,255	1,650
Employee training costs	1,123	1,416
Canteen	856	899
Phone and post expenses	781	759
Travel expenses	691	1,326
Cleaning expenses	574	480
Warehouse handling services	405	373
Advertising	323	831
Audit	278	262
Other	5,227	3,966
Total	194,251	197,656

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, 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.
Electricity costs recognised during the year are in line with those of the previous year, given the level of consumption and prices without significant deviations.
Logistic costs refer mostly to the sale of finished and semi-finished products. The other logistic 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.

5.7 Leases and Rental Costs

Lease and rental costs totalling Euro 5,329 thousand (Euro 5,475 thousand in 2019), refer mostly to the lease of buildings and machinery by the Parent Company and the subsidiaries Stahl Gerlafingen AG and LME S.A.

5.8 Personnel Costs

Personnel costs in the financial year under review totalled Euro 127,453 thousand (Euro 130,634 thousand in 2019). The decrease is mainly due to the lower number of hours worked compared to the previous year in relation to the lower number of hours worked in the first half of 2020 due to the COVID-19 emergency, which led to some plant shutdowns.

5.9 Amortisation, Depreciation and Write-Offs

Amortisation of intangible fixed assets.

The amount allocated in the financial year came to Euro 867 thousand (Euro 989 thousand in 2019).

Depreciation of tangible fixed assets.

The amount was equal to Euro 38,516 thousand (Euro 36,234 thousand in 2019).

Other write-downs of fixed assets.

In the financial year under examination, following the verification of the recoverability of the value of fixed assets, the Parent Company applied write-downs amounting to Euro 608 thousand (Euro 181 thousand in the previous year), primarily referable to assets that are no longer used for production.

Write-down of current trade receivables.

The write-downs of receivables of Euro 306 thousand are entirely attributable to the Parent Company. In the previous year, the write-downs, recognised for a total of Euro 239 thousand, referred for Euro 200 thousand to the Parent Company and, for the residual part, to the subsidiaries LME S.A. and Stahl. Gerlafingen AG.

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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 4,003 thousand (decrease of Euro 10,084 thousand in 2019). The analysis of the change is illustrated in point 4.4 above.

5.11 Allocations for Risks

The allocation of Euro 66 thousand (Euro 1,185 thousand in 2019) was made to take into account the negative effect of orders taken by the subsidiary Stahl Gerlafingen AG in the year in question with delivery in the following year.

In the previous year the amount of Euro 1,185 thousand referred mainly to the estimated future outlays tied to environmental matters, to employees and to the site of the subsidiary Laminoirs du Ruau S.A.

5.12 Other Provisions

The amount disclosed in item “other provisions”, equal to Euro 17 thousand, is attributable to legal disputes that are being settled and costs that the Parent Company might have to pay. In the previous year, the amount of Euro 544 thousand was partly attributable to a programme aimed at increasing of the efficiency of the production organisation and for costs not covered by social shock absorbers.

5.13 Other Operating Expenses

The item “other operating expenses” consists of the following:

(in thousands of Euro)	2020	2019
Property tax	2,135	2,046
Territorial economic contribution	1,067	1,593
Various taxes calculated on personnel costs	973	1,074
Other taxes	441	697
Association fees	295	298
Non-recurring loss on operating activities	171	476
Bad debt	---	256
Capital loss derived from fixed assets disposal	---	110
Other	327	314
Total	5,409	6,864

Property tax and the Territorial economic contribution refer mainly to the Parent Company, Laminés Marchands Européens S.A. and Donalam S.r.l.

Various taxes calculated on personnel costs are reported by Laminés Marchands Européens S.A.

5.14 Financial Income

Financial income comprises:

(in thousands of Euro)	2020	2019
Interest on tax to be refunded	175	101
Interest on loans granted to related parties	60	---
Interest on loans granted to subsidiaries, unconsolidated companies and ultimate parent company	34	26
Bank interest	7	12
Total	276	139

Interest on loans granted to related parties refers to transactions carried out by the subsidiaries Donalam Siderprodukte AG and Sipro Beltrame AG with the minority shareholder and by the Parent Company with its non-consolidated subsidiary Ferriera Sider Scal S.r.l. - in liquidation for Euro 33 thousand and to the its parent company Beltrame Holding S.p.A. for Euro 1,000.

Bank interest is mainly related to temporary liquidity.

5.15 Interest and other Financial Charges

Interest and other financial charges are classified as follows:

(in thousands of Euro)	2020	2019
Interest charges on medium and long-term loan	2,871	3,152
Interest to customers for advance payments	1,630	1,816
Charges on interest rate		
hedging instruments	726	3,048
Interest on receivables transferred without recourse	656	767
Financial charges on short-term bank loans	294	306
Other financial charges	199	258
Total	6,376	9,347

Interest on medium and long-term loans decreased due to the decrease in interest rates on loans only partially offset by the increase in average debt for the year compared to the previous year. In the previous year, charges on interest rate hedging transactions included Euro 1,902 thousand charged to the income statement of the Parent Company against the early repayment of contracts stipulated in previous years in relation to loans repaid early.

5.16 Gains and Losses on Exchange Rates

Gains and losses on exchange rates amounted to Euro 2,460 thousand and Euro 2,962 thousand, respectively (Euro 1,746 thousand and Euro 2,182 thousand in 2018).

5.17 Adjustments to the Financial Assets

The amount of Euro 306 thousand, recognised in the financial statements of the Parent Company in the year in question, refers to the equity investment held by the latter in the company Laminados Industriales S.A. The transaction is described in point 4.3 above.
Write-downs of derivative instruments were recognised during the year for Euro 396 thousand. The most significant amount, for Euro 313 thousand, is recorded in the financial statements of the subsidiary Stahl Gerlafingen AG and refers to hedges on the risk of exchange rate fluctuations between the Euro and the Swiss Franc.

5.18 Income Taxes

Current taxes, debited to the income statement, amounted to Euro 2,523 thousand (Euro 6,634 thousand in 2019) and refer mainly to IRES and IRAP accounted for in the financial statements of the Parent Company respectively at Euro 2,022 thousand and Euro 461 thousand (Euro 4,547 thousand and Euro 1,345 thousand in 2019).

Deferred tax assets, credited in the amount of Euro 328 thousand (credited in the amount of Euro 1,355 thousand in the previous year) refer to the Parent Company. The nature of the allocations and of the uses for deferred taxes is described in detail in the table shown in point 4.14 above.

Deferred tax assets, charged for Euro 2,025 thousand (charged for Euro 1,533 thousand in the previous year), derive mainly from utilisations, recognised by the Parent Company and the subsidiary LME, mainly referable to taxed funds.

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.

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, as well as in the companies included within the area of consolidation, are detailed below

(in thousands of Euro)	2020	2019
Directors	3,372	1,548
Statutory Auditors	87	87
Auditing company for services provided to the Parent Company	113	121
Auditing company for the services provided to the companies within the scope of consolidation	103	94
Total	3,675	1,850

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

While subscribing shares, in years 2013, 2016, 2017 and 2020, 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 7,678 thousand, of which:

- Euro 1,450 thousand maturing on July 31, 2021 (capital contribution year 2012);
- Euro 2,500 thousand maturing on July 31, 2023 (capital contribution year 2016);
- Euro 2,500 thousand maturing on June 30, 2024 (capital contribution year 2017);
- Euro 1,228 thousand maturing on October 31, 2027 (capital contribution year 2020).

For the acquisition of the company Nuova Ferrosider S.r.l., in relation to the deferred payment envisaged in the contract, the Parent Company issued a pledge in favour of the transferor on all the shares acquired.

Moreover, we highlight the amount of Euro 4,640 thousand (Euro 4,850 thousand in 2019) of third-party goods, mainly comprising various types of equipment used by Group companies.

5.21 Transactions with Associates, Affiliates, the Parent Company and Companies Controlled by Them.

Transactions with the parent company and the subsidiaries, carried out at arm's length conditions, are referable to the receivables described in points 4.4, 4.6, 4.7, 4.21, 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 or payables with a duration exceeding five years, except as specified in points 4.17 and 4.24.

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

5.22 Transparency on Public Funds

With reference to the disposition pursuant to art. 3 quater, paragraph 2, of Italian Law Decree no. 135 of December 14, 2018, the Parent Company states that it received grants to be recorded in the National Registry of State Aid.

These obligations were fulfilled by C.S.E.A. and AVEPA with indication of the name of the Company and of related measurement classification.

5.23 Significant Events after the Reporting Date

At the end of 2020, the main international experts reported an economic trend in 2021 characterised by a progressive improvement in the recovery trend of the economic activity of the steel user sectors, particularly accentuated for the automotive sector starting from the second quarter of the year.

The forecasts showed overall growth expectations in 2021 and 2022 of 7.4 per cent and 4.1 per cent, respectively.

User sectors	Share of consumption	Q1 21	Q2 21	Q3 21	Q4 21	Year 2021	Year 2022
Constructions	35.0%	-1.3%	9.5%	4.5%	4.8%	4.3%	4.0%
Automotive	18.0%	2.7%	62.3%	9.1%	7.4%	15.9%	4.8%
Mechanical engineering	14.0%	-1.2%	18.9%	5.8%	5.8%	7.0%	4.5%
Metal articles	14.0%	-0.5%	21.0%	3.3%	4.2%	6.4%	4.9%
Oil & Gas	13.0%	-2.3%	20.9%	9.0%	7.8%	8.4%	5.1%
Appliances	3.0%	1.0%	16.9%	-0.3%	4.5%	4.8%	3.5%
Other transports	2.0%	-6.1%	19.1%	6.8%	7.3%	5.9%	4.3%
Other	2.0%	-4.9%	13.8%	3.0%	3.8%	3.5%	4.1%
Total	**100.0%**	**-0.7%**	**21.1%**	**5.5%**	**5.8%**	**7.4%**	**4.1%**

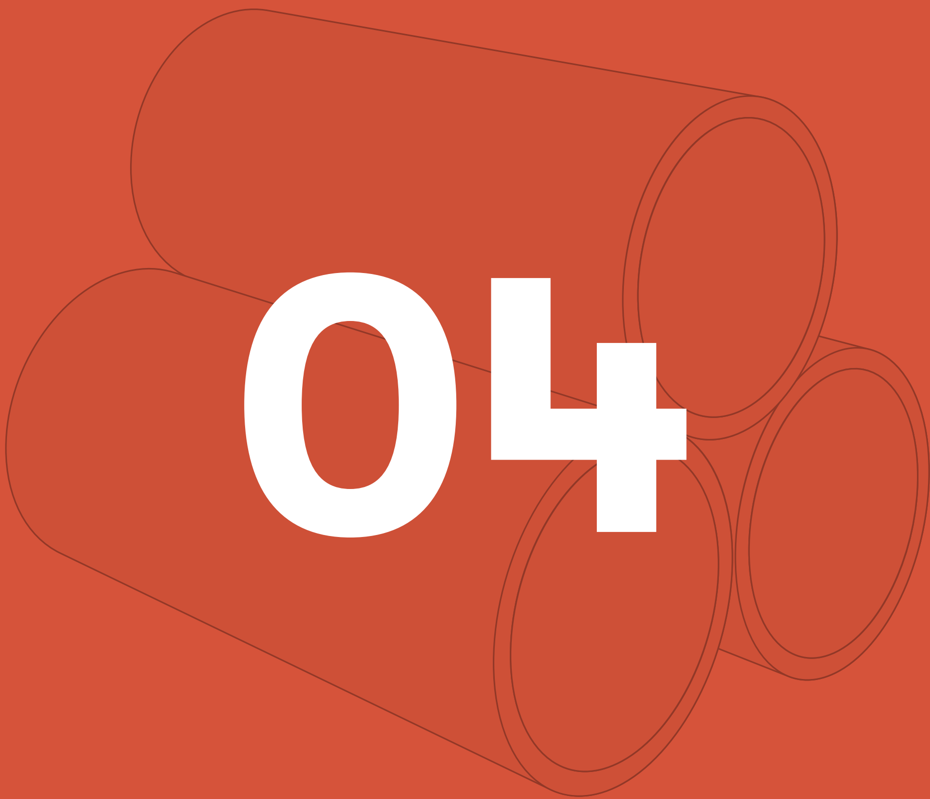
Source: Eurofer January 2021

Despite a general context of uncertainty relating especially to the intensity and timing with which the measures adopted by governments to contain the COVID-19 epidemic will begin to bear fruit, in the first quarter of 2021 the Beltrame Group recovered a level of activity and profitability aligned with that of the two-year period 2018-2019.

The Chairman of the Board of Directors

Antonio Beltrame

04



Independent Auditors' Report

Deloitte & Touche S.p.A.
Via N. Tommaseo, 78/C int. 3
35131 Padova
Italia

Tel: +39 049 7927911
Fax: +39 049 7927979
www.deloitte.it

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, 2020, the consolidated income statement 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, 2020, 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.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

Sede Legale: Via Tortona, 25 - 20144 Milano | Capitale Sociale: Euro 10.328.220,00 i.v.
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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.

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, 2020, 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, 2020 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, 2020 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, 2021

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