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Unternehmungen G.m.b.H.



PITTINI GROUP IN FIGURES

Values expressed in thousands of euro

	2018	% of sales	2017	% of sales	2016	% of sales	2015	% of sales	2014	% of sales
Revenues	1,545,862		1,330,250		1,027,935		898,035		952,486	
EBITDA	113,728	7.4%	86,061	6.5%	77,763	7.6%	46,584	5.2%	59,068	6.2%
EBIT	53,536	3.5%	33,925	2.6%	27,343	2.7%	11,668	1.3%	21,238	2.2%
Net interest expenses	2,511	0.2%	2,746	0.2%	5,251	0.5%	4,365	0.5%	14,153	1.5%
Net income, Group	37,493	2.4%	21,228	1.6%	11,185	1.1%	1,863	0.2%	3,186	0.3%
Shareholders' equity, Group	281,043		263,725		248,481		227,866		220,968	
R.O.E.	13.3%		8.0%		4.5%		0.8%		1.4%	
Total fixed assets	348,006		304,886		284,739		295,529		217,489	
Net financial position	(87,014)		(99,215)		(181,075)		(213,416)		(132,296)	
Net capital employed	371,001		365,270		431,859		443,430		355,845	
R.O.I.	14.4%		9.3%		6.3%		2.6%		6.0%	
Investments	95,227		49,775		32,526		22,225		40,243	
Employees	1,741		1,683		1,665		1,228		1,205	

In 2018, the growth of global economy slowed down at a rate of 3.6%. During the year, the economic scenario gradually worsened, first in emerging countries and then in many advanced economies.

The trade tensions between the United States and China created a high level of uncertainty at the global level. This adversely affected both investment expenditure and international trade, which significantly slowed down in the second half of the year, also owing to strong protectionist actions. Since the beginning of 2018, the worsening of trade relations led to general increase in tariffs. This increase was more significant in the United States, where it affected about 11% of total US imports. Some economies affected by new tariffs such as the European Union (UE) and China reacted and introduced, in turn, tariffs on imports from US markets, although they were more spread out in time and involved a smaller range of goods.

In 2018, the expansion of Italian economy gradually weakened and showed recession signs in the second half of the year. Growth globally amounted to 0.9%, a figure that is largely lower than expected due to the slowdown of export sales and weakening of domestic demand.

Globally speaking, the steel sector showed a growth of almost 5% over the previous year, even though China is growing at rates above the average and reached a share of 51%. Furthermore, the protectionist measures introduced by the United States provide for tariffs of 25% on steel products, thus distorting international trade.

In 2018, the strategic choices made by the Group together with a favourable international economic scenario enabled it to obtain an increase in sales volumes over the previous year. In particular, the integration of Acciaierie di Verona S.p.A., new products and further strengthening on some important foreign markets enabled the company to react to the structural crisis on its domestic market.

The revenues obtained in 2018 were euro 1,545.9 million (previous year: euro 1,330.3 million).

The Group EBITDA was euro 113.7 million with a percentage of revenues of 7.4% compared to euro 86.1 million in the previous year. EBIT was positive (about euro 53.5 million, i.e. 3.5% of revenues, against euro 33.9 million in the previous year). The Group net profit was euro 37.5 million.

In 2018, the Group invested more than euro 95 million in its plants. The net financial debt at 31 December 2018 globally stood at euro 87.0 million, which is an improvement compared with euro 99.2 million in the previous year.

The Chairman Federico Pittini

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FIN.FER. S.p.A.BOARD OF DIRECTORS

Federico Pittini Ottavino Di Filippo Vincenzo Chiari Chairman

Statuary Auditors

Standing Members:

Giuseppe Varisco Gianfranco Romanelli Michele Del Fabbro Chairman

Alternate Members: Gioele Muraro

Alberto Maria Camilotti

FIN.FER. S.p.A.

Zona Industriale – Rivoli – 33010 OSOPPO (Ud) Share capital amounting euro 50.000.000 - fully paid-up Registered with the Register of Companies of Udine, tax and VAT identification number 00490250305

DIRECTORS' REPORT ON 2018 CONSOLIDATED FINANCIAL STATEMENTS

In 2018, the growth of global economy did not meet the expectations of improvement and slowed down at a rate of 3.6%. During the year, the economic scenario gradually worsened, first in emerging countries and then in many advanced economies.

Some specific factors such as the trade tensions between the United States and China create a high level of uncertainty at the global level. This adversely affected both investment expenditure and international trade, which significantly slowed down in the second half of the year, also owing to strong protectionist actions. Since the beginning of 2018, the worsening of trade relations led to general increase in tariffs. This increase was more significant in the United States, where it affected about 11% of total US imports. Some economies affected by new tariffs such as the European Union (UE) and China reacted and introduced, in turn, tariffs on imports from US markets, although they were more spread out in time and involved a smaller range of goods.

In 2018, the expansion of Italian economy gradually weakened and showed recession signs in the second half of the year. Growth globally amounted to 0.9%, a figure that is largely lower than expected due to the slowdown of export sales and weakening of domestic demand. In the second half of the year, the economic slowdown mainly affected investments, namely those in capital goods, and to a lower extent household expenditure.

In general, the Italian domestic product is lower by more than five points than before the crisis with a wider gap in Southern Italy. Economic activity, and especially manufacturing activity, is still well below its potential.

The steel sector

In 2018, global steel production exceeded 1.8 billion tons with a growth of almost 5% over the previous year. China is still growing at rates higher than the average with 928 million tons. With a share of 51.3%, China has eroded an additional 1% of total global production, in contradiction with the announcement of cuts to production capacities of outdated and unproductive plants.

Apart from China, only the United States has succeeded in increasing its share (in this case by no more than 0.1%). Total production in Europe exceeded 168 million tons with a decrease of 0.3% over 2017. The main European manufacturers were Germany with 42.4 million tons, (decrease of 2% over the previous year) and Italy with 24.5 million tons (increase of almost 2% over the previous year).

On the overall, Italy grew. However, in the first half of the year it recorded good trends still encouraged by the results of 2017, whereas in the last guarter the growth margin, which before the summer was far above 3%, decreased.

On your domestic reference market, the production of long rolled products such as rebars and wire rods reached a total level exceeding 7.6 million tons with an increase of more than 4%. In particular, wire rods increased by more than 7% to 4.8 million tons, whereas rebars remained at 2.8 million tons in line with the previous year. In 2018, the apparent consumption of the two products increased by about 4% over the previous year to 6.1 million tons. This increase results from the increased consumption of wire rods (4.7 million tons, i.e. +4.7%) and rebars (that stood at 1.4 million tons after reaching in 2017 the lowest point of the last two decades.

In 2018, exports of wire rods and rebars were almost 2.9 million tons with a decrease of about 2% over the previous year resulting from a growth of more than 10% in EU countries and a decrease of more than 18% to non-EU countries.

THE PITTINI GROUP

At the beginning of 2018, policies aimed at improving integration between the various processes and create synergies and scale economies were carried out through a wide Group reorganisation. Compagnia Siderurgica Italiana S.r.I. was transferred by FIN. FER. S.p.A. a business branch acting as the operational sub-holding of all industrial Group companies and started to direct and coordinate subsidiaries.

In 2018, the strategic choices made by the Group enabled it to obtain an increase in sales volumes over the previous year. The integration of Acciaierie di Verona S.p.A., new products and further strengthening on some important foreign markets enabled the company to react to the structural crisis on its domestic market. The positive international economic context favoured the increase of revenues for Group companies, especially in the first half of the year.

FIN.FER. S.p.A. — Consolidated figures

Financial and economic figures (EUR/,000)	2018	2017
Net revenue	1,545,862	1,330,250
Depreciation	51,435	46,292
Ebitda	113,728	86,061
Ebit	53,536	33,925
Profit (loss) for the year	37,766	21,171
Investments in property, plant and equipment	95,227	49,775
Shareholders' equity	283,987	266,055
Net financial position	(87,014)	(99,215)
Average number of staff members	1,741	1,683
Profitability ratios (%)		
Ebitda/net revenue	7,4	6,5
R.O.S.	3,5	2,6
Financial expenses (income)/net revenue	0,2	0,2
Labour cost/net revenue	6,8	7,4
Structure ratios (%)		
Shareholders' equity/fixed assets	81,6	87,3
Shareholders' equity/total liabilities	30,2	30,2
Invested capital/shareholders' equity	130,6	137,3
Net financial position/shareholders' equity	30,6	37,3

At the consolidated level, in 2018 Group revenues were euro 1,546 million compared with euro 1,330 million in the previous year, thus showing an increase of 16%. This increase results from larger volumes of sales (about 3%) and higher average selling prices (about 13%).

An EBITDA of euro 113,7 million was reached with a percentage of revenues of 7.4% compared to euro 86.1 million in the previous year. Depreciation and provisions globally amounted to euro 60.2 million against euro 52.1 million in 2017. In particular, the increase in depreciation from euro 46.3 million to euro 51.4 million results from the effects of the investments made. Net operating profit, EBIT, was euro 53.5 million compared with euro 33.9 million in 2017.

The balance of financial income and expenses, including adjustments to financial assets, was negative by euro 2.9 million compared with euro 2.7 million in the previous year.

The profit for the year, net of current and deferred taxes, was euro 37.8 million compared with euro 21.2 million in 2017.

The net financial debt at 31 December 2018 stood at euro 87.0 million compared with euro 99.2 million in the previous year. This decrease is even more significant if we take into account the investments globally made in 2018 (more than euro 95 million).

In particular, with reference to the multi-year investment plan of Acciaierie di Verona S.p.A., the so-called "Masterplan", the following events should be mentioned: commissioning of the new continuous casting plant and commissioning of the new wire rod rolling plant, which upon completion will enable the company to specialise in the production of high quality carbon steel wire rod.

During the early months of the year, Ferriere Nord S.p.A. acquired a business branch from ORI MARTIN S.p.A. that includes the assets and legal relations relating to the steel product sales organisation at the plant in Ceprano (FR). Furthermore, in 2018, Ferriere Nord S.p.A. acquired from Gallop Holding Ltd a business including an industrial plant located in Verona next to the plant of Acciaierie di Verona S.p.A.

In the second half of the year, some actions relative to the "Greensteel" project were started at the manufacturing site in Potenza. The investment plan provides for a set of measures with the same goal: environmental protection through the implementation of innovative technological solutions. This project is the result of many years of commitment by the Group in the field of sustainability.

SUBSIDIARIES

FERRIERE NORD S.p.A.

Financial and economic figures (EUR/,000)	2018	2017
Net revenue	1,258,593	1,069,398
Depreciation	33,044	35,482
Ebitda	90,731	70,408
Ebit	50,028	29,742
Profit (loss) for the year	34,708	20,262
Investments in property, plant and equipment	18,294	12,237
Shareholders' equity	188,744	203,746
Net financial position	(5,731)	(11,944)
Average number of staff members	1,023	970
Profitability ratios (%)		
Ebitda/net revenue	7.2	6.6
R.O.S.	4.0	2.8
Financial expenses (income)/net revenue	0.06	0.1
Labour cost/net revenue	5.0	5.5
Structure ratios (%)		
Shareholders' equity/fixed assets	124.2	131.1
Shareholders' equity/total liabilities	29.27	31.6
Invested capital/shareholders' equity	103.0	105.9
Net financial position/shareholders' equity	3.0	5.9

In 2018, the revenues of the company reached euro 1,259 million, that is an increase of 18% over the previous year. This increase results from both larger volumes of sales (around 2%) and higher average selling prices (+16%). This performance improved the contribution margin that together with the industrial efficiencies obtained led to a gross operating profit (EBIDTA) of euro 90.7 million compared with euro 70.4 million in the previous year.

Depreciation and provisions amounted to euro 40.7 million in line with the previous year. Net operating profit, EBIT, was euro 50 million compared with euro 29.7 million in 2017. The balance of financial income and expenses, including adjustments to financial assets, was negative by euro 1.1 million compared with euro 0.6 million in 2017. The profit for the year, net of current and deferred taxes, was euro 34.7 million compared with euro 20.3 million in 2017.

The net financial debt at 31.12.2018 stood at euro 5.7 million compared with euro 11.9 million in the previous year. This significant improvement was the result of the balance between cash flow, investments and net working capital.

According to the estimates for the end of 2019, revenues could slightly decrease over 2018 owing to expected lower average selling prices.

ACCIAIERIE DI VERONA S.p.A.

Financial and economic figures (EUR/,000)	2018	2017
Net revenue	359,090	310,939
Depreciation	14,596	7,372
Ebitda	14,769	7,657
Ebit	(653)	17
Profit (loss) for the year	707	(986)
Investments in property, plant and equipment	69,428	34,211
Shareholders' equity	28,036	27,330
Net financial position	(105,324)	(72,817)
Average number of staff members	353	366
Profitability ratios (%)		
Ebitda/net revenue	4.1	2.5
R.O.S.	(0.18)	0.01
Financial expenses (income)/net revenue	0.4	0.4
Labour cost/net revenue	6.1	7.0
Structure ratios (%)		
Shareholders' equity/fixed assets	18.8	25.4
Shareholders' equity/total liabilities	10.10	11.6
Invested capital/shareholders' equity	475.7	366.4
Net financial position/shareholders' equity	375.7	266.4

The sales revenues obtained in 2018 by the company was euro 359.1 million, that is a decrease of 15% over the previous year (euro 310.9 million). This increase results from both higher average selling prices (increase of more than 13%) and larger volumes (2%). Furthermore, foreign sales also increased (31% of revenues compared to 25.5% in the previous year).

This performance improved the contribution margin that together with the industrial efficiencies obtained led to a significant improvement in gross operating profit (EBIDTA) to euro 14.8 million compared with euro 7.7 million in the previous year.

In particular, the contribution margin result is significant in the light of the large reorganisation project started by the plant. During the year, the new continuous casting plant and the new wire rod rolling plant were commissioned.

Personnel expenses stood at euro 22.0 million compared with euro 21.6 million in the previous year.

The EBIT recorded a loss of euro 700 thousand due to higher depreciation resulting from the said investments.

The result for the year net of financial charges and current and deferred taxes shows a profit of euro 700 thousand, that is an improvement compared to the loss of euro 1 million in the previous year.

The net financial debt at 31 December 2018 stood at euro 105.3 million, out of which euro 75 million result from loans granted by the parent company.

The economic and financial performance was in line with business plans. According to the estimates for the end of 2019, revenues could slightly decrease owing to expected lower average selling prices.

S.I.A.T. S.p.A.

Financial and economic figures (EUR/,000)	2018	2017
Net revenue	105,117	91,536
Depreciation	2,125	1,817
Ebitda	2,647	1,699
Ebit	435	(208)
Profit (loss) for the year	329	(198)
Investments in property, plant and equipment	1,467	2,461
Shareholders' equity	12,153	11,824
Average number of staff members	162	156
Profitability ratios (%)		
Ebitda/net revenue	2.5	1.9
R.O.S.	0.4	(0.2)
Financial expenses (income)/net revenue	0.03	0.02
Labour cost/net revenue	7.5	8.3
Structure ratios (%)		
Shareholders' equity/fixed assets	99.7	92.2
Shareholders' equity/total liabilities	25.6	25.1
Invested capital/shareholders' equity	144.7	167.3
Net financial position/shareholders' equity	44.7	67.3

During the year, the company obtained revenues from sales amounting to euro 105.1 million with an increase of 15% over the result (euro 91.5 million) of the previous year.

In particular, the revenues obtained by the Pittarc division (welding wire) stood at euro 31.8 million with an increase of 10% over the previous year resulting from larger volumes of sales (increase of about 2%) and higher average selling prices (increase of about 8%). The revenues of the rolled and drawn products for industrial applications stood at euro 73.3 million, that is an increase of 17% over 2017 resulting from larger volumes (increase of 4%) and higher average selling prices (increase of 13%).

The consolidation of revenues had a positive impact on profitability and the company recorded an EBITDA of euro 2.6 million against euro 1.7 million in the previous year. The result for the year was also positive (euro 0.3 million) compared to the small loss recorded in 2017.

According to the estimates for the end of 2019, revenues could slightly decrease over 2018 owing to expected lower average selling prices.

LA VENETA RETI S.r.I.

Ebitda 1,056 9 Ebit 487 29 Profit (loss) for the year 244 10	69 30 74 96 05
Ebitda 1,056 9 Ebit 487 29 Profit (loss) for the year 244 10	96
Ebit 487 29 Profit (loss) for the year 244 10	96
Profit (loss) for the year 244	
	05
Investments in preparty, plant and equipment	
Investments in property, plant and equipment 1,111 2	84
Shareholders' equity 6,741 6,44	97
Average number of staff members 56	47
Profitability ratios (%)	
Ebitda/net revenue 1.6	1.9
R.O.S. 0.7	0.6
Financial expenses (income)/net revenue 0.1	0.1
Labour cost/net revenue 4.7	5.2
Structure ratios (%)	
Shareholders' equity/fixed assets 45.9 51	1.6
Shareholders' equity/total liabilities 15.1	7.0
Invested capital/shareholders' equity 338.3	1.0
Net financial position/shareholders' equity 238.3	1 ()

In 2018, revenues from sales were euro 68.1 million with an increase of 31% over the previous year. This performance was due to the increase in volumes (15%) as well as in average selling prices (16%).

The actions taken by the company in line with those taken by the Group led to positive economic results. The year closed with a positive EBIDTA (euro 1 million), an EBIT of euro 0.5 million and a profit of euro 0.2 million.

According to the estimates for the end of 2019, revenues could slightly decrease over 2018 owing to expected lower average selling prices.

KOVINAR D.o.o.

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Financial and economic figures (EUR/,000)	2018	2017
Net revenue	35,895	30,142
Depreciation	196	198
Ebitda	1,929	2,095
Ebit	1,713	1,879
Profit (loss) for the year	1,470	1,610
Investments in property, plant and equipment	1,085	93
Shareholders' equity	7,421	5,952
Average number of staff members	55	54
Profitability ratios (%)		
Ebitda/net revenue	5,4	7,0
R.O.S.	4,8	6,2
Financial expenses (income)/net revenue	0,0	0,0
Labour cost/net revenue	4,4	5,3
Structure ratios (%)		
Shareholders' equity/fixed assets	197.8	208.0
Shareholders' equity/total liabilities	48.8	48.3
Invested capital/shareholders' equity	67.7	76.8

Turnover reached euro 35.9 million, that is an increase higher than 19%, resulting from increase in both volumes (9%) and average selling prices (10%).

In 2018, the company confirmed the economic results obtained in previous years and showed an EBITDA of euro 1.9 million, and EBIT of euro 1.7 million and a net profit of euro 1.5 million.

These figures results from good levels of productivity thanks to industrial strategies implemented by the plant and a stronger trade position achieved on the Slovenian and Croatian markets.

According to the estimates for the end of 2019, revenues could slightly decrease over 2018 owing to expected lower average selling prices.

PITTINI STAHL G.m.b.H.

This company, based in Germany, markets products manufactured by the companies belonging to the Group in Austria and Germany. Given that these markets are increasingly important for corporate strategies, in 2018 a special corporate development plan was designed to strengthen its technical and commercial structure and presence in German-speaking areas.

I.S.U.—Internationale Stahl Unternehmungen G.m.b.H.

Consolidated with BSTG G.m.b.H.

Financial and economic figures (EUR/,000)	2018	2017
Net revenue	85,175	76,818
Depreciation	764	726
Ebitda	1,333	607
Ebit	568	(120)
Profit (loss) for the year	550	(115)
Investments in property, plant and equipment	3,842	655
Shareholders' equity	5,615	4,064
Average number of staff members	79	79
Profitability ratios (%)		
Ebitda/net revenue	1.6	0.8
R.O.S.	0.7	(0.2)
Financial expenses (income)/net revenue	0.00	0.01
Labour cost/net revenue	6.5	7.1
Structure ratios (%)		
Shareholders' equity/fixed assets	63.3	67.3
Shareholders' equity/total liabilities	24.3	21.1
Invested capital/shareholders' equity	67.9	(15.2)

This company, established with FINEST in July 2013, holds 70% of the operational company BSTG G.m.b.H., which is the Austrian leading manufacturer and supplier of standard and special electro-welded wire with two manufacturing plants in Linz and Graz. The year 2018 closed with sales revenues amounting to euro 85.2 million with an increase of 11% due to higher selling prices (+15%) and a slight decrease in volumes.

The company was successfully integrated into the Group and favoured its consolidation on the Central European market, which is an important one. Following the actions taken both at the industrial and commercial level, the company closed its first financial year with a profit.

Targeted actions and investments are still underway to increase production efficiency and to further improve profitability.

According to the estimates for the end of 2019, revenues could slightly decrease over 2018 owing to lower average selling prices.

PITTINI SIDERPRODUKTE AG

This joint venture established with Sipro Stahl Holding AG in December 2018 markets high quality wire rods produced by other Group companies in Switzerland and Germany. Compagnia Siderurgica Italiana S.r.l. holds 60% of its share capital.

OFFICINA PITTINI per la formazione

In 2018, the Group Corporate School managed all training initiatives for employees of related companies. It directly provided to both identification and analysis of training needs and design and implementation of the various teaching activities totalling 4,560 training hours.

The activities were especially focussed on optimisation of manufacturing processes, also from an Industry 4.0 perspective in the light of the large upgrade projects launched by the various manufacturing plants.

Furthermore, Officina Pittini per la formazione also managed the contacts with the education system in the various regions, which has always played a crucial role in the Group employer branding strategy. In particular, in 2018 the activities involved in various actions 27 schools and 126 "School to Work Transition" projects were started.

OPf contributed to the continous improvement of contacts with the territories where the manufacturing activity is carried out both through 98 apprenticeship projects and through the initiatives of the PIPOL programme, which is funded by the FVG Region and deals with inclusion or re-inclusion of unemployed and young workers.

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RESEARCH AND DEVELOPMENT ACTIVITIES WITHIN SUBSIDIARIES

In 2018, the Group companies performed research and development activities aimed at increasing the quality of products and performance of manufacturing processes with special regard to circular economy synergies.

Ferriere Nord S.p.A. launched numerous collaborative research activities, especially at the international level. In addition to the actions developed within the relevant European programme (RFCS – Research Fund for Coal and Steel), new regional and national initiatives supported by specialisation strategies were started. Furthermore, a new large project funded by the European Framework Programme for Research and Innovation "Horizon 2020" was launched.

Acciaierie di Verona S.p.A. paid a special attention to the improvement of steel quality, also taking into account the commissioning of a new continuous casting plant and a new rolling plant that enabled the company to make an important step toward its final goal of improving the quality of its product. Within the context of an innovation project started in previous years, the company continued to perform targeted studies in cooperation with specialised research centres.

All the initiatives developed so far involve 48 partners from 17 different countries, including 8 universities and 10 research centres. Research and development activities will continue in 2019. The positive results of this innovation will increase our business competitiveness and have a favourable impact on our economic results.

DISCLOSURES PURSUANT TO ARTICLE 2428 OF THE ITALIAN CIVIL CODE

With reference to the provisions laid down in article 2428, sub-pars. 3-4, of the Italian Civil Code, Group companies do not hold any own shares or shares in holding companies. During the financial year, Group companies did not acquire and/or dispose of ordinary shares, not even through trust companies or intermediaries.

With reference to the provisions laid down in sub-par. 3, item 6-bis, of the same article, it is worth noting that the management report of each subsidiary describes the approaches adopted for credit risk, liquidity risk and exchange rate risk management.

Credit risk

In general, the Group shows different levels of credit risk according to its various reference markets. In order to mitigate this risk, Ferriere Nord S.p.A., Acciaierie di Verona S.p.A., SIAT S.p.A., La Veneta Reti S.r.I., Kovinar Doo and BSTG GmbH entered into special credit insurance policies with prime international insurance companies.

The risk is also mitigated by credit exposure being spread over a large number of counterparts and customers mainly based in the EU.

Liquidity risk:

For the Group, this risk is reduced to very low levels thanks to sound financial ratios, balanced medium-term debt and significant unused short- and medium-term credit amounts.

Cash flows, funding needs and liquidity of the companies belonging to the Group are monitored and managed by the centralized treasury function under the control of the Finance department of the Group established at Ferriere Nord S.p.A. up to the end of 2018. Starting from 2019, this activity has been entrusted to Compagnia Siderurgica Italiana S.r.I. for the subsidiaries Ferriere Nord S.p.A., S.I.A.T. S.p.A., La Veneta Reti S.r.I., Kovinar D.o.o. and Acciaierie di Verona S.p.A.

Financial assets are posted net of depreciation calculated on the basis of default risk, as determined according to the information available on customers' solvability and historical data. Where deemed advisable, bank guarantees were requested, assignations of debts without recourse were agreed upon or procedures aimed at limiting the relevant risk were activated.

Ferriere Nord S.p.A. and Acciaierie di Verona S.p.A. made a transaction for non-recourse transfer of trade receivables with a prime financial institution that gave positive results in terms of funding and working capital management.

Market risk:

Risks resulting from changes in the levels of selling and purchasing prices against current commitments are largely mitigated by the short operating cycle of the company.

Interest rate risk:

Exchange rate risks are limited; transactions in currencies other than euro are generally hedged by suitable US\$ derivative instruments.

Further disclosures

As stated in the report on the financial statements of the previous year, with reference to order no. 26686 issued by AGCM (the Italian Competition Authority), the Lazio Regional Administrative Court (jugdement no. 6519/18 of 12 June 2018) fully accepted - both substantially and in terms of breach of rules of proceedings - the appeal filed by Ferriere Nord S.p.A. and FIN.FER. S.p.A. The said judgement was challenged by AGCM before the Council of State. The hearing will be held in January 2020.

On 21 May 2019, following the request for refund of penalty instalments already paid, MISE refunded Ferriere Nord S.p.A. the full amount.

MAIN EVENTS AND PREDICTABLE MANAGEMENT TRENDS

The international economic outlook is uncertain owing to lasting trade tensions and economic slowdown in China, which recorded the lowest growth rates since the beginning of global financial crisis. In particular, in the euro zone, growth projections were significantly revised downward and inflation expectations were reduced. This last element is inducing the ECB to keep interest rates unchanged for the full year 2019.

In the first months of the year, global steel production increased unevenly: China recorded a double digit growth, whereas there was a decline in the rest of the world. Furthermore, the protectionist measures introduced by the United States provide for tariffs of 25% on steel products, thus distorting international trade. In the face of such policies, the European Union adopted protective measures: the European market will remain open, but specific quantitative restrictions on imports are set. Following the decision made in Brussels, a scheme in force until 30 June 2021 should protect EU frontiers and European steel companies from aggressive export policies implemented by non-EU countries. However, the expected positive impact on prices was mitigated by an unfavourable economic situation and especially by the weakness of the automotive sector as well as of some reference markets such as the German market.

Despite this unstable economic scenario, the sales made by the Group in the first quarter of 2019 exceeded euro 480 million with an increase of 3% over the same period of the previous year. This increase is due to good results in terms of sales volumes and modest decrease of average selling prices.

The Group companies are becoming increasingly integrated and specialised and, therefore, will obtain significant commercial, logistic and manufacturing synergies.

In the light of the investments made, the companies belonging to the Pittini Group - also thanks to their continuing process and product research and innovation activities - will steadily increase their competitiveness and obtain better results than market trends.

Shareholders,

the shareholders' equity resulting from the financial statements reaches euro 284 million, mostly related to the Group.

The analysis and presentation of material events being completed, we inform you that the Financial Statements and Management Report as drafted will be filed with the Register of Companies pursuant to legal provisions in force.

Osoppo, 23rd May 2019

The Chairman of the Board of Directors
Federico Pittini

The Directors
Ottavino Di Filippo
Vincenzo Chiari

FIN.FER. S.p.A. CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018 BALANCE SHEET

Values expressed in euro

ASSETS	31/12/2018	31/12/2017
A) SUBSCRIBED CAPITAL UNPAID		
To call	0	0
Called	0	0
Total subscribed capital unpaid A)	0	0
B) FIXED ASSETS		
I Intangible fixed assets		
1) Start-up and expansion expenses	256,725	379,837
2) Development costs	0	0
3) Industrial patent rights and intellectual property rights	302,122	166,955
4) Concessions, licenses, trademarks and similar rights	506	566
5) Goodwill	1,265,536	0
Assets under construction and advance payments	0	54,996
7) Other intangible fixed assets	267,098	372,851
Total I	2,091,987	975,205
Il Tangible fixed assets		
1) Land and buildings	147,637,423	140,210,646
2) Plants and machinery	154,840,272	101,505,102
3) Industrial and commercial equipment	1,118,626	1,118,701
4) Other tangible fixed assets	2,762,133	2,905,029
5) Assets under construction and advance payments	25,998,957	46,017,492
Total II	332,357,411	291,756,970
III Financial fixed assets		
1) Equity investments in		
a) subsidiaries	178,357	34,000
b) associates	0	0
c) parent companies	0	0
d) companies controlled by parent companies	0	0
d-bis) other companies	9,502,435	9,502,435
Total 1)	9,680,792	9,536,435
2) Receivables from		
a) subsidiaries		
falling due within 12 months	0	0
falling due beyond 12 months	0	0
Total a)	0	0
b) associates		
falling due within 12 months	0	0
falling due beyond 12 months	0	0
Total b)	0	0
c) parent companies		
falling due within 12 months	0	0
falling due beyond 12 months	0	0
Total c)	0	0
d) companies controlled by parent companies		•
falling due within 12 months	0	0
falling due beyond 12 months Total d)	0	0
d-bis) other companies	0	0
falling due within 12 months	0	0
falling due within 12 months falling due beyond 12 months		
Tailing due beyond 12 months Total d-bis)	3,630,317 3,630,317	2,371,405 2,371,405
Total 2)	3,630,317 3,630,317	2,371,405 2,371,405
3) Other securities	246,384	2,371,405
4) Financial derivative assets	246,384	240,384
4) Financial derivative assets Total III	13,557,493	12,154,224
Total fixed assets B)		304,886,399
iotal fixed assets b)	348,006,891	304,888,399

CURRENT ASSETS Inventories			
Raw materials, ancillary and consumables		82,077,673	77,02
2) Work in progress and semi-finished products		11,893,838	21,77
3) Construction contracts, work in progress		0	
4) Finished products and goods		110,408,929	81,37
5) Advance payments		0	
Receivables	Total I	204,380,440	180,17
From customers			
falling due within 12 months		197,572,990	204,47
falling due beyond 12 months		0	201,17
3	Total 1)	197,572,990	204,47
2) From subsidiaries			
falling due within 12 months		0	
falling due beyond 12 months		0	
	Total 2)	0	
3) From associates			
falling due within 12 months		0	
falling due beyond 12 months	Total (1)	0 0	
4) From parent companies	Total 3)	U	
falling due within 12 months		0	
falling due beyond 12 months		0	
,	Total 4)	0	
5) From companies controlled by parent companies			
falling due within 12 months		0	
falling due beyond 12 months		0	
	Total 5)	0	
5-bis) Tax receivables			
falling due within 12 months		8,218,941	10,30
falling due beyond 12 months	Transfer him	827,969	87
E tark Deferred tow secrets	Total 5-bis)	9,046,910	11,18
5-ter) Deferred tax assets falling due within 12 months		0	
falling due beyond 12 months		10,665,067	9,64
iaming day boyona 12 mondio	Total 5-ter)	10,665,067	9,64
5-quater) From others		,,,,,,,	
falling due within 12 months		7,126,225	35,48
falling due beyond 12 months		10,339,828	1,86
	Total 5-quater)	17,466,053	37,34
	Total II	234,751,020	262,65
I Current financial assets			
Investments in subsidiaries		0	
2) Investments in associates3) Investments in parent companies		0	
3-bis) Investments in parent companies 3-bis) Investments in companies controlled by parent companies		0	
Other investments		1,406	
5) Financial derivative assets		0	
6) Other securities		42,230,303	39,72
7) Financial assets for central treasury management		0	
	Total III	42,231,709	39,73
/ Cash and cash equivalents			
1) Bank and postal deposits		107,709,568	90,16
2) Cheques		0	
3) Cash		33,164	3
	Total IV	107,742,732	90,19
	Total current assets C)	589,105,901	572,75
ACCRUALS AND PREPAYMENT		2 202 026	2.00
AUGITUALS AIND FREFATIVIENT	TOTAL ASSSETS	2,302,826	3,08

	31/12/2018	31/12/2017
A) SHAREHOLDERS' EQUITY		
I Share capital	50,000,000	50,000,000
II Share premium reserve	0	0
III Revaluation reserves	0	0
IV Legal reserve	7,620,620	6,559,224
V Statutory reserves	0	0
Consolidation reserve	0	0
Conversion difference reserve	0	С
VI Other reserves	405 700 404	400.004.046
Extraordinary reserva	165,762,464	186,034,043
Other reserves Tota	0 VI 165,762,464	186,034,043
VII Expected cash flow hedging reserves	0	(95,890)
VIII Retained earnings (losses)	20,166,530	(33,030)
IX Profit (loss) for the year	37,493,365	21,227,926
X Reserve for own shares	0	2.,22,,020
Total Group shareholders' equ	ity 281,042,979	263,725,303
Minority interests:	,	
Capital and reserves	2,671,853	2,386,331
Profit (loss) for the year	272,593	(56,817
Total minority interests shareholders' equ	ity 2,944,446	2,329,514
Total shareholders' equity	A) 283,987,425	266,054,817
B) PROVISION FOR RISKS AND CHARGES		
Provisions for pensions and similar obligations	1,725,585	1,655,060
2) Provision for taxation		
a) taxes	0	(
b) deferred taxes	225,317	228,893
Consolidation provision for future contingencies and other charges	0	()
3) Financial derivative liabilities	500,340	393,215
 Other provisions for contingencies and other charges Total provision for contingencies and other charges 	9,807,674	7,303,430
iotal provision for contingencies and other charges	B) 12,258,916	9,580,598
C) EMPLOYEE SEVERANCE INDEMNITIES	13,059,400	14,218,763
N. DEDT AND OTHER DAVARIES		
D) DEBT AND OTHER PAYABLES		
•		
1) Bonds	10 000 000	7000 000
1) Bonds falling due within 12 months	10,000,000	
1) Bonds falling due within 12 months falling due beyond 12 months	28,000,000	25,000,000
1) Bonds falling due within 12 months falling due beyond 12 months Tota	28,000,000	25,000,000
1) Bonds falling due within 12 months falling due beyond 12 months Tota 2) Convertible bonds	28,000,000 1) 38,000,000	25,000,000 32,000,00 0
1) Bonds falling due within 12 months falling due beyond 12 months Tota 2) Convertible bonds falling due within 12 months	28,000,000 38,000,000	25,000,000 32,000,00 0
1) Bonds falling due within 12 months falling due beyond 12 months Tota 2) Convertible bonds falling due within 12 months falling due beyond 12 months	28,000,000 38,000,000 0 0	25,000,000 32,000,00 0
1) Bonds falling due within 12 months falling due beyond 12 months Tota 2) Convertible bonds falling due within 12 months falling due beyond 12 months falling due beyond 15 months	28,000,000 38,000,000 0 0	25,000,000 32,000,00 0
1) Bonds falling due within 12 months falling due beyond 12 months Tota 2) Convertible bonds falling due within 12 months falling due beyond 12 months falling fue beyond 12 months Tota 3) Loans from shareholders'	28,000,000 38,000,000 0 0	25,000,000 32,000,000
1) Bonds falling due within 12 months falling due beyond 12 months Tota 2) Convertible bonds falling due within 12 months falling due beyond 12 months falling due beyond 15 months	28,000,000 38,000,000 0 0 2)	25,000,000 32,000,000
1) Bonds falling due within 12 months falling due beyond 12 months Tota 2) Convertible bonds falling due within 12 months falling due beyond 12 months Tota 3) Loans from shareholders' falling due within 12 months	28,000,000 38,000,000 0 0 2) 0	25,000,000 32,000,000
1) Bonds falling due within 12 months falling due beyond 12 months Tota 2) Convertible bonds falling due within 12 months falling due beyond 12 months Tota 3) Loans from shareholders' falling due within 12 months falling due within 12 months falling due beyond 12 months	28,000,000 38,000,000 0 0 2) 0	25,000,000 32,000,000
1) Bonds falling due within 12 months falling due beyond 12 months Tota 2) Convertible bonds falling due within 12 months falling due beyond 12 months falling due beyond 12 months Tota 3) Loans from shareholders' falling due within 12 months falling due beyond 12 months Tota Tota	28,000,000 38,000,000 0 0 2) 0	25,000,000 32,000,000
1) Bonds falling due within 12 months falling due beyond 12 months Tota 2) Convertible bonds falling due within 12 months falling due beyond 12 months falling due beyond 12 months Tota 3) Loans from shareholders' falling due within 12 months falling due beyond 12 months falling to beyond 12 months falling to beyond 12 months falling to beyond 12 months Tota 4) Payables to banks	28,000,000 1) 38,000,000 0 0 2) 0 0 0 0 0 0	25,000,000 32,000,000
1) Bonds falling due within 12 months falling due beyond 12 months Tota 2) Convertible bonds falling due within 12 months falling due beyond 12 months Tota 3) Loans from shareholders' falling due within 12 months falling due beyond 12 months Tota 4) Payables to banks falling due within 12 months	28,000,000 38,000,000 0 0 2) 0 0 3) 59,752,946 139,235,946	25,000,000 32,000,000 () () () () () () () () () ()
1) Bonds falling due within 12 months falling due beyond 12 months Tota 2) Convertible bonds falling due within 12 months falling due beyond 12 months Tota 3) Loans from shareholders' falling due within 12 months falling due beyond 12 months falling due within 12 months falling due beyond 12 months falling due beyond 12 months falling due within 12 months falling due within 12 months falling due beyond 12 months	28,000,000 38,000,000 0 0 2) 0 0 3) 59,752,946 139,235,946	25,000,000 32,000,000 () () () () () () () () () ()
1) Bonds falling due within 12 months falling due beyond 12 months Tota 2) Convertible bonds falling due within 12 months falling due beyond 12 months falling due beyond 12 months Tota 3) Loans from shareholders' falling due within 12 months falling due beyond 12 months falling due beyond 12 months falling due beyond 12 months Tota 4) Payables to banks falling due within 12 months falling due beyond 12 months falling due within 12 months falling due within 12 months falling due beyond 12 months falling due within 12 months	28,000,000 38,000,000 0 0 2) 0 0 3) 59,752,946 139,235,946	25,000,000 32,000,000 (((((((((((((
1) Bonds falling due within 12 months falling due beyond 12 months Tota 2) Convertible bonds falling due within 12 months falling due beyond 12 months falling due beyond 12 months Tota 3) Loans from shareholders' falling due within 12 months falling due beyond 12 months Tota 4) Payables to banks falling due within 12 months falling due beyond 12 months Tota 5) Payables to other lenders falling due within 12 months falling due within 12 months	28,000,000 38,000,000 0 0 2) 0 0 3) 59,752,946 139,235,946 4) 198,988,892 0 0	25,000,000 32,000,000 (())
1) Bonds falling due within 12 months falling due beyond 12 months Tota 2) Convertible bonds falling due within 12 months falling due beyond 12 months Tota 3) Loans from shareholders' falling due within 12 months falling due beyond 12 months Tota 4) Payables to banks falling due within 12 months falling due beyond 12 months Tota 5) Payables to other lenders falling due within 12 months Tota fora Tota fora Tota fora Tota fora fora fora fora fora fora fora for	28,000,000 38,000,000 0 0 2) 0 0 3) 59,752,946 139,235,946 4) 198,988,892 0 0	25,000,000 32,000,000 () () () () () () () () () ()
1) Bonds falling due within 12 months falling due beyond 12 months Tota 2) Convertible bonds falling due within 12 months falling due beyond 12 months Talling due beyond 12 months Tota 3) Loans from shareholders' falling due within 12 months falling due beyond 12 months Tota 4) Payables to banks falling due within 12 months falling due beyond 12 months Tota 5) Payables to other lenders falling due within 12 months falling due beyond 12 months Tota 6) Advances	28,000,000 38,000,000 0 0 2) 0 0 3) 59,752,946 139,235,946 4) 198,988,892 0 0	25,000,000 32,000,000 () () () () () () () () () ()
1) Bonds falling due within 12 months falling due beyond 12 months Tota 2) Convertible bonds falling due within 12 months falling due beyond 12 months Tota 3) Loans from shareholders' falling due within 12 months falling due beyond 12 months Tota 4) Payables to banks falling due within 12 months falling due beyond 12 months Tota 5) Payables to other lenders falling due within 12 months Tota fora Tota fora Tota fora fora fora fora fora fora fora for	28,000,000 38,000,000 0 0 2) 0 0 3) 59,752,946 139,235,946 4) 198,988,892 0 0	25,000,000 32,000,000 (0 (0 (0 (0 (0 (0 (0 (0 (0
1) Bonds falling due within 12 months falling due beyond 12 months Tota 2) Convertible bonds falling due within 12 months falling due beyond 12 months Tota 3) Loans from shareholders' falling due within 12 months falling due beyond 12 months Tota 4) Payables to banks falling due within 12 months falling due within 12 months falling due beyond 12 months Tota 5) Payables to other lenders falling due within 12 months falling due beyond 12 months Tota 6) Advances falling due within 12 months falling due beyond 12 months	28,000,000 38,000,000 0 0 0 2) 0 59,752,946 139,235,946 198,988,892 0 0 3,428,084 0	25,000,000 32,000,000 (0 (0 (0 (0 (0 (0 (0 (0 (0
1) Bonds falling due within 12 months falling due beyond 12 months Tota 2) Convertible bonds falling due within 12 months falling due beyond 12 months Tota 3) Loans from shareholders' falling due within 12 months falling due beyond 12 months falling due beyond 12 months falling due beyond 12 months Tota 4) Payables to banks falling due within 12 months falling due beyond 12 months falling due within 12 months	28,000,000 38,000,000 0 0 0 2) 0 59,752,946 139,235,946 198,988,892 0 0 3,428,084 0	25,000,000 32,000,000 0 0 0 0 0 56,118,994 141,022,331 197,141,325
1) Bonds falling due within 12 months falling due beyond 12 months Tota 2) Convertible bonds falling due within 12 months falling due beyond 12 months falling due beyond 12 months Tota 3) Loans from shareholders' falling due within 12 months falling due beyond 12 months falling due beyond 12 months Tota 4) Payables to banks falling due within 12 months falling due within 12 months falling due within 12 months falling due beyond 12 months Tota 5) Payables to other lenders falling due within 12 months falling due within 12 months falling due within 12 months falling due beyond 12 months Tota 6) Advances falling due within 12 months falling due beyond 12 months falling due beyond 12 months	28,000,000 38,000,000 0 0 0 2) 0 59,752,946 139,235,946 198,988,892 0 0 3,428,084 0	25,000,000 32,000,000 0 0 0 0 56,118,994 141,022,331 197,141,325
1) Bonds falling due within 12 months falling due beyond 12 months Tota 2) Convertible bonds falling due within 12 months falling due beyond 12 months Tota 3) Loans from shareholders' falling due within 12 months falling due beyond 12 months Tota 4) Payables to banks falling due within 12 months falling due beyond 12 months Tota 5) Payables to other lenders falling due within 12 months falling due within 12 months falling due within 12 months falling due beyond 12 months Tota 6) Advances falling due within 12 months	28,000,000 1) 38,000,000 0 0 0 2) 0 0 59,752,946 139,235,946 4) 198,988,892 0 5) 0 3,428,084 0 6) 3,428,084 342,765,330	25,000,000 32,000,000 0 0 0 0 0 56,118,994 141,022,331 197,141,325 0 0 2,424,011 0 2,424,011 324,663,712
1) Bonds falling due within 12 months falling due beyond 12 months Tota 2) Convertible bonds falling due within 12 months falling due beyond 12 months falling due beyond 12 months Tota 3) Loans from shareholders' falling due within 12 months falling due beyond 12 months Tota 4) Payables to banks falling due within 12 months falling due beyond 12 months Tota 5) Payables to other lenders falling due within 12 months falling due beyond 12 months falling due within 12 months falling due beyond 12 months falling due beyond 12 months	28,000,000 1) 38,000,000 0 0 2) 0 0 3) 0 59,752,946 139,235,946 4) 198,988,892 0 0 5) 0 3,428,084 0 6) 3,428,084	7,000,000 25,000,000 32,000,000 0 0 0 0 56,118,994 141,022,331 197,141,325 0 0 2,424,011 0 2,424,011 324,663,712

8) Trade note issued			
falling due within 12 months		0	0
falling due beyond 12 months		0	0
	Total 8)	0	0
Payables to subsidiaries			
falling due within 12 months		0	0
falling due beyond 12 months		0	0
	Total 9)	0	0
10) Payables to associates			
falling due within 12 months		0	0
falling due beyond 12 months		0	0
	Total 10)	0	0
11) Payables to parent companies			
falling due within 12 months		0	0
falling due beyond 12 months		0	0
	Total 11)	0	0
11-bis) Payables to parent companies			
a) amounts due for central treasury management			
falling due within 12 months		0	0
falling due beyond 12 months		0	0
b) other payables			
falling due within 12 months		0	0
falling due beyond 12 months	T . 1441: \	0	0
40) 5 11 :	Total 11-bis)	0	0
12) Payables tax		44 004 440	10 150 000
falling due within 12 months		11,264,113	10,456,839
falling due beyond 12 months	=	0	0
40) 0 11 11 15 14 15 15 15	Total 12)	11,264,113	10,456,839
13) Social security and welfare institutions payables		E 00E 4E0	F 400 000
falling due within 12 months		5,625,150	5,190,988
falling due beyond 12 months	T . 140)	0	0
14) Osh	Total 13)	5,625,150	5,190,988
14) Other payables		00 770 004	17700 010
falling due within 12 months		28,776,234	17,730,619
falling due beyond 12 months	T-4-144)	4,290	2,100
	Total 14)	28,780,524	17,732,719
	Total creditors D)	628,852,093	589,609,594
E) ACCRUALS AND DEFERRALS		1,257,784	1,266,552
1	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	939,415,618	880,730,324

INCOME STATEMENT

		31/12/2018	31/12/2017
A)	PRODUCTION VALUE		
	Revenues from sales and services	1,545,861,529	1,330,249,666
	Changes in inventories		
	work in progress	(0.070.054)	(1.010.010)
	semi-finished products	(9,878,654)	(1,318,210)
	finished products Total 2)	27,128,941	(16,130,973) (17,449,183)
2/	Changes in construction contracts work in progress	17,250,287	(17,445,103)
	Increases in fixed assets from internal production	594,244	371.779
	Other revenues and income	554,244	3/1,//3
-,	other income	8,289,102	9,452,219
	revenue grants	793,628	528,977
	Total 5)	9,082,730	9,981,196
	Total production value A)	1,572,788,790	1,323,153,458
	iotai production value A)	1,372,766,730	1,323,133,430
B)	PRODUCTION COSTS		
6)	Raw materials, subsidiary materials, consumables and goods	1,051,401,458	867,286,750
7)	•	297,348,949	259,344,764
8)	Leases and rentals	5,448,370	5,103,73
9)	Personnel		
	a) salaries and wages	74,302,393	70,241,93
	b) social security	25,116,364	22,875,61
	c) employee severance indemnity	4,873,715	4,815,74
	d) pensions and similar	19,866	73,85
	e) other costs	733,190	764,39
	Total 9)	105,045,528	98,771,52
10) Amortisation, depreciation and write-downs	,	33,111,32
	a) amortisation of intangible assets	2,547,557	423,62
	b) depreciation of tangible assets	48,886,782	45,867,99
	c) other write-downs of fixed assets	0	,,
	d) write-down of current receivables and cash and cash equivalents	6,236,779	3,325,99
	Total 10)	57,671,118	49,617,61
11) Changes in inventories	0,,0,,,,,,	10,017,01
	raw materials	6,406,604	3,892,12
	ancillaries	(9,646,152)	(1,497,390
	consumables	(636,878)	2,326,80
	goods	22,476	(75,773
	Total 11)	(3,853,950)	4,645,76
12) Provisions for risk and other charges	2,520,000	2,517,67
	O) Other provisions	0	2,017,07
	Other operating expenses	3,670,846	1,940,92
	Total production costs B)	1,519,252,319	1,289,228,75
	Difference between production and costs (A - B)	53,536,471	33,924,70
C)	FINANCIAL INCOME AND EXPENSES		
) Income from equity investments in:		
	subsidiaries	0	
	associates	0	(
	parent companies	0	
	companies controlled by parent companies	0	
	other companies	46	
	Total 15)	46	
16	Other financial income		
	a) from receivables held as financial fixed assets		
	subsidiaries	0	
	associates	0	
	associates parent companies	0	
	parent companies	0	
	parent companies controlled by parent companies	0	(((3,21;

d) income other than above, from:		
subsidiaries	0	0
associates	0	0
parent companies	0	0
companies controlled by parent companies	0	0
others	876,188	912,613
Total 16)	1,264,095	1,288,638
17) Interest and other financial expenses from:		
subsidiaries	0	0
associates	0	0
parent companies	0	0
companies controlled by parent companies	0	0
others	(3,774,700)	(4,034,568)
Total 17)	(3,774,700)	(4,034,568)
17-bis) Foreign currency exchange gains and losses	(173,640)	182,534
Total financial income and expenses (15+16-17+/-17bis) C)	(2,684,199)	(2,563,396)
D) ADJUSTMENTS TO FINANCIAL ASSETS AND LIABILITIES		
18) Revaluations of		
a) equity investments	0	0
b) financial fixed investments other than equity investments	0	0
c) securities held as current assets other than equity investments	184,686	153,399
d) financial derivative instruments	242,589	0
Total 18)	427,275	153,399
19) Write-downs of		
a) equity investments	(73,400)	(35,843)
b) financial fixed investments other than equity investments	0	0
c) securities held as current assets other than equity investments	(530,997)	(13,110)
d) financial derivative instruments	0	(242,589)
Total 19)	(604,397)	(291,542)
Total adjustments to financial assets and liabilities (18 - 19) D)	(177,122)	(138,143)
, , , , , , , , , , , , , , , , , ,		, ,
Earnings before income taxes (A - B +/- C +/- D)	50.675.150	31.223.167
	00,010,100	0.,0,
20) Income taxes for the year		
a) current taxes	(16,939,076)	(10,371,424)
b) deferred and prepaid tax	4,029,884	319,366
Total 20)	(12,909,192)	(10,052,058)
21) PROFIT (LOSS) FOR THE YEAR INCLUDING MINORITY INTERESTS	37,765,958	21,171,109
21/11.0111 (2000) I OTT THE FEAT INDEAD HIS HISTORIET INTELLECTO	0.,.00,000	21,171,103
Profit (loss) for the year, minority interests	272,593	(56,817)
Profit (loss) for the year, Group	37,493,365	21,227,926
From those for the year, aroup	J1,483,300	21,221,320

CASH FLOW STATEMENT

Values expressed in euro

1,2,963,197 10,052,052 10,052,053 10	A) CASH FLOWS FROM OPERATIONS (INDIRECT METHOD)	31/12/2018	31/12/2017
1.2 09.0 19.2 10.05.02 10.05.02 10.05.02 10.05.02 10.05.02 10.05.02 10.05.02 10.05.02 10.05.02 10.05.03 10.05.02 10.05.03 10	Profit (loss) for the year	37.765.958	21,171,10
Disconnected Glassification of discosal of assets			10,052,05
Dischards	nterest expenses/(interest income)	2,510,559	2,745,93
1. Profit (loss) for the financial year before income tax, interest, dividends and gains/losses from disposals 53,185,799 33,969,0			
Adjustments to non-monetary items with no counterparts under net working capital Provisions to funds Deproaction for fund assets Deproaction for permanent impairment Adjustment to financial assets and fliabilities for financial derivative instruments with no monetary movements Other adjustments to non-monetary items Total adjustments to non-monetary items Total adjustments to non-monetary items Total adjustments to non-monetary items Total adjustments to non-monetary items with no counterparts under net working capital 2. Cash flows before net working capital changes (self-financing) Decrease/financial permanent in motivations Decrease/financial permanent in the psychological permanent in the control psychological permanent in accord incorned and prepaid expenses Increases/Decrease) in accorded incorne Other changes in net working capital 3. Cash flow after changes in net working capital Total other changes in net working capital 3. Cash flow after changes in net working capital (11,1858,682) 113,101.2 113,101.2 113,101.2 114,1358,682 115,101.3 115,101.	(Gains)/losses from disposal of assets		
Provisions to funds	1. Profit (loss) for the financial year before income tax, interest, dividends and gains/losses from disposals	53,185,709	33,969,09
Depreciation of fixed assets Depreciation of red media series Depreciation for permanent impairment Depreciation for permanent Depreciation fo	Adjustments to non-monetary items with no counterparts under net working capital		
Depression for permanent impairment	Provisions to funds	9,705,136	7,122,37
Adjustment to financial assets and labilities for financial derivative instruments with no monetary movements Other adjustments to non-monetary items Total adjustments to non-monetary items to non-monetary items with no counterparts under net working capital 2. Cash flows before net working capital changes (self-financing) Decrease/fincrease) in inventions (21,104,237) 22,934,957 Decrease/fincrease) in trade receivables Increase/fincrease) in trade receivables Decrease/fincrease) in trade receivables Decrease/fincrease) in trade receivables Decrease/fincrease in accurated income and prepaid expenses Total other changes in net working capital Other changes in net working capital Total other changes in net working capital (14,376) Total other changes in net working capital (15,399,076) (16,399,076) (17,310,12) Other adjustments Interest collected/(paid) (16,399,076) (10,371,42) Defined assets (Income taxes paid) Other collections/payments Total other adjustments Cash flow from operations A) Deliverstments Deliverstments (23,936,749) (16,503,96,75) (17,421,94) (17,421,94) (18,503,96,79	Depreciation of fixed assets	51,434,339	46,291,61
Other adjustments to non-monetary items with no counterparts under net working capital \$0.896.886 \$3,656.58 \$7,625.68	Depreciation for permanent impairment		
Total adjustments to non-monetary items with no counterparts under net working capital \$0,986,886 \$3,668,5 \$7,625,6 \$7,625	Adjustment to financial assets and liabilities for financial derivative instruments with no monetary movements	(242,589)	242,58
14,082,595 87,625,6	Other adjustments to non-monetary items		
Changes in net working capital Decrease@(increase) in inventories (21,104,237) 22,094,9 Decrease@(increase) in trade receivables 3,074,957 (6,1618, 24,0520) Decrease@(increase) in trade receivables 18,101,618 24,0520 Decrease@(increase) in trade receivables 18,101,618 24,0520 Decrease@(increase) in accrued liabilities and deferred income (8,788,452 (242,000) (2,789,075 4,682,68 (2,789,075 4,682,68 (2,789,075 4,682,68 (2,789,075 4,682,68 (2,789,075 4,682,68 (2,789,075 4,682,68 (2,789,075 4,682,68 (2,789,075 4,682,68 (2,789,075 4,682,68 (2,789,075 4,682,68 (2,789,075 4,682,68 (2,789,075 4,682,68 (2,789,075 4,682,68 (2,789,075 4,682,68 (2,789,075 4,682,68 (2,789,075 4,789,075 4,682,68 (2,789,075 4,789,075 4,789,075 (2,789,075 4,789	Total adjustments to non-monetary items with no counterparts under net working capital	60,896,886	53,656,58
Decrease/(Increase) in inventories (21, 104, 237) 22,094, 9 Decrease/(Increase) in trade receivables 3,074,957 (6,161,85 16,	2. Cash flows before net working capital changes (self-financing)	114,082,595	87,625,67
Decrease/Increase) in trade receivables 3,074,957 (6,161,85 Increase/(Decrease) in trade payables 18,101,618 74,0570 (242,00 Decrease/Increase) in acround income and prepaid expenses 783,452 (242,00 Decrease/Increase) in acround inabilities and deferred income (8, 788) 410,0 (26, 789) (16, 828,65 C27,00	Changes in net working capital		
Increase/(Decrease) in trade payables 18,101,618 74,057.0 Decrease/(Increase) in accrued income and prepaid expenses 783,452 (242,00 Decrease/(Increase) in accrued income (8,768) 410,0 Cither changes in net working capital 26,479,075 46,882,63 Cither changes in net working capital 22,276,097 46,882,63 Cither adjustments 141,358,682 173,101,2 Cither adjustments 141,358,682 173,101,2 Cither adjustments (16,393,076) (10,371,42 Cither adjustments (2,510,559) (2,745,93 Cincome taxes paid) (16,393,076) (10,371,42 Cither collected/(gnid) (4,487,114) (5,032,95 Cither collections/payments (23,336,749) (18,150,34 Cither collections/payments (23,336,749) (18,150,34 Cash flow from operations A) (17,419,43 154,350,9 Cash flow from operations A) (17,419,43 154,350,9 Cither collections/payments (91,440,783) (5,707,64 Cither collections/payments (91,440,783) (5,707,64 Cither collections/payments (1,438,90) (10,275,18	Decrease/(Increase) in inventories	(21,104,237)	22,094,94
Decrease/(Increase) in accrued income and prepaid expenses			(6,161,83
Increase//Decrease in accrued liabilities and deferred income	Increase/(Decrease) in trade payables	18,101,618	74,057,05
Cher changes in net working capital 26,429,075 4,882,63 22,276,097 3, Cash flow after changes in net working capital 3. Cash flow after changes in net working capital 141,358,692 173,101,2 173	Decrease/(Increase) in accrued income and prepaid expenses	783,452	(242,00
Total other changes in net working capital 3. Cash flow after changes in net working capital 3. Cash flow after changes in net working capital 41,358,692 173,101,2	Increase/(Decrease) in accrued liabilities and deferred income	(8,768)	410,06
3. Cash flow after changes in net working capital 141,358,692 173,101,2	Other changes in net working capital	26,429,075	(4,682,63
Interest collected/(paid)		27,276,097	85,475,59
Interest collected/(paid)	3. Cash flow after changes in net working capital	141,358,692	173,101,27
(Income taxes paid) (16,393,076) (10,371,42 Dividends collected (Use of funds) (4,487,114) (5,032,95 Cash flow from operations A) (4,487,114) (5,032,95 Cash flow from operations A) (4,487,114) (5,032,95 Cash flow from operations A) (17,421,943 154,950,9 Cash flow from operations A) (17,421,943 154,950,9 Cash flow from operations A) (17,421,943 154,950,9 Cash flow from operations A) (17,421,943 Cash flow from operations A) (17,421	Other adjustments		
Dividends collected (Use of funds)	Interest collected/(paid)	(2,510,559)	(2,745,93
(Use of funds) (4,487,114) (5,032,95 Other collections/payments Total other adjustments (23,936,749) (18,150,34	(Income taxes paid)	(16,939,076)	(10,371,42
Total other adjustments	Dividends collected		
Total other adjustments C3,936,749 (18,150,34 Cash flow from operations A) 117,421,943 154,950,9 16,950,9 16,950,9 17,421,943 154,950,9 17,421,943 154,950,9 17,421,943 154,950,9 17,421,943 154,950,9 17,421,943 154,950,9 17,421,943 154,950,9 17,421,943 154,950,9 17,421,943 154,950,9 17,421,943 154,950,9 17,421,943	(Use of funds)	(4,487,114)	(5,032,99
Cash flow from operations A 117,421,943 154,950,9			
B. CASH FLOW FROM INVESTING ACTIVITIES Tangible fixed assets (Investments) (91,440,783) (57,071,64 Disinvestments 3,630,959 1,653,8 Intangible fixed assets (Investments) (453,435) (230,35 Disinvestments 0 0 Financial fixed assets (Investments) (1,438,901) (10,725,15 Disinvestments) (1,438,901) (10,725,15 Disinvestments) (1,438,901) (10,725,15 Disinvestments) (7,178,820) (23,648,44 Disinvestments) (7,178,820) (23,648,44 Disinvestments) (5,987,319) (1,059,60 Acquisitions of business branches net of cash and cash equivalents) (5,987,319) (1,059,60 C. CASH FLOWS FROM FINANCING ACTIVITIES Means belonging to third parties Increase (decrease) in short-term bank payables (4,415,621) 4,423,3 Granting of loans (60,000,000 45,000,00 (Repayment of loans) (53,736,812) (41,869,41)	·		(18,150,34
Tangible fixed assets ((Investments) (91,440,783) (57,071,64) Disinvestments (95,3,0959) 1,653,8 Intangible fixed assets ((Investments) (453,435) (230,35) Disinvestments (453,435) (230,35) Disinvestments (453,435) (230,35) Disinvestments (17,438,901) (10,725,15) Disinvestments (17,438,901) (10,725,15) Disinvestments (17,78,820) (23,648,46) Disinvestments (7,78,820) (23,64	Cash flow from operations A)	117,421,943	154,950,92
(Investments) (91,440,783) (57,071,64 Disinvestments 3,630,959 1,653,8 Intangible fixed assets (453,435) (230,35 (Investments) 0 Financial fixed assets (1,438,901) (10,725,15 (Investments) 35,632 241,6 Disinvestments 35,632 241,6 Financial assets not held as fixed assets (7,178,820) (23,648,46 (Investments) (7,178,820) (23,648,46 (Acquisitions of business branches net of cash and cash equivalents) (5,987,319) (1,059,60 Disposals of business branches net of cash and cash equivalents (5,987,319) (1,059,60 C. CASH FLOWS FROM FINANCING ACTIVITIES Cash flow from investments B) (98,155,183) (82,815,67) C. CASH FLOWS FROM FINANCING ACTIVITIES Increase (decrease) in short-term bank payables (4,415,621) 4,423,3 Granting of loans 60,000,000 45,000,00 (Repayment of loans) (53,736,812) (41,869,41)	B. CASH FLOW FROM INVESTING ACTIVITIES		
(Investments) (91,440,783) (57,071,64 Disinvestments 3,630,959 1,653,8 Intangible fixed assets (453,435) (230,35 (Investments) 0 Financial fixed assets (1,438,901) (10,725,15 (Investments) 35,632 241,6 Disinvestments 35,632 241,6 Financial assets not held as fixed assets (7,178,820) (23,648,46 (Investments) (7,178,820) (23,648,46 (Acquisitions of business branches net of cash and cash equivalents) (5,987,319) (1,059,60 Disposals of business branches net of cash and cash equivalents (5,987,319) (1,059,60 C. CASH FLOWS FROM FINANCING ACTIVITIES Cash flow from investments B) (98,155,183) (82,815,67) C. CASH FLOWS FROM FINANCING ACTIVITIES Increase (decrease) in short-term bank payables (4,415,621) 4,423,3 Granting of loans 60,000,000 45,000,00 (Repayment of loans) (53,736,812) (41,869,41)	Tangible fixed assets		
Disinvestments 3,630,959 1,653,8 Intangible fixed assets (Investments) (453,435) (230,35 Disinvestments 0 Financial fixed assets (Investments) (1,438,901) (10,725,15 Disinvestments 35,632 241,6 Financial assets not held as fixed assets (Investments) (7,178,820) (23,648,46 (Acquisitions of business branches net of cash and cash equivalents) (5,987,319) (1,059,60 Disposals of business branches net of cash and cash equivalents Cash flow from investments (98,155,183) (82,815,67 C. CASH FLOWS FROM FINANCING ACTIVITIES Means belonging to third parties Increase (decrease) in short-term bank payables (4,415,621) 4,423,3 Granting of loans (60,000,000 45,000,00 (Repayment of loans) (53,736,812) (41,869,416 Cash flow from investments (53,736,812) (41,869,416 Cash flow from investments (4,415,621) 4,423,3 Cash flow from investments (53,736,812) (41,869,416 Cash flow from investments (4,415,621) 4,423,3 Cash flow		(91,440,783)	(57,071,64
(Investments)	Disinvestments		1,653,83
Disinvestments 0	Intangible fixed assets		
Financial fixed assets (Investments)	(Investments)	(453,435)	(230,39
(Investments) (1,438,901) (10,725,18 Disinvestments 35,632 241,6 Financial assets not held as fixed assets (7,178,820) (23,648,46 (Investments) (7,178,820) (23,648,46 Disinvestments (4,677,484) 8,024,0 (Acquisitions of business branches net of cash and cash equivalents) (5,987,319) (1,059,60 Disposals of business branches net of cash and cash equivalents (98,155,183) (82,815,67 C. CASH FLOWS FROM FINANCING ACTIVITIES (82,815,67 Means belonging to third parties (4,415,621) 4,423,3 Increase (decrease) in short-term bank payables (4,415,621) 4,423,3 Granting of loans 60,000,000 45,000,0 (Repayment of loans) (53,736,812) (41,869,41)	Disinvestments	0	
Disinvestments 35,632 241,6	Financial fixed assets		
Financial assets not held as fixed assets (Investments) (Investm	(Investments)	(1,438,901)	(10,725,15
(Investments) (7,178,820) (23,648,46 Disinvestments 4,677,484 8,024,0 (Acquisitions of business branches net of cash and cash equivalents (5,987,319) (1,059,60 Disposals of business branches net of cash and cash equivalents (82,815,67 C. CASH FLOWS FROM FINANCING ACTIVITIES (82,815,67 Weans belonging to third parties Increase (decrease) in short-term bank payables (4,415,621) 4,423,3 Granting of loans 60,000,000 45,000,0 (Repayment of loans) (53,736,812) (41,869,41)	Disinvestments	35,632	241,66
Disinvestments (Acquisitions of business branches net of cash and cash equivalents) (5,987,319) (1,059,60) Disposals of business branches net of cash and cash equivalents Cash flow from investments B) (98,155,183) (82,815,67) C. CASH FLOWS FROM FINANCING ACTIVITIES Means belonging to third parties Increase (decrease) in short-term bank payables (4,415,621) (4,23,3) (53,736,812) (41,869,41)	Financial assets not held as fixed assets		
(Acquisitions of business branches net of cash and cash equivalents) (5,987,319) (1,059,60) (1,059	(Investments)	(7,178,820)	(23,648,46
Cash flow from investments B) (98,155,183) (82,815,67) C. CASH FLOWS FROM FINANCING ACTIVITIES Means belonging to third parties Increase (decrease) in short-term bank payables (4,415,621) 4,423,3 Granting of loans (60,000,000 45,000,00 (Repayment of loans) (53,736,812) (41,869,41)	Disinvestments	4,677,484	8,024,09
C. CASH FLOWS FROM FINANCING ACTIVITIES Means belonging to third parties Increase (decrease) in short-term bank payables Granting of loans (Repayment of loans) (82,815,67	(Acquisitions of business branches net of cash and cash equivalents)	(5,987,319)	(1,059,60
C. CASH FLOWS FROM FINANCING ACTIVITIES Means belonging to third parties Increase (decrease) in short-term bank payables Granting of loans (Repayment of loans) (53,736,812) (41,869,41	Disposals of business branches net of cash and cash equivalents		
Means belonging to third parties Increase (decrease) in short-term bank payables (4,415,621) 4,423,3 Granting of loans 60,000,000 45,000,0 (Repayment of loans) (53,736,812) (41,869,41)	Cash flow from investments B)	(98,155,183)	(82,815,67
Increase (decrease) in short-term bank payables (4,415,621) 4,423,3 Granting of loans 60,000,000 45,000,0 (Repayment of loans) (53,736,812) (41,869,41)	C. CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term bank payables (4,415,621) 4,423,3 Granting of loans 60,000,000 45,000,0 (Repayment of loans) (53,736,812) (41,869,41)			
Granting of loans 60,000,000 45,000,0 (Repayment of loans) (53,736,812) (41,869,41)			
(Repayment of loans) (53,736,812) (41,869,41)			4,423,36
			45,000,00
Increase (decrease) in short-term amounts due for central treasury management 0			(41,869,41

Increase (decrease) in short-term amounts due to other providers of funds	0	(48,024,68
Increase (decrease) of liabilities for issuance of bonded loans	6,000,000	(4,100,00
wn means		
Capital increase for consideration		
(Repayment of capital)		
Disposal (purchase) of own shares		
(Dividends (and advances on dividends) paid)	(10,024,900)	(6,016,96
Other changes in shareholders' equity	457,333	117,3
Cash flows from financing activities C)	(1,720,000)	(50,470,30
Increase (decrease) in cash and cash equivalents (A \pm B \pm C)	17,546,760	21,664,9
npact of exchange rates on cash and cash equivalents		,
npact of exchange rates on cash and cash equivalents		, , , ,
Cash and cash equivalents at the beginning of the year	90,195,972	68,531,0
Cash and cash equivalents at the beginning of the year out of which:		
Cash and cash equivalents at the beginning of the year	90,195,972 90,162,983	
Cash and cash equivalents at the beginning of the year out of which: post and bank deposits cheques		68,495,
Cash and cash equivalents at the beginning of the year out of which: post and bank deposits	90,162,983	68,495,
Cash and cash equivalents at the beginning of the year out of which: post and bank deposits cheques cash (money and notes)	90,162,983 0 32,989	68,495, 35,0
Cash and cash equivalents at the beginning of the year out of which: post and bank deposits cheques cash (money and notes) Cash and cash equivalents at the end of the year	90,162,983	68,495,
Cash and cash equivalents at the beginning of the year out of which: post and bank deposits cheques cash (money and notes) Cash and cash equivalents at the end of the year out of which:	90,162,983 0 32,989	68,495,0 35,0 90,195, 9
Cash and cash equivalents at the beginning of the year out of which: post and bank deposits cheques cash (money and notes) Cash and cash equivalents at the end of the year out of which: post and bank deposits	90,162,983 0 32,989 107,742,732	68,495,8 35,0 90,195, 9
Cash and cash equivalents at the beginning of the year out of which: post and bank deposits cheques cash (money and notes) Cash and cash equivalents at the end of the year out of which:	90,162,983 0 32,989	68,531,0 68,495,8 35,0 90,195,9 90,162,9

FIN.FER. S.p.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

The Group controlled by FIN.FER. S.p.A. is characterised by a high degree of industrial integration between its operating companies, which covers a range of processes from making steel from scrap and cast iron to marketing products such as wire rod, bar, wire, electro-welded wire mesh and lattice girders mostly for the construction industry (infrastructure and homes) as well as for mechanical engineering.

In order to improve integration between the various processes and create synergies and scale economies, the Group was reorganised and a sub-holding - Compagnia Siderurgica Italiana S.r.l. - was set up and transferred by the parent company FIN.FER. S.p.A. with effective date 01.01.2018 a business branch acting as the operational holding and including the interests in Ferriere Nord S.p.A., S.I.A.T. S.p.A., La Veneta Reti S.r.l., Acciaierie di Verona S.p.A., Kovinar D.o.o. and I.S.U. G.m.b.H. Therefore, starting from the said effective date, the subsidiaries will be directed and coordinated by Compagnia Siderurgica Italiana S.r.l.

The consolidated financial statements for the year ended 31/12/2018, of which these notes form an integral part pursuant to article 29, sub-par. 1, of legislative decree 127/91, were drafted in accordance with title III of said law. Figures are compared to those relative to the previous financial year.

In these Notes we comment on the most significant changes with respect to assets and liabilities values in the previous year's financial statements, which were drawn up in the same format.

Values are expressed in euro.

Shareholders' equity with the result for the year of the Group parent company at 31 December 2018 corresponds exactly to Group shareholders' equity with the result for the year stated in the consolidated financial statements.

EVALUATION CRITERIA, ACCOUNTING PRINCIPLES AND BASIS OF PREPARATION

The financial statements were drafted in euro, including the results relative to the previous financial year, so that they are comparable. The financial statements were drafted pursuant to the legislation in force that, following the issuance of European Directive 2013/34, updated the Italian Civil Code and the relevant rules on financial statements and consolidated financial statements through Legislative Decree 139/2015. In particular, the provisions laid down under the aforementioned Decree became effective on 1 January 2016 and are applicable to financial statements from 1 January 2016 onward. OIC, as provided for by Legislative Decree 139/2015, completed the reform and updated the National Accounting Principles pursuant to the provisions laid down in the Decree that transposed the European Directive.

BASIS OF CONSOLIDATION CRITERIA AND ACCOUNTING POLICIES

The financial statements used for consolidation purposes are those drawn up at 31 December 2018 for approval by the shareholders' meetings of the various consolidated companies as adjusted where necessary by postings of fiscal nature and to come into line with the accounting standards and evaluation criteria used by the Group parent company.

The consolidation criteria adopted include:

- statement of all assets and liabilities and income and expenses of the companies under consolidation;
- elimination of the carrying amount of equity investments in consolidated companies and the corresponding fractions of their shareholders' equity; the amount of third party interests in the shareholders' equity of consolidated companies is written to the shareholders' equity item, under Shareholders' equity, minority interests;
- elimination of profits arising from major infra-group transactions not yet realised in respect of third parties and statement of related deferred tax assets, if any;
- elimination of receivables, payables, charges and income arising from business between consolidated companies;
- statement of leasing contracts using the financial method and related tax impact.

ACCOUNTING POLICIES

Detailed below are the criteria applied in stating balance sheet items, value adjustments and conversion of values originally stated in foreign currencies.

Intangible assets

Intangible assets are reported at their purchase or production costs including additional charges that can be directly assigned and are shown net of depreciation.

Costs for intangible assets as actually incurred into are posted inasmuch as they express the capacity of producing economic benefits also in the future.

Intangible assets were regularly depreciated according to their respective residual economic lives and pursuant to plans that, in our opinion, ensure proper breakdown of costs over their useful lives.

Assets that, at the close of the financial year, irrespective of their accounted depreciation, are permanently impaired are devalued accordingly.

Tangible assets

Tangible fixed assets are stated at purchase cost including directly related additional charges or at internal construction cost; the said construction cost includes the costs of raw materials, ancillary materials, energy, personnel, general production and industrial overheads to reasonably attributable degrees and any financial expenses relative to loans for such purpose accruing in the construction period.

The value of assets was adjusted to reflect revaluations under Laws 576/75, 72/83, 413/91, 342/2000, 350/2003, 266/2005, Decree Law 185/2008 as converted by Law 2/2009, 147/2013, 208 of 28 December 2015 and 232/2016; the industrial buildings of Sideros S.p.A. were revalued in 1981 when the company was merged into Ferriere Nord S.p.A.

Pursuant to art. 2426 of the Italian Civil Code, fixed assets whose values are permanently lower than the relevant book values at the close of the financial year are written down and posted at the lower values.

Depreciation charges written to the income statement were calculated on a straight line basis at rates reflecting the estimated useful economic-technical life of assets. Such rates are detailed in the Notes to balance sheet items.

Maintenance and repair costs are written to the income statement in the year they are incurred into if of routine nature and capitalised if an extraordinary nature.

Fixed assets under construction are stated at cost including directly related additional charges. This class also includes advances for supplies of fixed assets.

Financial assets

Shares in Group companies and other companies are entered at their respective purchase costs depreciated as a result of permanent impairment where applicable. With reference to receivables reported under financial assets, please see the following paragraph.

Receivables (including those reported under financial assets)

Receivables are reported according to the amortised cost method, also taking into account the time factor and the estimated realisable value. The amortised cost method was not applied when the impact is immaterial for the purposes of a true and fair view of the financial position. The impact of discounting is regarded as immaterial for receivables falling due within 12 months. The initial reported value is the nominal value of receivables net of all bonuses, discounts and allowances and including any cost that can be directly assigned to the transaction that originate the relevant receivable. Transaction costs, fee income and expenses, if any, as well as any difference between the initial value and the nominal value at due date are included in the amortised cost calculation by using the effective interest method.

A special depreciation fund is set aside for possible risks of default, whose adequacy is assessed with reference to doubtful positions on a regular basis and, at any rate, at the close of every financial year, also taking into account both existing or likely doubtful positions and general, sector-specific and country-specific risks and conditions.

As regards receivables stated before the financial year starting on 1 January 2016, they are reported according to the estimated realisable value method inasmuch as, pursuant to accounting principle OIC 15, we opted for not applying the amortised cost method and discounting retroactively.

Inventories

Inventories are stated at the lower between the purchase cost and manufacturing costs as determined on a LIFO basis with annual adjustments; products are written down to the lower between market value and the above LIFO value.

Foreign currency and off-balance sheet items

Payables and receivables in foreign currency are stated at their euro equivalents using exchange rates in force at the time of customs clearance of goods or of entry in the books in case of services. Any positive or negative differences between the value of payables and receivables in non-euro currencies, converted at the rate in force when booked and their values when converted at year-end spot exchange rates, also considering any exchange rate risk hedging, are written to the income statement and any net gain is written to the appropriate reserve, which is not distributable until such gains are realised.

Financial derivative instruments

Financial derivative instruments are stated at fair value. Changes in fair value are stated under the income statement or, if the instrument hedges the risk of change in the expected cash flows of another financial instrument or a planned transaction, under a positive or negative shareholders' equity reserve; this reserve is posted to the income statement to the extent and at the time when the cash flows of the hedged instrument occur or charge or when the hedged transaction occur. If the fair value at the reference date is positive, it is posted to "financial derivative assets" under fixed assets or under financial assets not held as fixed assets. If the fair value is negative, it is posted to "financial derivative liabilities" under the provisions for risks and charges.

Upon subscription, the company does not perform any derivative transaction for speculation purposes, otherwise the derivatives would be stated at the relevant market values.

Financial assets not held as fixed assets

Securities posted to financial assets not held as fixed assets are stated at the lower between acquisition cost and market value.

Accruals and deferrals

Income and expenses items involving two or more periods are dealt with on an accrual basis.

Provisions for contingencies and other charges

The provisions for contingencies and other chargers are set aside in order to cover well defined and certain or possible charges or losses, whose amounts or dates of occurrence, however, are not determined. These provisions reflect the best estimates made according to all available elements. In particular, when assessing risks and charges whose actual occurrence depends upon the occurrence of future events, the information made available after the close of the financial year and up to the drafting of these financial statements was also taken into account. This item also includes the agents' leaving indemnity provision as well as the provision for taxation and negative fair value on financial instruments.

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Employee severance indemnity

This reflects liabilities accruing at 31 December in respect of employees under current legislation.

Payables

Payables are reported according to the amortised cost method, also taking into account the time factor. The amortised cost method was not applied when its impact is immaterial as in case of payables falling due within 12 months or payables whose transaction costs are not significant. Furthermore, as expressly provided for by OIC 19, payables reported before 1 January 2016 are measured at their respective nominal values.

Taxation

Current year taxes are stated under Amounts owed to tax authorities on the basis of a realistic forecast of the charge to pay under current tax law net of prepaid amounts. Deferred taxes mainly arise from the tax impact of consolidation and the temporary differences between the value of an asset or liability and the value attributed to that asset or liability for tax purposes in line with accounting standard 25 of the "Organismo Italiano di Contabilità". Deferred tax liabilities and assets are stated, respectively, under "Provisions for taxation" and "Deferred tax assets".

Operating grants

Operating grants are written to the income statement on an accrual basis, i.e. when the right to the grant is legally certain.

Recognition of revenues and expenses

Revenues from sales of goods and expenses for the purchase of goods are recognised upon transfer of all risks and benefits related to ownership. This transfer generally occurs at the time of shipment or delivery of goods. Revenues and expenses for services are recognised upon provision of the service involved.

Financial revenues and expenses are calculated on a pro-tempore basis.

Guarantees, commitments, assets belonging to third parties and risks

The risks resulting from collateral or personal securities furnished on amounts owed by third parties are entered at an amount corresponding to the sum of the relevant security; the amount owed by third party secured at the reference date of the Balance Sheet, where lower than the amount of the security furnished on it, is stated in these Notes.

Commitments are reported at their respective nominal values as obtained from the relevant documentation.

Risks for which liabilities are likely are described in the Notes and proper provisions for risks are set aside.

Risks for which liabilities are only possible are described in the Notes and no provisions for risks are set aside pursuant to the relevant accounting principles. Remote risks are not taken into account.

Income and expenses

Revenue, income, costs and charges are stated net of returns, discounts, allowances and bonuses and also of taxes directly related to the sale of products and provision of services.

COMPANIES FALLING WITHIN THE CONSOLIDATION SCOPE AND EQUITY INVESTMENTS

Listed below are the companies consolidated on a line-by-line basis.

Company name	Registered office	Share	Interest held
DIRECTLY CONTROLLED SUBS	DIARIES - included in the consolidate	ation scope	
Compagnia Siderurgica Italiana S.r.I.	Osoppo (UD)	50,000,000	100.000%
Pittini Stahl G.m.b.H.	Bad Aibling (Germania)	500,000	99.000%
INDIRECTLY CONTROLLED SUE	SIDIARIES - included in the consol	idation scope	
Ferriere Nord S.p.A.	Osoppo (UD)	60,000,000	99.950%
S.I.A.T. S.p.A.	Gemona (UD)	5,000,000	99.996%
Acciaierie di Verona S.p.A.	Osoppo (UD)	30,000,000	99.000%
La Veneta Reti S.r.I.	Loreggia (PD)	6,000,000	100.000%
I.S.U. G.m.b.H.	Villach (Austria)	5,700,000	78.070%
BSTG G.m.b.H.	Linz (Austria)	6,833,333	54.649%
Kovinar D.o.o.	Jesenice (Slovenia)	779,829	100.000%

The financial year of the above listed companies closes on 31 December.

DETAILED ACCOUNTS – Analysis of balance sheet items

ASSETS

B) FIXED ASSETS

B.I) INTANGIBLE ASSETS

Intangible fixed assets amount to euro 2,091,987. down euro 1,116,782 over the previous year.

Depreciation is charged as follows:

- preliminary and formation expenses and charges: depreciation over 5 years;
- patent expenses: 3 years:
- goodwill: depreciation over 1-3 years;
- development expenses; 1/3/5 years;
- other intangible assets: they include deferred charges on liabilities entered before 01.01.2016, which are depreciated every year for the length of the loans they are referred to, and sundry expenses to be depreciated over 5 years.

The following table details the changes occurred in such items. No revaluations have ever been made to intangible fixed assets and no write-downs were made during the year.

	Historical cost	Depreciation at 31/12/2017	Value at 01/01/2018	Increases	Transfers	Decreases write-downs	Depreciation	Value at 31/12/2018
Start up and expansion expenses	615,561	235,724	379,837	0	0	0	123,112	256,725
Patent rights	319,034	152,079	166,955	55,554	282,751	0	203,138	302,122
Concessions, licenses, trademarks	1,069	503	566	0	0	0	60	506
Goodwill	0	0	0	3,210,905	170,126		2,115,495	1,265,536
Tangible fixed assets under construction and advances	54,996	0	54,996	397,881	(452,877)	0	0	
Other intangible fixed assets	667,177	294,326	372,851	0	0	0	105,752	267,098
SUMTOTAL	1,657,837	682,632	975,205	3,664,340	0	0	2,547,557	2,091,987

B.I.1) PRELIMINARY AND FORMATION EXPENSES

This item, which is referred to the subsidiary Acciaierie di Verona S.p.A., includes the charges incurred into to incorporate the company and to acquire the business branch in Verona from Riva Acciaio S.p.A. The increase recorded for the year derives from the acquisition of the business branch Nave (BS) by the subsidiary Ferriere Nord S.p.A..

B.I.3) PATENT RIGHTS – INTELLECTUAL PROPERTY RIGHTS

The item including patent rights and intellectual property rights amounting to euro 302,122 refers to software suites used by the companies.

B.I.5) GOODWILL

This item amounting to euro 1,265,536 results from goodwill acquired through the business branches in Ceprano (FR) and Verona by the subsidiary Ferriere Nord S.p.A..

B.I.7) OTHER INTANGIBLE ASSETS

The amount refers to charges in connection with disbursement of medium/long-term loans incurred into in previous years. As provided for by the new legislation on financial statements, from 2016 onward, the charges incurred into for the disbursement of new loans are not to be reported under intangible assets; they are spread following the amortised cost method over the financial liability for the length of the loan itself.

Other intangible assets also include the expenses resulting from the leasing contract for the plant in Celano and the implementation of websites and a computer-based documentary archive by the subsidiary Ferriere Nord S.p.A..

B.II) TANGIBLE ASSETS

The table below shows acquisitions, disposals, revaluations as well as depreciation and write-downs recorded over the period.

Tangible assets	Opening value	Increases and capitalisation of orders	Decreases	Closing value	Accum. deprec. for previous year	Depreciation for the year	Decrease in accum. depreciation	Closing accum. depr.	Value in fin. statement
LAND AND BUILDING	S								
Land and n. industrial buildings	57,977,421	2,272,573	199,522	60,050,472	293,508	12,022	-	305,530	59,744,942
Yards	18,201,997	1,113,343	-	19,315,340	7,062,175	862,754	-	7,924,929	11,390,411
Industrial buildings	139,910,118	11,650,813	282,028	151,278,903	68,832,019	6,267,797	59,900	75,039,916	76,238,987
Light constructions	1,233,659	13,515	3,000	1,244,174	924,848	59,243	3,000	981,091	263,083
Total	217,323,195	15,050,244	484,550	231,888,889	77,112,550	7,201,816	62,900	84,251,466	147,637,423
PLANT AND MACHINE	ERY								
General plant	115,331,119	10,208,418	1,545,474	123,994,063	89,134,187	6,146,837	967,145	94,313,879	29,680,184
Non-automatic plant	14,498,837	923,888	443,259	14,979,466	12,246,875	489,321	442,752	12,293,444	2,686,022
Automatic plant	238,238,017	71,127,881	6,961,466	302,404,432	198,120,493	23,420,748	5,341,787	216,199,454	86,204,978
Furnaces	65,516,382	9,758,632	826,872	74,448,142	43,203,367	6,287,687	271,035	49,220,019	25,228,123
Water treatment plant	40,808,866	4,429,199	680,000	44,558,065	30,183,197	3,792,903	459,000	33,517,100	11,040,965
Total	474,393,221	96,448,018	10,457,071	560,384,168	372,888,119	40,137,496	7,481,719	405,543,896	154,840,272
EQUIPMENT									
Tools and equipment	8,043,850	609,723	22,552	8,631,021	6,925,149	602,598	15,352	7,512,395	1,118,626
Total	8,043,850	609,723	22,552	8,631,021	6,925,149	602,598	15,352	7,512,395	1,118,626
OTHER ASSETS									
Freight vehicles	3,855,490	342,000	300,474	3,897,016	2,952,503	288,734	108,213	3,133,024	763,992
Office furniture	2,017,330	115,735	9,985	2,123,080	1,234,034	169,480	9,985	1,393,529	729,551
Computers	4,650,186	558,500	35,419	5,173,267	3,832,390	318,496	35,404	4,115,482	1,057,785
Cars, motorbikes, etc.	1,366,814	12,498	257,107	1,122,205	965,864	168,162	222,626	911,400	210,805
Tangible assets < euro 516	3,592	-	-	3,592	3,592	-	-	3,592	-
Total	11,893,412	1,028,733	602,985	12,319,160	8,988,383	944,872	376,228	9,557,027	2,762,133
WORK IN PROGRESS									
Advances	13,020,373	11,804,837	14,051,410	10,773,800	-	-	-	-	10,773,800
Work in progress	32,997,119	(17,771,962)	-	15,225,157	-	-	-	-	15,225,157
Total	46,017,492	(5,967,125)	14,051,410	25,998,957	-	-	-	-	25,998,957
SUMTOTAL	757,671,170	107,169,593	25,618,568	839,222,195	465,914,201	48,886,782	7,936,199	506,864,784	332,357,411

The increase in tangible assets mainly results from further progress made by the subsidiary Acciaierie di Verona S.p.A. in the implementation of a huge multi-year investment plan ("MasterPlan"). This plan affects all the main assets of the company: product development, plant and machinery, in-house logistics, HR management and development. Other huge investments were also made by the subsidiary Ferriere Nord S.p.A. The most significant are as follows:

Site in Osoppo:

- scrap area level 2 automation;
- EVG network system installation;
- dynamic balance and wagon detection;
- 230 T hot metal car;
- 30 T Almici travelling crane;
- GD6 EVG network system no. 3;
- Liebherr L556X wheeled loader.

Site in Potenza:

- ABB transformer (150/22 KVA);
- upgrade of scrap area house facilities.

Site in Verona:

- land and building from acquired business branch;
- former BIM building.

The table below details revaluations of assets at 31 December 2018. None of such assets have ever been written down in value:

Revaluation under law 576, 2 December 1975 - Visentini

		Increase in historical cost	Decrease in depreciation fund
Land		11.254	0
	Total	11.254	0

Revaluation on merger of Sideros S.p.A. into - Ferriere Nord S.p.A.

		Increase in historical cost	Decrease in depreciation fund
Industrial buildings		316,773	0
	Total	316,773	0

Revaluation under law 72, 19 March 1983 - Visentini Bis

	Increase in historical cost	Decrease in depreciation fund
Land	69,138	0
Yards	50,178	0
Industrial buildings	2,737,225	0
General plant	715,283	0
Non-automatic plant	184,262	0
Automatic plant	3,126,906	0
Furnaces and appurtenances	9,058	0
Office furniture and machines	435	0
Yards	1,254	0
Total	6,893,739	0

Revaluation under law 413, 30 December 1991

	Increase in historical cost	Decrease in depreciation fund
Land	133,538	0
Non industrial buildings	21,523	0
Yards	108,520	0
Industrial buildings	6,395,802	0
General plant	2,626	0
Total	6,662,009	0

Revaluation under law 342, 21 November 2000

		Increase in historical cost	Decrease in depreciation fund
Automatic plant		16,063,645	0
	Total	16,063,645	0

Revaluation under law 350, 24 November 2003

	Increase in historical cost	Decrease in depreciation fund
Automatic plant	9,789,678	0
Total	9,789,678	0

Revaluation under law 266, 23 December 2005

	Increase in historical cost	Decrease in depreciation fund
Automatic plant	2,715,900	0
Total	2,715,900	0

Revaluation under legislative decree 185, 29 November 2008, converted into law 2, 28 January 2009

	Increase in historical cost	Decrease in depreciation fund
Land	26,041,543	0
Non industrial buildings	0	32,803
Yards	609	609,754
Industrial buildings	3,410,806	20,109,437
Total	29,452,958	20,751,994

Revaluation under law 147, 27 December 2013

	Increase in historical cost	Decrease in depreciation fund
Automatic plant	0	36,438,944
Total	0	36,438,944

Revaluation under law 208, 28 December 2015

	Increase in historical cost	Decrease in depreciation fund
Automatic plant	0	7,627,557
Tota	0	7,627,557

Revaluation under law 232, 11 December 2016

	Incr	rease in historical cost	Decrease in depreciation fund
Automatic plant		0	11,260,913
	Total	0	11,260,913

Land, buildings, plant and machinery are tied by mortgages and liens securing the loans described in the comment on "Payables to banks."

Depreciation is calculated for all depreciable assets at the following rates:

•	Yards, roads, sewers, etc.	3-5%
•	Industrial buildings	3-5%
•	General plant	10-12%
•	Non-automatic plant	10-12%
•	Automatic plant	17.5%
•	Furnaces and appurtenances	12.5-15%
•	Freight vehicles	10-20%
•	Office furniture	12%
•	Computers, electronic office machines	18-20%
•	Equipment and tools	25%
•	Light constructions	10%
•	Water and air treatment plant	10-15%
•	Cars, motorbikes, etc.	25%

B.III.1) FINANCIAL ASSETS EQUITY INVESTMENTS

Equity investments can be detailed as follows:

	Historical cost	Revualation	Write-down	Value at 01/01/2018	Acquisitions increases	Disposals decreases	Revualation	Write-down	Value at 31/12/2018
Pittini Siderprodukte A.G.	0			0	178,357	0	0	0	178,357
SUBSIDIARIES	0	0	0	0	178,357	0	0	0	178,357
Veneto Banca	11,000			11,000	0	0	0	0	11,000
Metal interconnector S.C.p.A.	9,475,903			9,475,903	0	0	0	0	9,475,903
Others	15,532	0	0	15,532	0	0	0	0	15,532
OTHER COMPANIES	9,502,435	0	0	9,502,435	0	0	0	0	9,502,435
TOT. EQUITY INVESTMENTS	9,502,435	0	0	9,502,435	178,357	0	0	0	9,680,792

The increases result from the a shareholding acquired in the new company Pittini Siderprodukte A.G., which will close its first financial year on 31 December 2019 and, for this reason, is not included in the current consolidated financial statements.

B.III.2 d) RECEIVABLES FROM OTHERS

Balance at 01/01/2018		2,371,405
Increases		1,260,544
Decreases		(1,632)
	Total at 31/12/2018	3.630.317

The increase during the year mostly results from the amounts paid to Terna as a guarantee fund pursuant to article 1, sub-par. 831, of Law 208 of 28 December 2015 for the funding of interconnection infrastructure with foreign countries (please see "Interconnector" under article 32 of Law 99 of 23 July 2009).

B.III.3 OTHER SECURITIES

This item includes securities posted under fixed assets and amounting to euro 246,384, which are owned by the subsidiary BSTG G.m.b.H..

C) CURRENT ASSETS

C.I) INVENTORIES

Inventories are carried at purchase or production cost, or at the realisable value inferable from market performance, if lower, as provided for by point 9 of article 2426 of the Italian Civil Code.

The cost of raw materials, consumables, ancillaries, semi-finished and finished products was calculated according to the L.I.F.O. method with annual adjustments.

Inventories stand at euro 204,380,440. The increase on the previous year amounts to euro 24,204,266 and is determined by a different composition and lower amounts of goods in stock at the year end. Infra-group gains were eliminated.

C.II) DEBTORS

C.II.1) TRADE RECEIVABLES

Compared to the previous year, the item trade receivables under current assets increased by euro 6,905,865. This change mainly results from the increase in turnover. The policy aimed at improving payment terms is still applied.

The item breaks down as follows:

Amounts owed by customers	168,512,607
Cash orders and notes receivable for collection and in portfolio with banks	40,610,795
Invoices to issue	3,055,992
Provision for bad debts	(14,606,404)
Total	197,572,990

There are no receivables falling due beyond five years.

Over the year the provision for bad debts recorded the following changes:

Balance at 01/01/2018	10,775,496
Decreases (use for write off of bad debts)	(2,405,871)
Provision for the financial year	6,236,779
	Total 14.606.404

C.II.5-bis) TAXATION DEBTORS

Tax receivables break down as follows:

Falling due within 12 months	
Receivables from tax authorities for duty drawback	910,612
Receivables from tax authorities for tax credits	295,475
Tax authorities: IRES, IRAP, VAT	7,012,854
	8,218,941
Due beyond 12 months	
Duty drawbacks	55,465
Receivables from tax authorities for tax credits	772,504
	827,969
Total	9,046,910

This item globally decreased by euro 2,134,846. The decrease mainly results from the reduction of receivables from tax authorities for VAT. The item "Receivables from tax authorities for taxation debtors" within 12 months includes the tax benefits resulting from the charges incurred into for research and development activities by the company Acciaierie di Verona S.p.A. The receivables from tax authorities for taxation debtors beyond 12 months result from the closing of a securitisation transaction on trade receivables by Ferriere Nord S.p.A..

C.II.5-ter) DEFERRED TAX ASSETS

Falling due beyond 12 months	10.665.067

This item includes the amount of prepaid taxes for prudential provisions: tax provision for bad debts, provision for risks, higher statutory depreciation, consolidation adjustment to unrealised gains, intercompany unrealised profit and temporary differences between the book value of an asset or liability and its fiscal value.

C.II.5-quater) RECEIVABLES FROM OTHERS

Falling due within 12 months	
Credit notes to receive	3,262,302
Advances to suppliers	483,332
Receivables from banks for non-recourse transfers	1,409,623
Receivables from INAIL (National Insurance Institute for industrial accidents)	56,981
Inail (National insurance institute for industrial accidents) advances	62,565
Receivables for Energy Efficiency Titles (White Certificates)	881,789
Sundry short-term receivables	969,633
	7,126,225
Due beyond 12 months	
Sundry receivables	10,322,975
Financial receivables	16,853
	10,339,828
Total	17,466,053

The decrease in this item results from non-recourse transfer and collection of receivables by Ferriere Nord S.p.A., S.I.A.T. S.p.A. and Acciaierie di Verona S.p.A. from Cassa per i Servizi Energetici e Ambientali following the decree of the Ministry of Economy and Finance of 5 April 2013 which provides for energy intensive companies to benefit from exemption on some tariff components.

The other receivables due after 12 months increased by euro 8,695,546, mainly owing to the payment of some instalments of the penalty imposed by AGCM (the Italian Competition Authority) by order no. 26686 of 2017 on Ferriere Nord S.p.A. and jointly and severally on FIN.FER. S.p.A. Following the appeal allowed by the Lazio Regional Administrative Court, the refund of the penalty instalments already paid was requested.

Financial receivables refer to the estimated realisable value of receivables from closing the previous securitisation programme ended in May 2014.

C.III. FINANCIAL ASSETS NOT HELD AS FIXED ASSETS

The item is made up as follows:

Other investments:	
Unicredit shares	1,406
Other securities:	
ICCREA bonds 2015/2025	5,000,000
ICCREA bonds 2017/2022	4,962,500
ICCREA bonds 2017/2022	5,036,000
BTP 1.11.2020	491,205
BTP 15.03.2023	467,557
BTP 15.09.2022	1,927,190
ARCA VITA investment policy	2,669,299
GENERALI ONE investment policy	2,592,794
UNIQUA PREVIDENZA investment policy	3,575,351
CATTOLICA ASSICURAZIONI investment policy	3,053,061
MEDIOLANUM private equity fund	11,986,468
CREDIFRIULI private equity fund	468,878
	42,230,303
Total	42,231,709

This item changes as follows:

	Value at 01/01/2018	Increase/ revaluation	Decrease/ write-downs	Value at 31/12/2018
4) Other investments:				
Unicredit shares	2,244	0	839	1,406
6) Other securities:				
ICCREA bonds 2015/2025	5,000,000	0	0	5,000,000
ICCREA bonds 2016/2021	3,000,000	0	3,000,000	0
ICCREA bonds 2013/2018	1,031,600	0	1,031,600	0
ICCREA bonds 2017/2022	4,962,500	0	0	4,962,500
ICCREA bonds 2017/2022	5,036,000	0	0	5,036,000
BTP 1.11.2020	0	500,000	8,795	491,205
BTP 15.03.2023	0	500,000	32,443	467,557
BTP 15.09.2022	0	2,000,000	72,810	1,927,190

ARCA VITA investment policy	2,610,306	58,993	0	2,669,299
GENERALI ONE investment policy	2,540,959	51,836	0	2,592,794
UNIQUA PREVIDENZA investment policy	2,056,030	1,519,321	0	3,575,351
CATTOLICA investment policy	1,004,375	2,048,686	0	3,053,061
MEDIOLANUM private equity fund	11,986,359	499,984	499,875	11,986,468
CREDIFRIULI private equity fund	500,000	0	31,122	468,878
TOTAL	39,730,373	7,178,820	4,677,484	42,231,709

During the year, ICCREA bonds with various expiry dates were sold by the subsidiary Ferriere Nord S.p.A.; furthermore, euro 3 million were invested in long-term government bonds, euro 3.5 million were invested in a single premium guaranteed capital capitalisation policy, which can be also partially redeemed after one year, and euro 0.5 million were invested in private equity funds.

C.IV) CASH AT BANK AND IN HAND

This item mainly includes the cash available on the bank accounts of the various Group companies, globally amounting to euro 107,709,568, with an increase of euro 17,546,585 over the previous year. Cash equivalents globally amount to euro 33,164.

D) ACCRUED INCOME AND PRE-PAID EXPENSES

This item amounts to euro 2,302,826, that is a decrease of euro 783,452 on the previous year. It can be detailed as follow:

Accrued (industrial) income		14,155
Accrued (financial) income		203,948
Accrued (general) income		162,388
	Total accrued income	380,491
Prepaid expenses: industrial costs		1,676,552
Prepaid expenses: commercial costs		12,460
Prepaid expenses: financial costs		58,716
Prepaid expenses: general expenses		174,607
	Total pre-paid expenses	1,922,335
	TOTAL	2,302,826

LIABILITIES

A) CAPITAL AND RESERVES

Shareholders' equity, Group

Description	Share capital	Legal reserve	Revaluatioxn reserve	Other reserves	Expected cash flow hedging reserves	Profits (losses) of previous financial years	Shareholders' equity
DECEMBER 2013	30.000.000	6,000,000	142,354	182,595,613	0	883,673	219.621.640
Allocation of profit, previous year	00,000,000	0,000,000	1-12,00-1	883,673		(883,673)	0
Payment of dividends				(2,010,000)		(000)0707	(2,010,000)
Adjustments of shareholdings for tax credits				170.364			170,364
Profit (loss) for the financial year				,		3,186,334	3,186,334
DECEMBER 2014	30,000,000	6,000,000	142,354	181,639,649	0	3,186,334	220,968,337
Allocation of profit, previous year		.,	,	3,186,334		(3,186,334)	0
Payment of dividends				(2,010,000)			(2,010,000)
Adjustments of shareholdings for tax credits				96,896			96,896
Revaluation under law 208/15				6,918,468			6,918,468
Expected cash flow hedging					29,167		29,167
Profit (loss) for the financial year						1,863,146	1,863,146
DECEMBER 2015	30,000,000	6,000,000	142,354	189,831,347	29,167	1,863,146	227,866,014
Allocation of profit, previous year				1,863,146		(1,863,146)	0
Adjustments of shareholdings for tax credits				27,346			27,346
Revaluation under law 232/16				9,545,630			9,545,630
Expected cash flow hedging					(142,115)		(142,115)
Profit (loss) for the financial year						11,184,474	11,184,474
DECEMBER 2016	30,000,000	6,000,000	142,354	201,267,469	(112,948)	11,184,474	248,481,349
Allocation of profit, previous year		559,224		10,625,250		(11,184,474)	0
Share capital increase	20,000,000		(142,354)	(19,857,646)			0
Payment of dividends				(6,000,000)			(6,000,000)
Adjustments of shareholdings for tax credits				17,369			17,369
Derivative instruments (subsidiaries)				(18,399)			(18,399)
Expected cash flow hedging					17,058		17,058
Profit (loss) for the financial year						21,227,926	21,227,926
DECEMBER 2017	50,000,000	6,559,224	0	186,034,043	(95,890)	21,227,926	263,725,303
Allocation of profit, previous year		1,061,396				(1,061,396)	0
Payment of dividends				(20,000,000)			(20,000,000)
Adjustments of shareholdings for tax credits				90,087			90,087
Derivative instruments (subsidiaries)				(361,666)			(361,666)
Expected cash flow hedging					95,890		95,890
Profit (loss) for the financial year						37,493,365	37,493,365
DECEMBER 2018	50,000,000	7,620,620	0	165,762,464	0	57,659,895	281,042,979

Share capital

The share capital amounts to euro 50,000,000, fully subscribed and paid in, and made up of 50,000,000 ordinary shares of par value euro 1 each.

Legal reserve

At the end of the year, this reserve shows a balance of euro 7,620,620. This item increased by euro 1,061,396 following the allocation of a portion of the previous year.

Other reserves

At 31 December 2018 this reserve shows a balance of euro 185,928,994. During the year, this item globally decreased by euro 105,049, mostly due to the allocation of the profit of the previous year, the payment of dividends, the fair value adjustment for the subsidiary Ferriere Nord S.p.A. (receivables from tax authorities for the disposal of revalued assets) and, lastly, the fair value adjustment of the subsidiaries Acciaierie di Verona S.p.A. and Compagnia Siderurgica Italiana S.r.I. (reserve for expected cash flow hedging).

Expected cash flow hedging reserves

At 31 December 2018, this balance amounts to euro 0. The balance recorded in the previous year resulted from derivatives belonging to the parent company.

Shareholders' equity, third parties

Standing at euro 2,329,514, this is the value of shareholders' equity belonging to minority interests.

Description		Capital and reserves	Profit (loss)	Shareholders' equity, third parties
	DECEMBER 2013	104.501	1,630	106,131
Allocation of profit, previous year		1,630	(1,630)	0
Consolidation scope extension		3,123,516		3,123,516
Adjustments of shareholdings for tax credits		85		85
Profit (loss) for the financial year			(648,551)	(648,551)
	DECEMBER 2014	3,229,732	(648,551)	2,581,181
Allocation of profit, previous year		(648,551)	648,551	0
Currency rev. under law 208/15		3,030		3,030
Adjustments of shareholdings for tax credits		50		50
Payment of dividends		(7,500)		(7,500)
Profit (loss) for the financial year			(428,395)	(428,395)
	DECEMBER 2015	2,576,761	(428,395)	2,148,366
Allocation of profit, previous year		(428,395)	428,395	0
Consolidation scope extension		200,000		200,000
Currency rev. under law 232/16		4,775		4,775
Adjustments of shareholdings for tax credits		14		14
Profit (loss) for the financial year			(49,687)	(49,687)
	DECEMBER 2016	2,353,155	(49,687)	2,303,468
Allocation of profit, previous year		(49,687)	49,687	0
Share capital increase (subsidiaries)		100,000		100,000
Payment of dividends		(16,960)		(16,960)
Adjustments of shareholdings for tax credits		9		9
Derivative instruments (subsidiaries)		(186)		(186)
Profit (loss) for the financial year			(56,817)	(56,817)
	DECEMBER 2017	2,386,331	(56,817)	2,329,514
Allocation of profit, previous year		(56,817)	56,817	0
Share capital increase (subsidiaries)		300,000		300,000
Change in I.S.U. G.m.b.H shareholding		67,201		67,201
Payment of dividends		(24,900)		(24,900)
Adjustments of shareholdings for tax credits		45		45
Derivative instruments (subsidiaries)		(7)		(7)
Profit (loss) for the financial year			272,593	272,593
	DECEMBER 2018	2,671,853	272,593	2,944,446

The company does not draw up a reconciliation of the shareholders' equity of the Group parent company and consolidated shareholders' equity as there are no consolidation differences other than those already included in the statutory financial statements of FIN.FER. S.p.A..

B) PROVISION FOR RISKS AND CHARGES

B.1) PROVISION FOR PENSIONS AND SIMILAR OBLIGATIONS

This stands at euro 1,725,585 and consists of provisions for agents' leaving indemnities made up over the years in accordance with the current labour agreement governing relationships with commercial agents.

B.2) PROVISIONS FOR TAXATION

This amounts to euro 225,317 and includes deferred tax liabilities as detailed in the comment on income tax for the year.

B.3) DERIVATIVE FINANCIAL LIABILITIES

This item refers to the sub-parent company Compagnia Siderurgica Italiana S.r.l. and to the subsidiaries Acciaierie di Verona S.p.A. and includes, pursuant to the new OIC 32, an amount of euro 500,340, which is the market value of interest rate hedging derivatives for outstanding loans.

B.4) OTHER PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES

The remaining provisions grouped in this item amount to euro 9,807,674 as follows:

- euro 800,000: extraordinary work in future years to upgrade areas currently used for treating secondary materials produced in the Osoppo plants;
- euro 300,000: possible upgrading of land;
- euro 3,570,000: reopening of procedure no. 37.956 (started in 2002) by the European Commission following the outcome of the proceedings, which was favourable to the company;

- euro 5,000,000: future expenses, including legal expenses, for outstanding disputes.
- euro 100,000: estimate risk relating to a dispute of La Veneta Reti S.r.l.;
- euro 37,674; provisions set aside by the foreign subsidiary Kovinar D.o.o..

Changes in the year are summarised below:

Description	Balance at 01/01/2018	Decrease	Increase	Balance at 31/12/2018
Secondary materials Osoppo	800,000			800,000
Land upgrading	300,000			300,000
CECA dispute	3,570,000			3,570,000
Legal disputes (miscellaneous)	2,500,000		2,500,000	5,000,000
La Veneta Reti dispute	100,000			100,000
Pittini Stahl other provisions	15,756	(15,756)		0
Kovinar other provisions	17,674		20,000	37,674
TOTAL	7,303,430	(15,756)	2,520,000	9,807,674

C) EMPLOYEE SEVERANCE INDEMNITIES

This item amounts to euro 14,218,763 and represents the Group's liabilities to its employees under current legislation at 31 December. This item decreased by euro 952,744 over the previous year.

D) ACCOUNTS PAYABLE

D.1) BONDS

This item amounting to euro 38,000,000 globally decreased by euro 4,100,000; during the year, bonded loan no. 28 (euro 7,000,000) was repaid when due. Furthermore, additional bonded loans globally amounting to euro 13,000,000 (nos. 31, 32 and 33) were entered into.

Bonded loans at the year end were as follows:

Bonded loan no. 29 resolved upon by the Board of Directors on 01/07/2014	
Bolided total ito. 25 resolved upon by the board of Directors of 01/07/2014	
no. 10,000,000 non convertible bonds, euro 1 each, expiry date 30/06/2019, 12-month Euribor rate + 3 basis points	10,000,000
Bonded loan no. 30 resolved upon by the Board of Directors on 02/07/2015	
no. 10,000,000 non convertible bonds, euro 1 each, expiry date 30/06/2020, 12-month Euribor rate + 3 basis points	10,000,000
Bonded loan no. 31 resolved upon by the Board of Directors on 02/07/2015	
no. 10,000,000 non convertible bonds, euro 1 each, expiry date 30/06/2021, 12-month Euribor rate + 3 basis points	10,000,000
Bonded loan no. 32 resolved upon by the Board of Directors on 14/03/2018	
no. 10,000,000 non convertible bonds, euro 1 each, expiry date 30/06/2022, 12-month Euribor rate + 3 basis points	7,000,000
Bonded loan no. 33 resolved upon by the Board of Directors on 14/03/2018	
no. 10,000,000 non convertible bonds, euro 1 each, expiry date 30/06/2023, 12-month Euribor rate + 3 basis points	1,000,000
TOTAL	38,000,000

D.4) AMOUNTS OWED TO BANKS

This item includes payables to banks and credit institutions in general, as summarised below:

Falling due within 12 months	
Bank overdrafts	1,833
Loan instalments falling due	59,725,194
Bank balances to receive	25,919
	59,752,946
Due beyond 12 months	
Loan instalments	139,235,946
TOTAL	198,988,892
Of which falling due beyond 60 months	5,099,656

This change relates to new loans amounting to euro 60,000,000 and regular repayment of past debts.

Analysis of medium- and long-term loans

The amounts owed to banks for medium- and long-term loans globally stand at euro 198,961,141, out of which 28,745,618 are backed by collaterals. During the year, new loans were obtained, whose global nominal amount is euro 60,000,000.

The table below includes the main information on existing loans:

	Residual debt 31/12/2017	Increases in the year	Instalments due in the year	Instalments falling due within 12 months	Instalments falling due beyond 12 months	Residual debt 31/12/2018	Instalments falling due beyond 60 months
Medium- and long-term loans	192,697,952	60,000,000	53,736,811	59,725,194	139,235,946	198,961,140	5,099,656

We specify that, with reference to two outstanding medium- and long-term variable interest rate loans, both the parent company Compagnia Siderurgica Italiana S.r.l. and Acciaierie di Verona S.p.A. entered into two IRS hedging contracts whose lengths and notional values are the same as the loans.

D.6) ADVANCES

This item refers to advances from customers and amounts to euro 3,428,084, up euro 1,004,073 on the previous year mainly on the part of Ferriere Nord S.p.A..

D.7) TRADE PAYABLES

This item globally amounting to euro 342,765,330 shows an increase of euro 18,101,618 over the previous year, which result from purchases of goods and services in the last months of the year. There are no payables falling due beyond five years.

D.12) TAXATION CREDITORS

Amounting to euro 11,264,113, the item represents the Group's liability to tax authorities.

Falling due within 12 months	
Lieu tax on severance indemnity	7,273
IRPEF (Personal income tax), employees	5,148,136
IRPEF, self-employed collaborators	57,724
Tax authorities, VAT	1,483,536
Tax authorities, IRAP (Regional income tax on productive activities)	819,187
Tax payables IRES	3,724,705
Other tax payables BSTG G.m.b.H.	21,726
Virtual stamp taxes	1,826
TOTAL	11,264,113

D.13) AMOUNTS OWED TO SOCIAL SECURITY INSTITUTIONS

Amounts were due to the following institutions:

Falling due within 12 months		
INPS (National Social Welfare Institution)		4,377,482
Contributions, managers		170,583
Enasarco (National Board for Assistance to Commercial Agents and Representatives)		52,582
Gestione Cometa		549,430
Pension funds		475,073
	TOTAL	5,625,150

D.14) OTHER PAYABLES

Other payables include:

Falling due within 12 months	
Holidays accrued aand not taken	7,681,659
Bonuses to employees	777,667
Credit notes to issue	415,594
Payables, wages and salaries	4,720,020
Adjustment for collection of securitised receivables	1,225,924
Payables from acquisition of business branch in Verona	750,000
Payables from acquisition of business branch in Ceprano (FR)	1,598,985
Other payables	11,606,385
	28,776,234
Due beyond 12 months	
Sureties	4,290
	4,290
TOTAL	28,780,524

E) ACCRUED LIABILITIES AND DEFERRED INCOME

Standing at euro 1,257,784, this item can be summarised as follows:

Accrued liabilities: industrial costs	6,787
Accrued liabilities: commercial costs	396,471
Accrued liabilities: financial costs	762,824
Accrued liabilities: general expenses	64,876
Total accrued liabilities	1,230,958
Deferred (general) income	26,826
Total deferred income	26,826
TOTAL	1,257,784

COMMITMENTS, GUARANTEES AND POTENTIAL LIABILITIES

Here below you will find the details of commitments, guarantees and other potential liabilities that are not mentioned on our financial statements:

GUARANTEES ISSUED BY THE COMPANY ON BEHALF OF GROUP COMPANIES		
Guarantees in favour of Istituti di Credito		34,652,076
dualantees in lavour or istituti di credito		04,002,070
GUARANTEES ISSUED BY BANKS ON BEHALF OF GROUP COMPANIES		
Banca Antoniana Popolare Veneta		
Guarantee in favour of Consorzio Acquedotto Friuli Centrale		27,157
Intesa San Paolo		
Guarantee in favour of Customs and Tax Authorities, Barii		16,600
Banca Unicredit		
Guarantee in favour of Agenzia delle Entrate (Inland Revenue) F.V.G Trieste		19,720
Guarantee in favour of Terna S.p.A.		486,263
Guarantee in favour of Terna S.p.A.		2,357,562
Guarantee in favour of Officine Ferroviarie Veronesi		1,750,000
	TOTAL	4,657,302
OTHER GUARANTEES ISSUED ON BEHALF OF GROUP COMPANIES		
SACE BT Credit & Surety		
Guarantee in favour of Municipality of Osoppo		2,863,233
Guarantee in favour of Province of Verona		255,000
HDI GLOBAL SE		
Guarantee in favour of Province of Potenza		5,000,000
COFACE		
Guarantee in favour of Customs Agency		100,000
	TOTAL	8,218,233

OTHER COLLATERAL GUARANTEES

Collaterals are commented on under Amounts owed to banks.

INCOME STATEMENT

A) PRODUCTION VALUE

A1) REVENUES FROM SALES AND SERVICES

Revenues from sales and services amount to euro 1,545,861,529. The increase of euro 215,611,863 over the previous year results from both the increase in average selling prices and the increase in quantities sold during the year.

Sales by geographical area were as follows (percentages refer to the total value of item A.1 in the income statement):

		2018	%	2017	%
Italy		569,096,247	36.81%	479,390,883	36.04%
EU countries		681,310,713	44.07%	591,001,177	44.43%
Non-EU countries		295,454,568	19.11%	259,857,606	19.53%
	TOTAL	1,545,861,529	100.00%	1,330,249,666	100.00%

Sales by type of product were as follows:

	2018	%	2017	%
Steel making	1,492,182,644	96.53%	1,282,499,711	96.41%
Sundry sales	12,858,908	0.83%	7,954,514	0.60%
Transport	49,746,930	3.22%	47,801,625	3.59%
Net of:				
Discounts, returns, client allowances and bonuses	(8,976,743)	(0.58%)	(8,052,984)	(0.61%)
Total product sales	1,545,811,739	100.00%	1,330,202,866	100.00%
Provision of services	49,790	0.00%	46,800	0.00%
TOTAL REVENUES	1,545,861,529	100.00%	1,330,249,666	100.00%

A.4) INCREASE IN FIXED ASSETS FROM INTERNAL PRODUCTION

This item amounting to euro 594,244 includes the cost of personnel, materials and other production costs relating to in-house construction of fixed assets.

A.5) OTHER REVENUES AND INCOME

This item breaks down as follows:

Miscellaneous proceeds:		
Duty drawbacks		394,550
Insurance settlements		1,114,529
Gains on disposal of assets		1,801,049
Other extraordinary income		1,980,127
Income from Energy Efficiency Titles		2,166,475
Other income		832,372
	Total miscellaneous proceeds	8,289,102
Revenue grants:		
Sundry grants		676,689
GSE contribution to photovoltaic system		116,939
	Total revenue grants	793,628
	TOTAL SUNDRY OTHER REVENUE AND INCOME	9,082,730

The extraordinary income mainly results from higher receivables from Cassa per i Servizi Energetici e Ambientali for previous financial years following the decree of the Ministry of Economy and Finance of 5 April 2013 which provided for energy intensive companies to benefit from exemption on some tariff components.

Sundry grants also include tax credits from research and development activities performed throughout the year by the subsidiary Acciaierie di Verona S.p.A..

B) PRODUCTION COSTS

B.6) COSTS FOR RAW MATERIALS, ANCILLARIES, CONSUMABLES AND GOODS

This item shows a balance of euro 1,051,401,458. It recorded an absolute increase of euro 184,114,708 over the previous year due to the increase in turnover and market trends for raw materials during the year.

B.7) COSTS FOR SERVICES

This item amounts to euro 297,348,949, that is an increase of euro 38,004,185 on the previous year mainly resulting from maintenance and energy costs.

Board of Directors' fees totalled euro 2,047,339, whereas Board of Auditors' fees amounted to euro 182,832.

In compliance with legislative decree 39/2012, transposing the relative EEC Directive, the fees for the annual audit of financial statements and tax consulting services totalled euro 161,653.

B.8) LEASES AND RENTALS

This items amounts to euro 5,448,370 and mainly refers to plant and machinery.

B.9) PERSONNEL COSTS

This item amounts to euro 105,045,528 with an increase of euro 6,273,999 over the previous year resulting from recruitment of new staff members.

The average number of employees in 2017 was 1,741 as detailed below by grade:

		2018	2017	2016	2015	2014
Workers		1,228	1,188	1,182	873	871
Clerks		486	469	458	335	317
Top managers		27	26	25	20	17
	TOTAL	1.741	1.683	1.665	1.228	1.205

B.10) DEPRECIATION

This item globally amounts to euro 57,671,118, out of which euro 6,236,779 result from provision for bad debts.

B.14) OTHER OPERATING EXPENSES

At euro 3,670,846, the item increased by euro 1,729,924 on the previous year-end for normal course of business. This item can be broken down as follows:

Stamp taxes		1,779,903
Capital losses on disposal of assets		1,231,873
Charges for Energy Efficiency Titles		316,369
Losses on receivables		66,400
Other operating expenses		276,301
	TOTAL	3,670,846

C) FINANCIAL INCOME AND EXPENSES

C.16.b) FINANCIAL INCOME FROM SECURITIES HELD AS FINANCIAL FIXED ASSETS OTHER THAN EQUITY INVESTMENTS

This item amounts to euro 7,843 and includes interest accrued on securities posted to fixed assets and referring to the foreign subsidiary BSTG G.m.b.H..

C.16.c) FINANCIAL INCOME FROM SECURITIES HELD AS CURRENT ASSETS OTHER THAN EQUITY INVESTMENTS

Interest income on bonded loans	380,064
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This item includes interest from bonds stated as financial assets not held as fixed assets under the Other securities item.

C.16.d) OTHER FINANCIAL INCOME OTHER THAN ABOVE

The item amounts to euro 876,188 as follows:

60.748
368.432
447.008
876.188

C.17) INTEREST AND OTHER FINANCIAL EXPENSES

The item amounts to euro 3.774.700 as follows:

Others:		
Interest on loans		2,405,394
Interest on bonds		1,039,748
Loss on securities entered under current assets		182,439
Interest, import/export		2,150
Other interest charges and financial expenses		144,969
	TOTAL	3,774,700

C.17.bis) FOREIGN EXCHANGE GAINS AND LOSSES

Differences on exchange rates (173,640)

D) ADJUSTMENTS TO FINANCIAL ASSETS

D.18.c) REVALUATION OF SECURITIES HELD AS CURRENT ASSETS OTHER THAN EQUITY INVESTMENTS

This item amounting to euro 184,686 includes the capitalisation of policy returns as explained in the relevant comment in the notes to balance sheet assets.

D.18.d) REVALUATION OF FINANCIAL DERIVATIVES

This item amount to euro 242,589 and includes the valuation of financial derivatives held in the previous year as written off.

D.19.a) WRITE-DOWN OF EQUITY INVESTMENTS

This item amounts to euro 73,400 and mainly results from the valuation of the investee company I.S.U. G.m.b.H. at the close of the financial year.

D.19.c) WRITE-DOWN OF SECURITIES HELD AS CURRENT ASSETS OTHER THAN EQUITY INVESTMENTS

This item amounting to euro 530,997 includes the year-end valuation of private equity funds as explained in the relevant notes to balance sheet assets.

20) INCOME TAXES FOR THE YEAR

On the basis of the result for the year, a provision of euro 16,939,076 was taken to cover current year taxes.

The amount for deferred taxes (euro 4,029,884) reflects the changes over the year already commented on in the notes to balance sheet items.

DEFERRED TAXES

		YEAR	2018			YEAR	2017	
Description of changes	Amount of temporary differences	Tax impact for Ires purposes (24.00%)	Tax impact for IRAP purposes (3.90%)	TOTAL	Amount of temporary differences	Tax impact for Ires purposes (27.50% - 24.00%)	Tax impact for IRAP purposes (3.90%)	TOTAL
DEFERRED TAX ASSETS								
Taxed provision for bad debts	12,673,265	3,041,584		3,041,584	8,173,265	1,961,584		1,961,584
Agents' leaving indemnity	430,339	103,281	16,780	120,061	432,148	103,716	16,853	120,56
Agents' leaving indemnity (2009)	313,894		12,242	12,242	320,286		12,491	12,49
Upgrading of Osoppo/San Giorgio Nogaro areas	1,100,000	264,000	42,900	306,900	1,100,000	264,000	42,900	306,90
Derivatives	500,340	120,082		120,082	150,627	36,150		36,15
Depreciation, statutory/fiscal differences	3,246,733	779,216	31,849	811,065	816,619	195,989	31,848	227,83
Higher statutory depreciation					2,756,430	661,543		661,54
Revaluations, depreciation	11,947,299	2,867,352	460,825	3,328,177	15,939,205	3,825,409	616,508	4,441,91
Interest on delayed payment - Nucor								
Depreciation of financial debtors	1,736,648	416,796		416,796	2,000,000	480,000		480,00
Membership fees	292,998	70,320		70,320	292,998	70,320		70,32
Goodwill	1,927,575	462,618	75,175	537,793				
Cassa per i Servizi Energetici e Ambientali								
Unrealised infra-group gains	1,146,597	275,183	44,717	319,900	939,038	225,369	36,622	261,99
Intercompany profits for goods in warehouse	4,744,733	1,138,736	185,045	1,323,781	2,924,970	701,993	114,075	816,06
Transition from FIFO to LIFO - Kovinar stocks	862,826	163,937		163,937	797,549	151,533		151,53
BSTG G.m.b.H.				92,429				96,50
TOTAL DEFERRED TAX ASSETS				10,665,067				9,645,40
DEFERRED TAX LIABILITIES								
Accelerated depreciation	145,433	34,904		34,904	159,983	38,396		38,39
Leases	682,484	163,796	26,617	190,413	682,785	163,868	26,629	190,49
Derivatives								
Other provisions								
TOTAL DEFERRED TAX LIABILITIES				225,317				228,89
Use of the national tax consolidation credit from losses carried forward/ACE	12,824,145	3,077,796		3,077,796	1,999,197	479,808		479,80
TOTAL NET DEFERRED TAX ASSETS				13,517,546				9,896,32

OTHER INFORMATION

Information on the nature of the business of the Group companies can be found in the Board of Directors' report.

There were no significant events after the close of the financial year.

The balances resulting from trade and financial relations between the parent company and its subsidiaries were elided for consolidation purposes.

During the year, no costs or revenues whose amount or incidence can be regarded as falling outside the normal course of business were recorded.

At the year-end, there are no assets allocated for special deals.

Disclosure requirements

Law 124 of 4 August 2017, art. 1, sub-pars. 125-129, introduced new disclosure requirements on the receipt and granting of public funds; with reference to companies, the said law requires that all public funds equal or exceeding euro 10,000 received by a company are disclosed in the Notes to the financial statements.

More recently, Law 12 of 11 February 2019 that converted the so-called "Simplification Decree", established a relationship between the requirements laid down in Law 124/2017 and the National State Aid Inventory so as to simplify disclosure requirements for recipient companies.

The company meets the requirements laid down in Ministerial Decree of 21 December 2017 ("Provisions on the reduction of tariffs to cover general system charges for energy intensive companies") as well as the requirements laid down in the resolution passed by the Italian Authority for Electric Energy and Gas 921/2017/R/eel as amended. For further details, see the list of energy intensive companies compiled and published by CSEA on its website. For the purposes of State aid disclosure and control, CSEA records the funds granted to companies pursuant to the said Ministerial Decree in the National State Aid Inventory.

Furthermore, pursuant to Law 124 of 04/08/2017, in 2018 the SRS (Smart Slag Treatment System) project was completed. This project was granted an aid of euro 174,371.98 within the framework of the 2014_2020 Regional Operational Programme of the European Fund for Regional Development – action 1.3.a by the Friuli Venezia Giulia Region.

As recorded in the National State Aid Inventory, disclosures section, which is available at https://www.rna.gov.it/RegistroNazionaleTrasparenza/faces/pages/TrasparenzaAiuto.jspx, in 2018 the following funds were granted:

- Friuli Venezia Giulia Region HRIT (Hot Rolling Inductive Tomography) research project EFRD ROP 2014/20 action 1.3.a aid of euro 131.686:
- Ministry of Education, University and Research PROMPT (Process and Product Maintenance Decision–making Platform) NOP Research and Innovation 2014/20 action II.2 aid of euro 273,158;
- Friuli Venezia Giulia Region aids for asbestos removal and disposal Regional Law 25 of 29/12/2016, art. 4, sub-par. 30, 2017 Stability Law aid of euro 17,686;
- Invitalia S.p.A. Development contracts under art. 43 of Decree Law 112 of 25 June 2008, converted by Law 133 of 6 August 2008 project on the Adoption of Water Cooling Systems aid of euro 10,354,721;
- Invitalia S.p.A. Development contracts under art. 43 of Decree Law 112 of 25 June 2008, converted by Law 133 of 6 August 2008 project on the Implementation of Noise Reduction Systems aid of euro 1,126,331;
- Invitalia S.p.A. Development contracts under art. 43 of Decree Law 112 of 25 June 2008, converted by Law 133 of 6 August 2008 project on the Upgrade of Fume Collecting System and Replacement of Rolling Mill Preheat Furnace Burners aid of euro 1,635,967;
- Invitalia S.p.A. Development contracts under art. 43 of Decree Law 112 of 25 June 2008, converted by Law 133 of 6 August 2008
 – project on the Covering of Scrap Area aid of euro 5,721,843;
- Invitalia S.p.A. Development contracts under art. 43 of Decree Law 112 of 25 June 2008, converted by Law 133 of 6 August 2008
 – project on the Implementation of New Electric Furnace aid of euro 8,741,315;
- Friuli Venezia Giulia Region Soft loan granted by the Fondo di Rotazione per Iniziative Economiche della Regione Friuli Venezia Giulia (Revolving Fund for Economic Initiatives in the Friuli Venezia Giulia Region) (Law 908 of 18 October 1955 as amended), resolution 78 of 13/12/2018 aid granted under the de minimis provisions (or gross grant equivalent);
- Veneto Region Directorate for Training and Education granted an aid of euro 26,330 within the framework of the 2014_2020 Regional Operational Programme of the European Fund for Regional Development Axis 1 Employability to implement the training project named "Innovative solutions for advanced maintenance management at Acciaierie di Verona S.p.A." The project is currently underway and will be completed by the end of this year.

Shareholders,

the shareholders' equity resulting from the financial statements exceeds euro 283 million, mostly referring to the Group. The analysis and presentation of material events being completed, we inform you that the Financial Statements and Management Report as drafted will be filed with the Register of Companies pursuant to legal provisions in force.

Osoppo, 23rd May 2019

The Chairman of the Board
Federico Pittini

The Directors
Ottavino Di Filippo
Vincenzo Chiari

RECLASSIFIED BALANCE SHEET

Values expressed in thousands of euro

CAPITAL EMPLOYED	31/12/2018	31/12/2017
Current operating assets		
Trade receivables	212,179	215,254
Other receivables	37,179	58,177
Inventories	204,380	180,176
Accrued income and prepaid expenses	2,303	3,086
, sociada mosmo ana propaia osponoco	456,041	456,693
Current liabilities	130,211	,
Trade payables	(342,765)	(324,664
Other payables	(49,099)	(35,804
Accruead liabilities and deferred income	(1,258)	(1,267
, as as as a same set and as an as a same	(393,122)	(361,735
NET WORKING CAPITAL	62,919	94,95
	22,211	,
Long-term liabilities		
Provision for taxes	(225)	(229
Provision for employee severance indemnity	(13,059)	(14,219
Other medium/long-term liabilities	(26,640)	(20,126
	(39,924)	(34,574
NET WORKING CAPITAL, NET OF LONG-TERM LIABILITIES	22,995	60,38
	,	33,53
Other non-operating liabilities		
Revaluation of plants	0	
Revaluation reserve	0	
10101000110	0	
Fixed assets		
Net tangible fixed assets	332,357	291,75
Net intangible fixed assets	2,092	97
Financial fixed assets	13,557	12,15
- mandal mice decete	348,006	304,88
NET CAPITAL EMPLOYED	371,001	365,27
R.O.I. (Return On Investiment)		
EBIT/Net capital employed	14.4%	9.3%
Net short-term financial assets (liabilities)		
Cash, banks	107,743	90,19
Securities	42,232	39,73
Short-term financial payables	(69,753)	(63,119
	80,222	66,80
Medium/long-term financial assets (liabilities)		
Medium/long term financial payables	(167,236)	(166,022
	(167,236)	(166,022
NET FINANCIAL INDEBTEDNESS	(87,014)	(99,215
Net financial indebtedness/shareholders' equity	0.3	0.
Shareholders' equity, minority interests	2,944	2,33
Shareholders' equity, Group	281,043	263,72
Shareholders' equity	283,987	266,05
Charonolacio equity		
onaionolado equity		
R.O.E. (Return On Equity)		
	14.2%	8.59
R.O.E. (Return On Equity)	14.2%	8.5%
R.O.E. (Return On Equity)	14.2% 62,919	
R.O.E. (Return On Equity) Net income/Shareholders' equity		8.5% 94,956 66,80

RECLASSIFIED INCOME STATEMENT

Values expressed in thousands of euro

	31/12/2018	31/12/2017
Revenues from sales and services	1,545,862	1,330,250
	1,545,862	1,330,250
Cost of sales		
Consumption of raw material (net of change in inventories)	1,047,548	871,933
Industrial services	223,639	187,764
Personnel costs	89,446	83,847
Other industrial costs	7,968	7,621
Write-downs and industrial amortization and depreciation	48,887	45,868
Change in semi-finished and finished product inventories	(17,250)	17,449
Capitalization of internal production	(594)	(372)
	1,399,644	1,214,110
GROSS INDUSTRIAL MARGIN	146,218	116,140
Sales, administration costs and operating expenses		
Sales costs	72,661	67,592
Administration costs	7,286	7,315
Personnel costs	15,600	14,925
Amortization of deffered charges	433	424
Amortization of goodwill	2,115	0
Other sundry expenses (income)	(5,413)	(8,041)
	92,682	82,215
OPERATING MARGIN	53,536	33,925
Non operating income (expenses)		
Net financial income (expenses)	(2,511)	(2,746)
Exchange gains (losses)	(173)	182
Revaluations (write-downs) of financial assets	(177)	(138)
Nevaluations (write downs) or initialicial assets	(2,861)	(2,702)
	(2,001)	(2,702)
Income before taxes and minority interests	50,675	31,223
Income taxes	(12,909)	(10,052)
Net income for the year	37,766	21,171
Net income, minority interests	273	(57)
NET INCOME, GROUP	37,493	21,228
EBIT (Earning Before Interests and Taxes)		
Income before extraordinary items and taxes	50,675	31,223
Net financial expenses	2,511	2,746
Net exchange losses (gains)	173	(182)
Write-downs (revaluations) of financial assets	177	138
EBIT	53,536	33,925
EBIT/REVENUES	3.5%	2.6%
EBITALVEROLO	3.3 /0	2.070
EBITDA (Earning Before Interests, Taxes, Depreciation and Amortization)		
EBIT	53,536	33,925
Amortization of goodwill	2,115	0
Amortization of deffered charges	433	424
Industrial depreciation	48,887	45,868
Provisions and write-downs	8,757	5,844
EBITDA	113,728	86,061



Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010

To the Shareholders of Fin.Fer. SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Fin.Fer. SpA and its subsidiaries (the "Fin.Fer. Group" or the "Group"), which comprise the balance sheet as of 31 December 2018, the income statement and statement of cash flows for the year then ended and related notes.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2018, and of the result of its operations and cash flows for the year then ended in accordance with the Italian laws governing the criteria for their preparation.

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 this report. We are independent of Fin.Fer. SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. 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 consolidated financial statements that give a true and fair view in accordance with the Italian laws governing the criteria for their preparation and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they

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Sede legale e amministrativa: Milano 20140 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C. F. e P.IVA e Reg. Imp. Milano 12979880155 Iseritta al nº 119644 del Registro dei Revisori Legali - Altri Uffici: Ancona 60131 Via Sandro Totti 1 Tel. 0712132311 - Bari 70122 Via Abste Gimma 72 Tel. 0805640211 - Bologna 40126 Via Angelo Finelli 8 Tel. 05186211 - Brescia 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - Catania 95129 Corso Italia 302 Tel. 0957532311 - Firenze 50121 Viale Gramsci 15 Tel. 0552482811 - Genova 16121 Piazza Piccapietra 9 Tel. 01029041 - Napoli 80121 Via dei Mille 16 Tel. 08136181 - Padova 35138 Via Vicenza 4 Tel. 049873481 - Palermo 90141 Via Marchese Ugo 60 Tel. 091349737 - Parma 43121 Viale Tanara 20/A Tel. 0521275911 - Pescara 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - Roma 00154 Largo Fochetti 29 Tel. 06570251 - Torino 10122 Corso Palestro 10 Tel. 011556771 - Trento 38122 Viale della Costituzione 33 Tel. 0461237004 - Treviso 31100 Viale Felissent 90 Tel. 0422696911 - Trieste 34125 Via Cesare Battisti 18 Tel. 0403480781 - Udine 33100 Via Poscolle 43 Tel. 043225789 - Varese 21100 Via Albuzzi 43 Tel. 0332285039 - Verona 37135 Via Francia 21/C Tel. 0458263001 - Vicenza 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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either intend to liquidate the parent company Fin.Fer. SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed 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 the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained 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;
- We obtained 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;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' 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 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;
- We evaluated 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;
- We obtained 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 on the consolidated
 financial statements.



We communicated 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 identified during our audit.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10

The directors of Fin.Fer. SpA are responsible for preparing a report on operations of the Fin.Fer. Group as of 31 December 2018, including its consistency with the relevant consolidated financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of the Fin.Fer. Group as of 31 December 2018 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the consolidated financial statements of Fin.Fer. Group as of 31 December 2018 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Udine, 11 June 2019

PricewaterhouseCoopers SpA

Signed by

Massimo Dal Lago (Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.





FERRIERE NORD S.p.A.

BOARD OF DIRECTORS

Federico Pittini Paolo Felice Luigi De Puppi De Puppi Lino Carrer Alberto Felice De Toni Andrea Floreani Chairman

Statuary Auditors

Standing members:
Gianfranco Romanelli
Giuseppe Varisco
Michele Del Fabbro

Chairman

Alternative Members: Claudio Sambri Alberto Maria Camilotti

FERRIERE NORD S.p.A.

Zona Industriale – Rivoli – 33010 OSOPPO (Ud) Share capital amounting to euro 60.000.000 - fully paid-up Registered with the Register of Companies of Udine, tax and VAT identification number 00163780307 Company under the direction and coordination of Compagnia Siderurgica Italiana S.r.l.

FERRIERE NORD S.p.A. DIRECTORS' REPORT ON THE POSITION OF THE COMPANY AND MANAGEMENT TRENDS FOR THE YEAR 2018

Shareholders,

This report supplements the financial statements closed at 31/12/2018 and contains an exhaustive and accurate description of the company's economic and financial position, performance and global management result as well as the additional disclosures required by article 2428 of the Italian Civil Code. The description includes references to balance sheet items as applicable and their explanation. The notes include explanations on the figures shown in the statement of assets and liabilities and income statement.

Before a detailed analysis of the data included in the financial statements, it is worth stressing some elements that characterised international and national economic trends, especially in the iron- and steel-working sector.

1. INTERNATIONAL AND NATIONAL SITUATION

In 2018, the economic scenario gradually worsened and provoked a slower growth of global economy at 3.6%. Some specific factors such as the trade tensions between the United States and China create a high level of uncertainty at the global level. This adversely affected both investment expenditure and international trade, which significantly slowed down in the second half of the year, also owing to strong protectionist actions.

In the euro zone as well as in the main member States, the domestic product slowed down reflecting the global trade worsening and domestic demand decrease in the last part of the year. In 2018, the expansion of Italian economy gradually weakened and showed recession signs in the second half of the year. Growth globally amounted to 0.9%, a figure that is largely lower than expected due to the slowdown of export sales and weakening of domestic demand. In the second half of the year, the economic slowdown mainly affected investments, namely those in capital goods, and to a lower extent household expenditure.

In the first months of 2019, Italian economy slightly resumed. However, economic indicators are still very weak and domestic product is far below its estimated potential.

2. TRENDS IN THE STEEL SECTOR

In 2018, global steel production exceeded 1.8 billion tons with a growth of almost 5% over the previous year. China is still growing at rates higher than the average with 928 million tons. With a share of 51.3%, China has eroded an additional 1% of total global production, in contradiction with the announcement of cuts to production capacities of outdated and unproductive plants.

Apart from China, only the United States has succeeded in increasing its share (in this case by no more than 0.1%).

Total production in Europe exceeded 168 million tons with a decrease of 0.3% over 2017. The main European manufacturers were Germany with 42.4 million tons, (decrease of 2% over the previous year) and Italy with 24.5 million tons (increase of almost 2% over the previous year).

On the overall, Italy grew. However, in the first half of the year it recorded good trends still encouraged by the results of 2017, whereas in the last quarter the growth margin, which before the summer was far above 3%, decreased.

On the domestic reference market, the production of long rolled products such as rebars and wire rods reached a total level exceeding 7.6 million tons with an increase of more than 4%. In particular, wire rods increased by more than 7% to 4.8 million tons, whereas rebars remained at 2.8 million tons in line with the previous year. In 2018, the apparent consumption of the two products increased by about 4% over the previous year to 6.1 million tons. This increase results from the increased consumption of wire rods (4.7 million tons, i.e. +4.7%) and rebars (that stood at 1.4 million tons after reaching in 2017 the lowest point of the last two decades.

In 2018, exports of wire rods and rebars were almost 2.9 million tons with a decrease of about 2% over the previous year resulting from a growth of more than 10% in EU countries and a decrease of more than 18% to non-EU countries.

3. ECONOMIC AND FINANCIAL PERFORMANCE OF THE COMPANY

Financial and economic figures (EUR/,000)	2018	2017
Net revenue	1,258,593	1,069,398
Depreciation	33,044	35,482
Ebitda	90,731	70,408
Ebit	50,028	29,742
Profit (loss) for the year	34,708	20,262
Investments in property, plant and equipment	18,294	12,237
Shareholders' equity	188,744	203,746
Net financial position	(5,731)	(11,944)
Average number of staff members	1,023	970
Profitability ratios (%)		
Ebitda/net revenue	7.2	6.6
R.O.S.	4.0	2.8
Financial expenses (income)/net revenue	0.06	0.07
Labour cost/net revenue	5.0	5.5
Structure ratios (%)		
Shareholders' equity/fixed assets	124.2	131.1
Shareholders' equity/total liabilities	29.27	31.6
Invested capital/shareholders' equity	103.0	105.9
Net financial position/shareholders' equity	3.0	5.9

The revenue obtained in 2018 by the company was euro 1,259 million, that is a decrease of almost 18% over the previous year (euro 1,069 million). This increase results from both larger volumes of sales (around 2%) and higher average selling prices (+16%). This performance improved the contribution margin that together with the industrial efficiencies obtained led to a gross operating profit (EBIDTA) of euro 90.7 million compared with euro 70.4 million in the previous year.

Depreciation and provisions globally amounted to euro 40.7 million in line with the previous year. Net operating profit, EBIT, was euro 50 million compared with euro 29.7 million in 2017.

The balance of financial income and expenses, including adjustments to financial assets, was negative by euro 1.1 million compared with euro 0.6 million in 2017.

The profit for the year, net of current and deferred taxes, was euro 34.7 million compared with euro 20.3 million in 2017.

The net financial debt at 31.12.2018 stood at euro 5.7 million compared with euro 11.9 million in the previous year. This improvement results from self-financing that enabled the company to support investment activities throughout the year.

In particular, during the year, in addition to investments in property, plant and equipment aimed at increasing manufacturing efficiencies of plants, Ferriere Nord S.p.A. acquired a business branch from ORI MARTIN S.p.A. that includes the assets and legal relations relating to the steel product sales organisation at the plant in Ceprano (FR). Furthermore, in 2018, the company acquired from Gallop Holding Ltd a business including an industrial plant located in Verona next to the plant of Acciaierie di Verona S.p.A.

In the second half of the year, some actions relative to the "Greensteel" project were started at the manufacturing site in Potenza. The investment plan provides for a set of measures with the same goal: environmental protection through the implementation of innovative technological solutions. This project is the result of many years of commitment by the Group in the field of sustainability.

4. DISCLOSURES ON STAFF, INFORMATION SYSTEMS AND THE ENVIRONMENT

Staff:

At 31.12.2018, the staff included 1010 members (out of which 91 engaged with fixed-term contracts), i.e. an increase of 27 units compared with December 2017; the yearly average number of staff members is 1,023 people, i.e. an increase of 53 people over the previous year. In 2018, training activities totalled 17,000 man hours. The activities devoted to safety, which is a crucial issue for the company, were increased.

The initiatives implemented by the corporate school, Officina Pittini per la formazione, involved all the workers of the company and were equally divided between the plants. Special attention was paid to technology (PLC, hydraulics and maintenance) and development of soft skills.

In cooperation with OPf, the partnerships with regional school systems, universities and the Association of Engineers were pursued and strengthened. The activities involved 19 schools and 103 "School to Work Transition" were activated (64 in the Friuli Venezia Giulia Region and 39 in the Basilicata Region).

Information systems:

Many activities were carried out to improve, integrate and adapt the company's IT infrastructure. The investments and developments made in this area involved both the implementation of special tools to improve production, logistics and management and the adoption of systems to increase corporate security and connectivity including support to the personal data management and protection

system. In this regard, the privacy management system of the company was updated following the entry into force of regulation (EU) no. 2016/679, effective from 25 May 2018, and all appropriate technical and organisational measures were adopted to ensure compliance with the requirements laid down in European and Italian regulations in the field of personal data processing.

Environment and safety:

materials.

a) Environmental and safety certification.

The SGSA (Safety and Environmental Management System) enables the company to constantly improve environmental, safety and energy management. The plant in Osoppo is certified by IGQ according to UNI EN ISO 14001 environmental requirements, OHSAS 18001 safety requirements and UNI EN ISO 50001 energy requirements. The plant in Potenza is certified by IGQ according to UNI EN ISO 14001 environmental requirements. In the last months of 2018, the environmental certificates for Osoppo and Potenza were renewed. In January 2019, the safety certificate for Osoppo was renewed.

In Osoppo the Zero Waste Water project aimed at reducing water consumption and significantly decreasing industrial releases continued.

b) AIA – (Environmental Integrated Authorisation).

The Friuli Venezia Giulia Region authorised the activity of the plant in Osoppo by order no. 1656/AMB of 16/9/2015 as supplemented. The plant in Potenza is authorised by order of the Regional Council no. 1443 of 10/11/2015, as updated by resolution no. 113 of 17/02/2017. Furthermore, on 17/03/2017 the Basilicata Region notified the opening of a review procedure to renew AIA, which is still underway. On 24/11/2017, the Basilicata Region was notified a non-substantial AIA change to implement the "Green Steel" project. By resolution 486 of 8/6/2018, the Basilicata Region authorised the Green Steel project. On 03/10/2018, an update of the AIA review sent on February 2016 was transmitted on a voluntary basis. On 25/10/2018, the conference of services for the review of AIA was held. c) CO2 emissions in the period 2013-2020

The period 2013-2020 is characterised by more stringent methods to detect emissions for all materials. In March 2019 the check by IGQ on the statement of annual emission for the year 2018 from the plants in Osoppo and Potenza was successfully completed. In this context, the laboratory at Ferriere Nord was accredited in 2015 by ACCREDIA to perform tests on carbon content in some

5. RESEARCH AND DEVELOPMENT ACTIVITIES

In 2018, the company pursued its research and development activities and extended collaborative actions especially at the international level. Special attention was paid to synergies with technological partners with a view to developing in-house expertise in this field. In 2018, around 16,000 hours were devoted by the plants to activities that involved various issues such as product quality and process technology with special regard to their potential impact on circular economy.

The company launched numerous international collaborative research initiatives. In addition to the actions developed within the relevant European programme (RFCS – Research Fund for Coal and Steel), new regional and national initiatives supported by specialisation strategies were started. Furthermore, a new large project funded by the European Framework Programme for Research and Innovation "Horizon 2020" was launched. This project falls within the SPIRE (Sustainable Process Industry) calls and aims at improving the performance of all process steps of plastics recovery. The company takes part in the study of the use and potential enhancement of unused waste residues in electric arc furnaces.

Furthermore, in 2018 the SRS (Smart Slag Treatment System) project was completed and the HRIT (Hot Rolling Inductive Tomography) was started. The projects were granted aids within the framework of the 2014_2020 Regional Operational Programme of the European Fund for Regional Development – action 1.3.a.

Finally, within the framework of the nationwide specialisation strategy, the company launched the PROMPT (Process and Product Maintenance Decision—making Platform) project with funds granted by the NOP Companies and Research.

As regards a patent named "Injection apparatus," in 2015 the company opted for the reduced income taxation regime for the use of intangible assets pursuant to article 1, sub-pars. 37 to 45, of Law 190 of 23 December 2014 as transposed by Ministerial Decree of 30 July 2015 (the so-called Patent Box). Thereafter, on 8 November 2018 a prior agreement to define calculation methods and criteria for financial contribution in case of direct use of intangible assets was signed with tax authorities (ruling).

Research and development activities will continue in 2019. The positive results of this innovation will increase our business competitiveness and have a favourable impact on our economic results.

6. DISCLOSURES PURSUANT TO SUB-PARS. 3-4 OF ARTICLE 2428 OF THE ITALIAN CIVIL CODE

The company does not hold any own shares and no own shares were purchased or disposed of directly or through trust companies.

7. DISCLOSURES PURSUANT TO ARTICLE 2428, SUB-PAR. 3, ITEM 2-BIS, OF THE ITALIAN C.C.

Commercial and financial relationships with parent companies and companies controlled by parents companies, which occurred at arm's length, are fully explained in the Notes to the financial statements.

8. DISCLOSURE PURSUANT TO ARTICLE 2428, SUB-PAR. 3, ITEM 6-BIS, OF THE ITALIAN C. C.

With reference to the provisions laid down in art. 2428, clause 3, item 6-bis, of the Italian Civil Code, it is worth stressing the following:

Credit risk:

The company entered into special insurance policies to cover credit risk (both in Italy and abroad) with a prime international insurance company.

The company directly manages its trade risk on the domestic market by assigning each of its customers a specific rating. This risk is constantly monitored according to formalised procedures for the selection and assessment of customers, determination of credit limits, check of expected collection flows and debt collection actions, if any. Under some circumstances, it requires additional guarantees, mainly sureties, from customers.

As for foreign customers, except for some special cases, according to its general policy, the company does not take any risk and covers supplies with letters of credit or bank guarantees and/or guarantees provided by customers. Thanks to these procedures, the company controls its credit risk, which is however globally marginal.

Liquidity risk:

The liquidity risk is the risk that the financial means required to meet payment obligations resulting from ordinary activities, investment activities and maturities of financial instruments are not available.

In order to monitor and manage this risk, the company adopts specific policies and procedures, including centralised management of financial debts and liquidity, identification of providers of medium- and long-term financial resources on the capital market, provision of short-term credit lines to largely obtain the margins for manoeuvre required in the light of its working capital and financial flows.

The company has two banking credit lines: the medium-term credit line covers its current financing transactions; the short-term credit line covers its working capital financing and other operating needs.

It is worth noting that:

- the company does not hold any financial assets for which there is no liquid market;
- there are debt instruments or other credit lines to meet its liquidity needs; there are substantial unused credits;
- its medium- and long-term financial debt is mainly governed by floating taxes (Euribor at 6 and 3 months);
- the company made a transaction for non-recourse transfer of trade receivables with a prime financial institution that gave positive results in terms of funding and working capital management.

For those reasons, the liquidity risk is very limited.

Exchange rate risk:

There are substantially no trade receivables in foreign currencies; as for amounts owed to suppliers in foreign currencies, their extent is marginal and, according to its policy, the company partially covers this exposure through US\$ derivative contracts.

In general, financial instruments are managed according to the experience gained by the company.

Market risk:

Market risks as well as risks resulting from changes in the levels of selling and purchasing prices against current commitments are largely mitigated by a short operating cycle.

Security- and environment-related risks:

The company adopted all necessary protection and monitoring measures in the field of safety and the environment and it complies with all applicable regulations for the prevention of such risks.

An especially designed unit continuously monitors and controls the severity of such risks, applies the requirements provided for by national and Community regulations in force, promotes improvement initiatives, allocates the relevant financial resources and certifies the overall situation in a final auditing report.

Safety and environment management policies are assessed on a yearly basis by an external certification body, IGQ, which concluded that the policies adopted by the company are appropriate taking into account its system and compliant with regulations.

At any rate, the company entered into insurance policies to cover damage to third parties and the environment, whose insured sums are deemed appropriate by the parent company according to the assessment of the relevant risks.

Other information

At the beginning of 2018, policies aimed at improving integration between the various processes and create synergies and scale economies were carried out through a wide Group reorganisation. Compagnia Siderurgica Italiana S.r.l. was transferred by FIN.FER. S.p.A. a business branch acting as the operational sub-holding of all Group companies and started to direct and coordinate subsidiaries.

As stated in the report on the financial statements of the previous year, with reference to order no. 26686 issued by AGCM (the Italian Competition Authority), the Lazio Regional Administrative Court (judgement no. 6519/18 of 12 June 2018) fully accepted - both substantially and in terms of breach of rules of proceedings - the appeal filed by Ferriere Nord S.p.A. and FIN.FER. S.p.A. The said judgement was challenged by AGCM before the Council of State. The hearing will be held in January 2020. On 21 May 2019, following the request for refund of penalty instalments already paid, MISE refunded Ferriere Nord S.p.A. euro 10,172,561.28.

9. FUTURE EXPECTABLE MANAGEMENT TRENDS

The international economic outlook is uncertain owing to lasting trade tensions and economic slowdown in China, which recorded the lowest growth rates since the beginning of global financial crisis. In particular, in the euro zone, growth projections were significantly revised downward and inflation expectations were reduced. This last element is inducing the ECB to keep interest rates unchanged for the full year 2019.

In the first months of the year, global steel production increased unevenly: China recorded a double digit growth, whereas there was a decline in the rest of the world. Furthermore, the protectionist measures introduced by the United States provide for tariffs of 25% on steel products, thus distorting international trade. In the face of such policies, the European Union adopted protective measures: the European market will remain open, but specific quantitative restrictions on imports are set. Following the decision made in Brussels, a scheme in force until 30 June 2021 should protect EU frontiers and European steel companies from aggressive export policies implemented by non-EU countries. However, the expected positive impact on prices was mitigated by an unfavourable economic situation and especially by the weakness of the automotive sector as well as of some reference markets such as the German market.

Unfortunately, in 2018, the Italian building sector, which is a major outlet for our products, only recorded a slight increase in investment with highly uncertain sectoral dynamics. The longed-for resumption of investment in public works that was expected to lead the recovery of the whole sector has not yet occurred. In 2019, no expansive economic policies will be possible owing to political uncertainty and huge government debt.

However, our presence on foreign markets is now consolidated and thanks to the development of new products and to the contribution of our newly acquired foreign companies, the company is very well positioned on the most important Central and Eastern European markets.

The sales in the first four months of 2018 reached euro 365,342, that is an increase of 7% compared with euro 342 million for the same period in 2018 due to good results in terms of volumes. According to the estimates for the end of 2019, revenues could slightly decrease over 2018 owing to expected lower average selling prices.

Shareholders

the analysis and presentation of corporate facts being completed, you are kindly requested to approve the draft financial statements and management report as drawn up and showing a net profit of euro 34,707,766, to be allocated as detailed in the Notes to the financial statements.

Osoppo, 23rd May 2019

The Chairman of the Board
Federico Pittini

The Directors
Paolo Felice
Luigi De Puppi De Puppi
Lino Carrer
Alberto Felice De Toni

Andrea Floreani

FERRIERE NORD S.p.A. FINANCIAL STATEMENTS AT 31 DECEMBER 2018 BALANCE SHEET

Values expressed in euro

SSETS		31/12/2018	31/12/20
) SUBSCRIBED CAPITAL UNPAID			
To call		0	
Called		0	
ounou.	Total subscribed capital unpaid A)	0	
) FIXED ASSETS			
I Intangible fixed assets			
Start-up and expansion expenses		31,502	42
2) Development costs		0	
Industrial patent rights and intellectual property rights		268,828	136
4) Concessions, licenses, trademarks and similar rights		0	
5) Goodwill		1,265,536	
Assets under construction and advance payments		0	43
7) Other intangible fixed assets		208,662	289
	Total I	1,774,528	511
Il Tangible fixed assets			
Land and buildings		75,852,950	76,666
2) Plants and machinery		46,737,220	62,79
Industrial and commercial equipment		524,540	553
Other tangible fixed assets		1,857,384	1,581
5) Assets under construction and advance payments		14,881,734	3,953
	Total II	139,853,828	145,552
III Financial fixed assets			
Equity investments in			
a) subsidiaries		0	
b) associates		0	
c) parent companies		0	
d) companies controlled by parent companies		0	
d-bis) other companies	Total 1)	7,511,658	7,511
2) Receivables from	iotai iy	7,511,658	7,511
a) subsidiaries			
falling due within 12 months		0	
falling due beyond 12 months		0	
lulling due beyond 12 months	Total a)	0	
b) associates	iotal ay	· ·	
falling due within 12 months		0	
falling due beyond 12 months		0	
g	Total b)	0	
c) parent companies	1010.12,		
falling due within 12 months		0	
falling due beyond 12 months		0	
,	Total c)	0	
d) companies controlled by parent companies			
falling due within 12 months		0	
falling due beyond 12 months		0	
	Total d)	0	
d-bis) other companies			
falling due within 12 months		0	
falling due beyond 12 months		2,786,710	1,790
	Total d-bis)	2,786,710	1,790
	Total 2)	2,786,710	1,790
3) Other securities		0	
Financial derivative assets		0	
4) I mancial derivative assets			
4) Tillalicial delivative assets	Total III	10,298,368	9,302

CURRENT ASSETS			
Inventories			
1) Raw materials, ancillary and consumables		53,153,596	53,784,160
2) Work in progress and semi-finished products		5,732,198	16,235,765
3) Construction contracts, work in progress		0	0
4) Finished products and goods		85,626,306	59,763,676
5) Advance payments		0	C
	Total I	144,512,100	129,783,601
Receivables			
1) From customers			
falling due within 12 months		120,636,563	129,293,539
falling due beyond 12 months		0	(
	Total 1)	120,636,563	129,293,539
2) From subsidiaries			
falling due within 12 monthsi		0	(
falling due beyond 12 months		0	(
	Total 2)	0	(
3) From associates			
falling due within 12 months		0	(
falling due beyond 12 months		0	(
	Total 3)	0	(
4) From parent companies		0.100 = : :	
falling due within 12 months		6,199,544	3,304,766
falling due beyond 12 months		0	(
5) 5	Total 4)	6,199,544	3,304,766
5) From companies controlled by parent companies		45 400 000	40.050.00
falling due within 12 months		45,462,920	40,253,907
falling due beyond 12 months	T-4-15)	0	40.050.00
ELLIT I II	Total 5)	45,462,920	40,253,90
5-bis) Tax receivables		4 400 505	4 747 404
falling due within 12 months		1,129,505	1,747,490
falling due beyond 12 months	Total 5-bis)	809,509 1,939,014	850,524
5-ter) Deferred tax assets	iotai 5-bis)	1,535,014	2,598,014
falling due within 12 months		0	
falling due beyond 12 months		7,791,599	7,189,30
failing due beyond 12 months	Total 5-ter)	7,791,599	7,189,30
5-quater) From others	iotai 3-tei j	1,131,333	7,103,30
falling due within 12 months		7,996,173	28,050,450
falling due beyond 12 months		10,339,828	1,865,134
runing due beyond 12 months	Total 5-quater)	18,336,001	29,915,58
	Total II	200,365,641	212,555,114
Current financial assets	iotai ii	200,000,011	212,000,11
Investments in subsidiaries		0	(
Investments in associates		0	
3) Investments in parent companies		0	
3-bis) Investments in companies controlled by parent companies		0	
4) Other investments		0	(
5) Financial derivative assets		0	
6) Other securities		36,773,901	39,728,129
7) Financial assets for central treasury management		21,503,428	22,962,34
	Total III	58,277,329	62,690,47
Cash and cash equivalents			
Bank and postal deposits		87,760,754	81,648,14
2) Cheques		0	
3) Cash		21,488	19,69
	Total IV	87,782,242	81,667,83
	Totale current assets C)	490,937,312	486,697,02
ACCRUALS AND PREPAYMENT		1,990,603	2,269,379

LIABILITIES		31/12/2018	31/12/2017
A) SHAREHOLDERS' EQUITY			
I Share capital		60,000,000	60,000,000
II Share premium reserve		0	(
III Revaluation reserves		71,605,142	71,515,010
IV Legal reserve		8,757,015	7,743,90
V Statutory reserves		0	(
VI Other reserves			
extraordinary reserve		13,674,390	44,225,22
other reserves		0	
	Total VI	13,674,390	44,225,22
VII Expected cash flow hedging reserves		0	
VIII Retained earnings (losses)		0	
IX Profit (loss) for the year		34,707,766	20,262,28
X Reserve for own shares		0	20,202,20
A Hoselve for own shales	Totale patrimonio netto A)	188,744,313	203,746,41
B) PROVISION FOR RISKS AND CHARGES		4 050 005	225.05
Provisions for pensions and similar obligations		1,052,007	995,39
Provisions for taxation			
a) taxes		0	
b) deferred taxes		34,904	38,39
3) Financial derivative liabilities		0	242,58
4) Other provisions for contingencies and other charges		9,170,000	7,170,00
	Totale fondi per rischi ed oneri B)	10,256,911	8,446,37
C) EMPLOYEE SEVERANCE INDEMNITIES		5,526,745	6,199,84
C) EWIFLOTEE SEVERANGE INDEMINITIES		5,520,745	0,199,04
D) DEBT AND OTHER PAYABLES			
1) Bonds			
falling due within 12 months		0	
falling due beyond 12 months		0	
	Total 1)	0	
2) Convertible bonds			
falling due within 12 months		0	
falling due beyond 12 months		0	
· ,	Total 2)	0	
3) Loans from shareholders'			
falling due within 12 months		0	
falling due beyond 12 months		53,000,000	30,000,00
failing due beyond 12 months	Total 3)	53,000,000	30,000,00
4) Payables to banks			
falling due within 12 months		29,563,963	34,730,89
falling due beyond 12 months		51,932,919	66,499,83
,	Total 4)	81,496,882	101,230,73
5) Payables to other lenders			
falling due within 12 months		0	
falling due beyond 12 months		0	
lalling due beyond 12 months	Total E		
C) Advances	Total 5)	0	
6) Advances		0.074 171	4.070 -
falling due within 12 months		2,871,474	1,970,31
falling due beyond 12 months		0	
	Total 6)	2,871,474	1,970,31
7) Trade payables			
falling due within 12 months		214,567,443	223,123,25
falling due beyond 12 months		0	
	Total 7)	214,567,443	223,123,25
8) Trade note issued			
falling due within 12 months		0	
falling due beyond 12 months		0	
•	Total 8)	0	
	i Stai oj		
Payables to subsidiaries			
Payables to subsidiaries falling due within 12 months		0	
9) Payables to subsidiaries falling due within 12 months falling due beyond 12 months		0	

10) Payables to associates		
falling due within 12 months	0	0
falling due beyond 12 months	0	0
Total 10)	0	0
11) Payables to parent companies		
falling due within 12 months	11,366,131	8,882,657
falling due beyond 12 months	0	0
Total 11)	11,366,131	8,882,657
11-bis) Payables to companies controlled by parent companies		
a) amounts due for central treasury management		
falling due within 12 months	17,293,515	25,071,149
falling due beyond 12 months	0	0
b) other payables		
falling due within 12 months	39,716,923	19,751,010
falling due beyond 12 months	0	0
Total 11-bis)	57,010,438	44,822,159
12) Payables tax		
falling due within 12 months	4,001,960	3,758,462
falling due beyond 12 months	0	0
Total 12)	4,001,960	3,758,462
13) Social security and welfare institutions payables		
falling due within 12 months	3,458,206	3,067,600
falling due beyond 12 months	0	0
Total 13)	3,458,206	3,067,600
14) Other payables		
falling due within 12 months	12,121,433	8,502,342
falling due beyond 12 months	0	0
Total 14)	12,121,433	8,502,342
Totale debiti D)	439,893,967	425,357,526
E) ACCRUALS AND DEFERRALS	432,703	582,718
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	644,854,639	644,332,876

INCOME STATEMENT

6) Raw materials, subsidiary materials, consumables and goods 7) Services 217,311,594 8) Leases and rentals 903,407,570 217,311,594 189,820,114 3,757,919 3,455,014 9) Personnel a) salaries and wages 44,133,892 41,207,911 b) social security 15,354,397 13,724,824 c) employee severance indemnity d) pensions and similar e) 0 0 0 e) other costs 70 day,5538 10) Amortisation, depreciation and write-downs a) amortisation of intangible assets 2,393,213 266,720 b) depreciation of tangible assets 2,393,213 266,720 c) other write-downs of fixed assets 0 0 0 0 0 0 0 0 10 11) Changes in inventories 11) Changes in inventories 12) Frovision for risks and other charges 12) Provision for risks and other charges 13) Other provisions 14) Other operating expenses 10) Inference between production value and costs (A - B) 10) Difference between production value and costs (A - B) 10) Difference between production value and costs (A - B)		31/12/2018	31/12/2017	
	A) PROPULETION VALUE			
20	•	4 050 500 000	4 000 007504	
work in progress 0 0 0 0 0 0 0 0 0	,	1,258,593,399	1,069,397,564	
		0	0	
Final products Total 2 Total 2 Total 3 Total 5 Total 5	· ·		-	
13,432,484 11,517,822 12,432,484 11,517,822 12,432,484 11,517,822 12,432,484 11,517,822 12,432,484 11,517,822 13,732,00 13,732		. , , .		
0				
A) Increases in fixed assets from internal production 317802 92,541	·			
50 Other memures and income other income other income other income of content income other inc			-	
PRODUCTION COSTS	•	017,002	02,0	
PRODUCTION COSTS	other income	9.867.117	11.117.019	
Total production value A 1282,819,555 1,069,439,473 1,009,439,473 1,				
PRODUCTION COSTS	-			
Services	Total production value A)			
Services				
17 Services 217311,504 188,870,104 189,870,870,104 189,870,870,104 189,870,870,104 189,870,870,104 189,870,870,104 189,870,870,104 189,870,870,104 189,870,870,104 189,870,870,104 189,870,870,104 189,870,870,104 189,870,870,870,104 189,870,870,870,870,870,870,870,870,870,870	•			
8) Leases and rentals 3,757919 3,455,014 9) Presonnel 3 salaries and wages 44,123,892 41,20,911 b) social security 15,364,397 13,724,824 d) pensions and similar 0 0 0 0 0 0 0 0 0				
9) Personnel al salaries and wages 44,133,892 41,207,911 bl social security 15,394,397 13,724,824 cl employee severance indemnity 3,025,538 2,270,549 cl employee severance indemnity 3,025,538 2,270,549 cl employee severance indemnity 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	.,			
a) salaries and wages	,	3,757,919	3,455,014	
b) social security				
C) employee severance indemnity 3,025,538 2,870,549 di pensions and similar 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	a) salaries and wages	, ,		
d) pensions and similar 0 0 0 0 0 0 0 0 0	b) social security		13,724,824	
e) other costs				
Namerisation, depreciation and write-downs	·			
100 Amortisation, depreciation and write-downs a) amortisation of intangible assets 2,393,213 266,720 20 20 20 20 20 20 20		,		
a) amortisation of intangible assets b) depreciation of tangible assets c) do		63,158,363	58,854,623	
b) depreciation of tangible assets c) 0 0 0 d) Write-down of current receivables and cash and cash equivalents (5,660,145 2,683,866 Total 10) 38,703,826 38,165,613 11) Changes in inventories raw materials ancillaries (8,145,163) (623,468) consumables consumables consumables consumables (1115,735) (1,302,122) goods (115,735) (1,302,122) goods (115,735) (1,302,122) goods (115,735) (1,302,122) goods (105,745,145,163) (623,468) consumables (115,735) (1,302,122) goods (105,745,145,163) (623,468) consumables (115,735) (1,302,122) goods (105,745,145,163) (623,468) (115,735) (1,302,122) goods (106,745,145,163) (623,468) (115,735) (1,302,122) goods (107,804,111) (1,804,014 (1,302,122) goods (108,745,163) (1,302,122) goods (109,746,145,163) (1,302,122) goods (115,745,163) (1,302,122) goods (115,746,163) (1,302,122) goods (115,746,163) (1,302,122) goods (115,746,163) (1,302,122) goods				
C) other write-downs of fixed assets 0 0 0 0 0 0 0 0 0		, ,	,	
C Write-down of current receivables and cash and cash equivalents Total 10 38,703,826 38,165,613 10,100,100,100,100,100,100,100,100,100,				
Total 10 38,703,826 38,165,613 11 Changes in inventories 10,064,912 (1,386,3615 ancillaries 10,064,912 (1,386,3615 ancillaries 10,064,912 (1,386,3615 ancillaries 10,064,912 (1,386,3615 ancillaries 10,1064,912 (1,386,3615 ancillaries 115,735 (1,302,122) goods 0 (0 (15,735) (1,302,122) goods 10 (0 (1,302,122) (1,302,122) 12 Provision for risks and other charges 2,000,000 (2,500,000 (1,302) (1,302) (1,302,132) (1,302,132,132) 1,302,132,132 (1,302,132) (1,302,132,132) (1,302,132,132,132) 1,002,132 (1,302,132,132) (1,302,132,132,132) 1,003,132,132 (1,302,132,132,132) 1,003,132,132,132,132,132,132,132,132,132,13		-	-	
111 Changes in inventories	·	, ,		
raw materials 10,064,912 (1,386,835) ancillaries (8,145,163) (623,4835) consumables (115,735) (1,302,122) goods 0 0 0 Total 11) 1,804,014 (3,312,425) 12) Provision for risks and other charges 2,000,000 2,500,000 13) Other provisions 0 0 14) Other operating expenses 1,284,757 897,042 Difference between production value and costs (A - B) 50,027,508 29,741,946 C) FINANCIAL INCOME AND EXPENSES Tible Income from equity investments in: 50,027,508 29,741,946 Subsidiaries 0 0 0 associates 0 0 0 parent companies 0 0 0 companies controlled by parent companies 0 0 0 other companies 0 0 0 16) Other financial income 1 0 0 associates 0 0 0 <td></td> <td>38,703,826</td> <td>38,165,613</td>		38,703,826	38,165,613	
ancillaries (8,145,163) (623,468) consumables (115,735) (1,302,122) goods Total 11) 1,804,014 (3,312,425) 12) Provision for risks and other charges 2,000,000 2,500,000 13) Other provisions 0 0 0 14) Other operating expenses Total production costs B 1,232,792,043 1,393,697,527 Difference between production value and costs (A - B) 50,027,508 29,741,946 C) FINANCIAL INCOME AND EXPENSES Tible income from equity investments in: 50,027,508 29,741,946 C) FINANCIAL INCOME AND EXPENSES 15) Income from equity investments in: 50,027,508 29,741,946 C) FINANCIAL INCOME AND EXPENSES 15) Income from equity investments in: 0 0 0 associates 0 0 0 0 0 associates 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	•			
consumables (115,735) (1,302,122) goods Total 11) 1,804,014 (3,312,425) 12) Provision for risks and other charges 2,000,000 2,500,000 13) Other provisions 0 0 0 14) Other operating expenses Total production costs B) 1,232,792,043 1,039,697,527 Difference between production value and costs (A - B) 50,027,508 29,741,946 C) FINANCIAL INCOME AND EXPENSES 15) Income from equity investments in: 5 50,027,508 29,741,946 C) FINANCIAL INCOME AND EXPENSES 15) Income from equity investments in: 5 50,027,508 29,741,946 C) FINANCIAL INCOME AND EXPENSES 15) Income from equity investments in: 0				
goods 0 0 Total 11) 1,804,014 (3,312,425) 12) Provision for risks and other charges 2,000,000 2,500,000 13) Other provisions 0 0 0 14) Other operating expenses 2,648,757 897042 Total production costs B) 1,232,792,043 1,039,697,527 Difference between production value and costs (A - B) 50,027,508 29,741,946 C) FINANCIAL INCOME AND EXPENSES 15) Income from equity investments in: 50,027,508 29,741,946 usb sociates 0 0 0 associates 0 0 0 associates 0 0 0 other companies 0 0 0 other financial income 0 0 0 16) Other financial income 0 0 0 associates 0 0 0 associates 0 0 0 associates 0 0 0 as			. , .	
Total 11		. , .		
12) Provision for risks and other charges 2,000,000 2,500,000 13) Other provisions 0 0 14) Other operating expenses 7 Total production costs B) 1,232,792,043 1,039,697,527 Difference between production value and costs (A - B) 50,027,508 29,741,946 C) FINANCIAL INCOME AND EXPENSES 15) Income from equity investments in: 50,027,508 29,741,946 Subsidiaries 0 0 0 associates 0 0 0 parent companies 0 0 0 companies controlled by parent companies 0 0 0 other financial income 0 0 0 associates 0 0 0 associates 0 0 0 associates 0 0 0 associates 0 0 0 parent companies 0 0 0 ompanies controlled by parent companies 0 0 0 other compani	·			
13) Other provisions 0 0 14) Other operating expenses 2,648,757 897,042 Total production costs B) 1,232,792,043 1,039,697,527 Difference between production value and costs (A - B) 50,027,508 29,741,946 C) FINANCIAL INCOME AND EXPENSES 15) Income from equity investments in: 50,027,508 29,741,946 subsidiaries 0 0 0 associates 0 0 0 parent companies 0 0 0 other companies 0 0 0 other companies 0 0 0 16) Other financial income 3) from receivables held as financial fixed assets 0 0 subsidiaries 0 0 0 associates 0 0 0 parent companies 0 0 0 companies controlled by parent companies 0 0 0 other companies 0 0 0 0 other companies<				
14) Other operating expenses 2,648,757 897,042 1,039,697,527 1,232,792,043 1,039,697,527 1,232,792,043 1,039,697,527 1,232,792,043 1,039,697,527 1,232,792,043 1,039,697,527 1,232,792,043 1,039,697,527 1,232,792,043 1,039,697,527 1,232,792,043 1,232,7	-			
Total production costs B 1,232,792,043 1,039,697,527	·			
Difference between production value and costs (A - B) 50,027,508 29,741,946 C) FINANCIAL INCOME AND EXPENSES 15) Income from equity investments in: subsidiaries 0 0 0 associates 0 0 0 parent companies 0 0 0 companies controlled by parent companies 0 0 0 other companies 0 0 0 16) Other financial income a) from receivables held as financial fixed assets subsidiaries 0 0 0 associates 0 0 0 parent companies 0 0 0 16) Other financial income a) from receivables held as financial fixed assets subsidiaries 0 0 0 associates 0 0 0 companies controlled by parent companies 0 0 0 other companies controlled by parent companies 0 0 0 other companies 0 0 0 other companies 0 0 0				
C) FINANCIAL INCOME AND EXPENSES 15) Income from equity investments in: subsidiaries 0 0 associates 0 0 parent companies 0 0 companies controlled by parent companies 0 0 other companies 0 0 16) Other financial income 3 from receivables held as financial fixed assets 0 0 subsidiaries 0 0 associates 0 0 parent companies 0 0 companies controlled by parent companies 0 0 other companies 0 0 b) from securities held as financial fixed assets other than equity investments 0 0	iotai production costs b)	1,232,792,043	1,039,097,927	
15) Income from equity investments in: 0 0 subsidiaries 0 0 associates 0 0 parent companies 0 0 companies controlled by parent companies 0 0 other companies 0 0 16) Other financial income Total 15) 0 0 16) Total 15) 0 0 0 associates 0 0 0 associates 0 0 0 parent companies 0 0 0 companies controlled by parent companies 0 0 other companies 0 0 b) from securities held as financial fixed assets other than equity investments 0 0	Difference between production value and costs (A - B)	50,027,508	29,741,946	
15) Income from equity investments in: 0 0 subsidiaries 0 0 associates 0 0 parent companies 0 0 companies controlled by parent companies 0 0 other companies 0 0 16) Other financial income Total 15) 0 0 16) Total 15) 0 0 0 associates 0 0 0 associates 0 0 0 parent companies 0 0 0 companies controlled by parent companies 0 0 other companies 0 0 b) from securities held as financial fixed assets other than equity investments 0 0				
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associates 0 0 parent companies 0 0 companies controlled by parent companies 0 0 other companies 0 0 Total 15) 0 0 16) Other financial income a) from receivables held as financial fixed assets 0 0 subsidiaries 0 0 0 associates 0 0 0 parent companies 0 0 0 companies controlled by parent companies 0 0 0 other companies 0 0 0 b) from securities held as financial fixed assets other than equity investments 0 0				
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companies controlled by parent companies other companies Total 15) o 0 0 0 16) Other financial income a) from receivables held as financial fixed assets subsidiaries o associates parent companies companies controlled by parent companies other companies other companies b) from securities held as financial fixed assets other than equity investments o o o o o o o o o o o o o				
other companies 0 0 0 Total 15) 0 0 16) Other financial income a) from receivables held as financial fixed assets subsidiaries 0 0 0 associates 0 0 0 parent companies 0 0 0 companies controlled by parent companies 0 0 other companies 0 0 0 b) from securities held as financial fixed assets other than equity investments 0 0				
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16) Other financial income a) from receivables held as financial fixed assets subsidiaries 0 0 0 0 associates 0 0 0 0 companies controlled by parent companies 0 other companies 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0				
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companies controlled by parent companies 0 0 0 other companies 0 0 0 0 other companies 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0				
other companies 0 0 0 b) from securities held as financial fixed assets other than equity investments 0 0				
b) from securities held as financial fixed assets other than equity investments 0 0				
	·			
c) from securities neid as current assets other than equity investments 375,257 372,808				
	c) from securities neid as current assets other than equity investments	3/5,257	3/2,808	

d) income other than above, from:		
subsidiaries	0	0
associates	0	0
parent companies	0	0
companies controlled by parent companies	135,265	96,572
others	624,494	789,104
Total 16)	1,135,016	1,258,484
17) Interest and other financial expenses from:		
subsidiaries	0	0
associates	0	0
parent companies	(599,781)	(329,814)
companies controlled by parent companies	(278,459)	(216,890)
others	(1,050,124)	(1,458,188)
Total 17)	(1,928,364)	(2,004,892)
17-bis) Foreign currency exchange gains and losses	(177,640)	284,489
Total financial income and expenses (15+16-17+/-17bis) C)	(970,988)	(461,919)
D) ADJUSTMENTS TO FINANCIAL ASSETS AND LIABILITIES		
18) Revaluations of		
a) equity investments	0	0
b) financial fixed investments other than equity investments	0	0
c) securities held as current assets other than equity investments	149,624	153,399
d) financial derivative instruments	242,589	0
Total 18)	392,213	153,399
19) Write-downs of		
a) equity investments	0	(5,000)
b) financial fixed investments other than equity investments	0	0
c) securities held as current assets other than equity investments	(530,997)	(13,110)
d) financial derivative instruments	0	(242,589)
Total 19)	(530,997)	(260,699)
Total adjustments to financial assets and liabilities (18 - 19) D)	(138,784)	(107,300)
Earnings before income taxes (A - B +/- C +/- D)	48,917,736	29,172,727
20) Income taxes for the year		
a) current taxes	(14,815,760)	(8,498,324)
b) deferred and prepaid tax	605,790	(412,123)
Total 20)	(14,209,970)	(8,910,447)
21) PROFIT (LOSS) FOR THE YEAR INCLUDING MINORITY INTERESTS	34,707,766	20,262,280

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CASH FLOW STATEMENT

Values expressed in euro

	31/12/2018	31/12/2017
Profit (logal for the year	24 707766	20.262.200
Profit (loss) for the year Income taxes	34,707,766 14,209,970	20,262,280 8,910,447
	793,348	
Interest expenses/(interest income) (Dividends)	793,348	746,408
(Gains)/losses from disposal of assets		
Profit (loss) for the financial year before income tax, interest, dividends and gains/losses from disposals	49,711,084	29,919,135
Adjustments to non-monetary items with no counterparts under net working capital		
Provisions to funds	8,028,175	6,455,874
Depreciation of fixed assets	33,043,681	35,481,747
Depreciation for permanent impairment		
Adjustment to financial assets and liabilities for financial derivative instruments with no monetary movements	(242,589)	242,589
Other adjustments to non-monetary items		
Total adjustments to non-monetary items with no counterparts under net working capital	40,829,267	42,180,210
2. Cash flows before net working capital changes (self-financing)	90,540,351	72,099,345
Changes in net working capital		
Decrease/(Increase) in inventories	(11,628,470)	8,205,007
Decrease/(Increase) in trade receivables	(653,923)	(16,757,060
Increase/(Decrease) in trade payables	11,410,105	49,771,070
Decrease/(Increase) in accrued income and prepaid expenses	278,776	288,462
Increase/(Decrease) in accrued liabilities and deferred income	(150,015)	451,940
Other changes in net working capital	7,227,700	15,549,100
Total other changes in net working capital	6,484,173	57,508,519
3. Cash flow after changes in net working capital	97,024,524	129,607,864
3. Cash now after changes in her working capital	37,024,324	129,007,004
Other adjustments		
Interest collected/(paid)	(793,348)	(746,408
(Income taxes paid)	(14,815,760)	(8,498,324
Dividends collected		
(Use of funds)	(2,567,486)	(3,947,952
Other collections/payments		
Total other adjustments	(18,176,594)	(13,192,684)
Cash flow from operations A)	78,847,930	116,415,180
R Cash flow from investment		
B. Cash flow from investment		
	(24,140,353)	(12,284,990
Tangible fixed assets	(24,140,353) 866,298	
Tangible fixed assets (Investments) Disinvestments		(12,284,990 152,369
Tangible fixed assets (Investments) Disinvestments		
Tangible fixed assets (Investments) Disinvestments Intangible fixed assets	866,298	152,369
Tangible fixed assets (Investments) Disinvestments Intangible fixed assets (Investments) Disinvestments	866,298	152,369 (213,837
Tangible fixed assets (Investments) Disinvestments Intangible fixed assets (Investments) Disinvestments	866,298	152,369 (213,837 (
Tangible fixed assets (Investments) Disinvestments Intangible fixed assets (Investments) Disinvestments Financial fixed assets	866,298 (445,456) 0	152,369 (213,837 ((8,428,558
Tangible fixed assets (Investments) Disinvestments Intangible fixed assets (Investments) Disinvestments Financial fixed assets (Investments) Disinvestments) Disinvestments	866,298 (445,456) 0 (997,512)	152,369 (213,837 ((8,428,558
Tangible fixed assets (Investments) Disinvestments Intangible fixed assets (Investments) Disinvestments Financial fixed assets (Investments) Disinvestments) Disinvestments	866,298 (445,456) 0 (997,512)	152,369 (213,837 ((8,428,558 9,438
Tangible fixed assets (Investments) Disinvestments Intangible fixed assets (Investments) Disinvestments Financial fixed assets (Investments) Disinvestments Financial assets Financial assets not held as fixed assets	866,298 (445,456) 0 (997,512) 1,400	(213,837 (213,837 (8,428,558 9,438 (29,380,888
Tangible fixed assets (Investments) Disinvestments Intangible fixed assets (Investments) Disinvestments Financial fixed assets (Investments) Disinvestments Disinvestments Financial assets not held as fixed assets (Investments) Disinvestments) Disinvestments	866,298 (445,456) 0 (997,512) 1,400 (1,649,607)	(213,837 (213,837 (8,428,558 9,438 (29,380,888 8,022,410
Tangible fixed assets (Investments) Disinvestments Intangible fixed assets (Investments) Disinvestments Financial fixed assets (Investments) Disinvestments Disinvestments Financial assets not held as fixed assets (Investments) Disinvestments Financial of the fixed assets (Investments) Disinvestments (Investments) Disinvestments (Acquisitions of business branches net of cash and cash equivalents)	866,298 (445,456) 0 (997,512) 1,400 (1,649,607) 6,062,750	(213,837 (213,837 (8,428,558 9,438 (29,380,888 8,022,410
Tangible fixed assets (Investments) Disinvestments Intangible fixed assets (Investments) Disinvestments Financial fixed assets (Investments) Disinvestments Financial assets (Investments) Disinvestments Financial assets not held as fixed assets (Investments) Disinvestments Disinvestments (Acquisitions of business branches net of cash and cash equivalents)	866,298 (445,456) 0 (997,512) 1,400 (1,649,607) 6,062,750	(213,837 (213,837 (8,428,558 9,438 (29,380,888 8,022,410 (1.059,601
Tangible fixed assets (Investments) Disinvestments Intangible fixed assets (Investments) Disinvestments Financial fixed assets (Investments) Disinvestments Financial assets (Investments) Disinvestments Financial assets not held as fixed assets (Investments) Disinvestments Cash flow from investments Cash flow from investments	866,298 (445,456) 0 (997,512) 1,400 (1,649,607) 6,062,750 (5.987,319)	(213,837 (213,837 (8,428,558 9,438 (29,380,888 8,022,410 (1.059,601
Tangible fixed assets (Investments) Disinvestments Intangible fixed assets (Investments) Disinvestments Financial fixed assets (Investments) Disinvestments Financial assets (Investments) Disinvestments Financial assets not held as fixed assets (Investments) Disinvestments Cash flow from investments Cash flow from investments	866,298 (445,456) 0 (997,512) 1,400 (1,649,607) 6,062,750 (5.987,319)	(213,837 (213,837 (8,428,558 9,43! (29,380,888 8,022,41((1.059.601
Tangible fixed assets (Investments) Disinvestments Intangible fixed assets (Investments) Disinvestments Financial fixed assets (Investments) Disinvestments Financial assets not held as fixed assets (Investments) Disinvestments Financial assets not held as fixed assets (Investments) Disinvestments (Acquisitions of business branches net of cash and cash equivalents) Disposals of business branches net of cash and cash equivalents Cash flow from investments B) C. Cash flows from financing activities	866,298 (445,456) 0 (997,512) 1,400 (1,649,607) 6,062,750 (5.987,319)	(213,837 (213,837 (8,428,558 9,438 (29,380,888 8,022,410 (1.059,601
Tangible fixed assets (Investments) Disinvestments Intangible fixed assets (Investments) Disinvestments Financial fixed assets (Investments) Disinvestments Financial assets not held as fixed assets (Investments) Disinvestments Financial assets not held as fixed assets (Investments) Disinvestments (Acquisitions of business branches net of cash and cash equivalents) Disposals of business branches net of cash and cash equivalents Cash flow from investments B) C. Cash flows from financing activities	866,298 (445,456) 0 (997,512) 1,400 (1,649,607) 6,062,750 (5.987,319)	152,365 (213,837 (8,428,558 9,435 (29,380,888 8,022,410 (1.059.601 (43,183,660
Tangible fixed assets (Investments) Disinvestments Intangible fixed assets (Investments) Disinvestments Financial fixed assets (Investments) Disinvestments Financial assets not held as fixed assets (Investments) Disinvestments Financial assets not held as fixed assets (Investments) Disinvestments (Acquisitions of business branches net of cash and cash equivalents) Disposals of business branches net of cash and cash equivalents Cash flow from investments B) C. Cash flows from financing activities	866,298 (445,456) 0 (997,512) 1,400 (1,649,607) 6,062,750 (5,987,319) (26,289,799)	(213,837 (213,837 (8,428,558 9,438 (29,380,888 8,022,410 (1.059.601 (43,183,660
Tangible fixed assets (Investments) Disinvestments Intangible fixed assets (Investments) Disinvestments Financial fixed assets (Investments) Disinvestments Financial fixed assets (Investments) Disinvestments Financial assets not held as fixed assets (Investments) Disinvestments (Investments) Disinvestments (Acquisitions of business branches net of cash and cash equivalents) Disposals of business branches net of cash and cash equivalents Cash flow from investments B) C. Cash flows from financing activities Means belonging to third parties Increase (decrease) in short-term bank payables	866,298 (445,456) 0 (997,512) 1,400 (1,649,607) 6,062,750 (5,987,319) (26,289,799)	(213,837 (213,837 (8,428,558 9,438 (29,380,888 8,022,410 (1.059.601 (43,183,660
Tangible fixed assets (Investments) Disinvestments Intangible fixed assets (Investments) Disinvestments Financial fixed assets (Investments) Disinvestments Financial assets not held as fixed assets (Investments) Disinvestments Financial assets not held as fixed assets (Investments) Disinvestments (Acquisitions of business branches net of cash and cash equivalents) Disposals of business branches net of cash and cash equivalents Cash flow from investments B) C. Cash flows from financing activities Means belonging to third parties Increase (decrease) in short-term bank payables Granting of loans	866,298 (445,456) 0 (997,512) 1,400 (1,649,607) 6,062,750 (5.987,319) (26,289,799) (4,412,088) 15,000,000	152,369 (213,837

Own means

Own means			
Capital increase for consideration		0	0
(Repayment of capital)		0	0
Disposal (purchase) of own shares		0	0
((Dividends (and advances on dividends) paid)		(49,800,000)	(33,600,000)
Other changes in shareholders' equity		90,132	17,378
	Cash flows from financing activities C)	(46,443,722)	(55,651,377)
	Increase (decrease) in cash and cash equivalents (A \pm B \pm C)	6,114,409	17,580,143
	Cash and cash equivalents at the beginning of the year	81,667,833	64,087,690
out of which:			
post and bank deposits		81,648,140	64,063,223
cheques		0	0
cash (money and notes)		19,693	24,467
	Cash and cash equivalents at the end of the year	87,782,242	81,667,833
out of which:			
post and bank deposits		87,760,754	81,648,140
cheques		0	0
cash (money and notes)		21,488	19,693

FERRIERE NORD S.p.A.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018

Ferriere Nord S.p.A., which has a subscribed and paid-in share capital of euro 60,000,000 (sixty million) and whose registered office is in Osoppo (UD) – Zona Industriale Rivoli, was incorporated on 23 May 1970 as attested by Notary Rodolfo Ridolfi of the Udine and Tolmezzo Register of Notaries, index no. 42559, and is registered with the Udine Chamber of Commerce (CCIAA) under tax code 00163780307 and REA code 117431.

Since its incorporation, it has been a producer of electro-welded products for the construction industry (wire, electro-welded wire mesh and lattice girders) and has gradually widened its production capacity both through investments in technologically advanced systems to improve productivity in its core business sector and diversification and integration of the production cycle.

Ferriere Nord S.p.A. belongs to a group of companies which is highly integrated both in economic and manufacturing terms and is controlled by FIN.FER. S.p.A, based in Osoppo (UD).

In order to improve integration between the various processes and create synergies and scale economies, the Group was reorganised and a sub-holding - Compagnia Siderurgica Italiana S.r.l. - was set up and transferred by the parent company FIN.FER. S.p.A. with effective date 01.01.2018 a business branch acting as the operational holding and including the interests in Ferriere Nord S.p.A., S.I.A.T. S.p.A., La Veneta Reti S.r.I., Acciaierie di Verona S.p.A., Kovinar D.o.o. and I.S.U. G.m.b.H. Therefore, starting from the said effective date, the company will be directed and coordinated by Compagnia Siderurgica Italiana S.r.I..

The financial statements for the year ended 31 December 2018, of which these Notes and the Cash Flow Statement form an integral part pursuant to article 2423, sub-par. 1, are in line with duly kept accounting records and were drafted in accordance with articles 2423-ter, 2424-bis, 2425-bis, 2425-ter and the accounting standards contemplated in article 2423-bis, sub-par. 1.

There were no exceptional cases warranting exemption under article 2423, sub-par. 5.

Starting from 01.01.2018, Ferriere Nord S.p.A. is directed and coordinated by Compagnia Siderurgica Italiana S.r.I., which closed its first financial statements on 31 December 2018 in this new capacity.

This Note includes the main figures of the last financial statements approved by FIN.FER. S.p.A. which drafts the consolidated financial statements and was entrusted with the task to direct and coordinate Ferriere Nord S.p.A. in previous years.

The figures of the parent company FIN.FER. S.p.A. included in the summary table required by art. 2497-bis of the Italian Civil Code are taken from the financial statements closed at 31 December 2017. For proper and full understanding of the financial position and operating performance of FIN.FER. S.p.A. at 31 December 2017 as well as of the economic results of the company at the year end, see the financial statements and the report of the independent auditors that are made available as required by the law.

BALANCE SHEET

Values expressed in euro

ASSETS	31/12/2017	31/12/2016
A) Subscribed capital unpaid	0	0
B) Fixed assets	340,103,948	331,073,772
C) Current assets	20,389,907	10,782,821
D) Accruals and deferrals	108,794	82,926
TOTAL ASSETS (A+B+C+D)	360,602,649	341,939,519
LIABILITIES	31/12/2017	31/12/2016
A) Shareholders' equity		
Share capital	50,000,000	30,000,000
Reserves	192,497,377	207,296,875
Profits (losses) carried forward	0	0
Profit (loss) for the financial year	21,227,926	11,184,474
B) Provisions for contingencies and other charges	126,172	148,615
C) Employee severance indemnity	216,643	207,555
D) Payables	96,021,007	92,495,159
E) Accruals and deferrals	513,524	606,841
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (A+B+C+D+E)	360,602,649	341,939,519
INCOME STATEMENT	31/12/2017	31/12/2016
A) Production value	6,584,161	6,341,573
B) Production costs	(3,375,343)	(3,342,192)
C) Financial income and expenses	(574,290)	(821,791)
D) Adjustments to financial assets	19,848,628	9,710,906
Income taxes for the financial year	(1,255,230)	(704,022)
PROFIT (LOSS) FOR THE FINANCIAL YEAR	21,227,926	11,184,474

EVALUATION CRITERIA, ACCOUNTING PRINCIPLES AND BASIS OF PREPARATION

The financial statements were drafted in euro, including the results relative to the previous financial year, so that they are comparable. The financial statements were drafted pursuant to the legislation in force that, following the issuance of European Directive 2013/34, updated the Italian Civil Code and the relevant rules on financial statements and consolidated financial statements through Legislative Decree 139/2015. In particular, the provisions laid down under the aforementioned Decree became effective on 1 January 2016 and are applicable to financial statements from 1 January 2016 onward. OIC, as provided for by Legislative Decree 139/2015, completed the reform and updated the National Accounting Principles pursuant to the provisions laid down in the Decree that transposed the European Directive.

The balance sheet, income statement and cash flow statement tables were prepared pursuant to the provisions laid down in articles 2424, 2425 and 2425-ter of the Italian Civil Code also taking into the changes made by Legislative Decree 139/2015.

Detailed below - pursuant to article 2427, sub-par. 1 - are the criteria applied in stating the items of financial statements, value adjustments and conversion of values originally stated in foreign currencies.

General drafting criteria

The items entered in the financial statements are assessed in accordance with the principle of caution on a pro-tempore basis with a view to business continuity, also taking into account the nature of the transaction or contract.

The application of the principle of caution entailed the assessment of each single element constituting the entries or items of assets or liabilities so as to avoid compensations between losses to be recognised and profits not to be recognised because they were not realised.

In accordance with the principle of pro-tempore basis, the effects of transactions and other events are recorded and attributed to the financial year they refer to and not to the financial year during which the relevant financial movements take place.

In accordance with the principle of materiality, the obligations in the field of measurement, valuation, presentation and disclosure were not complied with when compliance had an immaterial impact on a true and fair view of the financial position.

Furthermore, we complied with the principle of continuity of application of assessment criteria over the time so that the financial statements of the company for the various years can be compared. There were no exceptional cases warranting exemption under article 2423, sub-par. 5, of the Italian Civil Code.

Intangible assets

Intangible assets are reported at their purchase or production costs including additional charges that can be directly assigned and are shown net of depreciation.

Costs for intangible assets as actually incurred into are posted inasmuch as they express the capacity of producing economic benefits also in the future.

Intangible assets were regularly depreciated according to their respective residual economic lives and pursuant to plans that, in our opinion, ensure proper breakdown of costs over their useful lives.

Assets that, at the close of the financial year, irrespective of their accounted depreciation, are permanently impaired are devalued accordingly.

The depreciation criteria adopted were as follows:

- preliminary and formation expenses and charges: depreciation over 5 years;
- intellectual property rights: depreciation over 3 years;
- goodwill: depreciation over 1-3 years;
- other intangible assets: they include deferred charges on liabilities entered before 1 January 2016, which are depreciated every year
 for the length of the loans they are referred to. Liabilities arisen after 1 January 2016 are reported pursuant to article 2426, sub-par.
 1.8, following the amortised cost method, also taking into account the time factor. This item also includes the costs incurred into to
 implement websites and a computer-based documentary archive, which are amortised over 5 years.

Tangible assets

Tangible assets are stated at purchase cost, including directly related additional charges or at internal construction cost; the said construction cost includes the costs of raw materials, ancillary materials, energy, personnel, production and industrial overheads to reasonably attributable degrees and any financial expenses relative to loans for such purpose accruing in the construction period.

The value of assets was adjusted to reflect revaluations under laws 576 of 2 December 1975, 72 of 19 March 1983, 413 of 30 December 1991, 342 of 21 November 2000, 350 of 24 December 2003, 2/2009, 147 of 27 December 2013, 208 of 28 December 2015 and 232 of 11 December 2016; the industrial buildings of Sideros S.p.A. were revalued in 1981 when the company was merged into Ferriere Nord S.p.A. Pursuant to article 10 of law 72/1983, we declare that no other monetary or economic revaluations were made. Pursuant to art. 2426 of the Italian Civil Code, fixed assets whose values are permanently lower than the relevant book values at the close of the financial year are written down and posted at the lower values.

Depreciation charges written to the income statement were calculated on a straight-line basis at rates reflecting the estimated useful economic-technical life of assets (at 50% in the case of assets entering service during the year). In particular, in addition to the useful life of assets, we also took into account all the other factors that affect their future economic life such as physical impairment, the level and conditions of use, technical obsolescence, corporate replacement plans and maintenance policies. Depreciation rates are detailed in the Notes to balance sheet items.

Maintenance and repair costs are written to the income statement in the year they are incurred into if of routine nature and capitalised if of extraordinary nature.

Fixed assets under construction are stated at cost including directly related additional charges. This class also includes advances for supplies of fixed assets.

Financial assets

Shares in Group companies and other companies are entered at their respective purchase costs depreciated as a result of permanent impairment where applicable. With reference to receivables reported under financial assets, please see the following paragraph.

Receivables (including those reported under financial assets)

Receivables are reported according to the amortised cost method, also taking into account the time factor and the estimated realisable value. The amortised cost method was not applied when the impact is immaterial for the purposes of a true and fair view of the financial position. The impact of discounting is regarded as immaterial for receivables falling due within 12 months. The initial reported value is the nominal value of receivables net of all bonuses, discounts and allowances and including any cost that can be directly assigned to the transaction that originate the relevant receivable. Transaction costs, fee income and expenses, if any, as well as any difference between the initial value and the nominal value at due date are included in the amortised cost calculation by using the effective interest method.

A special depreciation fund is set aside for possible risks of default, whose adequacy is assessed with reference to doubtful positions on a regular basis and, at any rate, at the close of every financial year, also taking into account both existing or likely doubtful positions and general, sector-specific and country-specific risks and conditions.

As regards receivables stated before the financial year starting on 1 January 2016, they are reported according to the estimated realisable value method inasmuch as, pursuant to accounting principle OIC 15, we opted for not applying the amortised cost method and discounting retroactively.

Inventories

Inventories are stated at the lower between the purchase cost and manufacturing costs as determined on a LIFO basis with annual adjustments; products are written down to the lower between market value and the above LIFO value.

Items in foreign currency

Payables and receivables in foreign currency are stated at their euro equivalents using exchange rates in force at the time of customs clearance of goods or of entry in the books in case of services. Any positive or negative differences between the value of payables and receivables in non-euro currencies, converted at the rate in force when booked and their values when converted at year-end spot exchange rates, also considering any exchange rate risk hedging, are written to the income statement and any net gain is written to the appropriate reserve, which is not distributable until such gains are realised.

Financial derivative instruments

Financial derivative instruments are stated at fair value. Changes in fair value are stated under the income statement or, if the instrument hedges the risk of change in the expected cash flows of another financial instrument or a planned transaction, under a positive or negative shareholders' equity reserve; this reserve is posted to the income statement to the extent and at the time when the cash flows of the hedged instrument occur or charge or when the hedged transaction occur. If the fair value at the reference date is positive, it is posted to "financial derivative assets" under fixed assets or under financial assets not held as fixed assets. If the fair value is negative, it is posted to "financial derivative liabilities" under the provisions for risks and charges.

The company does not perform any derivative transaction for speculation purposes. If existing, the derivatives would be stated at the relevant market values.

Financial assets not held as fixed assets

Securities posted to financial assets not held as fixed assets are stated at the lower between acquisition cost and market value.

Accruals and deferrals

Income and expenses items involving two or more periods are dealt with on an accrual basis.

Provisions for contingencies and other charges

The provisions for contingencies and other chargers are set aside in order to cover well defined and certain or possible charges or losses, whose amounts or dates of occurrence, however, are not determined. These provisions reflect the best estimates made according to all available elements. In particular, when assessing risks and charges whose actual occurrence depends upon the occurrence of future events, the information made available after the close of the financial year and up to the drafting of these financial statements was also taken into account. This item also includes the agents' leaving indemnity provision as well as the provision for taxation and negative fair value on financial instruments.

Employee severance indemnity

This reflects liabilities accruing at 31 December in respect of employees under current legislation.

The fund for employee severance indemnities is the actual amount owed to existing employees at the year-end net of advances already paid, pursuant to legal provisions and collective agreements in force. Pursuant to the provisions laid down in Law 296/2006, severance indemnity amounts accrued from 1 January 2007 are allocated to the INPS Treasury Fund or to supplementary pension plans. However, the severance indemnity fund still includes the revaluation applied to the fund at 31 December 2006, which were made according to the official cost of living index and legal interest.

Payable

Payables are reported according to the amortised cost method, also taking into account the time factor. The amortised cost method was not applied when its impact is immaterial as in case of payables falling due within 12 months or payables whose transaction costs are not significant. Furthermore, as expressly provided for by OIC 19, payables reported before 1 January 2016 are measured at their respective nominal values.

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Taxation

Current year taxes are stated under Amounts owed to tax authorities on the basis of a realistic forecast of the charge to pay under current tax law net of prepaid amounts. Deferred tax is stated on the basis of the cumulative amount of all temporary differences between the value of an asset or liability and the value attributed to that asset or liability for tax purposes in line with accounting standard 25 of the "Organismo Italiano di Contabilità". Deferred tax liabilities and assets are stated, respectively, under "Provisions for taxation" and "Deferred tax assets." The company has joined the "national tax consolidation convention" (Consolidato Fiscale Nazionale) together with its parent company FIN.FER. S.p.A..

Operating grants

Operating grants are written to the income statement on an accrual basis, i.e. when the right to the grant is legally certain.

Recognition of revenues and expenses

Revenues from sales of goods and expenses for the purchase of goods are recognised upon transfer of all risks and benefits related to ownership. This transfer generally occurs at the time of shipment or delivery of goods. Revenues and expenses for services are recognised upon provision of the service involved.

Financial revenues and expenses are calculated on a pro-tempore basis.

Leasing operations

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Financial leasing operations are entered in the Balance Sheet according to the net worth method and leasing instalments are recorded under the Profit and Loss Account on a pro-tempore basis. A special section of these Notes gives the complementary information required by the Law on the representation of leasing contracts according to the financial method.

Guarantees, commitments, assets belonging to third parties and risks

The risks resulting from collateral or personal securities furnished on amounts owed by third parties are entered at an amount corresponding to the sum of the relevant security; the amount owed by third party secured at the reference date of the Balance Sheet, where lower than the amount of the security furnished on it, is stated in these Notes.

Commitments are reported at their respective nominal values as obtained from the relevant documentation.

Risks for which liabilities are likely are described in the Notes and proper provisions for risks are set aside.

Risks for which liabilities are only possible are described in the Notes and no provisions for risks are set aside pursuant to the relevant accounting principles. Remote risks are not taken into account.

DETAILED ACCOUNTS – ANALYSIS OF BALANCE SHEET ITEMS

ASSETS

B) FIXED ASSETS

B.I.) INTANGIBLE ASSETS

With reference to intangible assets under class B.I. of fixed assets, the first table details the costs and previous revaluations, accumulated depreciation and write-down of intangible assets, whereas the second table details acquisitions, decreases and depreciation in the year, as shown on the book of depreciable assets:

	Historical cost	Revaluation	Depreciation prior to 31/12/2017	Decreases/ write-downs	Value of fixed assets at 01/01/2018
START-UP AND EXPANSION EXPENSES					
Change in share capital, etc.	52,504	-	10,501	-	42,003
To	otal 52,504	-	10,501	-	42,003
PATENT RIGHTS					
Patents	-	-	-	-	-
Software packages	248,616	-	111,955	-	136,661
To	otal 248,616	-	111,955	-	136,661
OTHER INTANGIBLE ASSETS					
Additional charges on loans	303,000	-	160,977	-	142,023
Other deferred charges	229,545	-	81,852	-	147,693
To	otal 532,545	-	242,829	-	289,716
WORK IN PROGRESS					
Work in progress	43,000	-	-	-	43,000
To	otal 43,000	-	-	-	43,000
SUMTO	TAL 876,665	-	365,285	-	511,380

	Value of fixed assets at 01/01/2018	Acquisitions	Transfers	Decreases/ write-downs	Depreciation	Value of fixed assets at 31/12/2018
START-UP AND EXPANSION EXPENSES						
Preliminary and formation expenses	42,003	-		-	10,501	31,502
Total	42,003	-	-	-	10,501	31,502
PATENT RIGHTS						
Patents	-	34,782	21,070	-	15,807	40,045
Software packages	136,661	20,773	241,705	-	170,356	228,783
Total	136,661	55,555	262,775	-	186,163	268,828
GOODWILL						
Goodwill	_	3,210,905	170,126	-	2,115,495	1,265,536
Total	-	3,210,905	170,126		2,115,495	1,265,536
		0,210,000	.,,,,_		_,,	1,200,000
OTHER INTANGIBLE ASSETS						
Additional charges on loans	142,023	-	-	-	53,064	88,959
Other deferred charges	147,693	-	-	-	27,990	119,703
Total	289,716	-	-	-	81,054	208,662
WORK IN PROGRESS						
Work in progress	43,000	389,901	(432,901)	_	_	_
Total	43,000	389,901	(432,901)	-	-	-
SUMTOTAL	511,380	3,656,361	-	-	2,393,213	1,774,528

B.I.1) PRELIMINARY AND FORMATION EXPENSES

Balance at 01/01/2018	42,003
Increase	0
Decrease due to depreciation for the financial year	(10,501)
Total at 31/12/2018	31,502

This item includes the expenses incurred into during the previous year for the acquisition of business branch Nave (BS).

B.I.3) INDUSTRIAL PATENT RIGHTS AND INTELLECTUAL PROPERTY RIGHTS

Balance at 01/01/2018		136,661
Increase		318,330
Decrease due to depreciation for the financial year		(186,163)
	Total at 31/12/2018	268,828

The item refers to patents and software packages used by the company. The most significant increase relates to the implementation of cold processing management software.

B.I.5) GOODWILL

Balance at 01/01/2018	0
Increase	3,381,031
Decrease due to depreciation for the financial year	(2,115,495)
Total at 31/12/	2018 1,265,536

This item refers to the goodwill resulting from the purchase of business branches in Ceprano (FR) and Verona.

B.I.7) OTHER INTANGIBLE ASSETS: deferred charges on loans

Balance at 01/01/2018	142,024
Increase	0
Decrease due to depreciation for the financial year	(53,064)
Total at 31/12/20	118 88,960

The amount refers to charges in connection with disbursement of medium/long-term loans incurred into in previous years before 2016. As provided for by the new legislation on financial statements, from 2016 onward, the charges incurred into for the disbursement of new loans are not to be reported under intangible assets; they are spread following the amortised cost method over the financial liability for the length of the loan itself.

B.I.7) OTHER INTANGIBLE ASSETS: other deferred charges

Balance at 01/01/2018		147,693
Increase		0
Decrease due to depreciation for the financial year		(27,991)
	Total at 31/12/2018	119,702

The item did not record any increase during the year. It includes the expenses resulting from the leasing contract for the plant in Celano and the implementation of websites and a computer-based documentary archive by the subsidiary Ferriere Nord S.p.A.

B.II) TANGIBLE ASSETS

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The table below shows the cost and previous revaluation, depreciation and write-down of assets written at the beginning of the financial year for each item and sub-item of the tangible assets stated under B.II of the balance sheet. For further details on less recent revaluations, please see the table below.

		Revaluation increasing th	e historical cost		Revaluatio	n decreasing	g the deprec	iation fund		
	Historical cost	L. 576/75, L. 72/83, L. 413/91, L. 342/00, L. 350/03	Under law 2/2009	Gross fixed assets at 31/12/2017	Under law 2/2009	Under law 147/2013	Under law 208/2015	Under law 232/2016	Depreciation prior to 31/12/2017	Value of fixed assets at 01/01/2018
LAND AND BUILDINGS										
Land	12,287,671	213,930	17,930,319	30,431,920	-	-	-	-	-	30,431,920
Non industrial buildings	-	-	-	-	-	-	-	-	-	
Yards	11,671,875	156,654	-	11,828,530	601,805	-	-	-	4,903,047	6,925,483
Industrial buildings	80,415,620	9,039,941	3,367,889	92,823,449	17,781,264	-	-	-	53,788,615	39,034,834
Lightweight constr.	1,050,661	-	-	1,050,661	-	-	-	-	776,513	274,148
Total	105,425,827	9,410,525	21,298,208	136,134,560	18,383,069	-	-	-	59,468,175	76,666,385
PLANT AND MACHINERY										
General plant	94,625,534	693,289	_	95,318,823	_		_		79,087,195	16,231,628
Non-automatic plant	12,274,497	181,721	_	12,456,218	_			_		2,135,895
Automatic plant	161,212,075	29,011,720	_	190,223,795	_	35,312,139	7,125,254	11,260,913	160,592,503	29,631,29
Furnaces	46,733,607	9,058	-	46,742,665	-	-	-	-	37,661,682	9,080,983
Water treatment plant	32.842.733	-	_	32,842,733	_	_	-	_	27,124,668	5,718,069
	347,688,446	29,895,788		377,584,234		35,312,139	7,125,254	11,260,913	314,786,371	62,797,863
EQUIPMENT							-			
Tools and equipment	5,051,644	-	-	5,051,644	-	-	-	-	4,498,030	553,614
Total	5,051,644	-		5,051,644	-	-	-	-	4,498,030	553,614
OTHER ASSETS										
Freight vehicles	2,417,231	-	-	2,417,231	-	-	-	-	2,166,531	250,700
Office furniture	1,436,342	-	-	1,436,342	-	-	-	-	863,658	572,684
Computers	3,367,465	-	-	3,367,465	-	-	-	-	2,735,523	631,942
Vehicles	779,206	-	-	779,206	-	-	-	-	652,931	126,275
Total	8,000,244	-	-	8,000,244	-	-	-	-	6,418,643	1,581,601
FIXED ASSETS UNDER CONSTRUCTION										
Advances	526,331	-	-	526,331	-	-	-	-	-	526,331
Work in progress	3,427,047	_	_	3,427,047	-	-	_	_	_	3,427,047
Total	3,953,378			3,953,378		-	-	-	-	3,953,378
SUMTOTAL	470,119,539	39,306,313	21,298,208	530,724,060	18,383,069	35,312,139	7,125,254	11,260,913	385,171,219	145,552,841

The table below details acquisitions, transfers and reclassifications from one item to another, disposals and revaluations over the year, accumulated depreciation and write-downs over the year and total revaluations of fixed assets at the year end, as shown on the book of depreciable assets.

	Net value of fixed assets at 01/01/2018	Increases	Transfers	Decreases	Decrease in depreciation fund	Depreciation	Value of fixed assets at 31/12/2018	Total revaluation
LAND AND BUILDINGS								
Land	30,431,920	1,437,829	273,848	199,522	-	-	31,944,075	18,055,688
Yards	6,925,483	113,277	231,030	-	-	607,052	6,662,738	758,459
Industrial buildings	39,034,834	1,051,952	1,372,028	222,128	-	4,222,023	37,014,663	30,189,093
Light constructions	274,148	-	10,465	-	-	53,139	231,474	-
Total	76,666,385	2,603,058	1,887,371	421,650	-	4,882,214	75,852,950	49,003,240
PLANT AND MACHINERY								
General plant	16,231,628	739,771	3,997,902	904,293	832,026	4,193,259	16,703,775	693,289
Non-automatic plant	2,135,895	-	513,217	442,169	442,169	443,227	2,205,884	181,721
Automatic plant	29,631,292	1,038,577	2,299,538	3,680,184	3,636,246	15,166,246	17,759,223	81,221,604
Furnaces	9,080,983	121,751	281,999	200,000	135,000	2,824,712	6,595,020	9,058
Water treatment plant	5,718,065	90,700	109,390	680,000	459,000	2,223,837	3,473,318	-
Total	62,797,863	1,990,799	7,202,046	5,906,646	5,504,441	24,851,281	46,737,220	82,105,672
EQUIPMENT								
Tools and equipment	553,614	72,176	227,900	-	-	329,150	524,540	-
Total	553,614	72,176	227,900	-	-	329,150	524,540	-
OTHER ASSETS								
Freight vehicles	250,700	107,604	216,000	30,578	370	135,853	408,243	-

Office furniture	572,684	33,194	42,241	-	-	126,476	521,643	-
Computers	631,942	133,309	369,635	-	-	260,059	874,827	-
Cars, motorbikes, etc.	126,275	4,066	-	189,154	176,919	65,435	52,671	-
Total	1,581,601	278,173	627,876	219,732	177,289	587,823	1,857,384	-
WORK IN PROGRESS								
Advances	526,331	8,232,084	-	708,085	-	-	8,050,330	-
Fixed assets under construction	3,427,047	13,349,550	(9,945,193)	-	-	-	6,831,404	-
Total	3,953,378	21,581,634	(9,945,193)	708,085	-	-	14,881,734	-
SUMTOTAL	145,552,841	26,525,840	-	7,256,113	5,681,730	30,650,468	139,853,828	131,108,912

The main investments in capital goods made during the year were as follows:

Site in Osoppo:

- scrap area level 2 automation;
- EVG network system installation;
- dynamic balance and wagon detection;
- 230 T hot metal car;
- 30 T Almici travelling crane;
- GD6 EVG network system no. 3;
- Liebherr L556X wheeled loader.

Site in Potenza:

- ABB transformer (150/22 KVA);
- upgrade of scrap area house facilities.

Site in Verona:

- · land and building from acquired business branch;
- former BIM building.

The main orders not yet completed at the end of the year include:

- Slag storage and injection system;
- MES implementation;
- Office building at the steel plant in Osoppo;
- Sound-proofing barriers on southern side;
- G95/102 EVG network system;
- Jumbo industrial building;
- EAF additive plant revamping;
- 7100 MM EAF furnace;
- Water circuit plant in Potenza;
- Continuous loading EAF furnace in Potenza;
- Fume plant revamping in Potenza.

Depreciation is calculated for all depreciable assets at the following rates:

5% Yards, roads, sewers, etc. 5% Industrial buildings General plant 10-12% Non-automatic plant 10-12% Automatic plant 17.5% 12.5-15% Furnaces and appurtenances Freight vehicles 20% Office furniture 12% • Computers, electronic office machines 18-20% Equipment and tools 25% • Light constructions 10% 10-15% Water and air treatment plant 25% Cars, motorbikes, etc.

The company has a leasing contract on the industrial building in Celano. If those leasing transactions had been treated as a purchase of assets with loans and the relevant economic and technical depreciation amounts had been recognised, then the recalculation of the effects on the balance sheet and income statement resulting from the application of the financial method, whereby leasing transactions correspond to loans granted for the purchase of assets, would have entailed lower costs for the financial year (- euro 80,000) and higher shareholders' equity values (+ euro 232,000) gross of theoretical tax impact. These effects are shown in the table on the next page.

ASSETS

A) AXISTING CONTRACTS			
	Leased assets	Depreciation	Amount
Leased assets at the end of the previous year net of global depreciation of euro 691,672 at the end of the previous financial year	3,458,359	(691,672)	2,766,687
Assets leased during the year			-
Leased assets redeemed during the year	-	-	-
Depreciation amounts for the year			(172,918)
Adjustments/write-backs on leased assets			-
Leased assets at end of the year net of global depreciation of euro 864,590	3,458,359	(864,590)	2,593,769
B) LEASED ASSETS REDEEMED			
Additional global value of redeemed assets as determined according to the financial method over their net book value at the year-end			-

C) LIABILITIES

Implied liabilities from financial leasing transactions at the end of the previous year (out of which falling due in the next year euro 253,230 falling due beyond the end of the next year) euro 2,361,948	2,615,178
Implied liabilities arising during the year	-
Reductions for repayment of principal instalments and redemptions during the year	(253,230)
Implied liabilities from financial leasing transactions at the end of the year (out of which falling due in the next year euro 261,802 falling due beyond the end of the next year) euro 2,100,146	2,361,948
D) GROSS GLOBAL IMPACT AT THE END OF THE YEAR (A+B-C)	231,821
E) NET FISCAL IMPACT	(64,678)
F) IMPACT ON SHAREHOLDERS' EQUITY AT THE END OF THE YEAR (D-E)	167,143

IMPACT ON INCOME STATEMENT

	Principal	Interest	Amount
Instalments written off on financial leasing transactions	(253,230)	(92,063)	(345,293)
Recognition of financial charges on financial leasing transactions			92,063
Recognition of:			
- depreciation:			
existing contracts			172,918
redeemed assets			-
- adjustments/write-backs on leased assets			-
Impact on result before taxes			(80,312)
Recognition of fiscal impact			22,407
Impact of recognition of leasing transaction on the result for the financial year (financial method)			(57,905)

As required by article 10 of law 72/1983 (and also by article 27 of the subsequent revaluation law 413/1991), the following tables detail assets still at the company's disposal and which have undergone monetary revaluation.

Revaluation under law 576, 2 December 1975 - Visentini

		Increase in historical cost	Decrease in depreciation fund
Land		11,254	0
	TOTAL	11,254	0

Revaluation on merger of Sideros S.p.A. into - Ferriere Nord S.p.A.

		Increase in historical cost	Decrease in depreciation fund
Industrial buildings		316,773	0
	TOTAL	316,773	0

Revaluation under law 72, 19 March 1983 - Visentini Bis

	Increase in historical cost	Decrease in depreciation fund
Land	69,138	0
Yards	49,625	0
Industrial buildings	2,611,227	0
General plant	693,289	0
Non-automatic plant	181,721	0
Automatic plant	3,119,043	0
Furnaces and appurtenances	9,058	0
TOTAL	6,733,102	0

Revaluation under law 413, 30 December 1991

		Increase in historical cost	Decrease in depreciation fund
Land		133,538	0
Yards		107,029	0
Industrial buildings		6,111,941	0
	TOTAL	6,352,508	0

Revaluation under law 342, 21 November 2000

		Increase in historical cost	Decrease in depreciation fund
Automatic plant		16.063.645	0
	TOTAL	16.063.645	0

Revaluation under law 350, 24 November 2003

		Increase in historical cost	Decrease in depreciation fund
Automatic plant		9,789,678	0
	TOTAL	9.789.678	0

Revaluation under L. D. 185, 29 November 2008, converted into law 2, 28 January 2009

	Increase in historical cost	Decrease in depreciation fund
Land	17,841,758	0
Yards	0	601,805
Industrial buildings	3,367,889	17,781,264
TOTAL	21,209,647	18,383,069

Revaluation under law 147, 27 December 2013

		Increase in historical cost	Decrease in depreciation fund
Automatic plant		0	34,426,394
	TOTAL	0	34,426,394

Revaluation under law 208, 28 December 2015

		Increase in historical cost	Decrease in depreciation fund
Automatic plant		0	6,561,930
	TOTAL	0	6.561.930

Revaluation under law 232, 11 December 2016

		Increase in historical cost	Decrease in depreciation fund
Automatic plant		0	11,260,913
	TOTAL	0	11,260,913

B.III. FINANCIAL ASSETS

B.III.1. FINANCIAL FIXED ASSETS - EQUITY INVESTMENTS

The summary table below (B.III) details the changes occurred in the equity investments item (B.III.1), showing cost, previous revaluations and write-downs, acquisitions or increases, disposals or decreases and revaluations and write-downs during the year.

	Historical cost	Revaluation	Write-downs	Value of fixed assets at 01/01/2018	Acquisitions Increases	Disposals Decreases	Revaluation	Write-downs	Value of fixed assets at 31/12/2018	Total revaluation
Azioni Veneto Banca	4,427,500	-	4,416,500	11,000	-	-	-	-	11,000	
Metal Interconnector S.C.p.A.	7,487,951	-	-	7,487,951	-	-	-	-	7,487,951	
Other	12,707	-	-	12,707	-	-	-	-	12,707	
OTHER COMPANIES	11,928,158	-	4,416,500	7,511,658	-	-	-	-	7,511,658	
TOTAL EQUIT	11,928,158	-	4,416,500	7,511,658	-	-	-	-	7,511,658	

No changes occurred during the year.

B.III.2. FINANCIAL FIXED ASSETS - RECEIVABLES

The table below shows increases, decreases and devaluations of financial receivables:

	Receivables 01/01/2018	Increase	Decrease	Receivables 31/12/2018
Financial receivables from others	1,790,598	997,512	1,400	2,786,710
TOTAL	1,790,598	997,512	1,400	2,786,710

B.III.2.d-bis. FINANCIAL RECEIVABLES FROM OTHERS

This item includes caution money paid to the following entities and amounts paid to Terna as a guarantee fund pursuant to article 1, sub-par. 831, of law 208 of 28 December 2015 for the funding of interconnection infrastructure with foreign countries (please see "Interconnector" under article 32 of law 99 of 23 July 2009).

Ferrovie dello Stato (State Railways)	266
Customs, Udine	570
Telecom	8,696
Local warehouse	145
Utif	12,648
Consorzio acquedotto Friuli centrale	2,791
Gas bottle suppliers	150
Sundry suppliers	62,386
Acquedotto Pugliese - Potenza	464
Telecom Potenza	207
Ferrovie Potenza	1,549
Total gas Venneri	88
Utif Potenza	2,272
Interconnector Guarantee Fund	2,694,478
TOTAL	2,786,710

C) CURRENT ASSETS

C.I. INVENTORIES

During the year, the following business branches were acquired:

- Ceprano (FR) including finished products such as drawn wire and rolled round bars;
- · Verona including stocks of ancillary materials.

The make-up of stock inventories at the year end is briefly summarised in the table below:

Types		Value at 01/01/2018	Business branch acquisition Ceprano, Verona	Value at 31/12/2018	Change in the year
Scrap		28,797,277		18,940,440	(9,856,837)
Ferroalloys		3,340,107		3,132,032	(208,075)
	Total raw materials	32,137,384	-	22,072,472	(10,064,912)
Scorifiers		155,637		157,975	2,338
Refractories		2,463,782		3,961,190	1,497,408
Electrodes		1,249,665		7,894,910	6,645,245
Gases		41,494		41,666	172
	Total ancillaries	3,910,578		12,055,741	8,145,163
Sundry materials		17,590,632	1,173,450	18,908,844	144,763
Consumables		100,650		77,549	(23,101)
Other materials		44,917		38,990	(5,927)
	Total consumables	17,736,199	1,173,450	19,025,383	115,735
Billetts		16,235,765		5,732,198	(10,503,567)
	Total semi-finished products	16,235,765	-	5,732,198	(10,503,567)
	Total finished products	59,763,676	1,926,579	85,626,306	23,936,051
	TOTAL INVENTORIES	129,783,602	3,100,029	144,512,100	11,628,470

Pursuant to article 2426, Italian Civil Code, sub-pars. 9 – 10, inventories are valued at the lower between purchase or production cost and the expected realisable value determined on the basis of market trends.

Raw materials, consumables, ancillaries, semi-finished and finished products are valued at L.I.F.O with annual adjustments.

C.II) DEBTORS

Receivables under current assets break down as follows:

C.II.1) TRADE RECEIVABLES

TOTAL	120,636,563
Provision for bad debts	(12,638,893)
Invoices to issue	2,409,792
Cash orders and notes receivable for collection and in portfolio with banks	19,735,253
Customers, outside Italy	41,724,912
Customers, Italy	69,405,499

This item shows a net decrease of euro 8,656,976 resulting from gradual improvement of collection and payment terms. There are no receivables falling due beyond five years.

Trade receivables by geography, including receivables from Group companies, break down as follows:

Italy		68.66%
EU countries		25.08%
Non-EU countries in Europe and rest of world		6.26%
	TOTAL	100%

The item is stated net of provision for bad debts, which showed the following changes over the year:

Provision for bad accounts receivable

Balance at 01/01/2018	937,007
Decreases (use for write off of bad debts)	(937,007)
Provision for the financial year	638,893
TOTAL	638,893

Taxed provision for bad debts

Balance at 01/01/2018	7,600,000
Decreases (use for write off of bad debts)	(621,252)
Provision for the financial year	5,021,252
TOTAL	12,000,000

The total provision, amounting to euro 12,638,893, is deemed adequate to cover the risk the company is exposed to and complies with the principle of prudence.

C.II.4) RECEIVABLES FROM PARENT COMPANY

This item includes receivables from parent companies to Ferriere Nord S.p.A.; the balance at the year end was as follows.

Receivables from holding company FIN.FER. S.p.A.		
Invoices to issue to the parent company		10,062
Receivables from parent company for Group VAT		6,122,247
		6,132,309
Receivables from parent company Compagnia Siderurgica Italiana S.r.l.		
Trade receivables		1,229
Invoices to issue to the parent company		66,007
		67,236
	TOTAL	6,199,544

C.II.5) RECEIVABLES FROM COMPANIES CONTROLLED BY PARENT COMPANIES

This item includes the trade receivables of Ferriere Nord S.p.A. from the Group companies controlled by FIN.FER. S.p.A.; the balance at the close of the financial year can be broken down as follows:

Trade receivables from Group companies		
S.I.A.T. S.p.A.		10,316,553
Acciaierie di Verona S.p.A.		9,074,806
La Veneta Reti S.r.I.		11,773,400
B.S.T.G. G.m.b.H.		11,309,231
Kovinar D.o.o.		2,988,930
	TOTAL	45,462,920

C.II.5-bis) TAXATION DEBTORS

Receivables from tax authorities decreased by euro 659.000 over the previous year. This decrease was mostly due to some residual receivables from bonuses on investments in new capital goods (Law 116/2014 Tremonti quater) and research and development activities (Law 190/2014). The receivables from tax authorities for taxation debtors beyond 12 months result from the closing of a past securitisation transaction on trade receivables.

The item breaks down as follows:

Falling due within 12 months	
Duty drawbacks	724,057
Receivables from tax authorities for IRAP drawbacks	333,789
VAT receivables from tax authorities	71,659
	1,129,505
Due beyond 12 months	
Duty drawbacks	37,005
Receivables from tax authorities for tax credits	772,504
	809,509
TOTA	L 1,939,014

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C.II.5-ter) DEFERRED TAX ASSETS

Deferred tax assets 7,791,599

Deferred tax assets increased by euro 602,298 from the prior year end. This item includes accruals for deferred tax assets set aside in connection with predictable future charges and accelerated amortisation/depreciation whose fiscal benefit is deferred. Further details on this item can be found in the relevant section of the Notes to income statement items.

C.II.5-quater) RECEIVABLES FROM OTHERS

Falling due within 12 months	
Advances to suppliers	2,553,667
Credit notes to receive	2,608,267
Receivables from I.N.A.I.L. (National insurance institute for industrial accidents)	71,830
Allocation for employee expenses	7,133
I.N.A.I.L. (National insurance institute for industrial accidents) advances	51,997
Sundry short-term receivables	411,867
Receivables for Energy Efficiency Titles (White Certificates)	881,789
Receivables from IFIS bank for non-recourse transfers	1,409,623
	7,996,173
Due beyond 12 months	
Sundry receivables	10,322,975
Net financial receivables	16,853
	10,339,828
TOTAL	18,336,001

This item globally decreased by euro 11,579,586 over the previous year.

The decrease in sundry short-term receivables mainly results from non-recourse transfer and collection of receivables from Cassa per i Servizi Energetici e Ambientali following the decree of the Ministry of Economy and Finance of 5 April 2013 on energy electricity intensive companies.

The other receivables due after 12 months increased by euro 8,678,693 owing to the payment of some instalments of the penalty imposed by AGCM (the Italian Competition Authority) by order no. 26686 of 2017 on Ferriere Nord S.p.A. and jointly and severally on FIN.FER. S.p.A. Following the appeal allowed by the Lazio Regional Administrative Court, the refund of the penalty instalments already paid was requested.

Financial receivables refer to the estimated realisable value of receivables from closing the previous securitisation programme ended in May 2014.

C.III.6) OTHER SECURITIES

The table below details the situation and changes over the year in Other securities.

	Value at 01/01/2018	Increase year of	Decrease year of	Value at 31/12/2018
ICCREA bonds 2015/2025	5,000,000	0	0	5,000,000
ICCREA bonds 2016/2021	3,000,000	0	3,000,000	0
ICCREA bonds 2013/2018	1,031,600	0	1,031,600	0
ICCREA bonds 2017/2022	4,962,500	0	0	4,962,500
ICCREA bonds 2017/2022	5,036,000	0	0	5,036,000
BTP 1/11/2020	0	500,000	8,795	491,205
BTP 15/3/2023	0	500,000	32,443	467,557
ARCA VITA investment policy	2,610,306	58,993	0	2,669,299
GENERALI ONE investment policy	2,540,959	51,836	0	2,592,795
UNIQUA PREVIDENZA investment policy	2,056,030	15,857	0	2,071,887
CATTOLICA ASSICURAZIONI investment policy	1,004,375	22,937	0	1,027,312
MEDIOLANUM private equity fund	11,986,359	499,984	499,875	11,986,468
CREDIFRIULI private equity fund	500,000	0	31,122	468,878
TOTAL	. 39,728,129	1,649,607	4,603,835	36,773,901

During the year, ICCREA bonds with various maturities were sold; euro 1.5 million were invested in long-term government bonds and private equity funds. Single premium guaranteed capital capitalisation policies can also be partially redeemed after one year.

C.III.7) FINANCIAL ASSETS FOR CENTRAL TREASURY MANAGEMENT

From September 2008, Ferriere Nord S.p.A. ensures central treasury management services to S.I.A.T. S.p.A., La Veneta Reti S.r.I. and Kovinar D.o.o.; from 1 December 2015, Acciaierie di Verona S.p.A. is also included in this scope. This cash pooling is managed through separate current account contracts signed between Ferriere Nord S.p.A. and each of the aforesaid companies. This decision stems from the desire to improve the management of Group financial transactions.

The item breaks down as follows:

Falling due within 12 months		
Running account with S.I.A.T. S.p.A.		5,439,338
Running account with La Veneta Reti S.r.I.		16,064,090
	ΤΟΤΔΙ	21 503 428

C.IV.) CASH AND CASH EQUIVALENTS

C.IV.1) BANK AND POSTAL DEPOSITS

This item includes the cash available on bank accounts, globally amounting to euro 87,760,754, with an increase of euro 6,112,614 over the previous year.

They are current accounts in the following banks:

Banca Monte Paschi di Siena	7,138,056
Banca Nazionale del Lavoro	297,600
Banca Popolare di Vicenza	11,807,431
Banca Popolare di Verona	10,164,475
Banca Popolare Friuladria	5,455,164
CrediFriuli	10,573,122
Unicredit	20,439,776
Banca Popolare dell'Emilia Romagna	109,900
Popolare di Cividale	8,746,522
Cassa Risparmio Friuli Venezia Giulia	1,188,925
MedioCredito del Friuli Venezia Giulia	5,087,772
Banca Mediolanum	5,557,241
Banca Unicredit Ungheria	10,041
Deutsche Bank	16,872
Banco di Brescia	1,167,857

IOIAL	01,100,134

TOTAL

TOTAL

07.760.7E4

C.IV.3) CASH AND CASH EQUIVALENTS

The item breaks down as follows:

Cash in hand		18,045
Postal franking		2,098
Cash in foreign currency		1,345
	TOTAL	21,488

The item shows a negligible increase of euro 1,795 on the previous year.

D) ACCRUED INCOME AND PRE-PAID EXPENSES

This item breaks down as follows:

Accrued (industrial) income	7,617
Accrued (financial) income	195,337
Accrued (general) income	162,229
Prepaid expenses: industrial costs	1,556,179
Prepaid expenses: commercial costs	11,460
Prepaid expenses: financial costs	52,000
Prepaid expenses: general expenses	5,781

LIABILITIES

A) CAPITAL AND RESERVES

Description	Share capital	Legal reserve	Extraordinary reserve	Revaluation reserve	Profit (loss) carried forward	Profit (loss)	Shareholders' equity
DECEMBER 2014	60,000,000	7,111,614	65,811,784	55,834,350	0	1,948,334	190,706,082
Allocation of profit for the financial year		97,417	1,850,917			(1,948,334)	0
Tax credit for disposal of revalued assets				96,944			96,944
Revaluation under law 208/15				5,988,573			5,988,573
Profit (loss) for the period						608,081	608,081
DECEMBER 2015	60,000,000	7,209,031	67,662,701	61,919,867	0	608,081	197,399,680
Allocation of profit for the financial year		30,404	577,677			(608,081)	0
Tax credit for disposal of revalued assets				27,360			27,360
Revaluation under law 232/16				9,550,405			9,550,405
Profit (loss) for the period						10,089,312	10,089,312
DECEMBER 2016	60,000,000	7,239,435	68,240,378	71,497,632	0	10,089,312	217,066,757
Allocation of profit for the financial year		504,466	9,584,846			(10,089,312)	0
Tax credit for disposal of revalued assets				17,378			17,378
Payment of dividends			(33,600,000)				(33,600,000)
Profit (loss) for the period						20,262,280	20,262,280
DECEMBER 2017	60,000,000	7,743,901	44,225,224	71,515,010	0	20,262,280	203,746,415
Allocation of profit for the financial year		1,013,114	19,249,166			(20,262,280)	0
Tax credit for disposal of revalued assets				90,132			90,132
Payment of dividends			(49,800,000)				(49,800,000)
Profit (loss) for the period						34,707,766	34,707,766
DECEMBER 2018	60,000,000	8,757,015	13,674,390	71,605,142	0	34,707,766	188,744,313

A.I) SHARE CAPITAL

The share capital of euro 60,000,000 is made up of 60,000,000 ordinary shares of par value euro 1 each. Of the share capital at 31/12/2018, euro 44,603,377 are tied under the terms of revaluation laws. Ferriere Nord S.p.A. belongs to the Pittini Group and is directly controlled by Compagnia Siderurgica Italiana S.r.l., which in turn is controlled by the parent company FIN.FER. S.p.A..

A.III) REVALUATION RESERVES

The revaluation reserve amounting to euro 71,605,142 increased by euro 90,132 owing to receivables from tax authorities posted for the disposal of revalued assets; since the time when this transaction was made (amounting to euro 2,511,130), the reserve was released pursuant to article 13 of law 342/2000 and can be freely distributed.

A.IV) LEGAL RESERVE

The legal reserve increased by euro 1,013,114 following partial allocation of profit from the previous financial year and shows a balance of euro 8,757,015 at 31/12/2018.

The legal reserve is partly fiscally tied in the amount of euro 1,334,380 due both to the tax alignment carried out in 2005.

A.VI) OTHER RESERVES – Extraordinary reserve

The balance amounts to euro 13,674,390. It shows an increase of euro 30,550,834 resulting from an increase for allocation of profit from the previous financial year and a decrease for payment of dividends.

The extraordinary reserve is partly fiscally tied in the amount of euro 12,290,607 due both to the tax alignment carried out in 2005 and to accelerated depreciation still to be absorbed.

Ch h - -		Civil nature					
Shareholders' equity items and details	Origin	Freely available	Distributable within limits	Non distributable	Unavailable	To	tal
I SHARE CAPITAL							
cash payments	shareholders' contributions			8,363,650		8,363,650	
extraordinary reserve	profit for the financial year			6,360,102		6,360,102	
revaluation reserve	monetary revaluation laws			44,603,377		44,603,377	
regional subsidies	regional law			672,871		672,871	
							60,000,000

III REVALUATION RESERVES						
reserve under L. D. 185/08	legal revaluation		24,460,602	* *	24,460,602	
reserve under law 147/14	legal revaluation	1,835,190	29,662,222	* *	31,497,412	
reserve under law 208/15	legal revaluation	567,323	5,512,022	* *	6,079,345	
reserve under law 232/16	legal revaluation	108,617	9,459,166	* *	9,567,783	
						71,605,142
IV LEGAL RESERVE	profit for the financial year			8,757,015	*	8,757,015
VI OTHER RESERVES						
extraordinary reserve	profit for the financial year	13,674,390	*			13,674,390
VIII PROFITS (LOSSES) CARRIED FORWARD		0				0
PROFIT (LOSS) FOR THE FINANCIAL YEAR		34,707,766				34,707,766
TOTAL		50,893,286	69,094,012	68,757,015	0 0	188,744,313

^{*} Fiscal constraint: alignment of tax values with statutory values euro 13,503,400 - accelerated depreciation euro 121,587.

B) PROVISION FOR CONTINGENCIES AND OTHER CHARGES

B.1) PROVISION FOR PENSIONS AND SIMILAR OBLIGATIONS

This stands at euro 1,052,007 and consists entirely of provisions for agents' leaving indemnities made up over the years in accordance with the current labour agreement governing relationships with commercial agents. The change during the year results from provisions and cancellation of some agency agreements that were terminated.

B.2) PROVISIONS FOR TAXATION

The balance of this item at 31/12/2018 is euro 34,904 relating to provisions for deferred taxes from previous financial years; over the year, this item decreased by euro 3,492.

B.4) OTHER PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES

This item globally amounting to euro 9,170,000 shows an increase of 2,000,000 over the previous year owing to provision for disputes and legal proceedings (miscellaneous) which includes contingent liabilities for disputes (including legal proceedings).

The balances of the various provisions are as follows:

- euro 800,000: extraordinary work in future years to upgrade areas currently used for treating secondary materials produced in the Osoppo plants;
- euro 300,000: possible upgrading of land;
- euro 3,570,000. reopening of procedure no. 37.956 (started in 2002) by the European Commission following the outcome of the proceedings, which was favourable to the company;
- euro 4,500,000: future expenses, including legal expenses, for outstanding disputes.

The table below summarises the changes in provisions for contingencies and other charges recorded over the year.

Description	Balance at 01/01/2018	Decrease	Increase	Balance at 31/12/2018
Secondary materials Osoppo	800,000			800,000
Land upgrading	300,000			300,000
CECA dispute	3,570,000			3,570,000
Legal disputes (miscellaneous)	2,500,000		2,000,000	4,500,000
TO	TAL 7,170,000	0	2,000,000	9,170,000

^{**} Amount taxable if distributed

C) EMPLOYEE SEVERANCE INDEMNITIES

The item changed as follows:

	Balance at 01/01/2018	Decreases L. 297/82	Lieu tax	Personnel re-grades	Decreases	Increases	Balance at 31/12/2018
Workers	4,083,625	(123,428)	(13,819)	(5,737)	(472,228)	204,701	3,673,113
Clerks	1,910,347	(74,775)	(6,448)	5,701	(294,329)	116,364	1,656,860
Top managers	205,868	(9,976)	(736)	0	(12,691)	14,307	196,772
TOTAL	6,199,840	(208,179)	(21,004)	(36)	(779,248)	335,372	5,526,745

D) ACCOUNTS PAYABLE

D.3) AMOUNTS OWED TO SHAREHOLDERS FOR LOANS

The item includes the funds granted by the parent company Compagnia Siderurgica Italiana S.r.l., which amount to euro 53,000,000; during the year, the loan previously granted by the parent company FIN.FER. S.p.A. was fully repaid.

The new loan expires on 30 June 2024; it accrues interest at the 6-month Euribor rate, divided by 360, as published on "Il Sole 24 Ore" on the first working day of the year increased by a 2 percentage point spread; minimum rate 2%.

D.4) AMOUNTS OWED TO BANKS

This item includes payables to banks and credit institutions in general, as summarised below:

Falling due within 12 months		
Bank overdrafts		1,015
Loan instalments falling due		29,538,013
Bank balances to receive		24,934
		29,563,963
Due beyond 12 months		
Loan instalments failing due beyond 12 months		51,932,919
	TOTAL	81,496,882

The changes over the previous financial year show a decrease of euro 5,166,934 in the amounts falling due within 12 months and a decrease of euro 14,566,920 in amounts falling due beyond 12 months.

These changes relate to new loans amounting to euro 15,000,000 and regular repayment of past debts.

Analysis of medium- and long-term loans

The amounts owed to banks for medium- and long-term loans globally stand at euro 81,470,932, out of which 325,500 are backed by collaterals, namely a mortgage. During the year, new loans were obtained, whose global nominal amount is euro 15,000,000. The table below includes the main information on existing loans:

	Residual debt. 31/12/2017	Increases in the year	Repayments in the year	Instalments falling due within 12 months	Instalments falling due beyond 12 months	Residual debt. 31/12/2018	Instalments falling due beyond 60 months
Medium- and long-term loans	96,792,698	15,000,000	30,321,766	29,538,013	51,932,919	81,470,932	0

D.6) ADVANCES

Advances, globally amounting to euro 2,871,474 and due within 12 months, refer to advances from customers.

D.7) TRADE PAYABLES

The item can be detailed as follows:

Suppliers in Italy	137,036,033
Suppliers, foreign	48,175,304
Invoices to receive	29,356,106
TOTA	L 214,567,443

There was a decrease of euro 8,555,808 over the previous year. There are no payables falling due beyond five years.

Payables for supplies by geography, including payables to Group companies, break down as follows:

Italy	79.10%
EU countries	19.86%
Non-EU countries in Europe and rest of world	1.04%

TOTAL

D.11) AMOUNTS OWED TO PARENT COMPANIES

The item breaks down as follows:

Payables to parent company FIN.FER. S.p.A.		
Amounts due to parent company for "National Consolidated Tax Return"		5,528,285
Payables to parent company Compagnia Siderurgica Italian S.r.l.		
Invoices to be received from the parent company		5,837,846
	TOTAL	11,366,131

Invoices to receive from the parent company relate to services provided by the parent company during the year.

D.11-bis) AMOUNTS DUE TO COMPANIES CONTROLLED BY PARENT COMPANIES

Other payables are summarised below:

a) Amounts due for central treasury management		
Running account with Acciaierie di Verona S.p.A.		14,899,688
Running account with Kovinar D.o.o.		2,393,827
	TOTAL	17,293,515
b) Other payables		
Trade payables to Group companies		
S.I.A.T. S.p.A.		424,406
Acciaierie di Verona S.p.A.		39,060,067
La Veneta Reti S.r.l.		13,499
B.S.T.G. G.m.b.H.		10,000
Kovinar D.o.o.		168,340
Pittini Stahl G.m.b.H.		40,611
	TOTAL	39,716,923

Receivables for central treasury management include the negative balances of correspondence current accounts held by the company with Group companies to settle centralised treasury transactions. The other payables include trade payables to other Group companies.

D.12) AMOUNTS OWED TO TAX AUTHORITIES

The item can be detailed as follows:

Falling due within 12 months		
Lieu tax on severance indemnity revaluation		3,588
IRPEF (Personal income tax), employees		3,287,442
IRPEF, self-employed collaborators		37,215
Tax authorities, IRAP (Regional income tax on productive activities)		673,346
Revenue stamps		369
	TOTAL	4,001,960

This item shows an overall increase of euro 243,498 compared with the end of the previous year mainly owing to IRPEF withholdings for employees.

D.13) AMOUNTS OWED TO SOCIAL SECURITY INSTITUTIONS

Amounts were due to the following institutions:

Falling due within 12 months	
INPS (National Social Welfare Institution)	2,668,639
Contributions, managers	87,507
Enasarco (National Board for Assistance to Commercial Agents and Representatives)	27,487
Gestione Cometa	353,125
Pension funds	321,448
TOTAL	3,458,206

This item globally increased by euro 390,606 over the previous year mainly as a result of INPS (Social Security) creditors and pension funds.

D.14) OTHER PAYABLES

Other payables are summarised below:

Falling due within 12 months	
Holidays accrued and not taken	4,788,326
Results bonus	164,560
Other bonuses	98,079
Payables, wages and salaries	2,841,234
Credit notes to issue	355,334
Adjustment for collection of securitised receivables	1,054,682
Payables from acquisition of business branch in Verona	750,000
Payables from acquisition of business branch in Ceprano (FR)	1,598,985
Other payables	470,233
TOTAL	12,121,433

The increase globally amounting to euro 3,619,091 mainly results from residual amounts payable for the purchase of business branches in Ceprano and Verona as well as from securitisation adjustment.

E) ACCRUED LIABILITIES AND DEFERRED INCOME

This item breaks down as follows:

Accrued liabilities: industrial costs		5,000
Accrued liabilities: commercial costs		294,725
Accrued liabilities: financial costs		82,900
Accrued liabilities: general expenses		50,078
	TOTAL	432,703

COMMITMENTS, GUARANTEES AND POTENTIAL LIABILITIES

Here below you will find the details of commitments, guarantees and other potential liabilities that are not mentioned on our financial statements:

GUARANTEES ISSUED BY THE COMPANY ON BEHALF OF GROUP COMPANIES	
Guarantees in favour of financial institutions	34,652,076
GUARANTEES ISSUED BY BANKS ON BEHALF OF THE COMPANY	
Banca Antoniana Popolare Veneta	
Guarantee in favour of Consorzio Acquedotto Friuli Centrale	27,157
Intesa San Paolo	
Guarantee in favour of Customs and Tax Authorities, Barii	16,600
Banca Unicredit	
Guarantee in favour of Agenzia delle Entrate (Inland Revenue) F.V.G Trieste	19,720
Guarantee in favour of Terna S.p.A.	486,263
Guarantee in favour of Terna S.p.A.	2,357,562
Guarantee in favour of Officine Ferroviarie Veronesi	1,750,000
TOTAL	4,657,302
OTHER GUARANTEES ISSUED ON BEHALF OF THE COMPANY	
SACE BT Credit & Surety	
Guarantee in favour of Municipality of Osoppo	2,863,233
HDI GLOBAL SE	
Guarantee in favour of Province of Potenza	5,000,000
COFACE	
Guarantee in favour of Customs Agency	100,000
TOTAL	7,963,233
	,,,,,,,,,

OTHER COLLATERAL GUARANTEES

Collaterals are commented on under Amounts owed to banks.

ANALYSIS OF INCOME STATEMENT ITEMS

We have already analysed positive and negative income components and commented on the various balance sheet items. Therefore, the comments below will only deal with the main items.

A) PRODUCTION VALUE

A.1) REVENUES FROM SALES AND SERVICES

This first item in the income statement amounts to euro 1,258,593,399, that is an increase of euro 189,195,835 on the previous year resulting from increase in both average selling prices and quantities sold by the company.

Sales by geography were as follows:

Italy	37.77%
EU countries	45.31%
Non-EU countries in Europe and rest of world	16.92%
TOTAL	100%

Sales divided by type were as follows:

Steel making		1,220,753,818
Sundry sales		3,140,968
Transport		40,493,054
Net of:		
Discounts, returns, client allowances and bonusesi		(5,794,441)
	TOTAL	1,258,593,399
Of which revenues from sales and services to Group companies:		
S.I.A.T. S.p.A.		34,474,770
Acciaierie di Verona S.p.A.		48,559,701
La Veneta Reti S.r.I.		33,682,930
B.S.T.G. G.m.b.H.		71,724,479
Kovinar D.o.o.		14,500,591
	TOTAL	202.942.471

Such sales mainly consisted of materials and finished products sold at market prices.

A.4) INCREASES IN FIXED ASSETS FROM INTERNAL PRODUCTION

This item amounts to euro 317,802 and includes the costs for drawing materials from stocks to make specific investments.

A.5) OTHER REVENUES AND INCOME

The detail of other revenues and income is:

Miscellaneous proceeds:		
Duty drawbacks		312,982
Insurance settlements		873,733
Gains on disposal of assets		302,366
Other extraordinary income		1,262,084
Income from Energy Efficiency Titles		2,166,475
Other services		4,566,703
Other income		382,773
	Total miscellaneous proceeds	9,867,117
Revenue grants:		
Sundry grants		491,810
GSE contribution to photovoltaic system		116,939
	Total revenue grants	608,749

Of which other revenues and income from Group companies and parent companies:

S.I.A.T. S.p.A.		586,586
Acciaierie di Verona S.p.A.		3,609,697
La Veneta Reti S.r.I.		183,529
B.S.T.G. G.m.b.H.		41,344
Kovinar D.o.o.		77,558
	Totale Group Companies	4,498,714

FIN.FER. S.p.A.	10,062
Compagnia Siderurgica Italiana S.r.l.	38,507
Total parent company	48,569
TOTAL	4,547,283

The item decreased by euro 990,534 over the previous year. The extraordinary income mainly results from higher receivables from Cassa per i Servizi Energetici e Ambientali for previous financial years following the decree of the Ministry of Economy and Finance of 5 April 2013 which provided for energy intensive companies to benefit from exemption on some tariff components.

B) PRODUCTION COSTS

B.6) COSTS FOR RAW MATERIALS, ANCILLARIES, CONSUMABLES AND GOODS

The costs for the purchase of raw materials globally amounting to euro 903,407,570 increased by euro 154,090,024 over the previous year owing to both larger purchased volumes and price trends during the year.

Raw materials		742,893,906
Finished products		47,762,618
Ancillary materials		109,640,166
Consumables		3,261,338
Net of:		
Discounts, returns, allowances		(150,458)
	TOTAL	903,407,570

The item may also be broken down to show business transactions between Ferriere Nord S.p.A. and other Group companies:

Purchase of raw materials, ancillaries, consumables and goods from third parties	802,636,415
Purchasing of raw materials, ancillaries, consumables and goods from group companies:	
S.I.A.T. S.p.A.	1,680,628
Acciaierie di Verona S.p.A.	95,805,189
La Veneta Reti S.r.l.	137,124
Kovinar D.o.o.	3,298,672
	903,558,028
Net of:	
Discounts, returns, allowances from third parties	(150,458)
TOTAL	903,407,570

B.7) COSTS FOR SERVICES

The increase was euro 27,491,480 and relates to transport and energy expenses.

Costs for services by type of service were as follows:

	Procurement services	41,791,776
Transport and customs clearance		31,495,972
Commissions		131,399
Other services		10,164,405
	Industrial services	119,060,820
Energy costs		97,934,944
Maintenance		10,207,126
Other services		10,918,750
	Commercial services	46,756,324
Transport and customs clearance		42,202,710
Commissions		2,545,400
Other services		2,008,214
	Administration services	9,702,674
	TOTAL	217,311,594

Board of Directors' fees totalled euro 1,309,028, whereas Board of Auditors' fees amounted to euro 35,672. At the end of the year, there are no receivables from or advances to the Board of Directors and the Board of Auditors.

Costs for services rendered by Group companies are detailed below:

Pittini Stahl G.m.b.H.		216,364
	Total group companies	216,364
Compagnia Siderurgica Italiana S.r.I.		5,455,051
	Total parent company	5,455,051
	TOTAL	5,671,415

The parent company Compagnia Siderurgica Italiana S.r.l. provided the company with consulting services.

B.8) LEASES AND RENTALS

This item increased by euro 302,905, which are mainly related to leasing of buildings and land as well as to rentals of cars and means of transport. In 2014 the company took over the leasing agreement for the building in Celano of the Group company Trafilerie e Zincherie di Celano S.r.l.

The item breaks down as follows:

LEASES AND RENTALS AND MAINTENANCE OF THIRD PARTY ASSETS:	
Maintenance and repairs to third party assets	870,021
Freight vehicles/cranes	1,063,487
Rentals of machinery and plants	730,031
Rentals of land and buildings	285,227
Rentals of sundry office machines	134,632
Other industrial rentals	99,824
Car hire	247,378
Leases	327,319
TOTAL	3,757,919

B.9) PERSONNEL COSTS

As stated below, the number of staff members increased by 27 units over the previous year. In 2018 the average was 1023 units.

		31/12/2016	31/12/2017	31/12/2018	MEDIA 2018
Workers		648	671	680	695
Clerks		283	299	315	313
Top managers		13	13	15	15
	TOTAL	944	983	1,010	1,023

Personnel costs break down as follows:

	26,359,892 15,726,782 2,047,218 44,133,892 8,017,424 4,466,929 674,668
	15,726,782 2,047,218 44,133,892 8,017,424 4,466,929
	2,047,218 44,133,892 8,017,424 4,466,929
	44,133,892 8,017,424 4,466,929
	8,017,424 4,466,929
	4,466,929
	4,466,929
	674,668
	1,493,692
	547,426
	2,007
	104,021
	48,230
	15,354,397
	1,791,603
	1,097,855
	136,080
	3,025,538
	644,536
TOTAL	63,158,363
	TOTAL

B.10) DEPRECIATION

B.10.a) Depreciation of intangible assets	2,393,213
This item is illustrated in the Notes to balance sheet assets.	
B.10.b) Depreciation of tangible assets	30,650,468

The table below summarises depreciation of tangible assets according to the various fiscal categories:

Yards, roads, sewers, etc.		607,051
Industrial buildings		4,222,024
Light constructions		53,138
General plant		4,193,259
Non-automatic plant		443,227
Automatic plant		15,166,246
Furnaces and appurtenances		2,824,712
Smoke treatment plant		2,223,837
Equipment and tools		329,150
Office furniture		126,476
Computers, electronic office machines		260,060
Freight vehicles		135,853
Cars, motorbikes, etc.		65,435
	TOTAL	30,650,468

Further details on this item can be found in the Notes to balance sheet items.

B.10.d) Depreciation of accounts receivable falling within current assets, cash and cash equivalents	5,660,145

Details relating to the item can be found in the Notes to balance sheet assets.

B.12) PROVISION FOR RISKS

This item includes a prudential provisions of euro 2,000,000 for future risks and charges from disputes (including legal proceedings).

B.14) OTHER OPERATING EXPENSES

Other operating costs can be detailed as follows:

Stamp taxes		1,008,424
Penalties and other charges		46,400
Emission Trading		244,327
Capital losses on disposal of assets		658,719
Charges for Energy Efficiency Titles		316,369
Other operating expenses		374,518
	TOTAL	2,648,757

C) FINANCIAL INCOME AND EXPENSES

C.16.c) FINANCIAL INCOME FROM SECURITIES HELD AS CURRENT ASSETS OTHER THAN EQUITY INVESTMENTS

Interest income and other financial income from securities held as current assets	375.257
interest income and other financial income from securities held as current assets	

This item includes interest income and other financial income from debt securities, long-term government bonds and other securities held as financial assets other than financial fixed assets.

C.16.d) OTHER FINANCIAL INCOME OTHER THAN ABOVE

This entry is detailed as follows:

Interest on trade receivables:		
Group companies		
B.S.T.G. G.m.b.H.		5,213
Third parties		60,595
	TOTAL INTEREST ON TRADE RECEIVABLES	65,808

Other financial income:		
Interest from banks		280,199
Interest income on running account:		
S.I.A.T. S.p.A.		35,671
Acciaierie di Verona S.p.A.		25,062
La Veneta Reti S.r.I.		69,319
		130,052
Sundry financial income		283,700
	TOTAL OTHER FINANCIAL INCOME	693,951
	TOTAL	759,759

This item decreased by euro 125,917 over the previous year.

C.17) INTEREST AND OTHER FINANCIAL EXPENSES

_	
Parent companies	
Interest expense on medium/long-term loans	599,781
Companies controlled by parent companies	
Interest expense on running account	
Acciaierie di Verona S.p.A.	278,459
Others	
Interest on loans	862,213
Loss on securities entered under current assets	181,600
Interest, import/export	2,150
Other interest charges and financial expenses	4,161
	1,050,124

Financial expenses to parent companies include the interest accrued during the year on the loan granted first by FIN.FER. S.p.A. and then by Compagnia Siderurgica Italiana S.r.I. to Ferriere Nord S.p.A. Please see the note on the relevant balance sheet item. Financial expenses to companies controlled by parent companies include the interest expense resulting from central treasury management.

TOTAL

1,928,364

This item globally decreased by euro 76,528 mainly from the decrease in interest expenses on loans and loss on receivables occurred in previous years.

C.17.bis) FOREIGN CURRENCY EXCHANGE GAINS AND LOSSES

Exchange differences	(177.640)
Exchange differences	(177,040)

This item includes foreign exchange gains and losses recorded during the year and relating to ordinary activities as well as the adjustment of receivables and payables to year-end exchange rates.

D) ADJUSTMENTS TO FINANCIAL ASSETS

D.18.c) REVALUATION OF SECURITIES HELD AS CURRENT ASSETS OTHER THAN EQUITY INVESTMENTS

This item amounting to euro 149,624 includes the capitalisation of life policy returns as explained in the relevant notes to balance sheet assets.

D.18.d) REVALUATION OF FINANCIAL DERIVATIVES

This item amount to euro 242,589 and includes the valuation of financial derivatives held in the previous year as written off.

D.19.c) WRITE-DOWN OF SECURITIES HELD AS CURRENT ASSETS OTHER THAN EQUITY INVESTMENTS

This item amounting to euro 530,997 includes the year-end valuation of private equity funds as explained in the relevant notes to balance sheet assets.

20) INCOME TAXES FOR THE FINANCIAL YEAR

On the basis of the result for the financial year, a provision of euro 14,815,760 was taken to cover current taxes (IRES and IRAP). The amount for deferred taxes (euro 605,790) reflects the changes over the year already commented on in the Notes to balance sheet items.

DEFERRED TAXES

DEPERKED TAXES								
		YEAR	2018			YEAR	R 2017	
Description of changes	Amount of temporary differences	Tax impact for IRES purposes (24.00%)	Tax impact for IRAP purposes (3.90%)	TOTAL	Amount of temporary differences		Tax impact for IRAP purposes (3.90%)	TOTAL
DEFERRED TAX ASSETS								
Taxed provision for bad debts	12,000,000	2,880,000		2,880,000	7,600,000	1,824,000		1,824,000
Depreciation of financial debtors	1,736,648	416,796		416,796	2,000,000	480,000		480,000
Agents' leaving indemnity	338,040	81,130	13,184	94,313	338,040	81,130	13,184	94,313
Agents' leaving indemnity	208,800		8,143	8,143	208,800		8,143	8,143
Upgrading of Osoppo areas	800,000	192,000	31,200	223,200	800,000	192,000	31,200	223,200
Depreciation, statutory/fiscal diff.	816,619	195,989	31,848	227,837	816,619	195,989	31,848	227,837
Membership fees	229,767	55,144		55,144	229,767	55,144		55,144
Goodwill	1,927,575	462,618	75,175	537,793				-
Revaluations, depreciation	11,701,336	2,808,321	456,352	3,264,673	15,028,544	3,606,851	586,113	4,192,964
Provision for risks, contaminated sites	300,000	72,000	11,700	83,700	300,000	72,000	11,700	83,700
Total deferred tax assets				7,791,599				7,189,301
DEFERRED TAX LIABILITIES								
Accelerated depreciation	145,433	34,904		34,904	159,983	38,396		38,396
Total deferred tax liabilities				34,904				38,396
TOTAL NET DEFERRED TAX ASSETS				7,756,695				7,150,905

OTHER INFORMATION

Information on the nature of the company's business can be found in the Board of Directors' report.

There were no significant events after the close of the financial year.

Commercial and financial relationships with the parent company and Group companies, which occur at arm's length, are fully explained in these Notes. Please refer to the relevant sections.

During the year, no costs or revenues whose amount or incidence can be regarded as falling outside the normal course of business were recorded.

At the year-end, there are no assets allocated for special deals.

In 2018 the company invested 13,390 hours in analysis, research and development activities for innovative products and processes in its various production areas as well as in the environmental field.

The steel plant in Osoppo progressed in the development of innovative systems for the melting furnace and continuous casting machine. During the year, new 4.0 projects were launched on refining process logistics and use of recycled plastic materials instead of other raw materials in the melting process.

The steel plant in Osoppo also progressed in its assessment of new types of steel. A special research project was launched to monitor the quality of rolled products.

Finally, the rolling plant in Potenza started a study aimed at managing predictive maintenance by using its digital twin plant.

In the environmental field, the development of a ladle slag treatment system (already patented by Ferriere Nord S.p.A.) was successfully completed. A new project to study industrial process water filtering and treatment systems was launched.

Research and development activities will continue in 2019. We believe that the positive results of this innovation will increase our business competitiveness and have a favourable impact on our economic results.

Disclosure requirements

Law 124 of 4 August 2017, art. 1, sub-pars. 125-129, introduced new disclosure requirements on the receipt and granting of public funds; with reference to companies, the said law requires that all public funds equal or exceeding euro 10,000 received by a company are disclosed in the Notes to the financial statements.

More recently, Law 12 of 11 February 2019 that converted the so-called "Simplification Decree", established a relationship between the requirements laid down in Law 124/2017 and the National State Aid Inventory so as to simplify disclosure requirements for recipient companies.

The company meets the requirements laid down in Ministerial Decree of 21 December 2017 ("Provisions on the reduction of tariffs to cover general system charges for energy intensive companies") as well as the requirements laid down in the resolution passed by the Italian Authority for Electric Energy and Gas 921/2017/R/eel as amended. For further details, see the list of energy intensive companies compiled and published by CSEA on its website. For the purposes of State aid disclosure and control, CSEA records the funds granted to companies pursuant to the said Ministerial Decree in the National State Aid Inventory. Furthermore, during the year, receivables relating to 2016 were collected for a total of euro 6,620,592.

Furthermore, pursuant to Law 124 of 04/08/2017, in 2018 the SRS (Smart Slag Treatment System) project was completed. This project was granted an aid of euro 174,371.98 within the framework of the 2014_2020 Regional Operational Programme of the European Fund for Regional Development – action 1.3.a by the Friuli Venezia Giulia Region.

As recorded in the National State Aid Inventory, disclosures section, which is available at www.rna.gov.it/RegistroNazionaleTrasparenza/faces/pages/TrasparenzaAiuto.jspx, in 2018 the following funds were granted:

- Friuli Venezia Giulia Region HRIT (Hot Rolling Inductive Tomography) research project EFRD ROP 2014/20 action 1.3.a aid of euro 131,686;
- Ministry of Education, University and Research PROMPT (Process and Product Maintenance Decision–making Platform) NOP Research and Innovation 2014/20 action II.2 aid of euro 273,158;
- Friuli Venezia Giulia Region aids for asbestos removal and disposal Regional Law 25 of 29/12/2016, art. 4, sub-par. 30, 2017 Stability Law aid of euro 17,686;
- Invitalia S.p.A. Development contracts under art. 43 of Decree Law 112 of 25 June 2008, converted by Law 133 of 6 August 2008 project on the Adoption of Water Cooling Systems aid of euro 10,354,721;
- Invitalia S.p.A. Development contracts under art. 43 of Decree Law 112 of 25 June 2008, converted by Law 133 of 6 August 2008 project on the Implementation of Noise Reduction Systems aid of euro 1,126,331;
- Invitalia S.p.A. Development contracts under art. 43 of Decree Law 112 of 25 June 2008, converted by Law 133 of 6 August 2008 project on the Upgrade of Fume Collecting System and Replacement of Rolling Mill Preheat Furnace Burners aid of euro 1.635.967:
- Invitalia S.p.A. Development contracts under art. 43 of Decree Law 112 of 25 June 2008, converted by Law 133 of 6 August 2008
 – project on the Covering of Scrap Area aid of euro 5,721,843;
- Invitalia S.p.A. Development contracts under art. 43 of Decree Law 112 of 25 June 2008, converted by Law 133 of 6 August 2008 project on the Implementation of New Electric Furnace aid of euro 8,741,315;
- Friuli Venezia Giulia Region Soft loan granted by the Fondo di Rotazione per Iniziative Economiche della Regione Friuli Venezia Giulia (Revolving Fund for Economic Initiatives in the Friuli Venezia Giulia Region) (Law 908 of 18 October 1955 as amended), resolution 78 of 13/12/2018 aid granted under the de minimis provisions (or gross grant equivalent).

Shareholders,

the analysis and presentation of material events being completed, you are kindly requested to approve the draft financial statements and management report as drawn up and showing a net profit of euro 34,707,766, to be allocated as follows according to our proposal:

- 5%, i.e. euro 1,735,388, to the legal reserve;
- the remaining amount of euro 32,972,378 to the extraordinary reserve.

Osoppo, 23rd May 2019

The Chairman of the Board
Federico Pittini

The Directors

Paolo Felice
Luigi De Puppi De Puppi
Lino Carrer
Alberto Felice De Toni
Andrea Floreani

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RECLASSIFIED BALANCE SHEET

Values expressed in thousands of euro

CAPITAL EMPLOYED	31/12/2018	31/12/2017
Current operating assets		
Trade receivables	178,738	178,084
Other receivables	34,267	43,009
Inventories	144,512	129,784
Accrued income and prepaid expenses	1,991	2,269
	359,508	353,146
Current liabilities		
Trade payables	(254,284)	(242,874)
Other payables	(33,820)	(26,182)
Other payables	(433)	(583)
	(288,537)	(269,639)
NET WORKING CAPITAL	70,971	83,507
Long-term liabilities		
Provision for taxes	(35)	(38)
Provision for employee severance indemnity	(5,527)	(6,200)
Other medium/long-term liabilities	(22,861)	(16,945)
Other median plong term liabilities	(28,423)	(23,183)
NET WORKING CAPITAL, NET OF LONG-TERM LIABILITIES	42,548	60,324
,, ,	12,0 13	0.,021
Fixed assets		
Net tangible fixed assets	139,854	145,553
Net intangible fixed assets	1,775	511
Financial fixed assets	10,298	9,302
	151,927	155,366
NET CAPITAL EMPLOYED	194,475	215.690
R.O.I. (Return On Investiment)	05.70	10.00/
EBIT/Net capital employed	25.7%	13.8%
Net short-term financial assets (liabilities)		
Cash, banks	109,285	104,630
Securities	36,774	39,728
Short-term financial payables	(46,857)	(59,802)
. ,	99,202	84,556
Medium/long-term financial assets (liabilities)		
Medium/long term financial payables	(104,933)	(96,500)
	(104,933)	(96,500)
NET FINANCIAL INDEBTEDNESS	(5,731)	(11,944)
Net financial indebtedness/shareholders' equity	0.03	0.1
Shareholders' equity	188,744	203,746
onaienouers equity	100,744	203,740
R.O.E. (Return On Equity)		
Net Working Capital	17.0%	9.3%
Net Working Capital	70,971	83,507
Net short-term financial assets (liabilities)	99,202	84,556
Total Net Financial Working Capital at year-end	170,173	168,063

RECLASSIFIED INCOME STATEMENT

Values expressed in thousands of euro

	31/12/2018	31/12/2017
Revenues		
Revenues from sales and services	1,258,593	1,069,398
	1,258,593	1,069,398
Cost of sales		
Consumption of raw material (net of change in inventories)	905,212	746,005
Industrial services	160,853	133,174
Personnel costs	53,779	49,962
Other industrial costs	5,758	5,955
Write-downs and industrial amortization and depreciation	30,650	35,215
Change in semi-finished and finished product inventories	(13,432)	11,517
Capitalization of internal production	(318)	(93)
	1,142,502	981,735
GROSS INDUSTRIAL MARGIN	116,091	87,663
Sales, administration costs and operating expenses		
Sales costs	52,416	49,357
Administration costs	9,703	9,973
Personnel costs	9,379	8,893
Amortization of deffered charges	278	267
Amortization of goodwill	2,115	0
-	(7,828)	(10,569)
Other sundry expenses (income) OPERATING MARGIN	50,028	(10,509) 29,742
OF ERATING MARGIN	50,028	23,742
Non operating income (expenses)		
Net financial income (expenses)	(793)	(746)
Exchange gains (losses)	(178)	284
Revaluations (write-downs) of financial assets	(139)	(107)
nevaluations (write-downs) or infalicial assets	(1,110)	(569)
	(1,110)	(503)
Earnings hafara tayoo	48,918	29,173
Earnings before taxes		•
Income taxes	(14,210)	(8,911)
NET INCOME FOR THE FINANCIAL YEAR	34,708	20,262
EBIT (Earning Before Interests and Taxes)		
Income before extraordinary items and taxes	48,918	29,173
Net financial expenses	793	746
Net exchange losses (gains)	178	(284)
Write-downs (revaluations) of financial assets	139	107
EBIT (Earning before interests and taxes)	50,028	29,742
EBIT/REVENUES	4.0%	2.8%
EBITDA (Earning Before Interests, Taxes, Depreciation and Amortization)	T0 000	00.710
EBIT	50,028	29,742
Amortization of goodwill	2,115	0
Amortization of deffered charges	278	267
Industrial depreciation	30,650	35,215
Provisions and write-downs	7,660	5,184
EBITDA	90,731	70,408
EBTIDA/REVENUES	7.2%	6.6%

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BOARD OF AUDITORS' REPORT ON THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018

DRAWN UP PURSUANT TO ARTICLE 2429, CLAUSE 2, OF THE ITALIAN C. C.

To the Shareholders' Meeting of Ferriere Nord S.p.A.

During the financial year closed at 31st December 2018, our activity was performed in accordance with the legal provisions in force and the code of conduct of the Board of Auditors published by the "Consiglio Nazionale dei Dottori Commercialisti ed Esperti Contabili" (National Board of Chartered Auditors and Accountants).

Supervision activities pursuant to art. 2403 and followings of the Italian Civil Code

We supervised the compliance with the law and company' by-laws as well as the compliance with the principle of proper management. We took part in General Meetings and Board of Directors' Meetings and, according to the information made available to us, we did not identify either breaches of laws or by-laws or actions that were manifestly imprudent, risky, characterised by conflicts of interest or such that they could jeopardise the integrity of the Company's shareholders' equity.

At those meetings, we obtained information from the Directors and Administration Department about general management trends and their predictable evolution as well as on the most significant transactions (in terms of size and characteristics) made by the Company and, according to the information made available to us, no special remarks should be made in this regard.

In the Notes to the financial statements as well as in the Management Report, the Directors made disclosures on the reorganisation of the Group to which the Company belongs, which mainly consisted in the transfer by the parent company Fin. Fer. S.p.A. of a business branch acting as the operational parent company and all the relevant industrial interests to the sub-parent company "Compagnia Siderurgica Italiana S.r.I.", with effective date 1st January 2018. In this regard, no material data or information emerged that should be mentioned in this report.

We received information from the firm entrusted with legal audits and no material data or information emerged that should be mentioned in this report.

The Management Report details all safety and environmental issues. Therefore, in this regard, the Board of Auditors has no comments to make. Furthermore, the Directors made disclosures on the research and development activity performed by the Company and no material data or information emerged that should be mentioned in this report.

The Directors also made disclosures on the relations with Group companies pursuant to art. 2428, sub-par. 3 no. 2), of the Italian Civil Code. The Notes to the financial statements contain all the information to meet disclosure requirements pursuant to Law 124/2017 art. 1, sub-pars. 125-129, and Law 12/2019.

We obtained information on and supervised within the limits of our remit the organisation system and operation of the company and monitored its adequacy, also by collecting information from the persons in charge of the various functions. In this regard, we have no special remarks to make.

We assessed and supervised within the limits of our remit the adequacy of the administrative-accounting system as well as its reliability in terms of proper representation of management facts, also through the information obtained from the persons in charge of the various functions, the firm entrusted with legal audits and our checks of business records. In this regard, no special comments should be made in this report.

No declarations according to art. 2408 of the Italian Civil Code were filed.

No legal opinions were issued by the Board of Auditors during the year.

During our supervision activity, as stated above, no additional material events that would be worth mentioning in this report occurred.

Remarks on the financial statements

As far as we are aware, when drawing up the financial statements, the Directors did not make any exception to legal provisions according to art. 2423, sub-par. 5, of the Italian Civil Code.

Pursuant to art. 2426, par. 6), of the Italian Civil Code, we agreed with the posting of an amount of EUR 3,381,031 for goodwill under the assets section of the balance sheet resulting from the purchase of the business branches in Ceprano (FR) and Verona.

Conclusions

In the light of the results of the activities carried out by the firm entrusted with legal audits of accounts contained in the relevant report enclosed with the financial statements, the Board of Auditors suggests that the General Meeting approves the financial statements closed at 31st December 2018 as drafted by the Directors.

The Board of Auditors agrees with the proposed allocation of the result for the year put forward by the Directors in the Notes to the Financial Statements. The approval of the financial statements closed at 31st December 2018 marks the end of our three-year office. We thank you for your trust and we wish the best success to the Company and its future activities.

Udine, 11th June 2019

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The Board of Directors

Dr. Gianfranco Romanelli (Chairman)

Dr. Giuseppe Varisco (Statuatory Auditor)

Dr. Michele Del Fabbro (Statuatory Auditor)



Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10

The directors of Ferriere Nord SpA are responsible for preparing a report on operations of Ferriere Nord SpA as of 31 December 2018, including its consistency with the relevant financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of Ferriere Nord SpA as of 31 December 2018 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the financial statements of Ferriere Nord SpA as of 31 December 2018 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Udine, 11 June 2019

PricewaterhouseCoopers SpA

Signed by

Massimo Dal Lago (Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.



The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained 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;
- We obtained 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 Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' 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 Company'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 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 Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated 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 identified during our audit.



Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10

The directors of Ferriere Nord SpA are responsible for preparing a report on operations of Ferriere Nord SpA as of 31 December 2018, including its consistency with the relevant financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of Ferriere Nord SpA as of 31 December 2018 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the financial statements of Ferriere Nord SpA as of 31 December 2018 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Udine, 11 June 2019

PricewaterhouseCoopers SpA

Signed by

Massimo Dal Lago (Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.



S.I.A.T. S.p.A. RECLASSIFIED INCOME STATEMENT

Values expressed in thousands of euro

108

ASSETS	31/12/2018	31/12/2017
Current operating assets		
Cash, banks	4	3
Current financial assets	0	0
Trade receivables	20,547	20,811
Other receivables	660	1,627
Inventories	14,045	11,906
Accrued income and prepaid expenses	33	19
Total current operating assets	35,289	34,366
Fixed Assets		
Net tangible fixed assets	12,174	12,807
Net intangible fixed assets	1	1
Financial fixed assets	14	14
Total fixed assets	12,189	12,822
TOTAL ASSETS	47,478	47,188
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term financial payables	5,441	7,957
Trade payables	25,795	23,189
Other payables	2,443	2,382
Accrued expenses and deferred income	31	65
Total current liabilities	33,710	33,593
Medium/long-term liabilities		
Medium/long-term financial payables	0	0
Provision for taxes	0	0
Provision for employee severance indemnity	1,204	1,364
Other medium/long-term liabilities	411	407
Total medium/long-term liabilities	1,615	1,771
Shareholders' equity	12,153	11,824
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	12, 153 47,478	11,824 47,188
IOIAL LIADILITIES AND SHAKEHOLDERS EQUITY	47,478	47,188

RECLASSIFIED INCOME STATEMENT

Values expressed in thousands of euro

	24 /42 /2010	24 /42 /2047
	31/12/2018	31/12/2017
Revenues		
Revenues from sales and services	105,117	91.536
	105,117	91,536
Cost of sales		·
Consumption of raw materials (net of change in inventories)	82,695	68,968
Industrial services	6,372	6,466
Personnel costs	6,839	6,566
Other industrial costs	0	0
Industrial depreciation	2,124	1,816
Change in semi-finished and finished product inventories	(1,030)	555
Capitalization of internal constructions	(2)	0
	96,998	84,371
Gross industrial margin	8,119	7,165
Sales and administration costs and operating expenses		
Sales costs	5,735	5,423
Administration costs	949	985
Personnel costs	1,011	1,072
Amortization of intangible assets	1	1
Operating margin	423	(316)
Non-operating income (expenses)		
Net financial expenses	(35)	(13)
Exchange gains (losses)	9	(8)
Other non-operating income (expenses)	12	107
	(14)	86
Income before taxes	409	(230)
Income taxes	(80)	32
Net income for the year	329	(198)
Net income for the year	323	(130)

LA VENETA RETI S.r.I. RECLASSIFIED INCOME STATEMENT

Values expressed in thousands of euro

110

ASSETS	31/12/2018	31/12/2017
Current operating assets		
Cash, banks	0	1
Current financial assets	0	0
Trade receivables	22,153	19,336
Other receivables	238	287
Inventories	7,505	5,915
Accrued income and prepaid expenses	4	6
Total current operating assets	29,900	25,545
Fixed Assets		
Net tangible fixed assets	14,682	12,594
Net intangible fixed assets	1	1
Financial fixed assets	4	4
Total fixed assets	14,687	12,599
TOTAL ASSETS	44,587	38,144
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term financial payables	16,065	15,008
		13,000
Trade payables	19,888	14,898
Trade payables Other payables	·	·
. ,	19,888	14,898
Other payables	19,888 1,124	14,898 1,015
Other payables Accrued expenses and deferred income	19,888 1,124 27	14,898 1,015 2
Other payables Accrued expenses and deferred income Total current liabilities	19,888 1,124 27	14,898 1,015 2
Other payables Accrued expenses and deferred income Total current liabilities Medium/long-term liabilities	19,888 1,124 27 37,104	14,898 1,015 2 30,923
Other payables Accrued expenses and deferred income Total current liabilities Medium/long-term liabilities Medium/long-term financial payables	19,888 1,124 27 37,104	14,898 1,015 2 30,923
Other payables Accrued expenses and deferred income Total current liabilities Medium/long-term liabilities Medium/long-term financial payables Provision for taxes	19,888 1,124 27 37,104 0	14,898 1,015 2 30,923 0
Other payables Accrued expenses and deferred income Total current liabilities Medium/long-term liabilities Medium/long-term financial payables Provision for taxes Provision for employee severance indemnity	19,888 1,124 27 37,104 0 0 452	14,898 1,015 2 30,923 0 0 447
Other payables Accrued expenses and deferred income Total current liabilities Medium/long-term liabilities Medium/long-term financial payables Provision for taxes Provision for employee severance indemnity Other medium/long-term liabilities	19,888 1,124 27 37,104 0 0 452 290	14,898 1,015 2 30,923 0 0 447 277

RECLASSIFIED INCOME STATEMENT

Values expressed in thousands of euro

	31/12/2018	31/12/2017
Revenues		
Revenues from sales and services	68,147	51,569
	68,147	51,569
Cost of sales		
Consumption of raw materials (net of change in inventories)	59,793	43,697
Industrial services	1,634	1,694
Personnel costs	2,641	2,248
Other industrial costs	0	0
Industrial depreciation	433	430
Change in semi-finished and finished product inventories	(606)	(59)
Capitalization of internal constructions	(2)	0
	63,893	48,010
Gross industrial margin	4,254	3,559
Sales and administration costs and operating expenses		
Sales costs	2,715	2,348
Administration costs	427	401
Personnel costs	535	429
Amortization of intangible assets	0	0
Operating margin	577	381
Non-operating income (expenses)		
Net financial expenses	(69)	(64)
Exchange gains (losses)	0	0
Other non-operating income (expenses)	(90)	(85)
	(159)	(149)
Income before taxes	418	232
Income taxes	(174)	(127)
Net income for the year	244	105

ACCIAIERIE DI VERONA S.p.A. RECLASSIFIED INCOME STATEMENT

Values expressed in thousands of euro

112

ASSETS	31/12/2018	31/12/2017
Current operating assets		
Cash, banks	9	1.268
Current financial assets	14,900	23,690
Trade receivables	79,422	63,572
Other receivables	4,681	13,146
Inventories	29,283	26,139
Accrued income and prepaid expenses	95	584
Total current operating as	ets 128,390	128,399
Fixed Assets		
Net tangible fixed assets	146,024	104,625
Net intangible fixed assets	225	346
Financial fixed assets	2,815	2,553
Total fixed as:	ets 149,064	107,524
TOTAL ASS	ETS 277,454	235,923
TOTAL ASS LIABILITIES AND SHAREHOLDERS' EQUITY	ETS 277,454	235,923
	ETS 277,454	235,923
LIABILITIES AND SHAREHOLDERS' EQUITY	ETS 277,454 8,437	235,923 37,529
LIABILITIES AND SHAREHOLDERS' EQUITY Current liabilities		
LIABILITIES AND SHAREHOLDERS' EQUITY Current liabilities Short-term financial payables	8,437	37,529
LIABILITIES AND SHAREHOLDERS' EQUITY Current liabilities Short-term financial payables Trade payables	8,437 116,403	37,529 98,862
LIABILITIES AND SHAREHOLDERS' EQUITY Current liabilities Short-term financial payables Trade payables Other payables	8,437 116,403 7,822 63	37,529 98,862 7,255
Current liabilities Short-term financial payables Trade payables Other payables Accrued expenses and deferred income	8,437 116,403 7,822 63	37,529 98,862 7,255 65
Current liabilities Short-term financial payables Trade payables Other payables Accrued expenses and deferred income Total current liability	8,437 116,403 7,822 63	37,529 98,862 7,255 65
LIABILITIES AND SHAREHOLDERS' EQUITY Current liabilities Short-term financial payables Trade payables Other payables Accrued expenses and deferred income Total current liabilities	8,437 116,403 7,822 63 ties 132,725	37,529 98,862 7,255 65 143,711
Current liabilities Short-term financial payables Trade payables Other payables Accrued expenses and deferred income Total current liabilities Medium/long-term liabilities Medium/long-term financial payables	8,437 116,403 7,822 63 132,725	37,529 98,862 7,255 65 143,711
Current liabilities Short-term financial payables Trade payables Other payables Accrued expenses and deferred income Total current liabilities Medium/long-term liabilities Medium/long-term financial payables Provision for taxes	8,437 116,403 7,822 63 132,725 111,796	37,529 98,862 7,255 65 143,711 60,246
Current liabilities Short-term financial payables Trade payables Other payables Accrued expenses and deferred income Total current liabilities Medium/long-term liabilities Medium/long-term financial payables Provision for taxes Provision for employee severance indemnity	8,437 116,403 7,822 63 132,725 111,796 0 4,363 534	37,529 98,862 7,255 65 143,711 60,246 0 4,605
Current liabilities Short-term financial payables Trade payables Other payables Accrued expenses and deferred income Total current liabilities Medium/long-term liabilities Medium/long-term financial payables Provision for taxes Provision for employee severance indemnity Other medium/long-term liabilities	8,437 116,403 7,822 63 132,725 111,796 0 4,363 534 ties 116,693	37,529 98,862 7,255 65 143,711 60,246 0 4,605

RECLASSIFIED INCOME STATEMENT

Values expressed in thousands of euro

	31/12/2018	31/12/2017
Revenues		
Revenues from sales and services	359,090	310,939
	359,090	310,939
Cost of sales		
Consumption of raw materials (net of change in inventories)	259,312	222,560
Industrial services	52,604	44,088
Personnel costs	20,870	20,528
Other industrial costs	1,345	878
Industrial depreciation	14,475	7,251
Change in semi-finished and finished product inventories	(1,433)	4,807
Capitalization of internal constructions	(102)	(276)
	347,071	299,836
Gross industrial margin	12,019	11,103
Sales and administration costs and operating expenses		
Sales costs	9,624	8,034
Administration costs	3,501	3,208
Personnel costs	1,180	1,128
Amortization of intangible assets	121	121
Operating margin	(2,407)	(1,388)
Non-operating income (expenses)		
Net financial expenses	(1,361)	(1,258)
Exchange gains (losses)	(5)	(94)
Other non-operating income (expenses)	1,755	1,405
	389	53
Income before taxes	(2,018)	(1,335)
Income taxes	2,725	349
Net income for the year	707	(986)

KOVINAR D.O.O. RECLASSIFIED INCOME STATEMENT

Values expressed in thousands of euro

114

ASSETS	31/12/2018	31/12/2017
Current operating assets		
Cash, banks	0	0
Current financial assets	2,394	1,381
Trade receivables	5,119	4,746
Other receivables	27	19
Inventories	3,917	3,321
Accrued income and prepaid expenses	0	0
Total current operating assets	11,457	9,467
Fixed Assets		
Net tangible fixed assets	3,748	2,858
Net intangible fixed assets	3	3
Financial fixed assets	0	0
Total fixed assets	3,751	2,861
TOTAL ASSETS	15,208	12,328
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Current liabilities		
	0	0
Short-term financial payables	0 7,222	0 5,858
Short-term financial payables Trade payables	7,222	5,858
Short-term financial payables Trade payables Other payables	7,222 410	5,858 380
Short-term financial payables Trade payables Other payables Accrued expenses and deferred income	7,222 410 0	5,858 380 0
Short-term financial payables Trade payables Other payables Accrued expenses and deferred income Total current liabilities Medium/long-term liabilities	7,222 410 0	5,858 380 0
Short-term financial payables Trade payables Other payables Accrued expenses and deferred income Total current liabilities	7,222 410 0 7,632	5,858 380 0 6,238
Short-term financial payables Trade payables Other payables Accrued expenses and deferred income Total current liabilities Medium/long-term liabilities Medium/long-term financial payables	7,222 410 0 7,632	5,858 380 0 6,238
Short-term financial payables Trade payables Other payables Accrued expenses and deferred income Total current liabilities Medium/long-term liabilities Medium/long-term financial payables Provision for taxes	7,222 410 0 7,632 0	5,858 380 0 6,238
Short-term financial payables Trade payables Other payables Accrued expenses and deferred income Total current liabilities Medium/long-term liabilities Medium/long-term financial payables Provision for taxes Provision for employee severance indemnity	7,222 410 0 7,632 0 0	5,858 380 0 6,238 0 0
Short-term financial payables Trade payables Other payables Accrued expenses and deferred income Total current liabilities Medium/long-term liabilities Medium/long-term financial payables Provision for taxes Provision for employee severance indemnity Other medium/long-term liabilities	7,222 410 0 7,632 0 0 66	5,858 380 0 6,238 0 0 0 66

RECLASSIFIED INCOME STATEMENT

Values expressed in thousands of euro

	31/12/2018	31/12/2017
Revenues		
Revenues from sales and services	35,895	30,142
	35,895	30,142
Cost of sales		
Consumption of raw materials (net of change in inventories)	31,491	26,132
Industrial services	615	571
Personnel costs	1,394	1,400
Other industrial costs	42	41
Industrial depreciation	196	198
Change in semi-finished and finished product inventories	31	(632)
Capitalization of internal constructions	0	0
	33,769	27,710
Gross industrial margin	2,126	2,432
Sales and administration costs and operating expenses		
Sales costs	196	214
Administration costs	191	150
Personnel costs	190	191
Amortization of intangible assets	0	0
Operating margin	1,549	1,877
Non-operating income (expenses)		
Net financial expenses	0	0
Exchange gains (losses)	0	0
Other non-operating income (expenses)	164	2
	164	2
Income before taxes	1,713	1,879
Income taxes	(243)	(269)
Net income for the year	1,470	1,610

I.S.U. - INTERNATIONALE STAHL UNTERNEHMUNGEN G.M.B.H. Consolidated with BSTG G.m.b.H. RECLASSIFIED INCOME STATEMENT

Values expressed in thousands of euro

116

ASSETS	31/12/2018	31/12/2017
Current operating assets		
Cash, banks	2,005	4.833
Current financial assets	0	0
Trade receivables	1,182	1,284
Other receivables	232	165
Inventories	10.725	6,834
Accrued income and prepaid expenses	71	100
Total current operating assets	14,215	13,216
Fixed Assets	- ,,=.0	.5,2.0
Net tangible fixed assets	8,597	5,758
Net intangible fixed assets	33	33
Financial fixed assets	246	246
Total fixed assets	8,876	6,037
Total linea access	0,070	0,001
TOTAL ASSETS	23,091	19,253
Current liabilities		
	_	_
Short-term financial payables	0	0
Trade payables	13,650	10,854
Other payables	2,369	2,813
Accrued expenses and deferred income	26	38
Total current liabilities	16,045	13,705
Medium/long-term liabilities	200	150
Medium/long-term financial payables		
Provision for taxes	0	1 210
Provision for employee severance indemnity	1,219	1,319 15
Other medium/long-term liabilities	1.431	1.484
Total medium/long-term liabilities	1,431	1,464
Shareholders' equity, minority interests	1,722	1,253
Shareholders' equity, Group	3,893	2,811
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	23,091	19,253

RECLASSIFIED INCOME STATEMENT

Values expressed in thousands of euro

	31/12/2018	31/12/2017
Revenues		
Revenues from sales and services	85,175	76,818
	85,175	76,818
Cost of sales		
Consumption of raw materials (net of change in inventories)	75,173	64,426
Industrial services	2,490	2,383
Personnel costs	4,607	4,550
Other industrial costs	619	622
Industrial depreciation	756	718
Change in semi-finished and finished product inventories	(2,597)	545
Capitalization of internal constructions	(170)	(3)
	80,878	73,241
Gross industrial margin	4,297	3,577
Sales and administration costs and operating expenses		
Sales costs	2,388	2,585
Administration costs	227	224
Personnel costs	931	867
Amortization of intangible assets	8	8
Operating margin	175	13
Non-operating income (expenses)	568	(120)
Net financial expenses		
Exchange gains (losses)	(1)	(10)
Other non-operating income (expenses)	0	0
	0	0
	(1)	(10)
Income before taxes	567	(130)
Income taxes	(17)	15
Net income for the year	550	(115)
· ·		
Net income, minority interests	169	(32)
Net income, Group	381	(83)
, 2.326	301	(00)

