Beltrame Group
Consolidated Financial Statements 2021

(TRANSLATION FROM THE ORIGINAL IN ITALIAN)

AFV BELTRAME GROUP

Consolidated Financial Statements 2021

BELTRAME GROUP
STEEL SINCE 1896

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2021 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:
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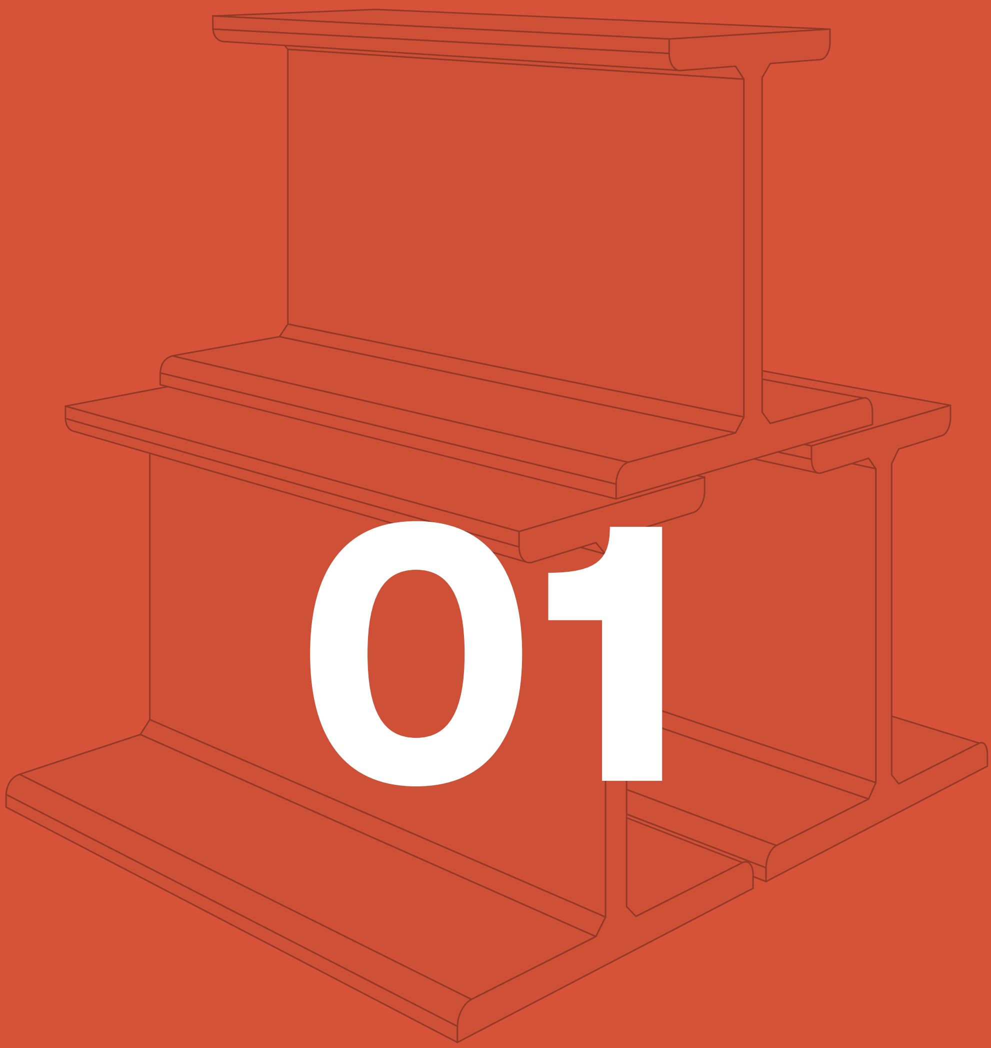


01

Report on Operations

A Highlights

	2021	2020	2019
Revenues from sales	1,737,811	976,960	1,102,419
VALUE ADDED	421,442	157,935	201,060
%	24.25%	16.17%	18.24%
EBITDA	272,436	30,482	70,427
EBITDA (adjusted)	277,215	41,558	73,971
%	15.95%	4.25%	6.71%
OPERATING PROFIT (LOSS)	213,222	(9,899)	31,055
NET PROFIT (LOSS)	160,539	(21,421)	14,599
Number of employees as at December 31	2,258	2,114	2,046
Fixed assets	512,912	495,642	403,947
Net working capital	50,745	(16,006)	34,252
Shareholders' equity	540,010	363,914	320,477
Net financial position	(18,849)	73,468	73,524
Operating cash flow	165,413	44,028	65,975
Cash flow for technological investments	(60,621)	(42,326)	(38,061)

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, 2021:

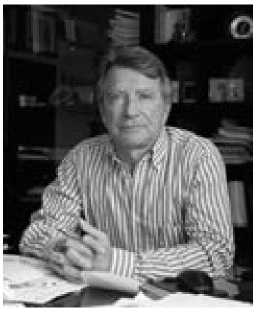
- In October, the Management of the Trith-Saint-Léger (France) plant, thanks to the effectiveness of the controls implemented internally and in the steel mill dust treatment chain, reported to the competent Authorities a radioactive anomaly generated by a caesium-137 source, contained in a cargo of ferrous scrap, and used in the melting process. The investigations immediately provided reassuring data on the absence of contamination inside and outside the plant. Production activity restarted after obtaining the necessary authorisations from the competent bodies, at the beginning of January 2022. The actions taken to deal with the various phases of the emergency led to direct and indirect costs for a total amount of Euro 4,334 thousand, as shown below:

(in thousands of Euro)	Direct costs	Indirect costs	Total
STAFF COSTS	---	3,080	3,080
COSTS FOR MATERIALS AND SERVICES (net of expected insurance reimbursements)	1,010	244	1, 254
Total	**1,010**	**3,324**	**4,334**

— 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 445 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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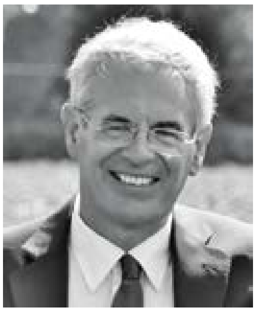
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Board Of Directors	**Antonio Beltrame**	Chairman and Managing Director	1
	Patrizia Beltrame	Deputy Chairwoman and Managing Director	2
	Angiola Beltrame	Deputy Chairwoman and Managing Director	3
	Alain Creteur	Managing Director	4
	Raffaele Ruella	Managing Director	5
	Carlo Beltrame	Director	6
	Carlo Carraro	Director	7

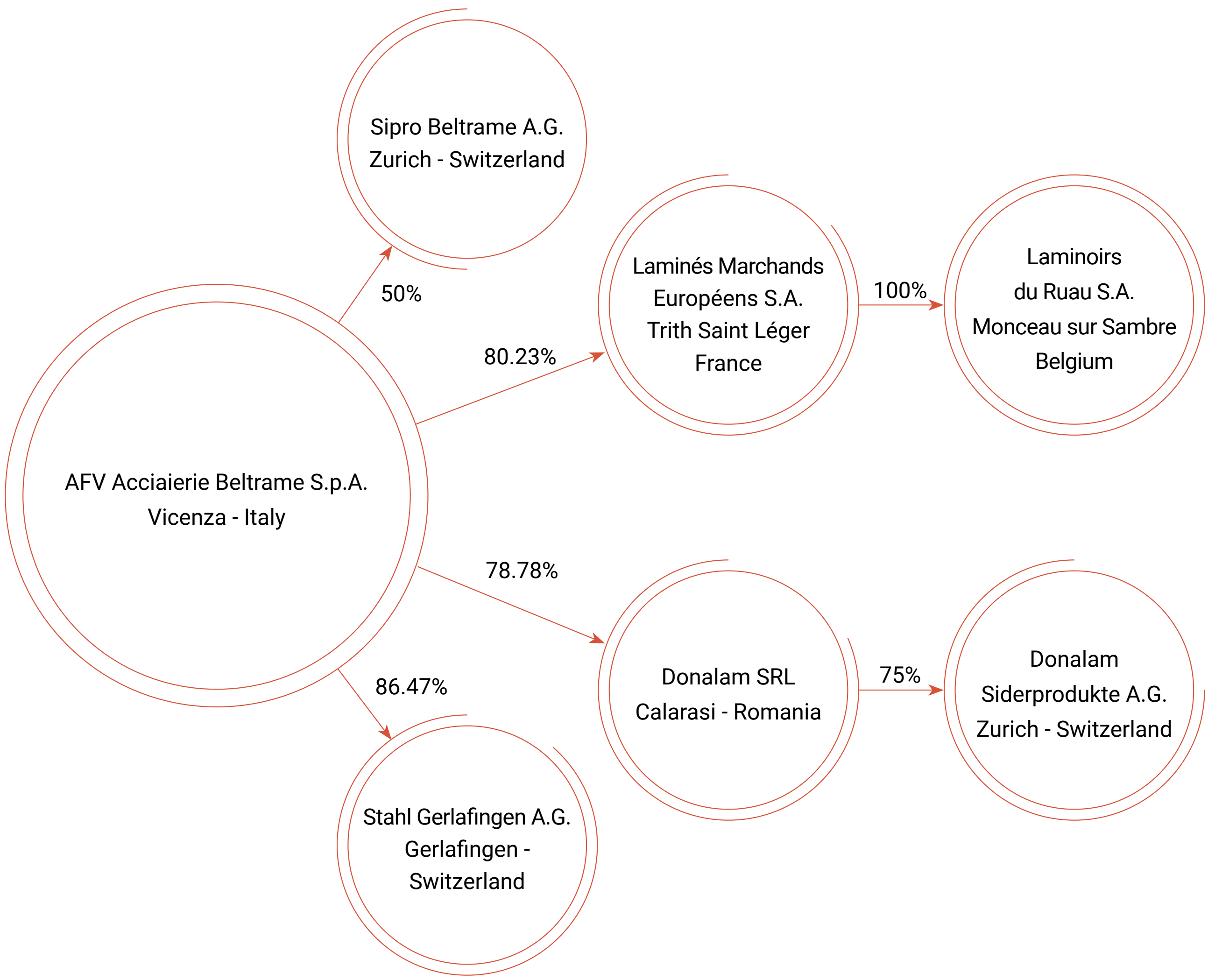
Board Of Statutory Auditors	**Andrea Valmarana**	Chairman
	Dario Semenzato	Standing Auditor
	Massimo Mari	Standing Auditor

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:

Concerning the subsidiary Donalam S.r.l.:

— on July 29, 2021, and on November 23, 2021, the Parent Company undertook corporate transactions with the minority shareholder. The operations changed the percentage held by the latter from 22.28% to 21.22%;

Concerning the subsidiary Stahl Gerlafingen AG:

— On November 26, 2021, the company Simest S.p.A. subscribed a capital increase for 8,251 shares of the subsidiary, paying the amount of Euro 15 million. The capital increase was also subscribed by the Parent Company for 2,750 shares of the subsidiary, paying the amount of Euro 5 million. The transaction resulted in the entry into the shareholding structure of Simest S.p.A. with a percentage of 13.53%.

On October 1, 2021, the Parent Company proceeded with the merger by incorporation of the subsidiary Nuova Ferrosider S.r.l., of which it held all the shares, with effect for accounting and tax purposes from January 1, 2021.

E Economic Scenario

INTERNATIONAL MACROECONOMIC PERFORMANCE

In 2021, according to the assessments of the International Monetary Fund and the most recent indications of the main international organisations, world GDP grew overall by 5.9% on an annual basis, with uneven performance in different economies along the quarters, according to the Covid-19 pandemic evolution.

The first half of 2021 recorded a decisive recovery in global economic activity and world trade. Vaccinations marked a sharp decline in Covid-19 infections at a global level and allowed a gradual easing of social distancing measures in areas where a wide share of the population was vaccinated, such as the United States, the United Kingdom, and the European Union.

Starting from June, a more contagious variant of the virus caused an increase in cases in many countries, which however did not lead to an increase in deaths in the countries with a wide vaccination coverage.

Starting from the beginning of November, infections from Covid-19 increased again on a global scale, especially in Europe and the United States, where the number of hospitalisations and deaths also rose. The mortality was less marked than in previous epidemic waves, thanks to the contribution of vaccination campaigns.

The trend of the global economy had a positive effect on world trade which,

despite the risks associated with the new virus variants, in the third quarter of 2021 returned to the levels of the period before the pandemic.
At the end of 2021, global trade in goods and services slowed down also due to the persistence of significant difficulities on the supply side and, overall, in 2021, based on the Bank of Italy estimates, trade grew by 10.8%.
Inflation in the main advanced economies rose, however remaining contained overall. Inflation expectations had progressively increased over the year as the increases in energy and raw material prices continue to affect it.

EUROZONE

After a contraction observed in the first quarter of 2021, economic activity of the Eurozone strengthened in the summer months, driven by the recovery in consumption and investments.
In the third quarter of 2021, in the Eurozone, GDP increased further, driven by the marked increase in household consumption and foreign demand. On one hand the expansion of value added in services grew, and in other hand construction declined with a substantial stagnation in industry, mainly because of German contraction linked to protracted supply difficulties. Growth was widespread, even though with different intensities, among all the major economies of the area.
Manufacturing activity was held back increasingly starting from the second half of the year, by the shortage of semiconductors and the lengthening of delivery times for intermediate inputs at a global level. The difficulties were particularly marked in the automotive sector, due to both the wide use of these components in production and the high dependence on foreign countries for their supply.
In the fourth quarter of 2021, after two quarters of strong expansion, economic activity significantly slowed in the Eurozone, because of the rise in infections and the consequent introduction of increasingly stringent containment measures, as well as the persistence of supply bottlenecks that hindered manufacturing production.
According to the most recent indications of the experts of the International Monetary Fund, GDP grew by 5.2% overall on an annual basis. The return of GDP above pre-pandemic levels has been postponed to 2022.
The change in consumer prices in the Eurozone gradually strengthened during the year and turned positive overall (the macroeconomic projections formulated by the OECD show a positive annual rate of 5.0% in 2021), reflecting the economy trend and with an extremely marked growth in the energy component and raw materials.

TREND IN OIL AND NATURAL GAS PRICES

Oil prices rose in the first and second quarters of 2021, reflecting the best prospects for global growth. After a temporary decline, in August they went back to growth and reached new highs, driving global inflation.
The rapid spread of the Omicron variant in the autumn months, along with fears of possible repercussions on global demand, significantly affected oil prices, with downward pressures also fuelled by the decision of the main producers to increase the production itself.

However, at the beginning of January 2022, oil prices showed strong signs of recovery linked to favourable indications about a more limited impact of Omicron on crude oil demand than expected at the end of November.

The price of natural gas increased significantly during the second half of 2021, especially in Europe. The main factors underlying this dynamic are linked first to the tensions with Russia, worsened in mid-November, relating to the temporary suspension of the use of the Nord Stream 2 gas pipeline, then to the severe temperatures recorded in the Nordic countries and finally to the high demand for the electricity production. The combination of these factors significantly reduced the stock level. The price of natural gas remained high in Europe in the first quarter of 2022.

In February 2022, the conflict outbreak in Ukraine led to a further upward leap in oil, gas and energy prices, making it extremely difficult to hypothesise the evolution in the coming months.

BOTTLENECKS IN PRODUCTION CHAINS

In 2021, the recovery in global economic activity was overall more intense than expected. As a result, many companies revised upwards their forecasts of new orders and investments, drawing rapidly on inventories and increasing significantly their demand for inputs to replenish the warehouse.

In addition to these general factors, specific elements for some production sectors must be considered; in particular, the decisive acceleration given by the pandemic to the digitisation process triggered a rapid increase in demand for electronic devices for teleworking, distance learning and entertainment. These developments resulted in a strong growth in demand for semiconductors, fundamental components for electronic equipment but also for some durable goods such as cars and household appliances. Consequently, the supervening shortage generated price increases and production delays in many sectors.

Demand pressures considerably affected international transport and logistics, and led to severe congestions and a lengthening of shipping times on the main trade routes, especially those in Asia.

This situation led to a marked increase in sea freight rates and costs for air transport, and resulted in a lengthening of supplier delivery times, slowing production, and increasing backlogs in manufacturing.

These difficulties were particularly intense in advanced economies, where industries are located further downstream in international production chains, generating a slowing effect on economic activity in the second half of 2021.

NEXT GENERATION EU

On February 11, 2021, the regulation on the Recovery and Resilience Facility has been approved, which will convey almost 90% of the resources of the European Union recovery tool, the Next Generation EU

The endowment of the Facility to be shared among the Member States is equal to Euro 672.5 billion (of which Euro 360 billion in the form of loans) and is intended to finance investments and reforms specified in the national recovery and resilience plans and aimed at six strategic objectives:

(a) green transition;

(b) digital transformation;
(c) smart, sustainable and inclusive employment and growth;
(d) social and territorial cohesion;
(e) health and resilience;
(f) policies for the next generation, including education and skills

For the funds to be effectively available, the European Council must approve the national plans and all member states must ratify the decision on the Union’s own resources.

At the end of October, the EU Council approved the national plans defined under the Recovery and Resilience Facility of 22 countries.

In 2021, the Commission raised almost Euro 96 billion on the capital market and in the first half of 2022 it plans to issue € 50 billion of long-term securities, to be integrated with short-term ones.

The total resources distributed so far as pre-financing have exceeded Euro 56 billion. Between the end of November and the end of December, France, Greece, and Italy sent requests to the Commission for the allocation of the first instalment of the resources established in their respective plans and on December 27 Spain received the first endowment tranche.

DOMESTIC MACROECONOMIC PERFORMANCE

In Italy the gross domestic product strongly recovered compared to 2020 and, according to the most recent indications of the International Monetary Fund, GDP grew by 6.2% overall on an annual basis.

In the first quarter of 2021, GDP increased by 0.1% compared to the previous period, thanks to a positive contribution from domestic demand which more than offset the negative one in foreign trade, due to the strong increase in imports. Value added decreased in services, but less than in the previous quarter, and increased in manufacturing and in particular in construction.

GDP expansion in the second quarter was more than 1% thanks to a renewed increase in industrial activities and a partial recovery in services, favoured by the acceleration of the vaccination campaign and the gradual easement of mobility restrictions. Industrial activity continued to grow, returning to pre-pandemic levels, also thanks to the acceleration of investment plans, supported by the reduction of uncertainty on the trend of the epidemic and the stimulus given by the interventions expected under the national Recovery and Resilience Plan.

In the third quarter, the expansion of GDP accelerated, at a rate of more than 2%, supported by the strong recovery in household spending, especially in services, and by the expansion of business investments and foreign trade, which made again a positive contribution to growth. The large recovery of value added in services, especially in the sectors most affected by the containment measures, was associated with the new increase in industry in the strict sense and, to a greater extent, in construction.

In the fourth quarter, GDP slowed, increasing by 0.5% over the previous three months, affected by the resurgence of the pandemic and the persistent supply difficulties for businesses. The main factors which determined this slowdown were the impact on consumption following the resurgence of infections, and the persistent supply difficulties linked to the unavailability

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of some raw materials and intermediate products at a global level.
In 2021, inflation stood at 1.9%, particularly affected in the last part of the year by the exceptional growth in the prices of energy goods.
The production costs of the manufacturing activity have been and continue to be affected by the increase in energy costs, by the persistent difficulties in finding some raw materials and intermediate inputs globally, by high transport costs and by the lengthening of delivery times of supplies.

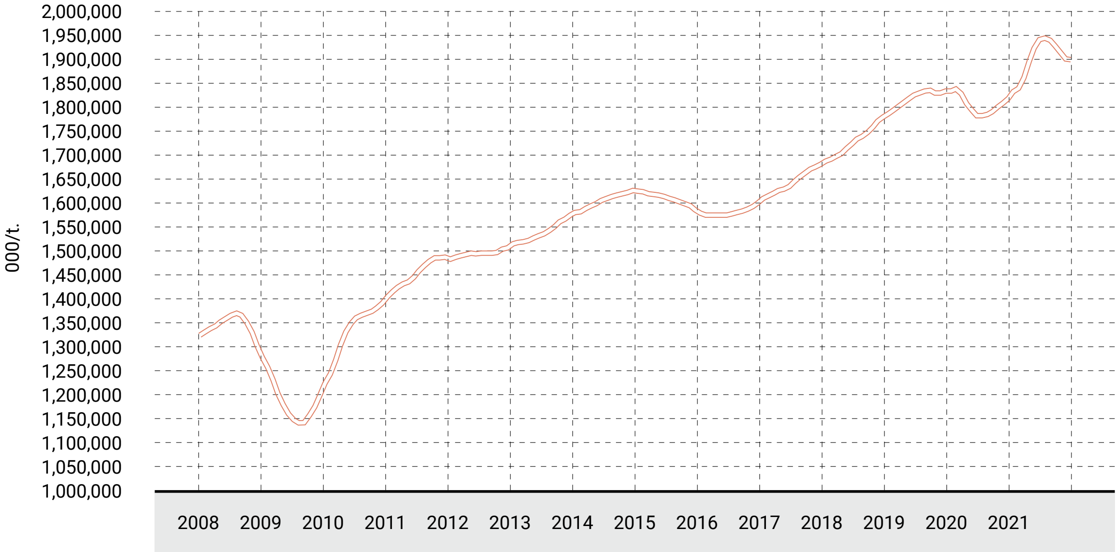
(var. and percentage points)			2021	Forecast 2022
PIL				
World			**5.9**	**4.4**
Advanced countries				
	Of which:	Eurozone	5.2	3.9
		Japan	1.6	3.3
		U.K.	7.2	4.7
		U.S.A.	5.6	4.0
Emerging countries				
	Of which:	Brazil	4.7	0.3
		China	8.1	4.8
		India	9.0	9.0
		Russia	6.5	2.8
Italy			6.2	3.8

Source: International Monetary Fund – January 2022

F Performance of the steelmaking sector

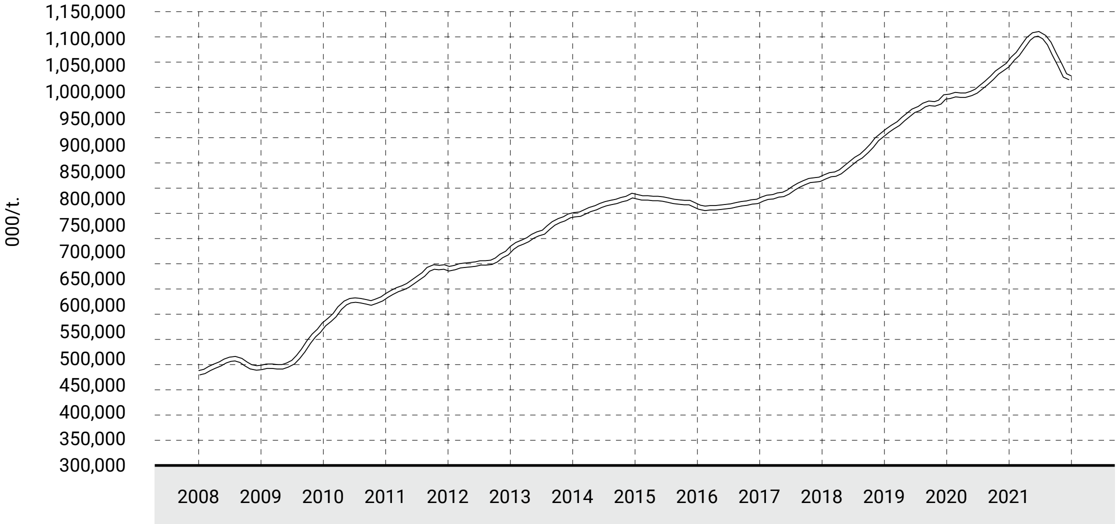
In 2021, worldwide steel production, according to the most recent indications published by the World Steel Association, amounted to 1,950 million tonnes, underling an increase by approximately 3.7% compared to the previous year.

China confirmed its position as the world's leading producer, with a total output of 1,033 million tonnes with a decrease of 3% compared to the previous year, essentially concentrated in the last four months.



World Steel Production

Source: World Steel Association



China Steel Production

Source: World Steel Association

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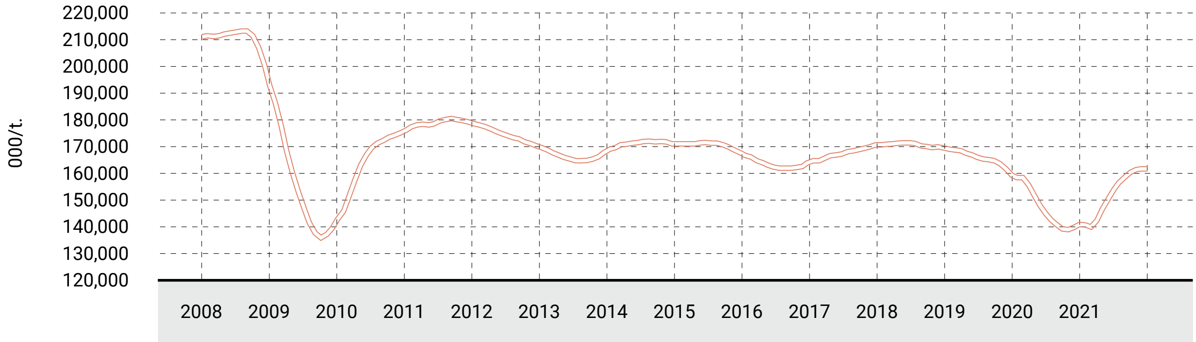
(milion of tons)	2021	2020	variation
Steel production			
World	**1,950.5**	**1,880.4**	**3.7%**
Asia	**1,375.6**	**1,367.1**	**0.6%**
of which: China	1,032.8	1,064.,7	-3.0%
Japan	96.3	83.2	15.7%
Europe	**309.3**	**278.1**	**11.2%**
of which: EU (27)	152.5	132.1	15.4%
CIS	105.6	100.1	5.5%
North America	**117.8**	**101.1**	**16.5%**
of which: USA	86.0	72.7	**18.3%**
South America	**45.6**	**38.7**	**17.8%**
Africa	**16.0**	**12.6**	**26.6%**
Middle East	**41.2**	**40.7**	**1.2%**
Oceania	**6.4**	**6.1**	**4.9%**

Source: World Steel Association

(milion of tons)	2021	2020	variation
Steel production			
EU (27)	**152.5**	**132.1**	**15.4%**
of which: Germany	40.1	35.7	12.3%
Italy	24.4	20.4	19.6%
France	13.9	11.6	19.8%
Spain	14.0	11.0	27.3%
Poland	8.4	7.9	6.3%
Austria	7.9	6.8	16.2%
Belgium	7.0	6.1	14.8%
Holland	6.6	6.1	8.2%
UK	**7.4**	**7.1**	**4.2%**

Source: World Steel Association

The European Union (27) reported an overall production of 152.5 million tonnes, up by 15.4% compared to the previous year, with values even higher than 2019 (up by 1.5%). Germany and Italy were confirmed as the main European producers, respectively with 40 million tonnes (+12.3% compared to 2020 and +1.3% compared to 2019) and 24 million tonnes (+19.6% compared to 2020 and +5.2% compared to 2019).



EU Steel Production (UK included)

Source: World Steel Association

Italy Steel Production

Source: World Steel Association

At the end of 2021 the prices of steel products reached their highest values since 2008, remaining at a higher level compared to the average of the previous year, in a context characterised by strong pressures on the availability and prices of all raw materials, in particular metals and steel raw materials, both ore and ferrous scrap.

At the end of 2021 the prices of ferrous scrap reached their highest levels since 2008, with an upward trend progressively accentuated during the second and third quarters and then consolidated during the fourth quarter and the first months of 2022.

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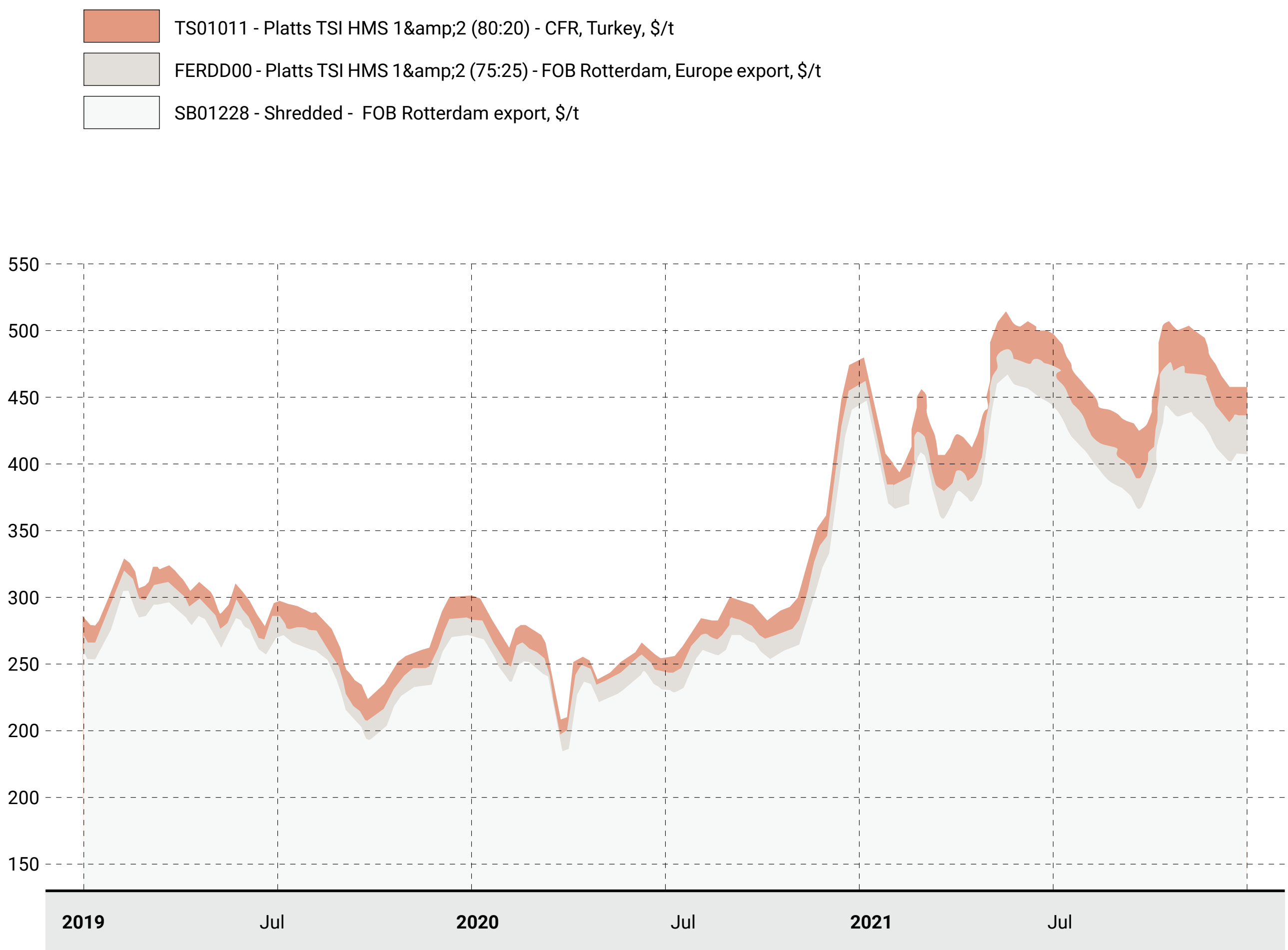

The European user sectors during 2020 suffered heavily from the effects of the lockdown measures and the prolonged shutdowns of manufacturing activities adopted by the various countries to face the first wave of the Covid-19 health emergency, and overall, they recorded a reduction in economic activity of 11% on an annual basis, with different intensity according to countries and sectors.

After the historical lows of 2020, the EU steel industries experienced a strong rebound in production in the first and in the second quarter of 2021, when they recorded an exceptionally high rate (+ 29.2%). In the first half of 2021, a faster-than-expected recovery in some sectors (appliances and automotive in particular) allowed to recover the losses suffered because of the pandemic.

However, problems along the global supply chain experienced since the second half of 2021 impacted on production in the third and fourth quarters.

As a result of this uneven dynamics, the economic activity of the European user sectors overall achieved a limited increase of 7.6% on an annual basis.

User sectors	Share of consuption	Q1 21	Q2 21	Q3 21	Q4 21	Year 2021
Construction	35.0%	1.5%	19.7%	5.8%	2.0%	6.7%
Automotive	18.0%	0.8%	70.5%	-14.4%	-35.0%	2.7%
Mechanical engineering	14.0%	6.1%	28.5%	10.2%	3.0%	11.4%
Metal articles	14.0%	5.7%	33.2%	8.6%	2.0%	11.0%
Oil & Gas	13.0%	3.4%	33.9%	8.4%	9.0%	12.3%
Appliances	3.0%	17.2%	29.1%	-3.2%	5.0%	9.2%
Other transports	2.0%	-10.8%	17.4%	-1.0%	2.0%	-0.1%
Other	2.0%	0.3%	22.5%	7.6%	2.0%	7.6%
Total	**100.0%**	**2.8%**	**30.0%**	**3.5%**	**-3.0%**	**7.6%**

Source: annual data Eurofer February 2022 – quarter data internal rev

The positive trend in production recorded in the first two quarters of 2021 in the construction sector continued in the second half of the year, albeit at a slower pace.
The 2021 data overall reflect the progressive improvement in manufacturing activity and more generally in economic activity throughout the area. Sector confidence gradually improved from the lows recorded in mid-2020, reaching almost the levels of 2018. This was due both to improvements in economic conditions and incomes, and to government programs to support housing and infrastructure projects.
The European construction sector overall recorded an increase in production activity of 6.7% (overall decline of 4.4% in 2020).
Economic activity in the mechanical engineering sector gradually recovered in 2021 thanks to the recovery of orders and investments, but remaining below the levels of 2019, when production started to slow down due to the continuous decline in the manufacturing sector.
The European mechanical engineering sector overall recorded an increase in production activity of 11.4% (overall decline of 11.7% in 2020).
In the second half of 2021, the problems of the global supply chain, however, began to also affect the construction and mechanical engineering sectors, especially in terms of material shortages.
The European automotive sector activity progressively restarted from the second half of 2020, following the easing of the lockdown measures adopted by the various countries, but remaining at lower levels compared to those before the pandemic.
After the exceptional result of the second quarter of 2021, the production of the automotive sector recorded a decrease in the third quarter of the year, putting an end to the positive trend of growth started in 2020.
Continuous supply-side disruptions, notably the shortage of semiconductors affecting vehicle supply, rising energy prices, and rising shipping costs, heavily affected the sector. This situation also contributed to depress demand and to increase consumer uncertainty.
The European automotive sector overall

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recorded an increase in production activity of 2.7%, remaining below the levels of 2019 (overall decline of 19.8% 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 on February 2, 2019, and in force until the end of June 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.
The measure was then extended for three other years on June 24, 2021, with the Regulation 2021/1029.

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Performance of the Beltrame Group

In 2021, the Beltrame Group recorded an increase in sale volumes compared to the previous year, totalling 18.8%, in a context strongly characterised by the recovery of activities in the user sectors, especially construction and mechanical engineering, and by the generalised and continuous increase in the prices of ferrous scrap and steel products.

Merchant bar sales experienced an increase of 24.8% compared to the previous year (decrease of 11.7% compared to 2019), strengthening the Group's leadership in the segment of merchant bars in the main domestic markets of interest. The Italian and French production facilities continued to improve their efficiency and maintained excellent industrial performance levels. Overall, the business achieved an adjusted Ebitda of Euro 214.0 million (Euro 36.4 million in 2020).

Rebar sales produced in the Gerlafingen plant (reinforced concrete bar and derivatives) showed a substantial stability in volumes on an annual basis. Thanks to the continuous improvement in efficiency and industrial performance, the profitability of the business showed a growth in the commercial margins

and recorded an overall adjusted Ebitda of Euro 56.4 million (Euro 6.5 million in 2020).
Sales of special steel (SBQ - Special Bar Quality) of large dimensions produced in the Calarasi plant reached 159 thousand tonnes (increase of 57% compared to 2020) and the business recorded an adjusted Ebitda of Euro 7.0 million (negative for Euro 1.5 million in 2020).

The Beltrame Group's economic and financial performance in 2021 can be summarised as follows:

- net revenues changed from Euro 977 million in 2020 to Euro 1,738 million in 2021, with an increase of 77.9%; sales volumes changed from 1,891 thousand tonnes in 2020 to 2,247 thousand tonnes in 2021;
- the adjusted Ebitda amounted to Euro 277.2 million (Euro 41.6 million in 2020) increasing in all business lines compared to the previous year;
- depreciation and amortisation, allocations to provisions and impairment totalled Euro 59.2 million (Euro 40.4 million in 2020);
- operating profit was positive for Euro 213.2 million (negative profit for Euro 9.9 million in 2020);
- financial charges amounted to Euro 7.7 million (Euro 6.1 million in 2020);
- net profit was positive for Euro 160.5 million (negative profit for Euro 21.4 million in 2020).

The net financial position improved, going from a negative value of 73.5 million as at December 31, 2020, to a positive value of 18.8 million as at December 31, 2021.

During the year, the net cash flow showed a generation of liquidity of a total of Euro 92.3 million (Euro 0.1 million in 2020). More specifically, this result was generated by a positive operating cash flow of Euro 165.4 million (Euro 44.0 million in 2020) partially absorbed by investments in tangible and intangible assets amounting to Euro 66.1 million (Euro 44.2 million in 2020), dividends for an amount of Euro 4.8 million (Euro 0.1 million in 2020) and acquisitions of net financial assets for Euro 16.2 million (Euro 0.1 million in 2020).

The investments in tangible fixed assets made in 2021 totalled Euro 60.6 million and referred mainly to work on steel production plants, directed at improving product quality and optimising energy consumption, both on rolling mills and product finishing and verticalization lines, in order to progressively enlarge 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.

H Economic and financial data and indicators

1. The Group

AFV BELTRAME GROUP
STEEL SINCE 1896

Income statement (in thousands of Euro)	2021	2020
Revenues from sales (A.1 + A.5)	1,737,811	976,960
Value of operating production (A.1 + A.2 + A.3 + A.4)	1,891,210	990,017
- External operating costs (B.6 + B.7 + B.8 + B.11 + B.14)	1,479,611	838,213
VALUE ADDED	421,442	157,935
%	24,25%	16,17%
- Personnel costs (B.9)	149,006	127,453
EBITDA	272,436	30,482
EBITDA adjusted	277,215	41,558
%	15,95%	4,25%
-Amortisation, depreciation and allocations to provisions (B.10+B.12+B.13)	59,214	40,381
OPERATING PROFIT (LOSS)	213,222	(9,899)
+/- Profit (loss) from the financial area (C + D)	(11,003)	(7,302)
GROSS PROFIT (LOSS)	202,219	(17,201)
- Income taxes	(41,680)	(4,220)
NET PROFIT (LOSS)	160,539	(21,421)

Statement of Financial Position (in thousands of Euro)	2021	2020
Tangible and intangible fixed assets	496,618	479,931
Financial fixed assets	16,294	15,711
Trade receivables	93,713	47,311
Trade payables	435,803	293,648
Closing balances of warehouse facility	459,066	269,982
Other current assets and liabilities	(66,231)	(39,651)
Net working capital	50,745	(16,006)
Provisions for risks and charges and severance indemnity	42,496	42,254
Capital resources, net	521,161	437,382
Shareholders' equity	540,010	363,914
Net financial position	(18,849)	73,468

Indicators	2021	2020
Operating cash flow (in thousands of Euro)	165,413	44,028
Cash flow for technological investments (in thousands of Euro)	(60,621)	(42,326)
Equity / fixed assets ratio (Se / Fa)	1.05	0.73
Equity plus consolidated liabilities / fixed assets ratio [(Se + Conl) / Fa]	1.34	1.04
Debt to equity ratio [(Conl + Cl) / Se]	1.41	1.62
Debt (long-term interest bearing) to equity ratio (Nfp / Se)	(0.03)	0.20
Current assets / current liabilities ratio (Ca / Cl)	1.29	1.05
(Deferred liquidity + immediate liquidity) / Current liabilities ratio	0.54	0.43
Ebitda adjusted / net revenues	15.95%	4.25%
Financial charges, net / net revenues	0.44%	0.68%
Labour cost / net revenues	0.09	0.13
Nfp / Ebitda adjusted	(0.07)	1.77

KEY:

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

REPORT ON OPERATIONS

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

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

Income statement (in thousands of Euro)	2021	2020
Revenues from sales (A.1 + A.5)	872,417	435,140
Value of operating production (A.1 + A.2 + A.3 + A.4)	961,783	439,319
- External operating costs (B.6 + B.7 + B.8 + B.11 + B.14)	755,858	375,469
VALUE ADDED	215,524	69,205
%	24,70%	15,90%
- Personnel costs (B.9)	56,067	44,741
EBITDA	159,457	24,464
EBITDA adjusted	159,902	28,963
%	18,33%	6,66%
- Amortisation, depreciation and allocations to provisions (B.10 + B.12 + B.13)	25,874	10,233
OPERATING PROFIT (LOSS)	133,583	14,231
+/- Profit (loss) from the financial area (C + D)	(6,888)	(2,381)
GROSS PROFIT (LOSS)	126,695	11,850
- Income taxes	(36,474)	(2,825)
NET PROFIT (LOSS)	90,221	9,025

Statement of Financial Position (in thousands of Euro)	2021	2020
Tangible and intangible fixed assets	263,456	241,390
Financial fixed assets	179,663	213,943
Trade receivables	98,473	43,219
Trade payables	248,290	139,101
Closing balances of warehouse facility	246,558	102,127
Other current assets and liabilities	(65,304)	(39,990)
Net working capital	31,437	(33,745)
Provisions for risks and charges and severance indemnity	26,790	26,964
Capital resources, net	447,766	394,624
Shareholders' equity	477,711	391,193
Net financial position	(29,945)	3,431

Indicators	2021	2020
Operating cash flow (in thousands of Euro)	88,608	33,889
Cash flow for technological investments (in thousands of Euro)	(23,447)	(15,388)
Equity / fixed assets ratio (Se / Fa)	0.96	0.73
Equity plus consolidated liabilities / fixed assets ratio [(Se + Conl) / Fa]	1.25	1.00
Debt to equity ratio [(Conl + Cl) / Se]	1.11	1.00
Debt (long-term interest bearing) to equity ratio (Nfp / Se)	(0.06)	0.01
Current assets / current liabilities ratio (Ca / Cl)	1.33	1.00
(Deferred liquidity + immediate liquidity) / Current liabilities ratio	0.69	0.58
Ebitda adjusted / net revenues	18.33%	6.66%
Financial charges, net / net revenues	0.41%	0.47%
Labour cost / net revenues	0.06	0.10
Nfp / Ebitda adjusted	(0.19)	0.12

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 872,417 thousand, increased compared to the previous year mainly as a result of the overall increase in volumes and prices of steel products. The increase amounted approximately to 100.5% compared to 2020. Volumes of finished products shipped amounted to 970 thousand tonnes (721 thousand tonnes in 2020).
The Italian production facilities strengthened their leadership concerning merchant bars in the Southern European markets and continued to improve their efficiency, increasing industrial performance levels.
The financial structure of the company shows a positive net financial position of Euro 30.0 million, up by a total of Euro 33.4 million compared to December 31, 2020.

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

VICENZA:
— Electric steel plant comprising electric furnace, ladle furnace, two continuous casting systems for blooms and billets;
— Rolling 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.

H

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)	2021	2020
Revenues from sales (A.1 + A.5)	386,131	218,284
Value of operating production (A.1 + A.2 + A.3 + A.4)	400,522	218,360
- External operating costs (B.6 + B.7 + B.8 + B.11 + B.14)	319,480	190,446
VALUE ADDED	85,733	31,275
%	22.20%	14.33%
- Personnel costs (B.9)	35,945	29,444
EBITDA	49,788	1,831
EBITDA adjusted	54,122	7,441
%	14.02%	3.41%
- Amortisation, depreciation and allocations to provisions (B.10 + B.12 + B.13)	12,528	11,350
OPERATING PROFIT (LOSS)	37,260	(9,519)
+/- Profit (loss) from the financial area (C + D)	(994)	(1,256)
GROSS PROFIT (LOSS)	36,266	(10,775)
- Income taxes	(5,227)	(1,354)
NET PROFIT (LOSS)	31,039	(12,129)

Statement of Financial Position (in thousands of Euro)	2021	2020
Tangible and intangible fixed assets	78,188	77,844
Financial fixed assets	2,089	1,408
Trade receivables	2,085	5,980
Trade payables	48,411	56,019
Closing balances of warehouse facility	76,670	58,864
Other current assets and liabilities	(2,527)	(225)
Net working capital	27,817	8,600
Provisions for risks and charges and severance indemnity	12,333	12,667
Capital resources, net	95,761	75,185
Shareholders' equity	79,071	48,031
Net financial position	16,690	27,154

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Indicators	2021	2020
Operating cash flow (in thousands of Euro)	24,777	(829)
Cash flow for technological investments (in thousands of Euro)	(14,288)	(10,315)
Equity / fixed assets ratio (Se / Fa)	0.98	0.61
Equity plus consolidated liabilities / fixed assets ratio [(Se + Conl) / Fa]	1.36	0.99
Debt to equity ratio [(Conl + Cl) / Se]	1.33	2.32
Debt (long-term interest bearing) to equity ratio (Nfp / Se)	0.21	0.57
Current assets / current liabilities ratio (Ca / Cl)	1.39	0.99
(Deferred liquidity + immediate liquidity) / Current liabilities ratio	0.37	0.26
Ebitda adjusted / net revenues	14.02%	3.41%
Financial charges, net / net revenues	0.34%	0.60%
Labour cost / net revenues	0.09	0.13
Nfp / Ebitda adjusted	0.31	3.65

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 386,131 thousand, increased compared to the previous year as a result of the significant increase in volumes and prices of steel products. The increase amounted approximately to 77.1% compared to 2020. Volumes shipped amounted to 456 thousand tonnes (405 thousand tonnes in 2020).

The French production facility strengthened its leadership concerning merchant bars in the Northern European markets and continued to improve its efficiency, increasing industrial performance levels.

The financial structure of the company shows overall net financial indebtedness of Euro 16.7 million, up by a total of Euro 10.5 million compared to December 31, 2020.

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 limited to Euro 13.0 million.

In October, the Management of the Trith-Saint-Léger (France) plant, thanks to the effectiveness of the controls implemented internally and in the steel mill dust treatment chain, reported to the competent Authorities a radioactive anomaly generated by a caesium-137 source, contained in a cargo of ferrous scrap, and used in the melting process. The investigations immediately provided reassuring data on the absence of contamination inside and outside the plant. Production activity restarted after obtaining the necessary authorisations from the competent bodies, at the beginning of January 2022. The actions taken to deal with the various phases of the emergency led to direct and indirect costs for a total amount of Euro 4,334 thousand.

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.

H

4
The subsidiary Stahl Gerlafingen A.G.

As reported above in point D. "Structure of the Beltrame Group", the Parent Company owns 86.47% of the company's share capital. The minority interest is held by SIMEST S.p.A.
The values shown below differ from those of the company's filed financial statements because they were adapted for consistency with Italian accounting standards, used to prepare the consolidated financial statements.

Income statement (in thousands of Euro)	**2021**	**2020**
Revenues from sales (A.1 + A.5)	496,525	321,537
Value of operating production (A.1 + A.2 + A.3 + A.4)	529,700	321,277
- External operating costs (B.6 + B.7 + B.8 + B.11 + B.14)	423,194	267,171
VALUE ADDED	107,177	55,007
%	21.59%	17.11%
- Personnel costs (B.9)	50,764	49,128
EBITDA	56,413	5,879
EBITDA adjusted	56,413	6,460
%	11.36%	2.01%
- Amortisation, depreciation and allocations to provisions (B.10 + B.12 + B.13)	17,387	15,537
OPERATING PROFIT (LOSS)	39,026	(9,658)
+/- Profit (loss) from the financial area (C + D)	(836)	(1,768)
GROSS PROFIT (LOSS)	38,190	(11,426)
- Income taxes	0	0
NET PROFIT (LOSS)	38,190	(11,426)

Statement of Financial Position (in thousands of Euro)	**2021**	**2020**
Tangible and intangible fixed assets	120,710	113,432
Financial fixed assets	348	333
Trade receivables	7,079	2,947
Trade payables	103,904	70,198
Closing balances of warehouse facility	98,971	55,781
Other current assets and liabilities	2,571	2,176
Net working capital	4,717	(9,294)
Provisions for risks and charges and severance indemnity	3,091	2,656
Capital resources, net	122,684	101,815
Shareholders' equity	127,583	64,644
Net financial position	(4,899)	37,171

Indicators	2021	2020
Operating cash flow (in thousands of Euro)	38,604	4,636
Cash flow for technological investments (in thousands of Euro)	(17,164)	(15,187)
Equity / fixed assets ratio (Se / Fa)	1.05	0.57
Equity plus consolidated liabilities / fixed assets ratio [(Se + Conl) / Fa]	1.28	0.98
Debt to equity ratio [(Conl + Ca) / Se]	1.09	1.91
Debt (long-term interest bearing) to equity ratio (Nfp / Se)	(0.04)	0.58
Current assets / current liabilities ratio (Ca / Cl)	1.30	0.97
(Deferred liquidity + immediate liquidity) / Current liabilities ratio	0.42	0.24
Ebitda adjusted / net revenues	11.36%	2.01%
Financial charges, net / net revenues	0.17%	0.45%
Labour cost / net revenues	0.10	0.15
Nfp / Ebitda adjusted	(0.09)	5.75

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 496,525 thousand, increased compared to the previous year as a result of the rise in the prices of steel products. The increase, mostly tied to the upturn of the average prices of commodities in the year, amounted approximately to 54.5% compared to 2020. Volumes shipped amounted to 662 thousand tonnes (663 thousand tonnes in 2020).
The Swiss production facility stabilised its leadership concerning reinforcing bars in the domestic market and continued to improve its efficiency and industrial performance levels.
The financial structure of the company shows a positive net financial position of Euro 4.9 million, up by a total of Euro 42.1 million compared to December 31, 2020.
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 1.7 million.
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 owns 78.78% 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)	**2021**	**2020**
Revenues from sales (A.1 + A.5)	122,263	66,316
Value of operating production (A.1 + A.2 + A.3 + A.4)	133,015	70,912
- External operating costs (B.6 + B.7 + B.8 + B.11 + B.14)	120,685	69,603
VALUE ADDED	13,242	2,291
%	10.83%	3.46%
- Personnel costs (B.9)	6,231	4,140
EBITDA	7,011	(1,849)
EBITDA adjusted	7,011	(1,493)
%	5.73%	(2.25%)
- Amortisation, depreciation and allocations to provisions (B.10 + B.12 + B.13)	3,948	3,512
OPERATING PROFIT (LOSS)	3,063	(5,361)
+/- Profit (loss) from the financial area (C + D)	(1,848)	(1,519)
GROSS PROFIT (LOSS)	1,215	(6,880)
- Income taxes	(33)	(21)
NET PROFIT (LOSS)	1,182	(6,901)

Statement of Financial Position (in thousands of Euro)	**2021**	**2020**
Tangible and intangible fixed assets	34,150	31,979
Financial fixed assets	4	5
Trade receivables	9,137	3,317
Trade payables	57,415	34,181
Closing balances of warehouse facility	37,183	26,829
Other current assets and liabilities	(1,504)	(565)
Net working capital	(12,599)	(4,600)
Provisions for risks and charges and severance indemnity	68	48
Capital resources, net	21,487	27,336
Shareholders' equity	20,571	18,666
Net financial position	916	8,670

H

Indicators	2021	2020
Operating cash flow (in thousands of Euro)	13,022	4,721
Cash flow for technological investments (in thousands of Euro)	(6,295)	(1,838)
Equity / fixed assets ratio (Se / Fa)	0.60	0.58
Equity plus consolidated liabilities / fixed assets ratio [(Se + Conl) / Fa]	0.61	0.74
Debt to equity ratio [(Conl + Cl) / Se]	3.32	2.70
Debt (long-term interest bearing) to equity ratio (Nfp / Se)	0.04	0.46
Current assets / current liabilities ratio (Ca / Cl)	0.80	0.82
(Deferred liquidity + immediate liquidity) / Current liabilities ratio	0.26	0.23
Ebitda adjusted / net revenues	5.73%	(2.25%)
Financial charges, net / net revenues	1.51%	2.29%
Labour cost / net revenues	0.05	0.06
Nfp / Ebitda adjusted	0.13	(5.81)

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 122,263 thousand, significantly increased compared to the previous year mainly as a result of the overall increase in volumes and prices of steel products. The increase amounted approximately to 84.8% compared to 2020. Volumes of finished products shipped amounted to 159 thousand tonnes (101 thousand tonnes in 2020).

The company's financial structure highlights an overall net financial indebtedness of Euro 0.9 million, down by Euro 7.8 million as at December 31, 2020.

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 1.4 million.

The productive structure of the company consists of a rolling mill with 4 cages for large sections and bars.

H

6
The smaller companies

Sipro Beltrame AG (Zurich - Switzerland)

(in thousands of Euro)	2021	2020
Current assets	5,527	4,627
Total assets	5,527	4,627
Liabilities	4,696	3,967
Shareholders' equity	831	660
Revenues	49,016	24,064
Net profit (loss)	135	58

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

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

(in thousands of Euro)	2021	2020
Current assets	148	117
Total assets	400	369
Liabilities	2,521	2,810
Shareholders' equity	(2,121)	(2,441)
Net profit (loss)	320	119

The Company, wholly owned by the subsidiary LME S.A., owns the industrial site, where production definitively ceased definitively in 2011.

Currently, the only activities pertain to in-depth studies of the environmental issues connected with the future use of the site, to maintaining the residual assets and seeking potential buyers for the industrial site.

Ferriera Sider Scal S.r.l. in liquidation (offices in Vicenza and site in Villadossola – Verbania Cusio-Ossola)

(in thousands of Euro)	2021	2020
Current assets	3,274	1,631
Total assets	3,274	1,631
Liabilities	4,966	2,205
Shareholders' equity	(1,692)	(574)
Net profit (loss)	(1,118)	(5)

The company owns a production facility in Villadossola (VB) which, in 2008, definitively ceased 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 managed 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.

On May 11, 2021, an agreement was signed with a specialised company, for the demolition of almost all the industrial buildings located within the Villadossola site. The works have begun in October of the year under review and will be completed by the end of 2022.

The negative result of the 2021 financial year takes into account the provisions recognised in the income statement of the financial year concerned against environmental charges and structural expenses envisaged for the 2022 and 2023 financial years.

H

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 S.c.p.A. - The company holds all the shares of Piemonte Savoia S.r.l. which has a "Italy-France" direct current interconnection between the Piossasco (IT) and Grande Ile (FR) nodes under construction 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. The work, also due to the COVID-19 pandemic, is still under construction and the deadline for placing in service has been postponed to November 9, 2022;
- Interconnector Energy Italia S.c.p.A. - The company holds all the shares of Monita Interconnector S.r.l. which has under construction 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 - 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) notified RESIA Interconnector S.r.l., the company set up specifically by Terna for the construction of the Italy-Austria interconnector; on September 3, 2021, 90 days after the notification, the assignees completed the purchase of the above-mentioned Special Purpose Vehicle and Terna completely left the corporate structure. The work is still under construction and the placing in service is expected for January 1, 2024.

The 2020 financial statements of Metal Interconnector S.c.p.A. were approved by the Shareholders on July 28, 2021 and show a loss of a total amount of Euro 42,656,623. The result for the year is entirely attributable to the depreciation of the company shareholding in Interconnector Energy Italia S.c.p.A., which, in turn, depreciated the shareholding in Monita Interconnector S.r.l.. On December 31, 2021, the Parent Company adjusted the value of the investment in Metal Interconnector S.c.p.A. for the pro-rata value of the loss recorded by Monita Interconnector S.r.l. equal to Euro 2,185 thousand.

I Productions

1.
The production process

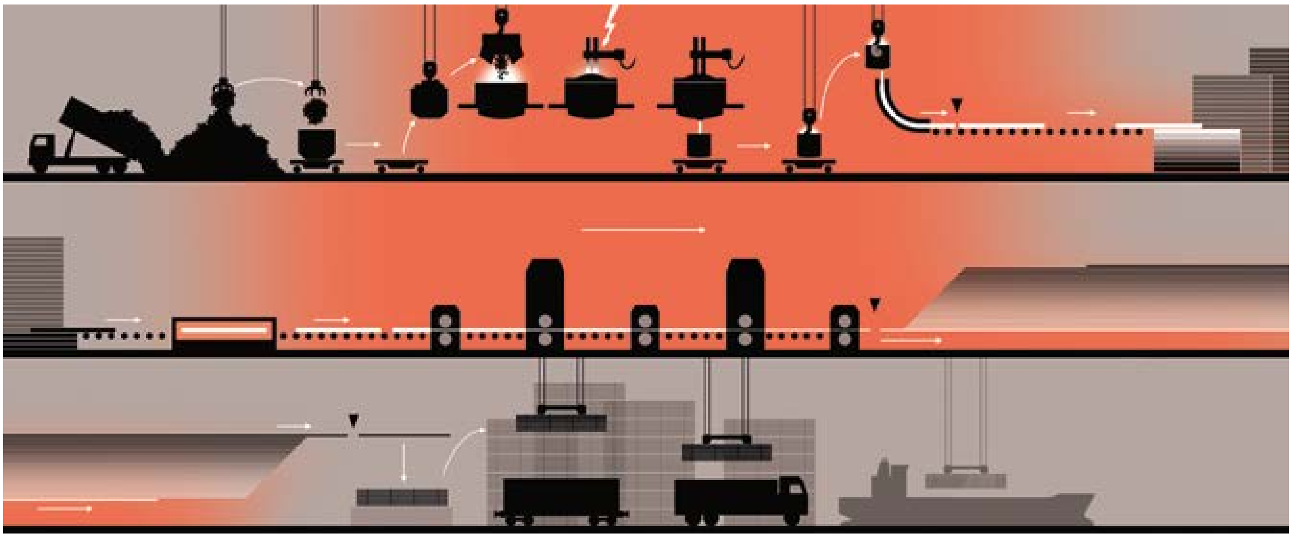
The first stage of the production process entails melting the raw material consisting of scrap iron in the Electric Arc Furnace (EAF), at a temperature of approximately 1,600 °C. The operation is carried out through the electric arc of the graphite electrodes inserted in the furnace. Once melting is 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.

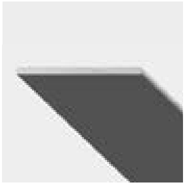


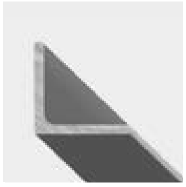
2.
The products

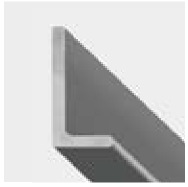
The sections produced in the Group’s plants are illustrated below:

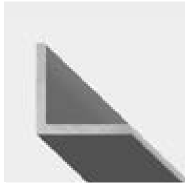
Merchant bars


Flat bars


Universal flats


Equal angles


Unequal angles

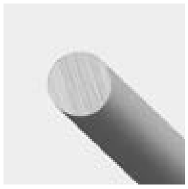

Sharp edged equal angles


Sharp edged unequal angles

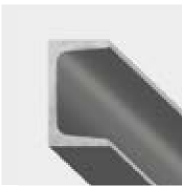

T bars


Small U-channels


Squares


Rounds

Beams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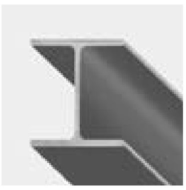
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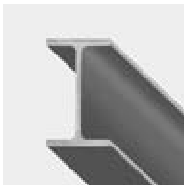
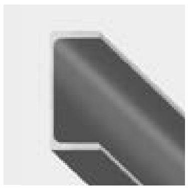

Rolled Beams IPE


Rolled Beams IPN


Rolled Beams HE

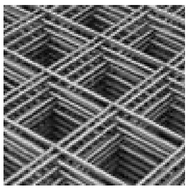
Special steel SBQ and reinforcing steel


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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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 2021, the Company consolidated the integrated approach to issues related to Quality, Health, Safety and Environment, according to the reference standards (e.g.,

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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.
Particular attention was paid to the analysis of the context and the assessment of risks and opportunities, which represent two key elements in management systems based on high-level standards (HLS).
With regard to the first aspect, the Company re-examined the set of internal and external factors that influence the Group's activities and impact, at least potentially, on obtaining the expected results.
Activities were implemented to identify all the circumstances that could cause detriment to the Group's performance or could generate an improvement of the same, both in terms of the management system and in terms of business expected results.
As a result of this analysis, activities and projects in the various areas of the system were oriented to compensate for risks and optimise opportunities.
The main activities and the results obtained in 2021 in relation to the protection of the environment, health and workplace safety and integrated management systems are described below.

1. Environmental Management

Iron and steel business involves 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 available technologies in all the 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 for some time 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 cooling battery characterised by better thermodynamic, sound and energy performances.

At the Trith-Saint-Léger plant, the construction of the rainwater treatment plant continued. The rainwater leaches the steel mill area and is released to the surface water body. A new collection network of the rolling mill wastewater was also implemented, meters were installed in various sections of the water supply network for a better monitoring, and a technical-economic study was prepared to identify actions which can reduce water consumption.

In the Gerlafingen plant, a study was launched for the optimisation of the entire water cycle, aimed at separating the circuits relating to different types of water (industrial, civil, meteoric), whose application phases will be on a multi-year basis.

1.1.2 ENERGY CONSUMPTION

Concerning energy costs, the Group implemented policies to reduce specific consumption, through investment and process efficiency projects that led to significant containment.

All the sites are equipped with a capillary monitoring system that allows the performance of the production plants to be assessed in real time. 2021 was a particularly good year, all specific consumption indicators were positive, and this thanks both to the effect of high production volumes and to the increasing attention in the management of the plants and their setups and in researching efficient use of them.

During the year, significant efficiency interventions were carried out aimed at improving the already good condition of the plants:

- at the Vicenza site, the fume plant of the steel mill was revamped in order to ensure overall both more efficient suction and energy savings on the tail fans. To date, still concerning fume plant, some operational and management practices are also being studied in order to reduce the consumption of compressed air for the bag filter cleaning. The fume plant of the Vicenza steel mill is certainly energy-intensive given the great power of the smelting and refining furnaces and therefore the attention to reducing consumption will remain very high also in the coming years;

— at the Trith-Saint-Léger site, the last ladle heating burner was replaced with a new burner equipped with a heat recovery unit, thus guaranteeing significant savings on natural gas consumption. The saving is approximately 20% both in terms of natural gas consumption and direct CO2 emissions. In addition, in 2021 the relamping activity was also completed in the rolling mills, switching to 100% low-consumption LED technology, thus also optimising the lighting of the various work areas. Finally, as regards the compressed air system, three compressors were replaced with new high-efficiency screw compressors, reducing consumption by about 15%;

— at the Gerlafingen site, standard interventions continued as implementation of the “best practices” of the Group, such as the installation of new LED lamps and the revamping of numerous motors with new high efficiency IE4 models. Also in this case, the savings are substantial and range between 5% and 20% depending on the interventions themselves.

1.1.3 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 melting furnaces (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.

During 2021, the self-checks envisaged by the respective monitoring plans were carried out, and they certified a substantial compliance with the prescribed limit values; improvement actions were also implemented in the fume abatement systems installed in the various plants in order to optimise their performance:

- at the Vicenza site, the silo transport systems for the dust captured in the bag filter were replaced and made more efficient;
- the dosing system of the adsorbent material of the Trith-Saint-Léger fume plant was optimised to reduce the emissions of organic micropollutants;
- at the Gerlafingen site, changes were made to the fume abatement system of the steel mill, with the addition of numerous filter elements, ensuring higher efficiency.

Wetting and nebulisation systems were also implemented in the waste treatment areas of the different sites, to limit the diffusion of airborne dust and, at the Trith-Saint-Léger site, this system has recently been upgraded.

1.1.4 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%.

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-Léger 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, as it happens at the Vicenza and Gerlafingen sites for the residual material deriving from the magnetic selection of the scrap.

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.

In fact, the refining slag recovery plant has been perfected in Vicenza. The plant allows for a part of the slag to be reused, after appropriate treatment, in the melting process of the scrap. In 2021, approximately 3,000 tonnes of this by-product were recovered, avoiding the landfilling.

Also in Vicenza, the industrial experimentation of the use of polymers, deriving from the recovery cycle of the plastic fraction of separate waste collection, was completed with very positive results, in partial replacement of the coal blown into the EAF. The results highlighted excellent metallurgical performance associated with a conspicuous saving of natural resources and a reduction in CO2 emissions into the atmosphere.

In 2022, the industrial plant will be installed and similar tests with waste materials will be conducted at the Trith-Saint-Léger site, which has a plant configuration similar to Vicenza.

In addition, the Group is focused on identifying recovery paths for the waste produced and has activated some contacts with specific supply chains (for example cement and concrete production), which have shown interest in the recycling of slag and industrial aggregate in their processes.

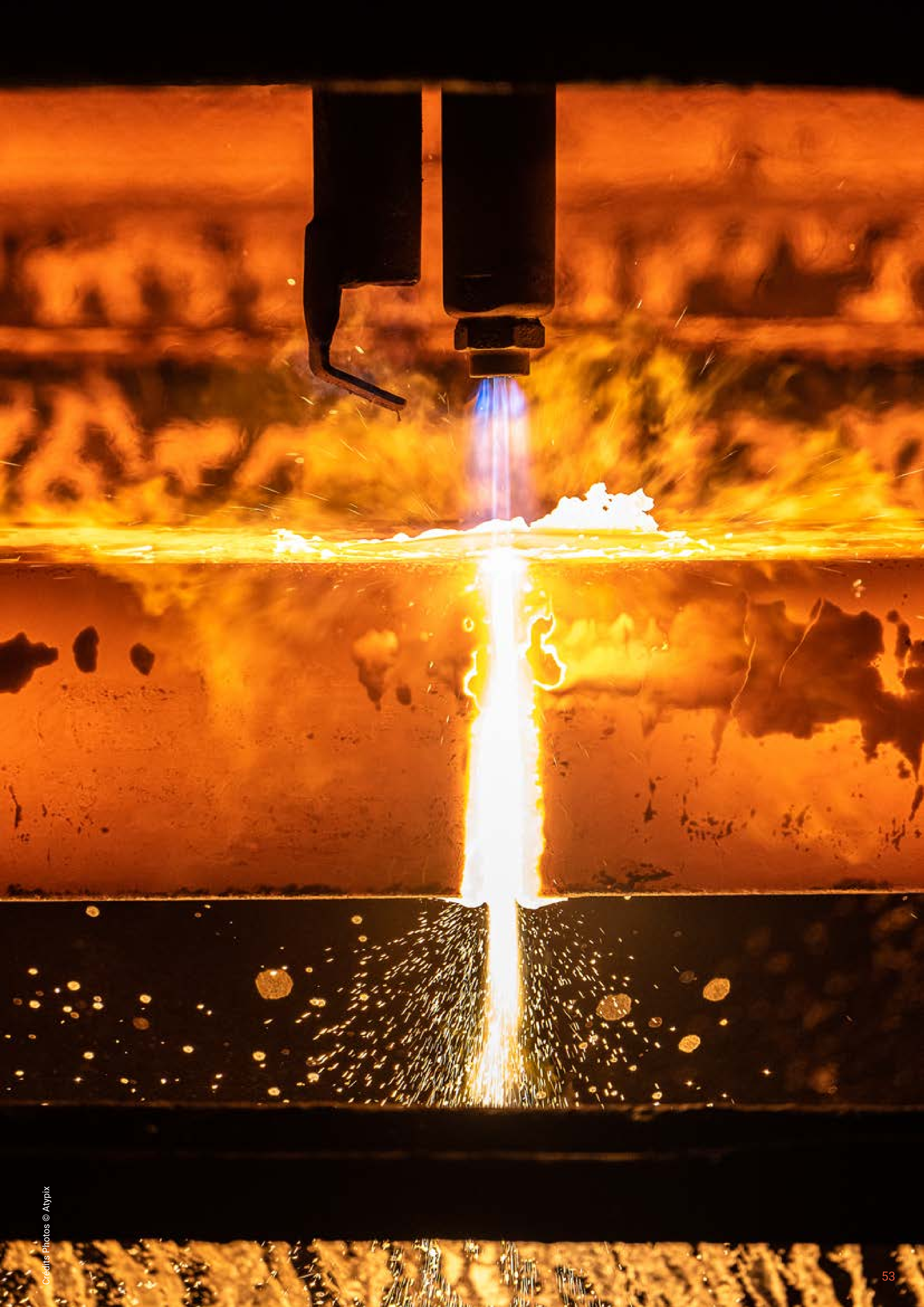
The goal of sending for recovery and enhancement at least 90% of the waste produced in the various sites was also respected in the year 2021.

1.1.5 RADIOMETRIC CHECKS

In the second half of 2021, the complete revamping of the monitoring and signalling systems of the radioactivity levels in the loads entering and leaving the Group's plants began, with particular attention to the control of scrap loads.

The revamping process started from the Trith-Saint-Léger site, also because of the accidental melting of a small radioactive source in October 2021. The new plant configuration envisaged the total replacement of the measurement panels with systems able to guarantee a higher sensitivity, thanks to their extensive surface area and the new data processing software. Similar improvements are also being assessed for the Italian and Swiss plants.

New portable measuring instruments were also acquired, in order to improve on-site monitoring in case of radiometric anomalies.



Credits Photos © Atypix

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 2021, the Eco-Index (average of all companies on the production) recorded a value of 82.6%. The slight decrease compared to the previous year is mainly due to the new European CO2 emissions benchmarks, in reference to which the current emissions of the plants are proportionally higher.

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).

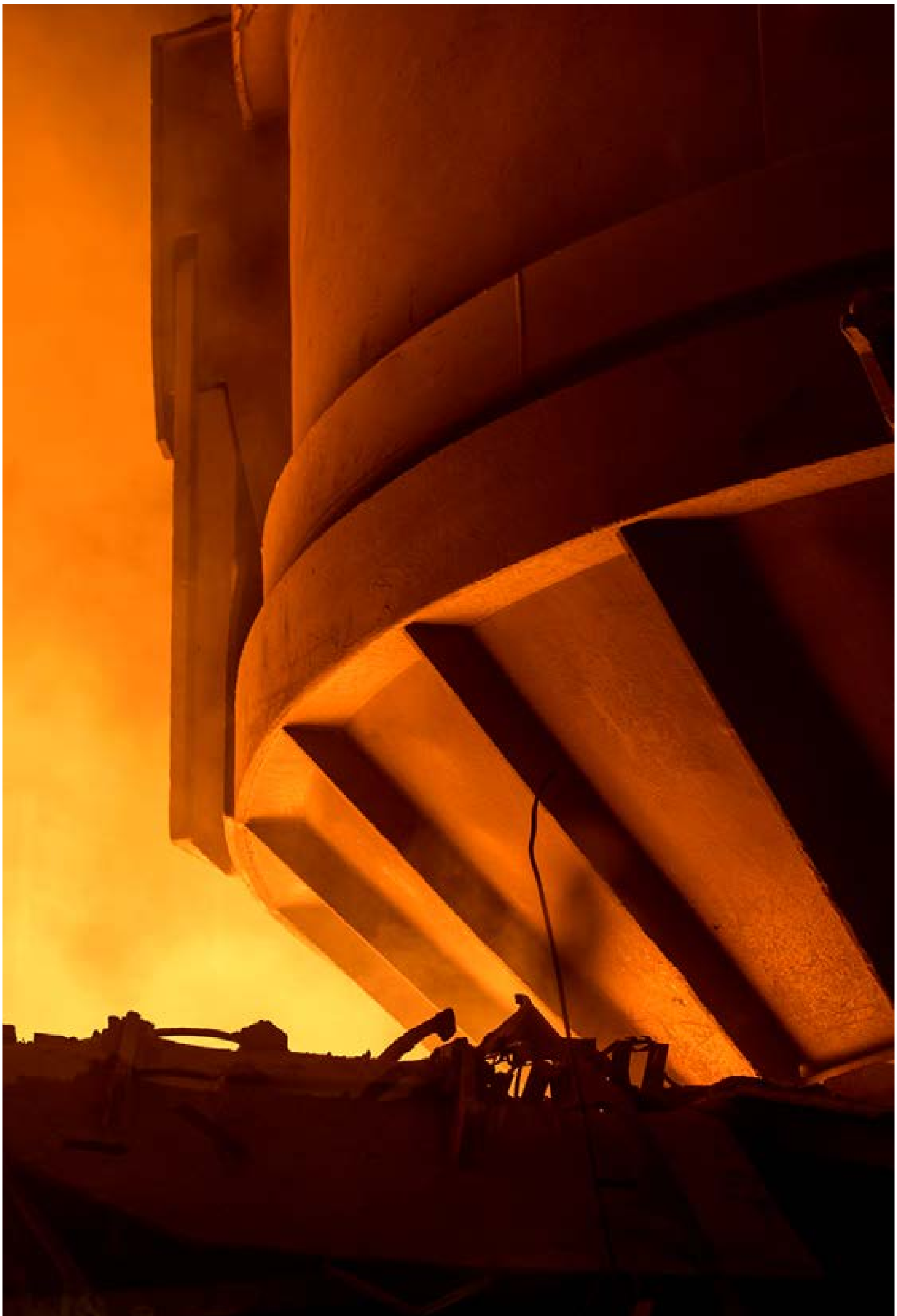
The Italian, French and Romanian plants operate within the scope of the IPPC (Integrated Pollution Prevention and Control) Directive and they are subjected to periodic checks by the authorities (provincial administrations, ARPA, Prefectures and the Ministry of Environment) to verify compliance with the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

In 2021, 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 plants of Vicenza (Betreco) and Gerlafingen (Ruvido), deriving from the processing of electric furnace slag, was also maintained in 2021.

In 2021, also due to the effects deriving from the Covid-19 pandemic, there was a decrease in the external use of secondary materials derived from the treatment, recovery and enhancement of waste. In particular, the construction sites worked at a reduced pace for a large part of the year, and only the end of 2021 showed prospects of growth for these markets.

Feasibility studies for alternative uses of slag aggregates have progressed at all of the Group's steel mills.



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1.4 Allocation of CO_2 quotas

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

	2020			2021		
	AFV	LME	Donalam	AFV	LME	Donalam
Assignments	106,653	70,569	13,008	83,370 (*)	58,159	12,796
Purchase of quotas	0	0	0	60,000	0	0
Sale of quotas	0	0	0	0	0	0
Emissions	101,572	60,524	17,116	126,896 (#)	67,450	22,773

Notes: (*) The assignment value reported for 2021 does not include the quotas of San Giovanni Valdarno, still awaiting assignment.
(#) The value reported for 2021 relating to the Italian plants is to be considered as an estimate, pending the certifications scheduled for March 2022.

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". Estimated emissions in 2021 are equal to 100,657 tonnes.
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 (topic that will be treated in paragraph 6).

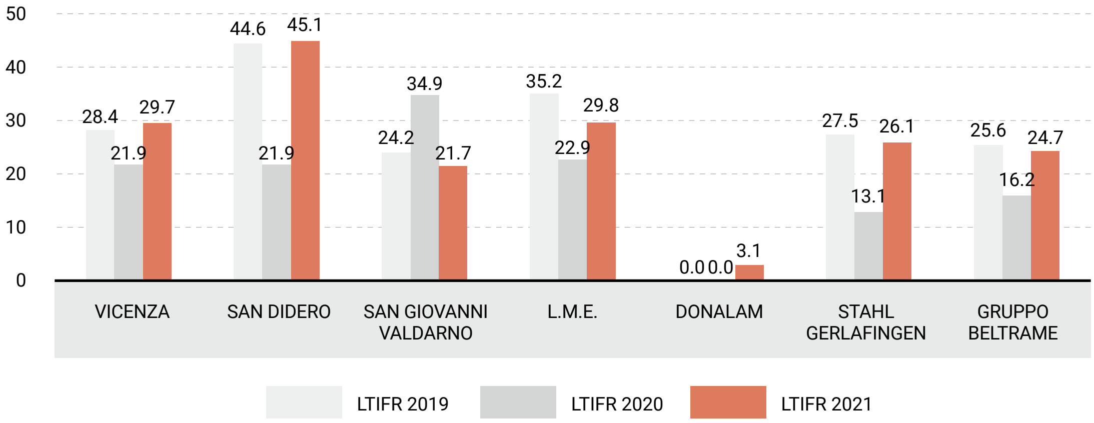
2. Safety Management In Workplaces

SAFETY DAY BELTRAME

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 2021, activities pertaining to workplace health and safety continued.

2.1 Injuries and occupational diseases

With regard to injuries, we point out that the Group recorded progressive improvement in terms of injuries in recent years but, against this trend, 2021 recorded an increase in the injury frequency rate (LTIFR). Such a parameter includes all injuries that involved at least one working day lost.



In 2021, there were 97 injuries compared to 55 of the previous year. The Group frequency rate (LTIFR) equal to 24.7, increased by 10% compared to the average of the three-year period considered.

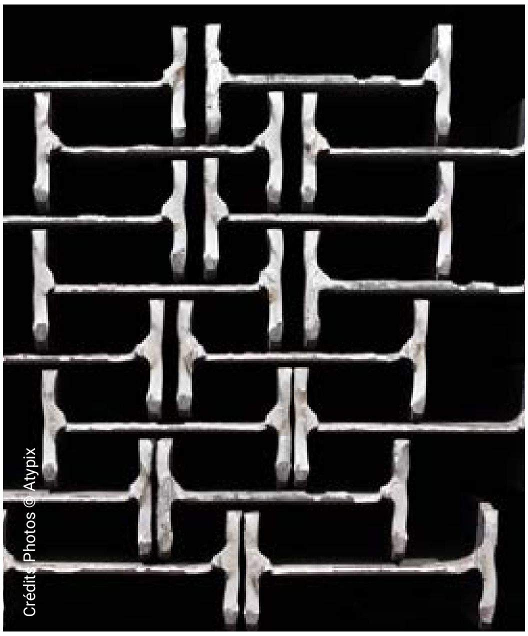
The analysis of the causes of injuries (LTI) shows that the main causes are to be attributed to:

- unsafe behaviours or actions in 69% of cases;
- technical causes or dangerous situations in 18% of cases;
- organisational deficiencies in 13% of cases;

The main types of injuries occurred in 2021 are linked to impacts and crushing (around 30%) and to stumbling and slipping (around 18% of cases), often in situations not related to process operations.

All the events were also analysed and discussed with the injured person, upon his return to work, with the aim of identifying the causes, implementing remedial actions and increasing sensitivity to a safe approach to the various work phases.

In 2021 no cases were reported with definitive responsibility for claims related to liabilities for work-related illnesses or causes of mobbing.



2.2 Main interventions

In 2021, an action plan has been launched with the aimed to reduce the injury phenomenon which, in the last period, has shown a growing trend, and which the Group absolutely intends to counter.
The plan name is "SHARP" (Safety and Health Actions for injury Reduction Plan), to indicate some actions aimed at reducing injuries and to also suggest the need of drastic ("sharp") and immediate actions.
This action plan introduces or consolidates some golden rules, aimed at reducing injuries in the Group's plants, and at raising and strengthening awareness of safety at all levels.

The steps implemented in 2021 were the following:

1. execution of meetings focused on safety or short training breaks at the beginning or during the work shift (so-called "safety pills"), organised by the shift managers, dealing with specific topics or contingent issues related to the safe approach of the department activities;
2. organisation of safety meetings in the production departments, involving EHS with shift managers and department managers, for a periodic examination of the occurred accidents and their causes, of near-miss, of the reports received on dangerous situations or behaviours;
3. elaboration of an accurate and timely analysis of accidents and near-miss with the concerned functions, identifying the root causes of the event by means of specific methodologies (RCA). Approach to any cause identified with a radical and targeted action, without neglecting any element that might have contributed to the event;
4. distribution of press releases and information brochures on accidents or injuries, sharing causes and possible common actions among the sites of the Group (Serious Event Review);
5. planning of periodic interactive visits to the production departments by managers, with EHS representatives, to make it clear that the priority on safety involves all the hierarchical levels and organisational functions (Visible felt leadership);
6. restarting and strengthening of behavioural audits (SWAT), according to the Group's standard, through an observational approach and the direct involvement of the operators met;
7. evaluation and taking charge of the reports coming from workers, with resolution plans and feedback to the reporting subjects;
8. spreading of safety slogans, by installing panels containing safety messages in the working areas;
9. periodic review of working procedures with respect to technical-organisational changes and their correct application in the field;
10. definition of a medium-term training program on safe behaviours and safety awareness according to international standards.

2.3 Group EHS Roadmap

In 2021, 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/organisation and cleaning in the workplace);
  5. Contractor Safety Management (safe management of contractors);
  6. EHS Audit - EHS Scorecard (audit of the different companies);
  7. Energy Isolation and LO.TO.TO. (isolation of energy sources before maintenance operations);
  8. Liquid steel (risk management related to liquid steel and slag in all phases of handling and transport);
  9. SWAT programme (behavioural audit);
  10. JSA - Job safety analysis 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.

A benchmarking program have been also launched on the main personal protective equipment (PPE) used in the Group, with particular regard to safety shoes, helmets, protective goggles, in order to standardise and optimise the devices and reduce residual risks.

Workwear has been also analysed in order to standardise its technical characteristics and unify the supply and washing service of garments. The conclusion of this path is expected within 2022.

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2.4 Health, safety and environment investments

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

— improvement of plants and machine tools in all the sites of the Group (MASAI Project – Machine Safety Improvement);
— replacement of overhead cranes for the handling of finished and semi-finished products;
— creation of a new storage area for chemical products in Gerlafingen;
— installation of new fire detection systems near hydraulic power units;
— installation of automated systems to support the production and reduce the risks;
— subdivision and segregation of pedestrian paths near plants;
— optimisation of safety devices for billet heating furnaces;
— improvement of radio communication devices;
— updating of operating machinery;
— installation of new radioactivity measurement systems in Trith-Saint-Léger and San Giovanni Valdarno.

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3. The QHSE Integrated Management System

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

The purpose of this system is to facilitate the process for the identification, registration, and measurement of QHSE results, in order to drive the continuous improvement process.

The 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 the evolution of performance, thus facilitating the measurement of performance and ensuring the control of corporate processes.

During 2021, the certification of the quality management system was extended to the San Giovanni Valdarno plant.

The table below shows the situation of the certifications obtained by the Group's plants as at the ending date of the 2021 financial year.

		Quality Management System	**Environmental Management System**	**Health and Safety Management System**	**Energy Management System**
Company	**Site**	**EN ISO 9001**	**EN ISO 14001**	**EN ISO 45001**	**EN ISO 50001**
AFV Acciaierie BELTAME SPA	Vicenza	x	x	x	-
	San Didero (TO)	x	x	x	-
	San Giovanni Valdarno (AR)	x	-	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	-

In particular, in 2021 the Group:

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

— extended the ISO 9001 certification of the quality management system to all the Group's plants;

— following the surveillance and certification audits, confirmed the certification of compliance of the energy management system with the ISO 50001 standard for the site in Trith-Saint-Léger;

— completed the transition of certification on the safety management system according to the ISO 45001 standards, for all the sites of the Group.

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.

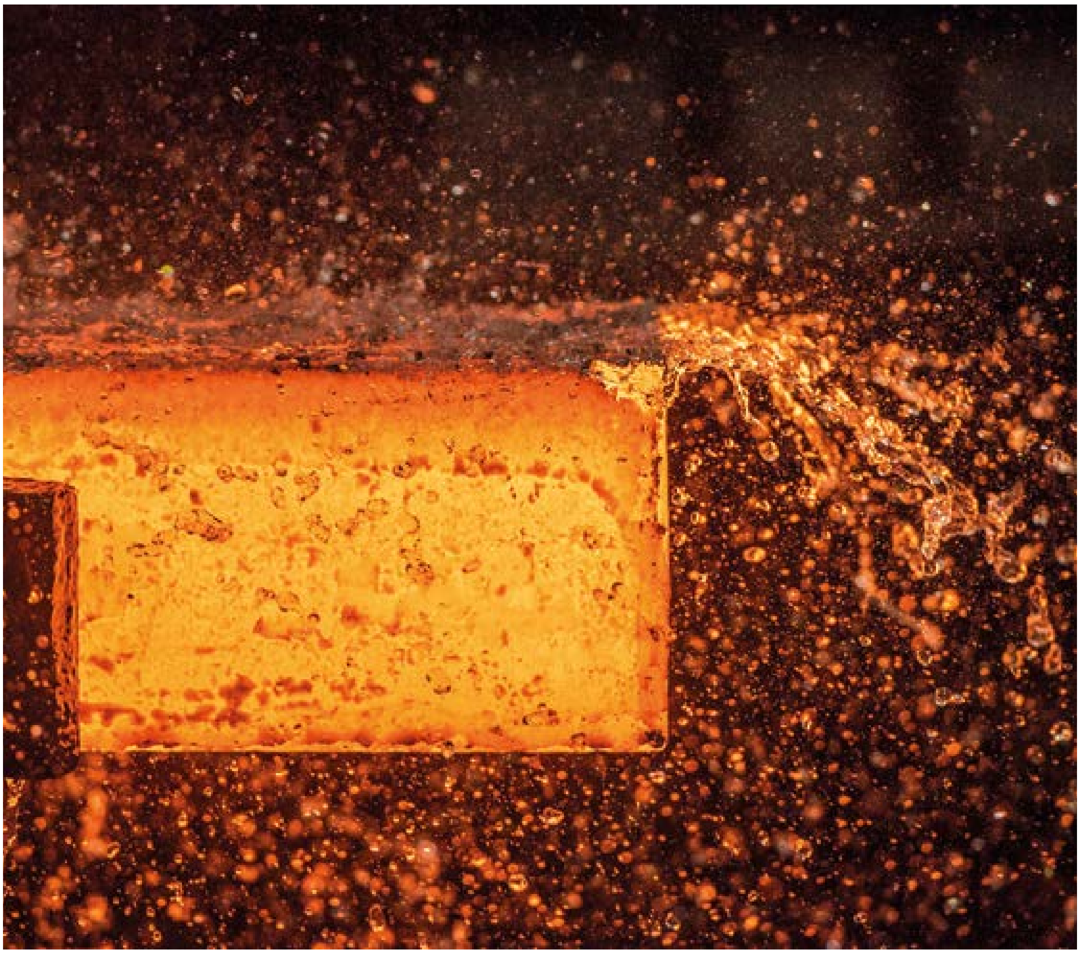
This approach involves the analysis of the context in which the Company operates, as well as that of the needs and expectations of the parties involved, in this case presenting similarities with the requirements of the approach to sustainability identified by the ESG (Environment, Social, Governance)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

3.1 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.

Remote meetings were organised monthly with all the Group's EHS managers, often in shared form among the sites, for a constant discussion on different aspects of the Health and Safety Management System with reference to the application progress and ongoing implementation activities in the Group's plants:



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

In December 2021, a "Safety awareness" workshop was also organised remotely, involving all Group's functions and local representatives. Guidelines and actions to increase the safety awareness and culture at all levels were discussed and shared.

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4. Covid-19 Management

All the Group's plants worked diligently to maintain the high standards of prevention and control put in place since the beginning of the pandemic.

In periods of high viral spread, personal confinement measures were defined and, where applicable, smart-working was planned for clerical staff.

All safety protocols, including the use of masks, the distancing, the limitation of face-to-face meetings were confirmed and, if necessary, strengthened.

The Group's COVID-19 committee met regularly to monitor the trend of the viral spread and to define behavioural guidelines, while at local level the operational committees arranged the organisational measures according to the specific productive needs and the staff availability.

To date, we can state that, at Group level, the impact of the pandemic has not led to particular imbalances in production continuity, thanks to the rigorous procedures applied.

5. EPD® - Environmental Product Declaration

EPD®

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. In 2021, the study on the life cycle of the SBQ profiles produced in the Calarasi plant was also completed, and today they can be referred to a specific environmental product declaration.

The EPD declarations of the Group's products 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.
This declaration is also a starting point for identifying the carbon footprint of products (GWP - Global Warming Potential) and the Group has begun the evaluation of this indicator with reference to the ISO 14067 standard.
In Italy, the validation of the environmental product declaration was confirmed by ICMQ, with the subsequent publication in the National Program Operator EPDItaly©. The registration of the environmental product declaration in EPDItaly© also makes it possible to meet some domestic 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.


6

6. Green Deal of the European Commission

EUROPEAN REGULATORY CONTEXT

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:

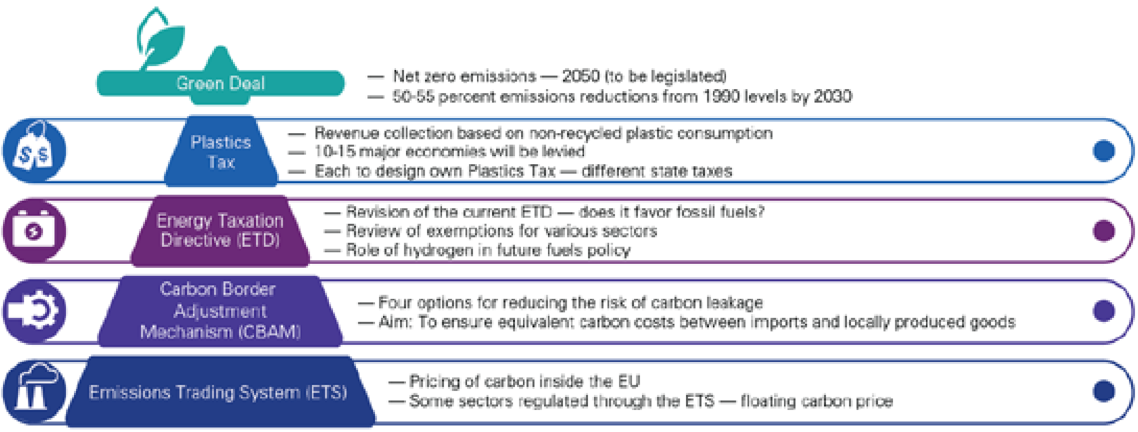
— promoting the efficient use of resources by moving to a clean and circular economy;

— restoring biodiversity and reducing pollution.

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

In July 2021, the "Fit for 55" package was published by the EU, containing the action plan through which the European Commission plans to reduce CO2 emissions by 55% by 2030, compared to 1990. This package includes, among other things, some proposals to modify the ETS directive, the revision of the taxation of energy products and electricity, the development of renewable sources.



Source: KPMG

In this context, the Commission announced the establishment of a new mechanism, which will work alongside (and in the long term may replace) the ETS system. The latter currently imposes the obligation, for certain categories of companies, to return every year the emission quotas related to their production process, against an annual allocation attributed free of charge. The aim is to prevent the relocation of activities in countries without regulation on greenhouse gas emissions.

Based on the EU evaluations, the ETS system as currently configured is no longer in line with the greenhouse gas reduction commitment proposed by the Union (reduction of 55% by 2030, carbon neutrality by 2050), therefore the introduction of the Carbon Border Adjustment Mechanism (CBAM) has been proposed. This mechanism will gradually replace the free allocation system.

The CBAM will therefore represent a

mechanism designed to create conditions of equivalence in the costs incurred by companies for production within the EU and for products imported from non-EU countries. It will be introduced on a transitional basis in the period 2023-2025 and will initially concern imports of iron and steel, aluminium, concrete, electricity and fertilizers, without financial obligations but only disclosure requirements.

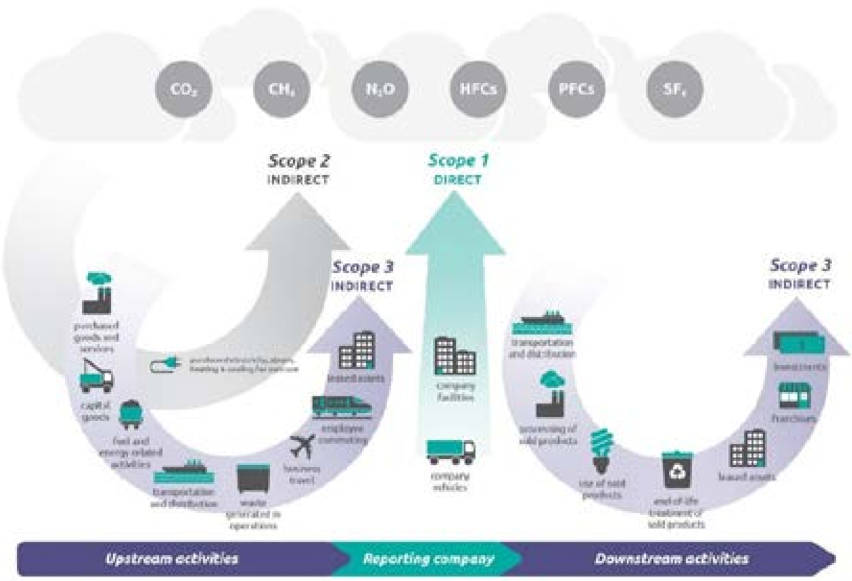
At the end of this period, from January 2026, if confirmed, imports of the above-mentioned products will be subject to authorisation by the competent national authorities and importers from non-EU countries will have to purchase CBAM certificates, whose price will be linked to the one of the ETS emission quotas (EUA, EU Allowances).

ACTIVITIES OF THE BELTRAME GROUP

The Beltrame Group pays attention to the evolution of the legislation and monitors possible risks and opportunities that arise from these reforms, defining a specific internal organisation. Strategic Committee has discussed about the Group's decarbonisation objectives and the strategies to be implemented to achieve the proposed level.

A study has been commissioned to identify the benchmarks currently applied in the carbon footprint reduction process, the activities implemented or planned, and the communication approaches applied by the main players in the global steel industry, in order to strengthen the Group's positioning among the "best in class".

The Group also intends to quantify and certify greenhouse gas emissions at the organisation level, along the whole supply chain, in compliance with the ISO 14062-1 standard, and has begun the mapping of direct (scope 1) and indirect (scope 2) emission sources and linked to the value chain (scope 3), as identified in the GHG Protocol, an international standard for accounting and reporting of corporate greenhouse gas emissions. The process will be completed by mid-2022.



Source: GHG Protocol: technical guide for the calculation of Scope 3 emissions - Carbon Leadership Forum

The calculation of Scope 2 emissions, which concerns the indirect contribution of emissions deriving from the generation of electricity consumed by the Group, is based on the overall energy consumption of the plants and on the following emission factors specific to the countries to which they belong (defined as "location-based "), depending on the national mix of energy sources.

Country	Emission factor (gCO2/kWh)
Italy	213.4
France	51.1
Switzerland	128.0
Romania	299.5

The data relating to EU countries are taken from the "Greenhouse gas emission intensity of electricity generation by country" processing, carried out by the European Environment Agency (EEA).
The value related to Switzerland, on the other hand, refers to the "Umweltbilanz Strommixe Schweiz 2018" report drawn up by the Company Treeze Ltd., on behalf of the Federal Office for the Environment (Bundesamtes für Umwelt - BAFU).

The evaluation led to the following results:

Plant	Scope 2 Emissions (tons CO2)
Vicenza	117,315
San Didero	3,787
San Giovanni Valdarno	2,063
Trith Saint Léger	16,334
Gerlafingen	46,555
Calarasi	10,105
Total	**196,159**

The contribution of Scope 2 emissions is approximately 38% of total direct and indirect emissions (with the exception of those relating to the supply chain, Scope 3).

The Group's central Departments EHS / Sustainability, Energy, Finance and the Central Technical Function (CTF) monitor and evaluate all development and investment projects to define development needs and identify partnerships able to frame the various projects within the pillars envisaged by the Green Deal, with the purpose to access the subsidised finance and funds that the EU has made available.

J

7. Sustainability Report

Also for the 2021 financial year, the Group prepared the Sustainability Report, in order to express its performance and the activities implemented in favour of sustainable development. This aim is pursued through the continuous improvement of industrial processes, company management and approach towards the stakeholders belonging to the entire value chain, with the ultimate purpose of increasing this latter and favouring the shared development.

Great attention has been continually paid to virtuous processes that allow for the consolidation of the circular economic vocation of the steel industry, guaranteeing the consumption reduction of raw materials and identifying solutions for the recycling and enhancing of by-products.

For the 2021 report as well, the Reporting Standards proposed by the GRI (Global Reporting Initiative) version G4 were used, following the "In accordance-Core" option, identifying the representative indicators for the organisation, according to the relevant aspects that emerged in the materiality matrix. The GRI standards are divided into four series of which the first (Series 100) pertains to the common reporting standards, and the following three are representative of specific standards pertaining to the three fundamental areas of sustainability (Economic and Governance focused – Series 200, Environmental - Series 300, Social - Series 400).

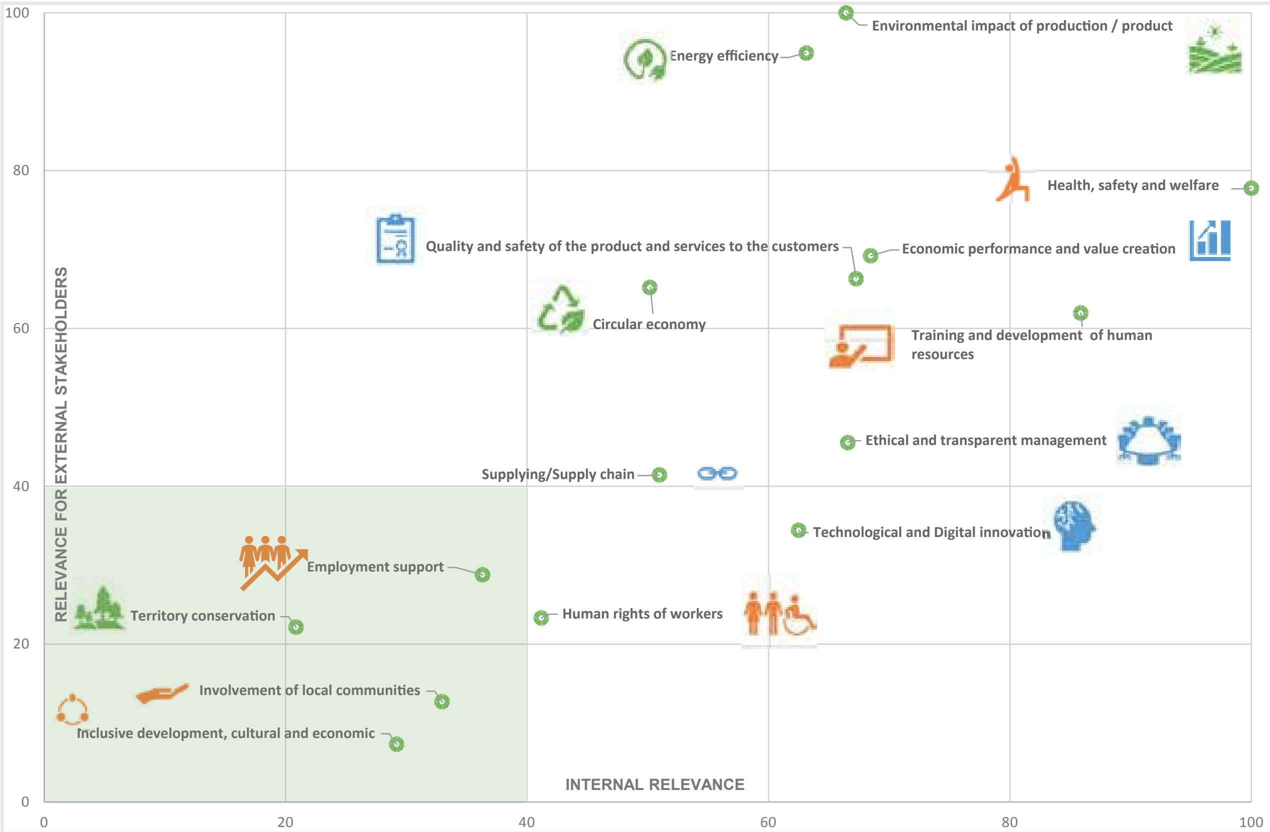
The structure for sustainable development was consolidated with two Committees: a strategic corporate one (Sustainability Steering Committee) and a local one for each Country (Operational Sustainability Committee).

The review of the significant aspects ("material") was conducted by the Strategic Committee by reviewing the matrix that identifies the impacts on company management (internal vision) and with respect to the needs and expectations of stakeholders (external vision), starting from the context in which the company operated in the course of 2021.

For each material topic identified, the Group has re-evaluated the specific indicators referring them to the impact on the company activities, confirming for the year 2021 the material aspects reported in the previously published matrix, which have been re-submitted for examination by the Board of Directors, for their approval.

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.



Materiality matrix confirmed also for 2021

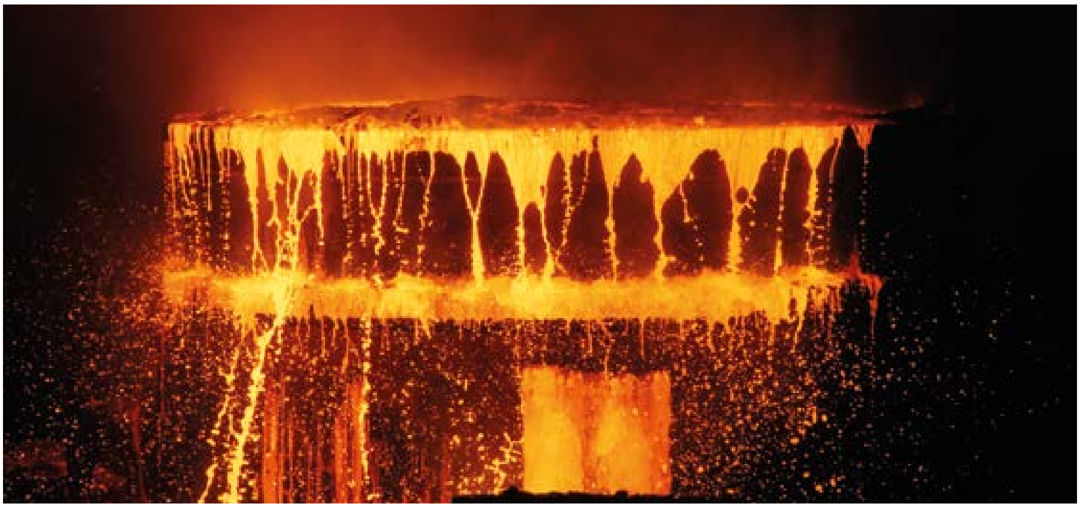
The Strategic Sustainability Committee, within the context of the most significant ESG criteria, has identified a series of sustainability indicators of fundamental importance for the evaluation of investments in the context of the Group's sustainable development:

- Energy consumption (electricity and natural gas)
- CO2 emissions
- Water consumption
- Recovery and enhancement of materials and by-products
- Contribution to professional growth (training hours)
- Injury trend

These KPIs are assessed for the main corporate development projects and assign a sustainability rating to the components of the Group's strategic development plan, which is compared with the targets defined by the Strategic Committee.

J

8. Proposal of Corporate Sustainability Reporting Directive



During 2021, the European Commission proposed an amendment to the Non-Financial Reporting Directive (NFRD), identifying the sustainability reporting of companies as a factor of competitive development for organisations. A proposal for a new directive called Corporate Sustainability Reporting Directive (CSRD) was therefore issued, and it envisages the creation of an information flow concerning the various aspects included in the ESG (environmental, social and governance) sphere, in favour of all financial, industrial and civil society organisations, which will thus be able to verify the responsibility degree of companies for their social and environmental impact.

The new directive will be applied to a wider selection of companies, according to the different financial and governance criteria and will cover a wide range of ESG aspects relating to industrial activities, including the request for an innovative approach to their business model and to the sustainable development strategy, identifying risks and opportunities.

The directive will also consolidate the bidirectional concept of "double materiality", intending to focus both on aspects of the company business that can generate impacts on society and the environment, and on aspects induced by the implementation and application of sustainability factors on the possibilities of business growth and development.

The reporting standards will also be reviewed, through the development of a dedicated package of criteria, currently being developed, with the participation of all the main "standard setters". The sustainability information will find their space within the supplementary notes to the financial statements, with an evaluation by the auditing company, limited to a "limited assurance" in the first period.

The first publication of the sustainability report according to the dictates of the directive is expected in 2024, with reference to the data of the fiscal year 2023.

The Beltrame Group has a structure capable of acting in accordance with the regulatory changes that will be introduced, and the Group will devote the coming months to examine in depth the various mandatory requirements that will be introduced with the CSRD.

K

Continuous Improvement - The Continuous Improvement programme of the Beltrame Group

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 2021, 140 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: 72 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 390 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.

OBJECTIVES

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

REVISIONS

Through the years, the Model was revised in view of the new offences taken into consideration by the lawmakers as requirements for the enforcement of Italian Legislative Decree no. 231/2001.
Lastly, on 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.

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

Also in 2021, the national and international scenario was characterised by the evolution of Covid-19 pandemic, with significant repercussions on global economic activities and in a context of general uncertainty. Nevertheless, the evolution of the pandemic seems today more easily predictable and manageable thanks mainly to the contribution of vaccination campaigns.

The conflict outbreak in Ukraine in February 2022 led to an increase in the factors of uncertainty related to the geopolitical situation in Europe, with particular reference to the continuity of supplies and the prices of raw materials and energy resources.

CONFLICT IN UKRAINE

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

Russia and Ukraine are not target markets for the finished products of the Group.

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

The specific risks for the Group reside in the supply of ferroalloys, carbon and graphite electrodes for the melting process in the steel mill, and in the supply and availability of natural gas, especially for rolling mills.

At present there are no significant procurement problems, and the availability of alternative supply channels makes it possible in any case to mitigate the risk.

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

The effects of this macro-economic context inevitably also have an impact on the management of the risks to which the Group is subject.

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

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

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

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

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

The economic results and financial position


9

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 evolution of the COVID-19 pandemic, the evolution of the geopolitical situation following the outbreak of the conflict in Ukraine, the future evolution of demand, supply and prices of steel products, changes in energy and raw material prices, particularly in the Eurozone.

In general, demand in the steel manufacturing segment has historically been subject to high cyclicity and tends to reflect the general performance of the economy, in most cases anticipating it and amplifying it. This tendency leads to a lack of predictability concerning product demand and consequently production volumes.

Risks associated with IT systems

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

In addition to the risks related to malfunctions or human errors, we highlight those related to cyber-security for breaches/theft of sensitive data or interruption of services. The risk linked to cyber-security, 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 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 (especially in the transformation of semi-finished products into finished products).

The steel manufacturing sector is also characterised by significant overcapacity. To date, the plant shutdowns by lower-performance producers has only partly reabsorbed the excess output.

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

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

Risks deriving from disputes

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

Risks connected with international markets

The Group operates mainly in the markets of Europe, North Africa and in the near Middle East. The situation of the near Middle East and North Africa and the recent evolution of the Russia-Ukraine crisis has had, and will continue 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 associated with laws and regulations that limit greenhouse gas emissions

The electric steel industry produces fewer greenhouse gas emissions than the integrated cycle, but meeting new environmental obligations in this area may require additional capital expenditures, changes in operating practices, and additional reporting obligations. Indeed, the EU has introduced new rules to reduce greenhouse gases, which will require steel producers to incur additional costs to acquire the emission allowances.

Although not yet definitively approved, the European Commission published the "Fit for 55" package which defines how to obtain a 55% reduction in emissions by 2030, compared to 1990, and the achievement of carbon neutrality by 2050, as envisaged by the EU Climate Law of 2019. The proposals integrate, among other aspects, the strengthening and extension of the current Emissions Trading System ("ETS") with a Carbon Border Adjustment Mechanism ("CBAM") to prevent the relocation of carbon emissions. The new system provides for an annual emission reduction rate of more than 4% in Europe and a reduction in the free granting permits for the energy intensive sectors.

Such regulations could have an adverse effect on the Company's production levels, income and cash flows. In particular, the further reduction of the free allocation of CO_2 emission rights could entail additional costs and require significant investments, since the amount is already at the limit of the technically feasible operating conditions.

Furthermore, many non-European nations, having not yet established laws on greenhouse gases, could introduce less stringent regulations, resulting in a competitive disadvantage concerning imports, a disadvantage that will be only partially offset by the CBAM active from 2026.

The Commission also published the "green taxonomy": a unified classification to define an eco-sustainable economic activity, clarifying which activities contribute to the achievement of the EU's environmental objectives. The proposal for a Corporate Sustainability Reporting Directive ("CSRD") also provides for the adoption of European standards (to be adopted by October 2022) for sustainability reporting that will be developed by the European Financial Reporting Advisory Group ("EFRAG").

These standards, once definitively adopted, could affect the consideration of financial institutions or other stakeholders, and make it more difficult to obtain funding for sectors or companies that do not respect them.

Added to this is the decision of the European Central Bank to introduce climate risk among the indicators of stress tests on the banking system. This will push banks, including Italian ones, to reduce credit in favour of energy intensive companies, unless they demonstrate that they are on the road to transitioning to low or zero carbon solutions.

The Company monitors its emissions and has adopted a decarbonisation strategy in line with best practices and with the one of the main players in the sector and has implemented it into measures to reduce its carbon footprint with investments in energy

efficiency and other initiatives that will lead to a significant reduction in emissions. The overall impact of these new regulations on the Company's operations will depend on the timing of implementation and on the progress of the projects.

Risks connected with changes on currency exchange rates

The risks deriving from fluctuations in currency rates seems small, inasmuch as the vast majority of the activities is carried out in Euro.

In the case of the Swiss subsidiary Stahl Gerlafingen AG, 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 88% of which are located in the European Union. The remaining part of receivables are mainly relative to entities 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

In these consolidated financial statements, the transactions of a financial and economic nature, settled at arm's length conditions, carried out between the companies of the Beltrame Group have been eliminated. As regards transactions with non-consolidated subsidiaries, we recall those carried out by the Parent Company AFV Beltrame S.p.A. with:

Consorzio Valbel

Revenues for a total of Euro 6,518 thousand,
Costs for a total of Euro 7 thousand,
Financial income accrued for Euro 3 thousand,
Trade receivables as at December 31, 2021, for a total of Euro 3,097 thousand,
Trade payables as at December 31, 2021, for a total of Euro 17 thousand.

Ferriera Sider Scal S.r.l. – in liquidation

Loans disbursed by AFV Beltrame S.p.A.:

- present at the end of the previous financial year for euro 1,155 thousand,
- disbursed during the year for a total of Euro 513 thousand,
- reimbursed for Euro 81 thousand,
- with a debit balance of the company at the end of the year in question of Euro 1,587 thousand.

Trade receivables as at December 31, 2021, for a total of Euro 14 thousand.
Trade payables as at December 31, 2021, for a total of Euro 35 thousand.
Administrative services carried out by the Parent Company AFV Beltrame S.p.A. for Euro 12 thousand.
Purchase of goods for a total of Euro 34 thousand.
Financial income accrued following the loan disbursement, for Euro 38 thousand.
Financial expenses accrued following the loan disbursement, for Euro 1 thousand.
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

In February 2022, the main international experts reported for the current year an economic trend characterised by a continuous 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 2022 and 2023 of 4.0 % and 2.4%, respectively.

The economic activity of the construction sector, after the 6.7% increase in 2021, should consolidate with an expected growth of 3.0% in 2022 and 1.2% in 2023.

Public and private investments are expected to make a significant contribution to the construction sector growth, mainly thanks to interventions in infrastructure projects as a counter-cyclical tool to remedy economic recessions and thanks to the support of public policies at EU level, whose effects should be seen to a large extent in 2022, although it is not easy to quantify them.

The mechanical engineering sector, after the significant rebound of 2021 (increase of 11.4%) should grow at a much more moderate pace in 2022 (increase of 3.4%) and in 2023 (increase of 2.1%).

Manufacturing activity recovered rapidly, however in the last part of 2021, the combined effect of the persistence of the pandemic and the problems affecting the global supply chain weakened demand in the EU's main internal markets, and the outlook, albeit moderately positive on the whole, is expected to remain subject to uncertainty.

After a severe crisis in 2020 due to the pandemic, in 2021 the economic activity of the automotive sector grew by a modest 2.7%, with forecasts of a more robust recovery in 2022 (increase of 10.3%) and in 2023 (increase of 6%). The serious disruptions in the supply chain have begun to affect significantly the automotive industry starting from the third quarter of 2021 and are expected to persist until the second quarter of 2022.

User sectors	Share of consumption	Q1 22	Q2 22	Q3 22	Q4 22	Year 2022	Year 2023
Construction	35.0%	5.5%	3.2%	2.1%	1.3%	3.0%	1.2%
Automotive	18.0%	-3.3%	9.2%	21.9%	16.4%	10.3%	6.0%
Mechanical engineering	14.0%	3.6%	2.1%	3.2%	4.7%	3.4%	2.1%
Metal articles	14.0%	1.2%	2.4%	3.8%	4.5%	3.0%	-2.1%
Oil & Gas	13.0%	8.9%	0.7%	-10.0%	0.1%	2.1%	-1.5%
Appliances	3.0%	-3.2%	-0.6%	2.3%	0.3%	-0.4%	-0.3%
Other transports	2.0%	-0.6%	0.7%	-1.1%	0.1%	2.1%	-1.5%
Other	2.0%	2.4%	1.0%	2.7%	3.0%	2.3%	-7.1%
Total	**100.0%**	**2.5%**	**3.0%**	**5.4%**	**5.3%**	**4.0%**	**2.4%**

Source: Eurofer February 2022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The outbreak of the conflict in Ukraine has determined new factors of uncertainty connected to the geopolitical situation in Europe, which risk changing the scenario outlined at the beginning of February 2022. In particular, the continuity of supplies, and the prices of raw materials and energy resources keep on representing a serious risk to the world economy.

The war in Ukraine, as already illustrated in the previous point "Risk management", marks a turning point in European relations with Russia. In addition to the already existing uncertainties on commodity markets and in the energy sector, the effects of sanctions and possible countermeasures could have serious consequences for the world economy and for European markets. Volatility in financial and commodity markets will remain high at least in the first half of the year 2022.

The Beltrame Group is significantly affected by the increase in energy costs which represent one of the main outlay items. Despite this, in the first quarter of 2022, the Beltrame Group maintained a level of activity aligned with that of previous year and a high profitability.

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 as achievable for 2022 higher targets of profitability and cash flow generation compared to the pre-Covid period.

Vicenza - March 30, 2022

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, 2021 and 2020

BALANCE SHEET - ASSETS (amounts in unit of Euro)	2021	2020
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	469,686	525,460
4) Concessions, licenses, trademarks and similar rights	18,000	19,000
5) Goodwill	11,971,900	14,964,875
6) Assets under construction and advances	1,507,323	1,291,828
7) Others	7,197,789	1,785,849
Total I - Intangible assets	21,164,698	18,587,012
II - TANGIBLE FIXED ASSETS		
1) Land and buildings	161,337,271	161,204,942
2) Plant and machinery	260,180,936	244,592,976
3) Industrial and commercial equipment	21,241,081	21,177,468
4) Other assets	2,869,215	2,314,596
4-bis) Leased property	1,200,000	1,200,000
5) Construction in progress and advances	28,625,093	30,853,653
Total II - Tangible fixed assets	475,453,596	461,343,635
III - FINANCIAL FIXED ASSETS		
1) Investments in:		
d bis) others	3,457,530	5,647,505
2) Receivables:		
d bis) others receivables	12,836,331	10,063,616
Total III - Financial fixed assets	16,293,861	15,711,121
TOTAL B - FIXED ASSETS	512,912,155	495,641,768
C - CURRENT ASSETS		
I - INVENTORIES		
1) Raw, ancillary and consumables materials	80,807,387	55,812,014
2) Work in progress and semi-finished products	108,017,853	43,003,867
4) Finished products and goods	266,924,801	169,424,402
6) Plant and machinery held for sale	3,316,190	1,741,797
Total I - Inventories	459,066,231	269,982,080
II - RECEIVABLES		
1) Trade receivables	94,323,958	48,119,325
2) Receivables from subsidiaries		
a) trading receivables	14,127	11,031
b) financial receivables	1,586,908	1,154,908
4) Receivables from parent company		
a) trading operations	25,899	9,742

BALANCE SHEET - ASSETS (amounts in unit of Euro)	2021	2020
b) financial	90,000	187,621
5-bis) Tax receivables	7,437,930	11,729,416
5-ter) Deferred tax assets	12,830,403	13,235,214
5-quater) Other receivables	8,848,708	3,316,143
Total II - Receivables	125,157,933	77,763,400
IV - LIQUID FUNDS		
1) Bank and post office accounts	197,804,049	106,948,224
3) Cash on hand	40,177	46,267
Total IV - Liquid funds	197,844,226	106,994,491
TOTAL C - CURRENT ASSETS	782,068,390	454,739,971
D - ACCRUED INCOME AND PREPAID EXPENSES		
I - ACCRUED INCOME AND PREPAID EXPENSES		
1) within one year	6,865,500	4,108,525
2) beyond one year	206,210	398,419
TOTAL D - ACCRUED INCOME AND PREPAID EXPENSES	7,071,710	4,506,944
TOTAL ASSETS	**1,302,052,255**	**954,888,683**

Consolidated balance sheet as of December 31st, 2021 and 2020

BALANCE SHEET - LIABILITIES AND SHAREHOLDERS' EQUITY (amounts in unit of Euro)	2021	2020
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	18,669,790	18,218,524
V - STATUTORY RESERVES	0	0
VI - OTHER RISERVES		
a) Extraordinary reserve and other reserves	146,594,110	166,338,239
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	64,324,395	64,421,608
VII - RESERVE FOR DERIVATIVE FINANCIAL INSTRUMENTS	(1,045,116)	(2,156,805)
VIII - PROFIT (LOSS) CARRIED FORWARD	0	0
IX - GROUP PROFIT (LOSS)	154,306,334	(19,060,001)
GROUP SHAREHOLDERS' EQUITY	501,811,880	346,723,932
MINORITY INTEREST	31,964,971	19,551,174
INCOME (LOSS) ATTRIBUTABLE TO MINORITY SHAREHOLDERS	6,232,987	(2,360,949)
NET EQUITY ATTRIBUTABLE TO MINORITY SHAREHOLDERS	38,197,958	17,190,225
TOTAL A - TOTAL SHAREHOLDERS' EQUITY	540,009,838	363,914,157
B - RESERVE FOR RISKS AND CHARGES		
1) For retirement benefits and similar obligations	1,340,557	1,003,605
2) For taxes, also deferred	11,616,457	11,803,417
3) For derivate financial instruments	1,375,153	3,230,898
4) Other	13,497,405	11,052,679
TOTAL B - TOTAL RESERVE FOR RISK AND CHARGES	27,829,572	27,090,599
C - RESERVE FOR EMPLOYEE SEVERANCE INDEMNITY	14,666,620	15,162,934
D - AMOUNTS PAYABLE		
4) Borrowings from banks		
1) due within one year	36,779,654	38,096,520
2) due beyond one year	119,287,815	115,677,500
5) Payables to other lenders		
1) due within one year	22,217,102	26,195,305
2) due beyond one year	2,387,392	1,835,809
6) Advance payments	651,253	829,315

BALANCE SHEET - LIABILITIES AND SHAREHOLDERS' EQUITY (amounts in unit of Euro)	2021	2020
7) Trade payables		
1) due within one year	430,887,462	293,647,645
2) due beyond one year	4,880,000	0
9) Payables to subsidiaries		
1) trading operations	34,785	217
2) financial		
11) Payables to parent company	1,243	0
12) Tax payables		
1) due within one year	48,791,629	10,846,048
2) due beyond one year	664,140	1,328,281
13) Social security payables		
1) due within one year	6,975,976	7,846,934
14) Other payables		
1) due within one year	20,548,698	15,172,642
2) due beyond one year	21,220,322	34,218,285
TOTAL D - TOTAL PAYABLES	715,327,471	545,694,501
E - ACCRUED EXPENSES AND DEFERRED INCOME		
I - ACCRUED EXPENSES AND DEFERRED INCOME		
1) due within one year	3,160,203	2,486,175
2) due beyond one year	1,058,551	540,317
TOTAL E - TOTAL ACCRUED EXPENSES AND DEFERRED INCOME	4,218,754	3,026,492
TOTAL LIABILITIES	**1,302,052,255**	**954,888,683**

Consolidated Income Statement
as of December 31st, 2021 and 2020

CONSOLIDATED INCOME STATEMENT (amounts in unit of Euro)	2021	2020
A - VALUE OF PRODUCTION		
1) Revenue from sales and services	1,727,968,756	970,829,438
2) Changes in work in progress, semifinished and finished products inventories	159,740,896	16,296,600
4) Additions to internally produced fixed assets	3,500,360	2,891,283
5) Other income and revenues		
- grants	2,749,553	3,573,547
- others	7,093,190	2,556,723
Total value of production	1,901,052,755	996,147,591
B - COST OF PRODUCTION		
6) Raw, ancillary and consumable materials	1,180,973,770	637,226,848
7) Services	309,114,331	194,250,692
8) Leases and rentals	5,574,610	5,328,697
9) Personnel costs		
a) Wages and salaries	109,395,494	93,326,181
b) Social security costs	30,250,550	27,036,220
c) Employment severance indemnity	3,664,765	2,703,089
e) Other costs	5,695,424	4,387,091
Total 9 - Personnel costs	149,006,233	127,452,581
10) Amortisation, depreciation and writedowns		
a) amortisation of intangible fixed assets	5,413,570	867,011
b) depreciation of tangible fixed assets	52,190,710	38,516,269
c) writedown of fixed assets	833,368	608,258
d) writedown of receivables among current assets	0	306,292
Total 10 - Amortisation, depreciation and writedowns	58,437,648	40,297,830
11) Changes in raw materials, ancillary and consumable materials	(23,918,507)	(4,002,514)
12) Provisions for risks	0	66,324
13) Others provisions	775,916	17,000
14) Other operating expenses	7,866,955	5,408,840
Total cost of production	1,687,830,956	1,006,046,298
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A-B)	213,221,799	(9,898,707)
C - FINANCIAL INCOME AND EXPENSES		
15) Investment income from unconsolidated subsidiaries	27,823	1,000
16) Other financial income: - from subsidiaries	41,445	32,430
- from parent company	5,032	1,278

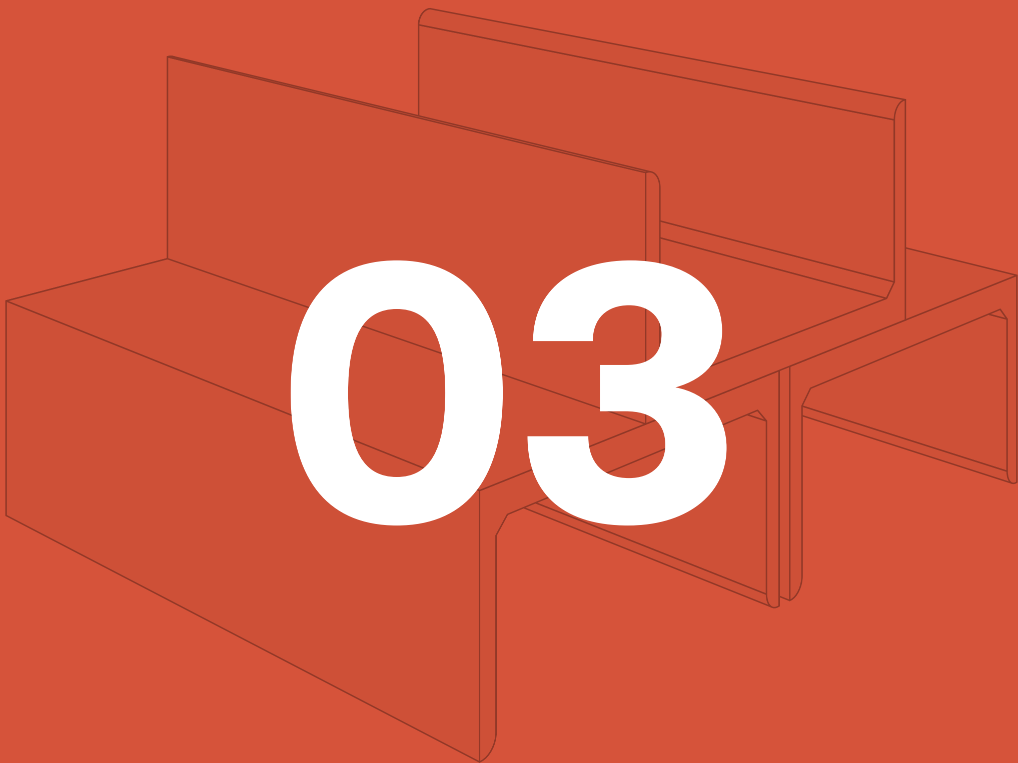
CONSOLIDATED INCOME STATEMENT (amounts in unit of Euro)	2021	2020
- from third parties	109,018	241,929
17) Interests and financial charges - from third parties	7,918,359	6,375,186
- from subsidiares company	1,572	437
- from parent company	1,243	0
17 bis) Profit (loss) on exchange rates	26,625	(501,820)
Total financial income and expenses	(7,711,231)	(6,600,806)
D - ADJUSTMENT TO FINANCIAL ASSETS		
18) Revaluations of		
b) financial fixed assets other than equity investments	381,107	0
19) Writedowns of		
a) equity investments	3,317,912	306,077
b) of derivative financial instruments	354,905	395,808
Total adjustment to financial assets	(3,291,710)	(701,885)
PROFIT (LOSS) BEFORE TAX	202,218,858	(17,201,398)
22) Income taxes		
a) current	42,291,622	2,522,990
b) deferred costs	(272,137)	(328,157)
c) deferred income	(339,948)	2,024,719
Total 22 - Taxes	41,679,537	4,219,552
23) Income (loss) for the year	160,539,321	(21,420,950)
Group net income (loss)	154,306,334	(19,060,001)
Minority interest	6,232,987	(2,360,949)

Consolidated Statements of Cash Flows for the Year ended December 31st, 2021 and 2020

CONSOLIDATED STATEMENTS OF CASH FLOWS (amounts in unit of Euro)	2021	2020
A. Cash flows from (used in) operating activities		
- Profit (loss) for the year	160,539,321	(21,420,950)
- Income taxes	41,679,537	4,219,552
- Interests income and charges, net	7,765,679	6,098,986
- Net gain (loss) on disposal of tangible fixed assets	802,541	(83,855)
1 Profit (loss) for the year after income taxes, interests, dividends and gains/losses for disposals	210,787,078	(11,186,267)
- Provisions	6,498,280	3,138,504
- Depreciation of tangible fixed assets	57,604,280	39,383,280
- Depreciations	3,133,368	914,550
- Other adjustments for non-cash items	557,449	975,946
Total adjustments for non-cash items	67,793,377	44,412,280
3 Cash flow before changes in net working capital	278,580,455	33,226,013
Changes in net working capital		
- (Increase) decrease in inventories	(185,234,117)	(20,299,112)
- (Increase) decrease in accounts receivables	(45,821,957)	391,430
- Increase (decrease) in trade payables	133,277,021	36,593,170
- (Increase) decrease in accrued incomes and prepaid expenses	(3,018,213)	196,046
- Increase (decrease) in accrued expenses and prepaid incomes	930,340	203,343
- Others changes in net working capital	4,746,278	6,180,743
Total changes in net working capital	(95,120,648)	23,265,620
3 Cash flow after changes in net working capital	183,459,807	56,491,634
Others adjustments		
- Interests received / (paid)	(6,405,878)	(6,319,986)
- Income tax payments	(6,644,086)	(394,546)
- Provision utilizations	(4,996,413)	(5,749,040)
Total amount of others adjustments	(18,046,377)	(12,463,572)
Cash flow from operating activities (A)	165,413,430	44,028,062
B. Cash flows from (used in) investment operations		
Tangible fixed assets		
Additions	(60,621,000)	(42,326,283)
Disposals	193,636	93,855
Intangible fixed assets		
Additions	(5,455,935)	(1,868,000)
Financial fixed assets		
Additions	(16,168,257)	(197,532)
Disposals	32,798	0
Others non- fixed financial assets		

CONSOLIDATED STATEMENTS OF CASH FLOWS (amounts in unit of Euro)	2021	2020
Additions	0	0
Disposals	0	0
Cash flows from (used in) investment operations (B)	(82,018,758)	(44,297,960)
C. Cash Flows from (used in) financial activities		
Third parties		
Increase (decrease) in short term bank debts	(19,819,840)	22,286,381
Loans granted	58,883,450	51,015,331
Loans grented to subsidiaries and to parent company	(334,379)	(495,735)
Loans reinboursed	(40,789,793)	(17,122,293)
Purchase of shares from minority shareholders	(1,250,000)	0
Share capital increase	16,000,000	1,000,000
Dividends	(4,817,126)	(96,938)
Cash Flows from (used in) financial activities (C)	7,872,312	56,586,746
Translation adjustment	(417,249)	237,690
Net increase (decrease) in liquid funds (A+/- B +/- C)	90,849,734	56,554,537
Liquid funds at beginning of the year	106,994,491	50,439,954
Liquid funds at end of the year	197,844,225	106,994,491


5



03

Consolidated Financial Statements as of December 31st, 2021

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, 2021 (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 153,214,900	78.78	---
Donalam Siderprodukte AG - Trading company		
Zurich (CH) – Share capital CHF 300,000	---	59.08
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
Sipro Beltrame AG – Trading company		
Zurich (CH) – Share capital CHF 300,000	50.00	---
Stahl Gerlafingen AG – Steel manufacturing company		
Gerlafingen (CH) – Share capital CHF 61,001,00	86.47	---

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 merger by incorporation of the subsidiary Nuova Ferrosider S.r.l. on October 1, 2021, with effect for accounting and tax purposes from January 1, 2021;
- the capital increase of the subsidiary Stahl Gerlafingen S.A. of Swiss Francs 11,001,000 through the subscription of 11,001 shares of which:
  - 2,750 by AFV S.p.A. through a payment of Euro 5,000 thousand;
  - 8,251 by Simest S.p.A. through a payment of Euro 15,000 thousand.
  - the purchase from the minority shareholder of a stake equal to 3.69% and subsequent capital increase by the latter of shares representing 2.63% of the share capital of the subsidiary Donalam S.r.l. for amounts respectively equal to Euro 1,250 thousand and Euro 1,000 thousand. Following the transaction, the share capital of the subsidiary changed from RON 148,265,800 to RON 153,214,900; the interest held by the Parent Company changed from 77.72% at the end of 2020 to 78.78% at the end of 2021.

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

Name	% Interest held	
	Direct	Indirect
Ferriera Sider Scal S.r.l. in liquidation – Steel manufacturing company		---
Vicenza – Share capital Euro 100,000	100.00	
Consorzio Valbel – Service company		---
Vicenza – Share capital Euro 70,000	14.28	
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		25.00
ZAC de Valenciennes (F) – Share capital Euro 200,000	---	

Compared to the previous year, the liquidation of the investment held in Immobiliare Siderurgica S.r.l has been completed. 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 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.

1

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, 2021, 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, 2021 and those reflected in the consolidated financial statements of the same date is detailed in the following table (in thousands of Euro):

	2021		2020	
	Shareholders' equity	**Result for the year**	**Shareholders' equity**	**Result for the year**
Statutory fin. st. of the Parent Company	477,711	90,221	391,193	9,025
Group's share of the adjusted Shareholders' equity of the consolidated companies	183,537	64,314	152,982	(28,036)
Carrying value of consolidated companies	(163,690)	---	(197,538)	---
Translation difference of the financial year	4,483	---	87	---
Intercompany profit	(229)	(229)	---	---
Dividend collected from the consolidated companies	---	---	---	(49)
Consolidated Group financial statements	501,812	154,306	346,724	(19,060)

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, 2020	1.0802	4.8683
Average exchange rate in the financial year 2021	1.0811	4.9215
Exchange rate as at December 31, 2021	1.0331	4.9490

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. Group companies periodically entrust a specialised company with the update of the estimated useful life 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	19	10
Generic plants	20	8
General and specific equipment	15	8

For assets existing at the reference date of the estimate, depreciation is calculated allocating residual value over residual life. For newly acquired assets, depreciation is calculated allocating historic cost over useful life.

For those categories of tangible fixed assets, which are not included in the study, the depreciation rates and criteria, which had previously been applied, remain 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 an update of the estimated value, useful life and residual life of the main technical fixed assets and of the main industrial buildings, limited to the Vicenza site where the majority of the company's fixed assets are located, 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 Parent 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 has been determined in line with the residual lives defined by the analysis quoted above.

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 not significant or if receivables are short term (i.e. with due date of less than 12 months). Receivables are stated at their estimated realisable value by means of an adequate allowance for doubtful accounts.

Securities reported in working capital

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

Accruals and Prepayments

The caption prepayments and accrued income details the revenues of the current financial year whose consideration is due in successive financial years, as well as those costs incurred before year-end but accrued in subsequent financial years. The caption accrued expenses and deferred income lists the costs of the financial year that are due in successive financial years and the revenues whose consideration is collected before year-end and 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.

Revenues and costs

Revenues from sales and costs from purchases 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.

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 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.

Recognition of greenhouse gas emission quotas

In the event of greenhouse gas emissions higher than those assigned free of charge to

2

the companies of the Group, the obligation arises to recognise the cost necessary to cover the debt with the National Authority under the item "Other operating expenses". The allocation is made at the market value of the emission quotas at the closing date of the financial year, under the item "Other payables" of the liability of balance sheet.
If the Group companies have previously purchased quotas in excess compared to those necessary to cover the higher emissions, the surplus of emission quotas purchased and not sold at the end of the year is recorded, at the purchase cost, under the item "Accruals and prepayments" of the Balance Sheet.
Any contingent assets or liabilities arising from the purchase or sale of the emission quotas after the end of the relevant year are recorded, respectively, under the items "Other Revenues" and "Other operating expenses" in the Income Statement.
Any residual quotas from previous years assigned free of charge, purchased quotas with a defined maturity and finally purchased quotas without a definite maturity are used in sequence, if the quotas assigned free of charge during the year are lower than the final emissions.

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 Comments on the Principal Items of the Balance Sheet

4.1 Immobilizzazioni immateriali

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

(in thousands of Euro)	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Goodwill	Underway	Other assets	Total
Balance as at December 31, 2019	887	---	---	847	1,313	3,047
Increases	15	20	14,965	476	923	16,399
Write-off capital losses	---	---	---	---	---	---
Translation differences	---	---	---	---	(5)	(5)
Reclassification and others	6	---	---	(31)	38	13
Amortisation	(383)	(1)	---	---	(483)	(867)
Balance as at December 31, 2020	525	19	14,965	1,292	1,786	18,587
Increases	185	---	---	924	6,941	8,050
Write-off capital losses	---	---	---	---	(115)	(115)
Translation differences	---	---	---	---	(1)	(1)
Reclassification and others	115	---	---	(709)	712	118
Amortisation	(355)	(1)	(2,993)	---	(2,065)	(5,414)
Depreciation	---	---	---	---	(60)	(60)
Balance as at December 31, 2021	470	18	11,972	1,507	7,198	21,165

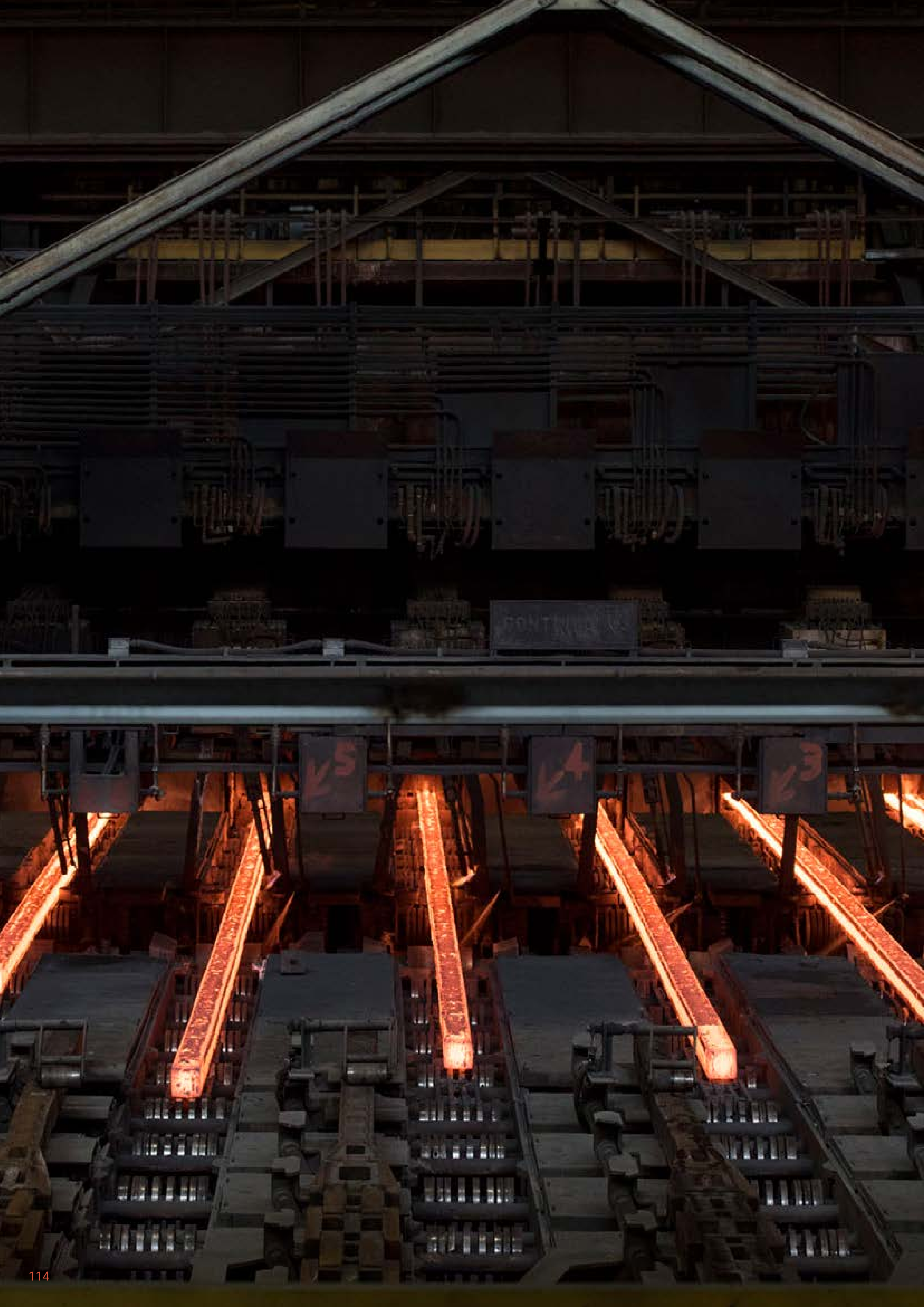
The increases for the current financial year are equal to Euro 8,050 thousand (Euro 16,399 thousand in 2020). The most significant interventions refer to:

- the purchase of the client portfolio of the company Feralpi Profilati Nave S.r.l. for Euro 6,300 (the portfolio is classified under "other assets" in the previous chart);
- the purchase and configuration of software linked to production, safety and financial management.

In the previous year, the most significant amount of Euro 14,965 thousand was attributable to the goodwill recognised for the first consolidation of the subsidiary Nuova Ferrosider Srl. No amortisation was set aside for this value as the acquisition was completed on December 29, 2020.

The amortisation of the intangible fixed assets in 2021 was Euro 5,414 thousand (Euro 867 thousand in the previous year). The prevalently used amortisation rate is 20%. The most significant values refer to the amortisation of:

- the goodwill recognised for the first consolidation of the subsidiary Nuova Ferrosider S.r.l. for Euro 2,993 thousand, then merged into the Parent;
- the client portfolio purchased from the company Feralpi Profilati Nave S.r.l. for Euro 1,260 thousand.



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 & commercial equipment	Assets transferable to others	Assets in progress and advances	Total
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 Dec. 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)	---
Revaluation	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
Revaluation	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 Dec. 31, 2020	161,205	244,593	21,177	3,515	30,854	461,344
Increases	4,755	29,271	5,156	856	22,785	62,823
Disposals and other changes, net	(3)	(532)	(84)	(8)	(402)	(1,029)
Classification to asset for initial operation / reclass.	2,206	21,856	672	497	(25,349)	(118)
Uses/allocations to allowance for bad debt	(365)	(188)	(49)	---	(171)	(773)
Reclassification of allowance for bad debt	---	---	---	---	649	649
Translation differences	832	3,304	356	(2)	259	4,749
Depreciation	(7,292)	(38,123)	(5,987)	(789)	---	(52,191)
Historical cost	332,738	1,131,614	76,777	17,095	37,196	1,595,420
Allocation of difference	51,351	35,990	---	---	---	87,341
Revaluation	17,890	46,424	1,949	51	---	66,314
Accumulated depreciation	(233,821)	(950,385)	(57,089)	(12,022)	---	(1,253,317)
Impairment provisions	(6,820)	(3,462)	(396)	(1,055)	(8,571)	(20,304)
Balance as at Dec. 31, 2021	161,338	260,181	21,241	4,069	28,625	475,454

In the previous financial year, as permitted by Italian Law Decree 104/2020, the Parent Company revalued and estimated the useful and residual life of the buildings, plants and machinery of the Vicenza site already present 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 revaluation, as required by the aforementioned Italian Law Decree, was defined after the recognition of the 2020 depreciation of the assets subject to revaluation and the higher depreciation amounts has been allocated starting from the 2021 financial year. Also in the year 2021, the useful lives were 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 14.5 million (Euro 14.6 million in the previous year), of which Euro 11.7 million referred to property (unchanged from the previous year).

Tangible fixed assets included assets under construction that, as at December 31, 2021, were equal to Euro 28,625 thousand (Euro 30,854 thousand in 2020). These fixed assets are classified in their pertinent categories when they start operating.

The 2021 investment in tangible fixed assets (including the assets, which were not already operational by the year end) amounted to Euro 62,823 thousand (Euro 48,785 thousand in 2020). 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 divestments made in the year in question are mostly related to production equipment and generally referable to assets for which the amortisation process was almost completed.

The book values of property, plant and production equipment were tested for impairment.

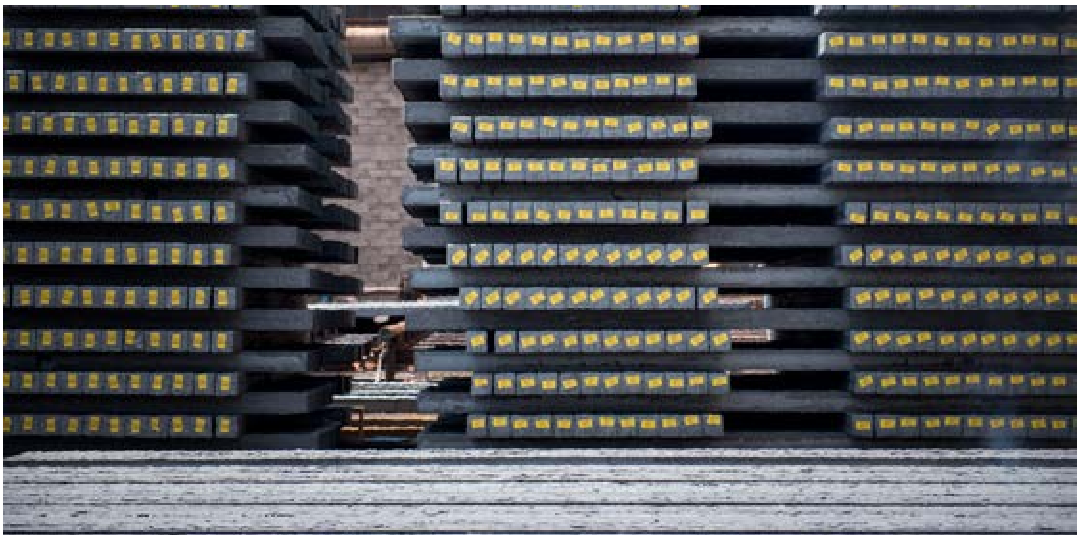
The recoverable amount was determined comparing the net book value of the assets with either the higher fair value derived from appraisals carried out by third party experts and valuations made by internal experts, and their values in use calculated according to the Discounted Cash Flow (DCF) method on the basis of the cash flows forecast for the period from 2022 to 2024.

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:


Crédits Photos © Atypix

	2021	2020
Terminal value growth rate	1.50%	1.00%
Discount rate	6.75%	4.56% - 5.74%

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 20,304 thousand (Euro 21,040 thousand in the previous year).
On August 6, 2020, a concession agreement with the right to purchase (rent to buy) was signed 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 2021 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.
The assets are not encumbered by mortgages.



4.3 Financial Assets

The carrying value of equity investments amounted to Euro 3,458 thousand (5,648 thousand in the previous year), and are referable to the companies:

Metal Interconnector S.c.p.A. – entry value Euro 3,447 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 S.c.p.A. - The company holds all the shares of Piemonte Savoia S.r.l. which has a "Italy-France" direct current interconnection between the Piossasco (IT) and Grande Ile (FR) nodes under construction 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. The work, also due to the COVID-19 pandemic, is still under construction and the deadline for placing in service has been postponed to November 9, 2022;

— Interconnector Energy Italia S.c.p.A. - The company holds all the shares of Monita Interconnector S.r.l. which has under construction 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 - 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) notified RESIA Interconnector S.r.l., the company set up specifically by Terna for the construction of the Italy-Austria interconnector; on September 3, 2021, 90 days after the notification, the assignees completed the purchase of the above-mentioned Special Purpose Vehicle and Terna completely left the corporate structure. The work is still under construction and the placing in service is expected for January 1, 2024.

The 2020 financial statements of Metal interconnector S.c.p.A. were approved by the Shareholders on July 28, 2021, and show a loss of a total amount of Euro 42,656,623. The result for the year is entirely attributable to the depreciation of the company shareholding in Interconnector Energy Italia S.c.p.A. which, in turn, depreciated the shareholding in Monita Interconnector S.r.l.. On December 31, 2021, the Parent Company adjusted the value of the investment in Metal Interconnector S.c.p.A. for the pro-rata value of the loss recorded by Monita Interconnector S.r.l. equal to Euro 2,185 thousand.

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 2020, 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.

Consorzio Valbel – entry value Euro 10,000

The Company's corporate purpose is:

- the study, coordination, development and organisation of the business activity phase relating to the natural gas supply also through the development and management of storage infrastructures of it and of all other goods and services necessary for the activities of the consortium members;
- services performed in favour of the National Electricity System such as for example the interruptibility service.

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

On May 11, 2021, an agreement was signed with a specialised company for the demolition of almost all the industrial buildings located within the Villadossola site. The works, which began in October of the year under review, will be completed by the end of 2022.

The negative result of the 2021 financial year takes into account the provisions recognised in the income statement for the financial year in question, for environmental costs and structural expenses envisaged for the 2022 and 2023 financial years.

The other receivables, recognised within the financial fixed assets for a total of Euro 12,836 thousand (Euro 10,064 thousand in 2020) include:

- shareholder loans disbursed by the Parent Company to its subsidiary Metal Interconnector S.c.p.A., non-interest bearing, for Euro 5,719 thousand (Euro 4,426 thousand in the previous year), which may be allocated, partially or entirely, according to the decisions of the Board of Directors, for the subscription in proportion to the shareholdings held by the latter, for capital increases, and / or for the disbursement of non-interest bearing loans;
- guarantee fund paid by the Parent Company against the commitment to finance the construction of electricity transport works for Euro 4,418 thousand (Euro 3,735 thousand in 2020). 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 1,481 thousand (Euro 1,306 thousand in 2020);
- a security deposit of Euro 506 thousand established by the subsidiary LME with a French bank in relation to the opposition raised by the company against a tax assessment, currently waiting for definition;
- a security deposit of Euro 348 thousand established by the subsidiary Stahl Gerlafingen AG with a Swiss bank in relation to customs operations (Euro 333 thousand in 2020).

The receivables are deemed to be entirely collectable.

4.4 Inventories

Inventories consist of the following:

(in thousands of Euro)	2021	2020
Finished products	266,925	169,424
Semi-finished products	108,018	43,004
Raw materials	42,602	19,891
Consumable materials	24,971	25,235
Ancillary materials	13,234	10,686
Plants and machineries held for sale	3,316	1,742
Total	459,066	269,982

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 24% in quantities while unit values increased by 27% (in 2020 compared to 2019, they increased by 9% in quantities and unit values increased by 4%)
- semi-finished products increased by 55% in quantities and by 62% in unit values (in 2020 compared to 2019, quantities increased by 4% while unit values decreased by 4%);
- raw materials increased by 33% in quantities and by 61% in unit value (in 2020 compared to 2019, quantities increased by 5% and the unit values increased by 11%).

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

- spare parts and equipments for Euro 6,658 thousand to take into account the technical obsolescence in some cases, and the lack of use in recent years in others;
- finished and semi-finished products for Euro 2,734 thousand. The adjustment was made to align the manufacturing cost to the corresponding market value (replacement cost for raw materials and net realisable value for finished goods and semi-finished products);
- plants destined for sale as not used in the sites owned by the company for Euro 886 thousand.

The finished and semi-finished products at the closing date of these financial statements are for a value of Euro 33,361 thousand on deposit at the company from which the Parent Company purchased the company Nuova Ferrosider Srl, incorporated on October 1, 2021, and which currently carries out tolling activities for the Parent Company. The Parent Company established a revolving pledge of Euro 18,783 thousand on some of their products on deposit, as a partial guarantee of the deferred instalments recorded under the item “Other Payables” in these Financial Statements, for the payment of the company Nuova Ferrosider S.r.l..

4.5 Trade Receivables

Trade receivables, net of allowance for bad debt, whose change is detailed below, moved from Euro 48,119 thousand in the previous financial year to Euro 94,324 thousand in 2021. The level of trade receivables increased mainly due to higher unit sales prices. More limited effects are attributable to the trend in deliveries recorded in the last quarter and their geographical distribution.

Trade receivables from customers include the amounts related to trade relations of the Parent Company with the subsidiary Consorzio Valbel for Euro 3,097 thousand (Euro 3,286 thousand in 2020).

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

(in thousands of Euro)	2021	2020
Opening balance	2,452	3,417
Allocations during the year	---	306
Amounts recovered from bankruptcy and other minor proceedings	11	28
Translation differences	9	(6)
Uses during the year	(16)	(1,293)
Closing balance	2,456	2,452

Please note that the Group companies have insurance contracts in place to cover risks deriving from insolvency on trade receivables and have their own structures dedicated to the management of this risk. As a result of these factors, the amount of insolvency relating to transactions carried out in recent years was not significant.

The receivables due within the next financial year, of which approximately 88% (86% in 2020) 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 mainly to technical and administrative services provided (unchanged from the previous year).

4.6 Receivables from Unconsolidated Associates and Subsidiaries

The amount of Euro 1,601 thousand (Euro 1,166 thousand in 2020) refers to values recorded in the financial statements of the Parent Company for relations occurred with its subsidiary Ferriera Sider Scal S.r.l. – in liquidation for:

— loans amounting to Euro 1,587 thousand (Euro 1,155 thousand in 2020);

— trade receivables of Euro 14 thousand (Euro 11 thousand in 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 2022, and refer to:

— loans disbursed under normal market conditions and repayable on demand for Euro 90 thousand (Euro 188 thousand in the previous year). The loan agreement provides for full repayment of principal and interest by 30 June 2022;

— administrative services and interest accrued on the above loan of Euro 26 thousand (Euro 10 thousand in 2020).

4.8 Tax Receivables

Tax receivables amounted to Euro 7,438 thousand (Euro 6,810 thousand in 2020). The most significant amounts refer to:

— VAT for Euro 4,380 thousand (Euro 2,312 thousand in 2020);

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

— tax receivables for investments in capital goods recorded in the Parent Company's financial statements for Euro 899 thousand. The receivables, which arose in 2020 and 2021 following the emanation:

- of Law 160/2019 for Euro 120 thousand in 2020 and Euro 573 thousand in 2021, used in 2021 for a limited amount of Euro 24 thousand;
- of Law 178/2020 for Euro 230 thousand in 2021, usable from 2022.

— VAT credit of Euro 467 thousand (Euro 490 thousand in the previous year) recognised by the Parent Company for insolvency proceedings for which, at the end of the year, the procedure envisaged by current tax regulations for the recovery in monthly VAT payment had not been completed.

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4.9 Deferred Tax Assets

Deferred tax assets, recorded at Euro 12,830 thousand (Euro 13,235 thousand in 2020), derived from temporary differences on taxable income and tax losses. The breakdown is analysed in the following table.

(in thousands of Euro)	Initial amount	2021 Reab-sorptions	2021 Increases	Final balance
Write-down of non-deductible assets and materials	5,701	(366)	429	5,764
Prepaid taxes on goodwill redemption	2,394	(479)	---	1,915
Valuation of the tax loss	2,128	---	---	2,128
Allocations to provisions for risks and charges	1,405	(305)	486	1,586
Valuation of derivative instruments	688	(358)	---	330
Adjustment of the book value of the inventory	566	(566)	589	589
Amortisation/depreciation deductible in subsequent years	179	(3)	96	272
Write-down of taxed receivables	145	(59)	---	86
Membership and other unpaid contributions	19	(19)	28	28
Unrealised exchange rate adjustment	10	(10)	7	7
Credit for taxes paid abroad	---	---	125	125
Total	13,235	(2,165)	1,760	12,830

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 valuation of tax losses, entirely attributable to the subsidiary LME, are recognised in the presence of a reasonable certainty of obtaining taxable income in the future that will be able to absorb them within the period envisaged by tax regulation.
Deferred tax assets, recognised for Euro 1,915 thousand against the redemption of the goodwill generated by the merger of Nuova Ferrosider S.r.l., relate to the cost incurred in the year (substitute tax), the benefits of which will be recognised by the company only in the future financial years (starting from 2023) through the tax deductibility of the residual goodwill amortisation.

4.10 Other Receivables

Other receivables include the following:

(in thousands of Euro)	2021	2020
Grants and refunds to be received on electricity consumption	5,442	7,043
Insurance reimbursements to be received	2,325	9
Receivables from social security and employees	796	790
Advances to suppliers	171	161
Others	115	232
Total	8,849	8,235

The grants to be received on electricity consumption, recognised in the financial statements of the subsidiaries LME and Stahl Gerlafingen, are recognised by their respective national authorities.

Insurance reimbursements to be received refer to:

- Euro 2,200 thousand for the reimbursement of damages caused by a radioactive anomaly found at the production site of the subsidiary LME. The event is described in more detail in the Report on Operations;
- Euro 122 thousand for the partial repayment expected against an insurance premium paid by the Parent Company recognised by the insurance company, to adjust the premium paid, in consideration of the low claims recorded in the year for losses on trade receivables.

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 refunds of excise duties.

4

4.11 Liquid Funds

The amount recognised of Euro 197,844 thousand (Euro 106,994 thousand in 2020) derives mostly from funds in the current accounts and, for the remaining part, from the cash on hand of the companies as at the end of the respective financial years.

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

The change in available funds is analysed in the cash flow statement reported at the end of this document.

4.12 Prepayments and Accrued Income

The amount recognised of Euro 7,072 thousand (Euro 4,507 thousand in 2020), refers principally to:

- Euro 5,681 thousand (Euro 3,309 thousand in the previous year) which represent the valuation using the criterion of the cost incurred by the Parent Company and its subsidiaries Stahl Gerlafingen AG and LME for the purchase of greenhouse gas emission quotas, available to the companies at the end of the year, freely tradable in the market. The valuation at market prices at the end of the year is significantly higher than the book value;
- Euro 677 thousand (Euro 334 thousand in 2020) for software licences pertaining to the following year;
- Euro 196 thousand (Euro 106 thousand in 2020) for interest to the Parent Company's customers on advances for payables not due until after the reporting date;
- Euro 103 thousand (Euro 402 thousand in the previous year) for accessory charges incurred for loans obtained in 2019 by the Parent Company.

4.13 Shareholders' Equity

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

In the financial year of interest or in the prior one no equity reserves are "not distributable" in accordance with art. 2426, paragraph 5) of the Italian Civil Code.

Shareholders' equity includes deferred tax reserves for a total of Euro 74,953 thousand (Euro 75,051 thousand in the previous year), mainly deriving from revaluations present in the shareholders' equity of the Parent Company. If these reserves are distributed, they would be subjected to the payment of an adjustment surplus.

During the year in question, the Parent Company released equity reserves deriving from unrealised exchange gains of Euro 30 thousand. There are no restricted reserves pursuant to art. 2426, paragraph 5) of the Italian Civil Code.

(in thousands of Euro)	Share capital	Surplus share price reserve	Legal reserve	Other reserves	Reserve for cash flow hedging	Group profit (loss)	Consolidated Shareholders' equity	Minority interest	Shareholders' equity as at 31 December
Balance as at 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
Revaluation 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
Allocation of the profit for the year									
To reserve	—	—	451	(19,511)	—	19,060	—	—	—
To shareholders	—	—	—	—	—	—	—	—	—
Capital increase made by minority interest	—	—	—	—	—	—	—	16,000	16,000
Purchase of minority interest	—	—	—	—	—	—	—	(1,250)	(1,250)
Use of reserves for allocation of derivatives	—	—	—	—	1,112	—	1,112	—	1,112
Distribution of reserves	—	—	—	(4,817)	—	—	(4,817)	—	(4,817)
Reclassifications, translation difference and others	—	—	—	4,487	—	—	4,487	25	4,512
Profit (loss) for the year	—	—	—	—	—	154,306	154,306	6,233	160,539
Balance as at December 31, 2021	113,190	4,015	18,670	212,676	(1,045)	154,306	501,812	38,198	540,010

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

In the year 2020, following the revaluation 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 redemption of the reassessed values. The changes in shareholders' equity are set out in detail in the previous table. In the year in question, following the sale of some assets revalued before the expiry of the holding period established in three years, the revaluation reserve was decreased with the credit of the reserve of origin of Euro 98 thousand.

4.14 Deferred Tax Liabilities

Deferred tax liabilities amounted to Euro 11,617 thousand (Euro 11,803 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 229 thousand (Euro 411 thousand in the previous financial year).

The breakdown is analysed in the following table.

(in thousands of Euro)	Rate	Initial amount	2021 Reabsorptions	2021 Increases	Final balance
Deferred taxes on allocations not paid					
Capital gains in instalments	24.00%	11,387	---	---	11,387
Deferred taxes on accelerated amortisation	27.90%	411	(209)	27	229
on equity reserves exempted for IRES purposes	3.90%	5	(5)	---	---
Total		11,803	(214)	27	11,616

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

4.15 Other Provisions

The breakdown of this item is as follows:

(in thousands of Euro)	2020	Allocations	Uses	Trans. Diff.	2021
Provision for environmental charges	4,460	2,618	(849)	87	6,316
Provision for risks and future charges	4,134	837	(984)	---	3,987
Derivative liabilities	3,231	---	(1,856)	---	1,375
Provision for restructuring					
Retirement provision	1,099	699	(1,096)	---	702
Provision for tax litigation	1,003	500	(163)	---	1,340
Provision for adj. of value of equity	800	---	---	---	800
investments	560	1,133	---	---	1,693
Total	15,287	5,787	(4,948)	87	16,213

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. The allocation includes the charge estimated for the treatment of by-products from the production process of the Parent Company and of the subsidiary Stahl Gerlafingen AG.

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).

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 subsidiary Laminoirs du Ruau S.A. will have to incur for interventions mainly aimed at the shutdown of the Ruau production site.

The retirement provision is allocated by the Parent Company:

— for the allowance due to the agents who collaborate with the company, in compliance with the “Accordo Economico Collettivo” (general labour agreement);

— in favour of the members of the Board of Directors.

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

The provision for the adjustments to the carrying value of equity investments was allocated by the Parent Company during the year 2018 and increased in the current year 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 mainly derives from the allocation of provisions and costs incurred for the decontamination of the subsidiary’s site and the low amount of structural expenses anticipated over the period for these initiatives.

4.16 Personnel and Severance Indemnity

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

(in thousands of Euro)	2021	2020
Opening balance	15,163	16,126
Allocations during the year	711	403
Translation differences	48	5
Uses during the year	(1,255)	(1,371)
Closing balance	14,667	15,163

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 8,923 thousand to the subsidiary LME S.A. (Euro 9,005 thousand in 2020);
- Euro 4,553 thousand to the Parent Company (Euro 5,092 thousand in 2020);
- Euro 1,103 thousand to the subsidiary Stahl Gerlafingen A.G. (Euro 1,037 thousand in 2020);

With regard to the subsidiary LME S.A., the most significant amounts refer to the IRUS fund of Euro 4,263 thousand (Euro 4,675 thousand in the previous year) relating to employees as at 31 December 1989, who benefit, upon retirement, from a supplement to the pension paid to other retirees, and a fund for category employee severance indemnity, amounting to Euro 3,357 thousand (Euro 3,085 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
31 December 2020	1,576	500	38
2021 average number	1,637	522	38
31 December 2021	1,678	542	38

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4.17 Payables to Banks

Payables to banks totalled Euro 156,067 thousand (Euro 153,774 thousand in 2020) and include the use of the following technical loan forms:

(in thousands of Euro)	2021	2020
Bank overdraft facilities, having effect on the single portfolio and short-term financing account	3,962	23,791
Medium and long-term loans – due within the following financial year	32,817	14,306
Total short-term payables to banks	36,779	38,097
Medium and long-term loans – due beyond the following financial year	119,288	115,677
Total payables to banks	156,067	153,774

Medium and long-term loans, including the short-term part, amounted to Euro 152,105 thousand (Euro 129,983 thousand in 2020).

The Parent Company:

in September 2019, it 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 paid in June 2020;

— a bullet line for Euro 50 million;

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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;

— an RCF line for EUR 30 million, expiring on 27 September 2022;

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

The first request for disbursement was in April 2020 for Euro 19.3 million, and the second on 27 September 2021 for Euro 30.7 million. The repayment plan envisages the first instalment on 31 March 2022 and the last instalment on 27 September 2025.

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

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 1,820 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 31 December 2021	Balance as at 31 December 2020	Change in cash flows
Disbursement date	2019 - 2021	2019 - 2021	
Interest rate	variable	variable	
Payment of interest	half-year	half-year	
Residual loans from the previous year	129,983	119,929	
Loans received	35,699	24,162	
Residual loans for the current year	152,105	129,983	
2020 reimbursements	13,187	13,187	---
2021 reimbursements	14,178	14,306	128
Amortised cost accrued in 2021	(601)	---	601
2022 reimbursements	32,817	23,760	(9,057)
2023 reimbursements	27,270	18,538	(8,732)
2024 reimbursements	27,454	18,701	(8,753)
2025 reimbursements	63,453	54,678	(8,775)
2026 reimbursements	1,111	---	(1,111)

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

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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 widely fulfilled as at 31 December 2021. As regards credit lines, the Parent Company signed the interest rate risk hedging contracts (Interest Rate Swaps) listed below (in thousands of Euro):

Effective date	Maturity date	Original notional	Notional as at 31 Dec. 2021	Estimated market value (Euro/1000)
09/30/2019	09/27/2024	26,250	15,750	(180)
09/30/2019	09/27/2025	18,750	18,750	(369)
09/30/2019	09/27/2024	26,250	15,750	(180)
09/30/2019	09/27/2025	18,750	18,750	(365)
09/30/2017	03/09/2024	5,107	1,964	(31)
09/29/2017	03/11/2024	1,520	1,520	(30)
09/29/2017	03/11/2024	2,071	796	(10)
03/29/2018	03/11/2024	8,571	3,571	(40)
04/30/2020	09/29/2025	7,238	7,238	(19)
04/30/2020	09/29/2025	7,238	7,238	(19)
04/30/2020	09/29/2025	1,544	1,544	(6)
04/30/2020	09/29/2025	965	965	(3)
04/30/2020	09/29/2025	1,448	1,448	(4)
04/30/2020	09/29/2025	868	869	(2)
03/31/2022	09/29/2025	11,282	11,282	(48)
03/31/2022	09/29/2025	10,073	10,073	(46)
03/31/2022	09/29/2025	2,149	2,149	(9)
03/31/2022	09/29/2025	1,343	1,343	(5)
03/31/2022	09/29/2025	2,015	2,015	(9)
Total		153,432	123,015	(1,375)

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

4.18 Payables to other Lenders

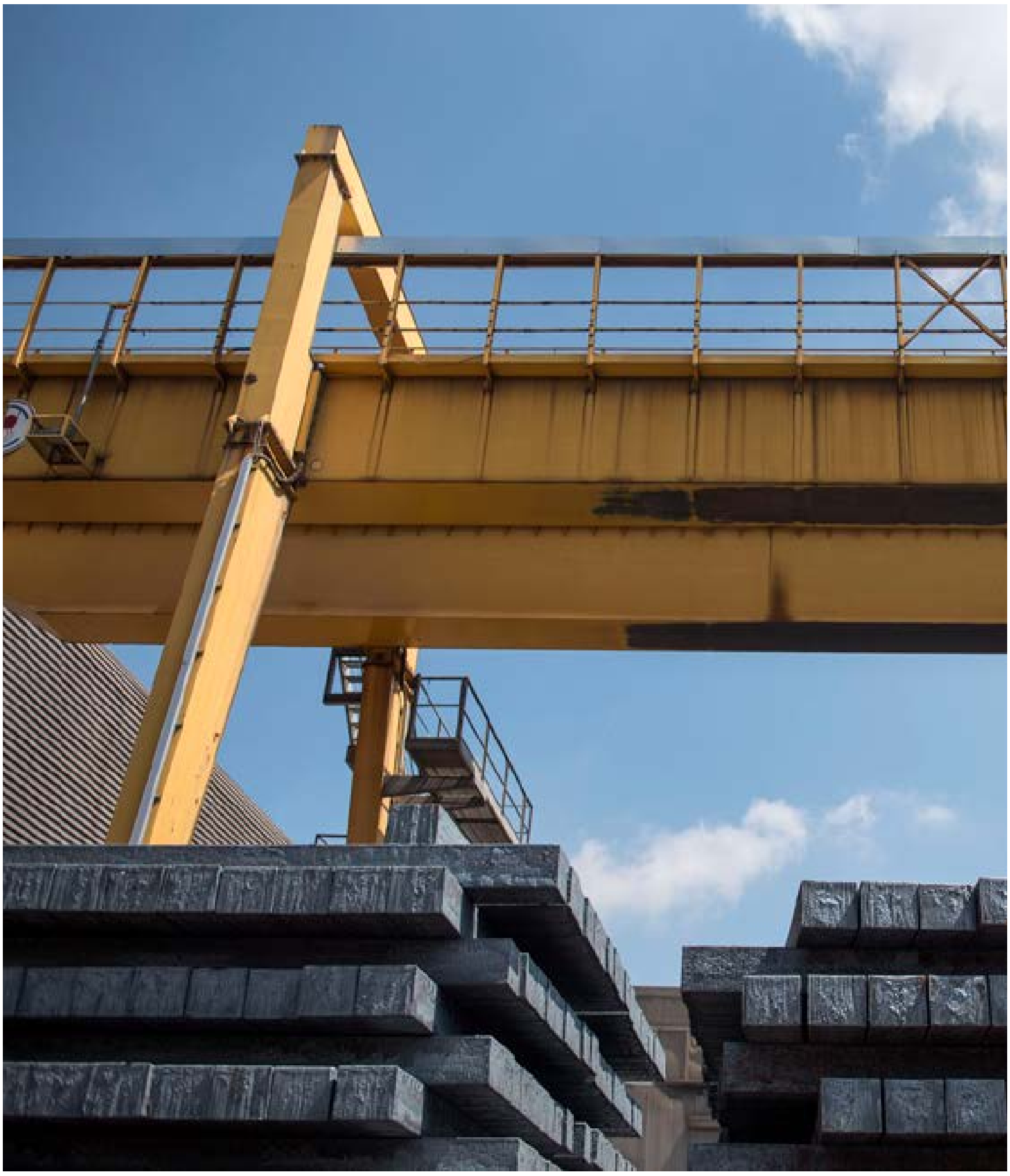
The amount of Euro 24,604 thousand (Euro 28,031 thousand in 2020) refers mainly to:

- a short-term loan disbursed on 27 December 2021 by Cassa Depositi e Prestiti for Euro 20 million with a duration of 12 months The loan in the financial statements of the previous year, disbursed by the same entity for the amount of Euro 25 million was repaid in a lump sum on 15 December 2021 as contractually envisaged;
- residual payments due to the acquisition of technical fixed assets for Euro 4,023 made by the Stahl Gerlafingen AG

subsidiaries through financial leasing agreements and accounted for using the financial method (Euro 2,861 thousand in 2020).

4.19 Advances

The current financial statements recognised Euro 651 thousand (Euro 829 thousand in the previous year) entirely referable to the Parent Company against deliveries of products, which the company will carry out in the initial months of 2022 and for which sale prices have been set.



4.20 Trade Payables

Trade payables amounted to Euro 435,767 thousand (Euro 293,648 thousand in 2020), Euro 4,880 thousand due beyond 2022. The majority is represented by suppliers of raw materials, strongly increased during the year in relation to the increase in unit values.
The amount included payables for Euro 17 thousand (Euro 7 thousand in the previous year) from the investee Consorzio Valbel.

The item included trade payables of Euro 76,227 thousand (Euro 40,593 thousand in 2020) to suppliers not located within the European Union. Most of the amount refers to the trade payables recognised in the financial statements of the subsidiary Stahl Gerlafingen AG.

4.21 Payables to Subsidiaries

Payables to subsidiaries of Euro 35 thousand derive almost entirely from the sale of assets, under normal market conditions, carried out by Ferreira Sider Scal S.r.l. – in liquidation – to the Parent Company.

4.22 Payables Parent Company

The payable of Euro one thousand is recognised against interest accrued on transactions recognised as part of the National Consolidated Tax System.

4.23 Tax Payables and Tax Exposure

The breakdown of this item is as follows:

(in thousands of Euro)	2021	2020
Parent company for IRES payable from tax consolidation	30,605	---
Income taxes	6,376	1,732
Value Added Tax (VAT)	5,881	2,303
Substitute tax	3,243	4,387
Withholdings on employees and self-employed contractors	1,880	1,731
Property taxes	414	1,630
Tax on salaries	119	226
Other	938	165
Total	49,456	12,174

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 to the Group tax consolidation scheme.

The payable for IRES, recognised by the Parent Company to its parent company for Euro 30,605 thousand, refers to the provision made against the final taxable income for the year 2021. The allocation to the item originates from the Parent Company Beltrame Holding S.p.A.'s participation in the National Consolidated Taxation System. In the previous year, no payable was recorded as the advances paid were sufficient to cover the final liability.

Additional income taxes refer to:

- Euro 4,838 thousand for IRAP payable by the Parent Company. There were no payables recorded in the previous financial year as the advances paid were sufficient to cover the final liability;
- Euro 1,302 thousand for income taxes recognised by the subsidiary LME.

The payable for substitute tax, recognised in the financial statements of the Parent Company, refers to the redemption of:

- the goodwill recognised upon cancellation of the equity investment in Nuova Ferrosider S.r.l.. The transaction, described in the Management Report, is also mentioned in points 3.1 and 3.3 above. The residual debt is Euro 1,915 thousand;
- the revaluation of company assets, allocated in the previous year for Euro 1,992 thousand, reduced by Euro 664 thousand following the payment of the first of three annual instalments due. The transaction is also described in point 4.2 above.

Payables due to the Inland Revenue Office for VAT for Euro 5,881 thousand refer for Euro 4,239 to the Parent Company and derive from the liquidation related to the month of December 2021. A further Euro 1,642 thousand relates to the subsidiary Donalam Siderprodukte A.G.

The payable for amounts withheld on employee wages refers to the Parent Company for Euro 1,551 thousand.

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

— the Parent Company is in the process of defining reliefs and requests for supplementary documentation received from the Tax Authorities. Considering the modest extent of these issues, the Company intends to provide all the requested information and if necessary define the positions using a tax assessment settlement;

— the subsidiary Donalam S.r.l., following an audit started in 2019, received some challenges. Part of the objections were subject to appeals, while in other cases the tax losses were adjusted, however, the related tax benefit was not recorded in the financial statements. The cost incurred to date is not significant;

— the subsidiary LME S.A. following a tax audit, received some challenges currently being finalised. The company is investigating the issues identified and, to date, has not made any provision. It should be recalled that in connection with the objections formulated to the company, the French tax authorities were asked to set up an escrow deposit already highlighted in section 4.3.

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.

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4.24 Social Security Payables

Social security payables decreased from Euro 7,847 thousand to Euro 6,976 thousand. The amounts reported include receivables that the Group companies hold against the respective Social Security Institutes for advances paid to employees.

4.25 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:

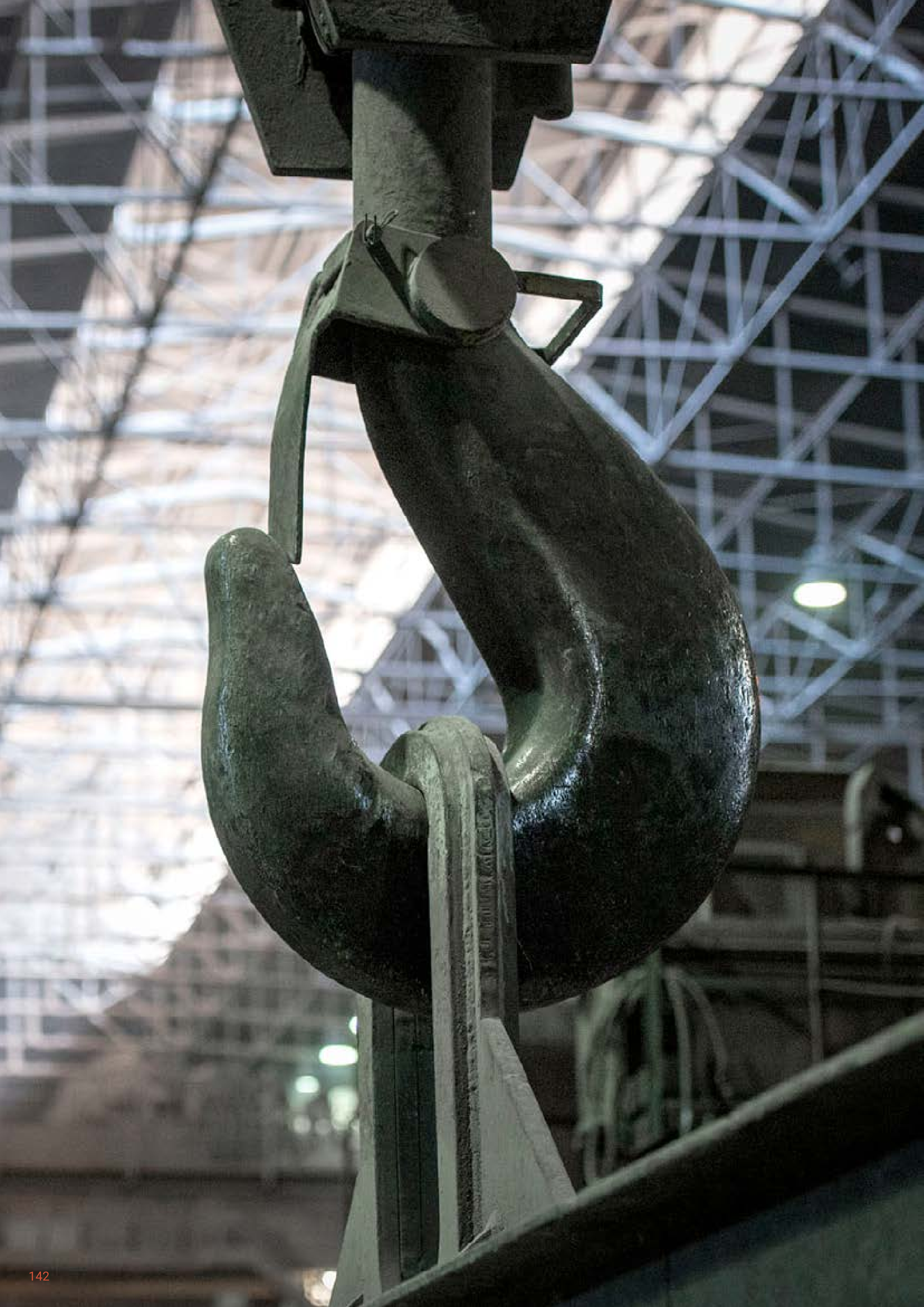
(in thousands of Euro)	2021	2020
Payable deriving from the acquisition of the company Nuova Ferrosider S.r.l. – Discounted value	27,513	40,418
Due to employees, Directors and withholdings for the supplementary severance fund for employees	13,162	8,346
Advances on property leases	755	200
Insurance premium balance	295	194
Amounts received as collateral for third-party obligations	---	200
Others	44	33
Total	41,769	49,391

The payable deriving from the acquisition of the company Nuova Ferrosider S.r.l., recorded in the Parent Company's financial statements, was measured using the amortised cost criterion for Euro 27,513 thousand (of which 21,220 expiring after the following year). The initial nominal amount of Euro 42,193 thousand was:

- reduced in the previous year by Euro 1,775 thousand and increased by Euro 506 thousand in the current year, following the recognition of values according to the amortised cost method;
- reduced in the year under review following the payment of two instalments for a total of Euro 13,411 thousand. The additional seven annual instalments for a total of Euro 27,513 thousand will be paid by 31 December 2029.

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.

Advances on property sales refer to sites owned by the Parent Company for which preliminary sales agreements were signed and advances collected.



4.26 Accrued Expenses and Deferred Income

Accrued expenses and deferred income consist of the following:

(in thousands of Euro)	2021	2020
Deferred income on grants for capital expenditure	3,234	2,076
Accrued interest on financing	788	733
Differential accrued on hedging transactions	197	208
Other	---	9
Total	4,219	3,026

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".

5 Comments On The Principal Items Of The Income Statement

Comments on the economic environment and Beltrame Group operations as well as comparison between the current financial year figures against the previous one are made in the "Report on Operations". Particularly significant effects are related to the increase in prices of the generality of raw materials and more modest than in the previous year due to the Covid-19 health emergency.

5.1 Revenues From Sales And Services

The apportionment of revenues is summarised in the table below:

(in thousands of Euro)	2021	2020
Merchant Bars	1,167,021	587,472
Ribbed round bars for construction industries	426,634	282,058
Special steel rods	80,724	67,295
Semi-finished products	46,155	32,924
Wire rod	3,648	---
Processing residues	2,954	698
Other	833	382
Total	1,727,969	970,829

The Report on Operations provides broader disclosure on the reference market.
The change in product sales revenues is due to an approximately 19% increase in volumes compared to the previous financial year and a 67% increase in unit prices.
The sales of semi-finished products carried out by the Parent Company and by the subsidiary LME are mainly carried out for the purpose of increasing the level of production of the respective steel production departments.
It should be highlighted that in the 2021 financial year, 74% of revenues were generated from sales in EU countries (69% 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 159,741 thousand (decrease of Euro 16,297 thousand in 2020). The analysis of the change is illustrated in point 4.4 above.

5

5.3 Increases In Internally Manufactured Fixed Assets

The recorded amount, equal to Euro 3,500 thousand (Euro 2,891 thousand in 2020), 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)	2021	2020
Current year grants	2,750	3,574
Third parties due to lower processing yields	2,738	---
Compensation and various reimbursements	2,542	616
Rental income	493	362
Reimbursements on electricity consumption	332	208
Grants on investments	253	---
Non-recurring income	224	254
Capital gains on assets disposal	113	84
Use of provisions	69	468
Services rendered by employees	61	132
Cash flow hedging	---	60
Other	268	372
Total	9,843	6,130

Current year grants amounted to Euro 2,750 thousand (Euro 3,574 thousand in 2020), with Euro 2,252 thousand referred to contributions granted to the subsidiary LME S.A. in relation to greenhouse gas emissions (Euro 3,121 thousand in the previous year).
The reimbursements received from third parties recorded for Euro 2,738 thousand mainly refer to minor returns on processing of semi-finished goods into finished products commissioned by the Parent Company to third parties.
Compensation and other reimbursements recorded for Euro 2,542 thousand refer to the insurance reimbursement expected for Euro 2,200 thousand for the direct costs deriving from the radioactive anomaly recorded in the production site of the subsidiary LME, already mentioned in the previous point 4.10.
Rental income are mainly recorded in the financial statements of the Parent Company and of the subsidiary Stahl Gerlafingen AG and refer, for the Parent Company, to properties at the sites of Marghera and San Giovanni Valdarno and, for the Subsidiary, to properties not used for its own activities.
Tax credits recognised by the Parent Company for Euro 253 thousand on investments are mainly recognised against new subsidised capital goods following the

enactment of Laws 160/2019 and 178/2020 or for which compliance has been certified with respect to the requirements established by the regulations relating to transformation processes defined by the national Industry 4.0 plan.

Non-recurring income mainly refers to the definition of positions related to supply relationships.

Revenues for the provision of administrative services mainly refer to the charge to the Holding Company, to non-consolidated subsidiaries and to associates, of professional activities carried out by employees of the Parent Company.

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)	2021	2020
Raw materials	948,360	486,230
Semi-finished products	128,073	56,522
Ancillary materials	77,241	66,809
Consumables and maintenance materials	23,426	17,787
Products	2,791	9,327
Packaging	1,083	552
Total	1,180,974	637,227

The purchase volumes of raw materials increased by 16% with respect to those recorded in the previous year, while unit prices increased by 68%.
The purchase of semi-finished products originated from the transformation of semi-finished products into finished products commissioned to a leading Italian steel producer.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5.6 Services

Details of the principal items are listed below:

(in thousands of Euro)	2021	2020
Electricity and methane	158,997	91,240
Logistics	57,158	41,636
Maintenance charges	29,822	24,863
Charges for the disposal of production by-products and other environmental costs	14,442	9,322
Processing of semi-finished goods through third parties	11,865	---
Legal, technical, administrative and IT charges	6,620	3,666
Directors and Statutory Auditors compensation	3,755	3,480
Insurance	3,705	2,790
Production outsourcing	2,836	1,663
Sales and purchase commissions	2,783	2,336
Bank charges	1,873	1,255
Employee training costs	1,717	1,123
Canteen	1,076	856
Security	1,044	1,097
Travel expenses	982	691
Warehouse handling services	655	405
Advertising	655	323
Cleaning expenses	648	574
Phone and post expenses	467	781
Audit	316	278
Other	7,698	5,872
Total	309,114	194,251

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 and methane gas costs, recognised over the year, have significantly increased compared to those reported in the previous year due to increase in the price of petroleum products recorded in the year (54%) and the increased quantities used (13%).

Logistics costs refer mostly to the sale of finished and semi-finished products.

The change in logistics costs is primarily related to:

- the changes resulting from the transformation of semi-finished goods into finished products described in the previous paragraph;
- the increase in the volumes of sales of finished products.

The other logistics costs refer to movements of materials among the various production sites of the Parent Company and other minor sites.

Maintenance activity is derived from planned systematic checks for ensuring the maintenance of efficiency levels of structures, plants and machinery present at the Group's production sites. The activity is generally carried out through preventive maintenance work, based on predetermined schedules.

Charges for the disposal of production by-products are incurred mainly in steel production sites. During the melting process, some waste materials are reusable (only the iron part after a mechanical screening process can be sent for melting once again) and others are moved to authorised landfills.

Other environmental costs are mainly connected to activities which allow for the reutilisation of by-products.

Third-party processing refers to the transformation of semi-finished products into finished products commissioned by the company to a leading national steel producer.

5.7 Leases And Rental Costs

Lease and rental costs totalling Euro 5,575 thousand (Euro 5,329 thousand in 2020), 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 149,006 thousand (Euro 127,453 thousand in 2020). The increase is mainly due to the higher number of hours worked in the year in question compared to the previous one when, due to the COVID-19 emergency some plant shutdowns were necessary, to remuneration elements linked to company performance and to the usual remuneration trend.

5.9 Amortisation, Depreciation And Write-Downs

Amortisation of intangible fixed assets.
The amount allocated in the financial year came to Euro 5,414 thousand (Euro 867 thousand in 2020). The increase in values refers to Euro 4,253 thousand:

- the amortisation of Euro 2,993 thousand of the goodwill paid by the Parent Company at the time of the acquisition of the total equity investment in Nuova Ferrosider S.r.l. (incorporated during the year in question) for Euro 14,965 thousand;
- the amortisation of Euro 1,260 thousand of the customer portfolio acquired by the Parent Company from Feralpi Profilati Nave S.r.l. for Euro 6,300 thousand.

Depreciation of tangible fixed assets.
The amount was equal to Euro 52,191 thousand (Euro 38,516 thousand in 2020). The increase is mainly due to:

- higher amortisation accrued during the year as a result of the revaluation carried out by the Parent Company on buildings, plants and machinery at the Vicenza site;
- <the increase in investments made during the year.

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 833 thousand (Euro 608 thousand in the previous year), primarily referable to assets that are no longer used for production.

Write-down of current trade receivables.
During the year in question, also as a result of what was highlighted in point 4.5 above with reference to the credit risk management policy, no write-downs of current receivables were recognised. In the previous year, write-downs of receivables recorded for Euro 306 thousand referred entirely to the Parent Company.

5

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 23,919 thousand (decrease of Euro 4,003 thousand in 2020). The analysis of the change is illustrated in point 4.4 above.

5.11 Allocations For Risks

No provisions were made in 2021. In the previous year the allocation of Euro 66 thousand was made to take into account the negative effect of orders received by the subsidiary Stahl Gerlafingen AG with delivery in the year 2021.

5.12 Other Provisions

The amount recorded under the item other provisions of Euro 776 thousand refers to Euro 705 thousand for write-downs of assets, mainly plant and machinery classified under the item inventories, no longer in use, held for sale, carried out by the Parent Company. The amount recorded under the item other provisions in the previous year of Euro 17 thousand was attributable to disputes being settled.

5.13 Other Operating Expenses

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

(in thousands of Euro)	2021	2020
Property tax and other taxes	1,903	2,135
Capital loss derived from fixed assets disposal	1,395	---
Territorial economic contribution	1,246	1,067
Various taxes calculated on personnel costs	1,419	973
Use of greenhouse gas emission quotas	707	---
Other taxes	357	441
Association fees	231	295
Non-recurring loss on operating activities	286	171
Other	323	327
Total	7,867	5,409

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.

The capital loss from the sale of assets is attributable for Euro 807 thousand to equipment owned by the incorporated company Nuova Ferrosider S.r.l. that cannot be used at the Parent Company's production sites.

The use of Co2 quotas, valued at Euro 707 thousand, derives from the final calculation of the emissions for the year that were higher than the free allocations received.

5.14 Financial Income

Income from equity investments, recognised during the year for Euro 28 thousand (Euro one thousand in the previous year), refers entirely to the capital gain realised by the Parent Company at the time of liquidation of the investee Immobiliare Siderurgica S.r.l.

(in thousands of Euro)	2021	2020
Interest on loans granted to related parties	73	60
Interest on loans granted to subsidiaries, unconsolidated companies and ultimate parent company	46	34
Bank interest	20	7
Interest on tax to be refunded	---	175
Other	16	---
Total	155	276

Interest on loans granted to related companies refers to transactions carried out:

— by the subsidiaries Donalam Siderprodukte AG and Sipro Beltrame AG with the minority shareholder for Euro 73 thousand;

— by the Parent Company with its non-consolidated subsidiary Ferriera Sider Scal S.r.l. – in liquidation for Euro 38 thousand, with its parent company Beltrame Holding S.p.A. for Euro 5 thousand and with the investee Consorzio Valbel for Euro 3 thousand.

5

5.15 Interest And Other Financial Charges

Interest and other financial charges are classified as follows:

(in thousands of Euro)	2021	2020
Interest to customers for advance payments	2,667	1,630
Interest charges on medium and long-term loans	2,645	2,871
Charges on interest ratehedging instruments	811	726
Interest on receivables transferred without recourse	784	656
Amortised cost on purchase of equity investment	506	---
Financial charges on short-term bank loans	280	294
Other financial charges	228	199
Total	7,921	6,376

Interest on medium and long-term loans decreased due to the decrease in interest rates on loans and, to a more limited extent, to the decrease in average debt for the year compared to the previous year.
The recognition of the payable, recognised by the Parent Company using the amortised cost method, deriving from the acquisition of the company Nuova Ferrosider S.r.l., payable by 2029, entailed the recognition of financial expenses of Euro 506 thousand.

5.16 Gains And Losses On Exchange Rates

Gains and losses on exchange rates amounted to Euro 4,338 thousand and Euro 4,311 thousand, respectively (Euro 2,460 thousand and Euro 2,962 thousand in 2020).

5.17 Adjustments To Financial Assets

The amount of Euro 3,318 thousand recognised in the financial statements in question refers to the equity investments held in the companies Metal Interconnector S.c.p.A. for Euro 2,185 thousand and Ferreira Sider Scal S.r.l. – in liquidation for Euro 1,133 thousand. In the first case, the carrying amount was adjusted, in the second case, an amount of Euro 559 thousand was added to the provision for risks and charges already in place in the previous year. The amount of Euro 306 thousand recognised in the previous year refers to the equity investment held in the company Laminados Industriales S.A. As regards the reasons that led to the recognition of the write-downs, please refer to the previous note 4.3.
Write-downs and value reversals of derivative instruments were recognised during the year for Euro 355 thousand and Euro 381 thousand respectively.

5.18 Income Taxes

Current taxes, debited to the income statement, amounted to Euro 42,291 thousand (Euro 2,523 thousand in 2020) and refer mainly to IRES and IRAP accounted for in the financial statements of the Parent Company respectively at Euro 31,454 thousand and Euro 5,632 thousand (Euro 2,022 thousand and Euro 461 thousand in 2020) and to income taxes allocated by the subsidiary LME for Euro 5,227 thousand.

Deferred tax assets, credited in the amount of Euro 272 thousand (credited in the amount of Euro 328 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, credited for Euro 340 thousand (charged for Euro 2,025 thousand in the previous year), derive mainly from utilisations, recognised by the Parent Company, 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)	2021	2020
Directors	3,543	3,372
Statutory Auditors	87	87
Auditing company for services provided to the Parent Company	132	113
Auditing company for the services provided to the companies within the scope of consolidation	102	103
Total	3,864	3,675

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

5.20 Commitments Not Reported In The Balance Sheet

For the acquisition of the company Nuova Ferrosider S.r.l., in relation to the deferred payment envisaged in the contract, the Parent Company issued a pledge in favour of the transferor on all the product inventories in the warehouse at Ospitaletto (BS) up to the value of Euro 18,783 thousand. In the previous year, the guarantee given consisted of a pledge on all the shares acquired. The change in the type of guarantee given derives from the incorporation of Nuova Ferrosider S.r.l. into the Parent Company, completed during the year in question.

While subscribing shares, in years 2016, 2017, 2020 and 2021, the Parent Company signed, with the minority shareholder of the subsidiary Donalam S.r.l., a put and call options agreement to acquire the minority interest. The exercise price of the option is connected to the market value of the equity investment at the same date; the agreement provides an indication of the cap and floor values. The minimum valuation at year end of the presumed value of the contractual commitment is equal to Euro 7,228 thousand, of which:

- Euro 2,500 thousand maturing on 31 July 2023 (capital contribution year 2016);
- Euro 2,500 thousand maturing on 30 June 2024 (capital contribution year 2017);
- Euro 1,228 thousand maturing on 31 October 2027 (capital contribution year 2020);
- Euro 1,000 thousand maturing on 11 November 2028 (capital contribution year 2021).

Upon signing the capital increase of the subsidiary Stahl Gerlafingen A.G., paid by SIMEST S.p.A. in the year in question and described in the previous point 4.3, the Parent Company agreed with the latter on the commitment of the parties for the purchase and sale of the interest held by this through put and call options.

The disbursement deriving from these options is linked to the current market value of the share itself at that date with an indication of a minimum and a maximum value. The minimum valuation at the closing date of the financial year of the presumed value of the contractual commitment is equal to Euro 15 million.

Moreover, we highlight the amount of Euro 6,204 thousand (Euro 4,640 thousand in 2020) 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 4.6, 4.7, 4.21, 4.22, 4.23 and 5.4, 5.14, 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 4.25.

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

5.22 Transparency Of Public Funding

With reference to the disposition pursuant to Art. 1, paragraph 125 and 125-bis, of Italian Law no.124 of August 4, 2017 - in the uncertainty of interpretation and application of the aforementioned regulatory provision, given the objective complexity of the matter and pending clarification from the competent authorities also in relation to the recent extensions of the provisions contained in the following paragraph 125-ter - the amounts and information relating to grants, subsidies, advantages, contributions or aid, in cash or in kind, not of a general nature and free of consideration, remuneration or compensation, actually paid (cash principle) to the Parent Company by public administrations in the two-year period 2020-2021, are shown in the following table.

Year	Granting Body	Type of grant	Amount
2020	Fondirigenti	Shaping the future - Beltrame Group Sustainability Project	15,000,00
2021	Region of Veneto	L2-GENDER EQUALITY: paths for the enhancement of	
		woman’s talent in the company	9,940,00
2021	CCIAA of Vicenza	CUOA MASTER – BUSINESS CULTURE 2021	3,500,00
2021	AVEPA	Advanced systems for waste recovery	2,002,64
2021	INPS	ANPAL training	17,921,41
2021	European Commission	Research and Innovation	
	Horizon 2020	Framework Programme	27,041,04
2021	CSEA	Energy-intensive systems before reform – Ministerial	
		Decree April 5, 2013	589,418,00
2021	CSEA	Energy-intensive systems before reform – Ministerial	
		Decree April 5, 2013	548,039,00

In addition, it should be noted that the Parent Company benefited - through the granting authority CSEA which is obliged to record in the National Registry of State Aid the subsidies granted, pursuant art. 9 of the MISE Decree of 21/12/2017 – from the aid in favour of companies with a high consumption of electricity (Energy-intensive Companies) which resulted in lower costs in the three-year period 2019-2021 to the extent indicated below:

— Financial year 2019 Euro 22,396,288.04
— Financial year 2020 Euro 16,903,862.46
— Financial year 2021 Euro 21,727,712.92

Some of the amounts listed above are recorded in the "National Registry of State Aid".

5.23 Significant Events After The Reporting Date

In February 2022, the main international experts reported for the current year an economic trend characterised by a continuous 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 2022 and 2023 of 4.0% and 2.4%, respectively.

The economic activity of the construction sector, after the 6.7% increase in 2021, should consolidate with an expected growth of 3.0% in 2022 and 1.2% in 2023.

Public and private investments are expected to make a significant contribution to the construction sector growth, mainly thanks to interventions in infrastructure projects as a counter-cyclical tool to remedy economic recessions and thanks to the support of public policies at EU level, whose effects should be seen to a large extent in 2022, although it is not easy to quantify them.

The mechanical engineering sector, after the significant rebound of 2021 (increase of 11.4%) should grow at a much more moderate pace in 2022 (increase of 3.4%) and in 2023 (increase of 2.1%). Manufacturing activity recovered rapidly, however in the last part of 2021, the combined effect of the persistence of the pandemic and the problems affecting the global supply chain weakened demand in the EU's main internal markets, and the outlook, albeit moderately positive on the whole, is expected to remain subject to uncertainty.

After a severe crisis in 2020 due to the pandemic, in 2021 the economic activity of the automotive sector grew by a modest 2.7%, with forecasts of a more robust recovery in 2022 (increase of 10.3%) and in 2023 (increase of 6%). The serious disruptions in the supply chain have begun to affect significantly the automotive industry starting from the third quarter of 2021 and are expected to persist until the second quarter of 2022.

User sectors	Share of con-sumption	Q1 22	Q2 22	Q3 22	Q4 22	Year 2022	Year 2023
Construction	35.0%	5.5%	3.2%	2.1%	1.3%	3.0%	1.2%
Automotive	18.0%	-3.3%	9.2%	21.9%	16.4%	10.3%	6.0%
Mechanical engineering	14.0%	3.6%	2.1%	3.2%	4.7%	3.4%	2.1%
Metal articles	14.0%	1.2%	2.4%	3.8%	4.5%	3.0%	-2.1%
Oil & Gas	13.0%	8.9%	0.7%	-10.0%	0.1%	2.1%	-1.5%
Appliances	3.0%	-3.2%	-0.6%	2.3%	0.3%	-0.4%	-0.3%
Other transports	2.0%	-0.6%	0.7%	-1.1%	0.1%	2.1%	-1.5%
Other	2.0%	2.4%	1.0%	2.7%	3.0%	2.3%	-7.1%
Total	**100.0%**	**2.5%**	**3.0%**	**5.4%**	**5.3%**	**4.0%**	**2.4%**

Source: Eurofer February 2022

The outbreak of the conflict in Ukraine has determined new factors of uncertainty connected to the geopolitical situation in Europe, which risk changing the scenario outlined at the beginning of February 2022. In particular, the continuity of supplies, and the prices of raw materials and energy resources keep on representing a serious risk to the world economy.

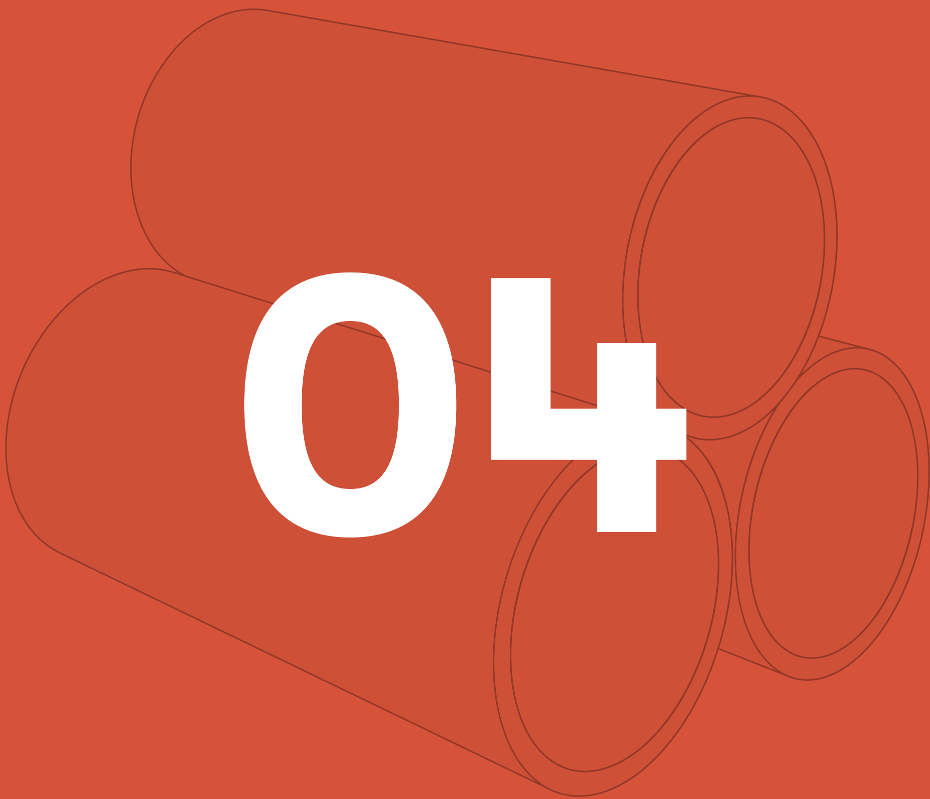
The war in Ukraine marks a turning point in European relations with Russia. In addition to the already existing uncertainties on commodity markets and in the energy sector, the effects of sanctions and possible countermeasures could have serious consequences for the world economy and for European markets. Volatility in financial and commodity markets will remain high at least in the first half of the year 2022.

The Beltrame Group is significantly affected by the increase in energy costs which represent one of the main outlay items. Despite this, in the first quarter of 2022, the Beltrame Group maintained a level of activity aligned with that of previous year and a high profitability.

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 as achievable for 2022 higher targets of profitability and cash flow generation compared to the pre-Covid period.

Vicenza – March 30, 2022

The Chairman of the Board of Directors
Antonio Beltrame



04

Independent Auditors' Report

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

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of AFV Acciaierie Beltrame Group (the "Group"), which comprise the consolidated balance sheet as at December 31, 2021, 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, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Italian law governing financial statements.

Basis for Opinion

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

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

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

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

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, 2021, 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, 2021 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, 2021 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 22, 2022

This independent auditor’s report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.