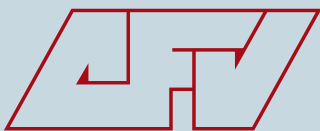


BELTRAME  
GROUP  
CONSOLIDATED  
FINANCIAL  
STATEMENTS 2010

*(Translation from the original in Italian)*



GRUPPO  BELTRAME

**AFV Acciaierie Beltrame S.p.A.**

Share capital as of December 31, 2010: Euro 104,000,000 fully paid in

Tax identificazion number: No 13017310155

Registered office and headquarters:

Viale della Scienza, 81 zona industriale

36100 VICENZA (ITALY)

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[www.beltrame.it](http://www.beltrame.it)

# AFV Acciaierie Beltrame S.p.A. - Company Officers

## Board of Directors

Chairman and Chief executive officer

Antonio BELTRAME

## Board Members

Angiola BELTRAME

Patrizia BELTRAME

Carlo GARAVAGLIA

Lorenzo PELLIZZARI

## Board of Statutory Auditors

Chairman

Luigi BATTISTON

## Standing Statutory Auditors

Fabrizio TABANELLI

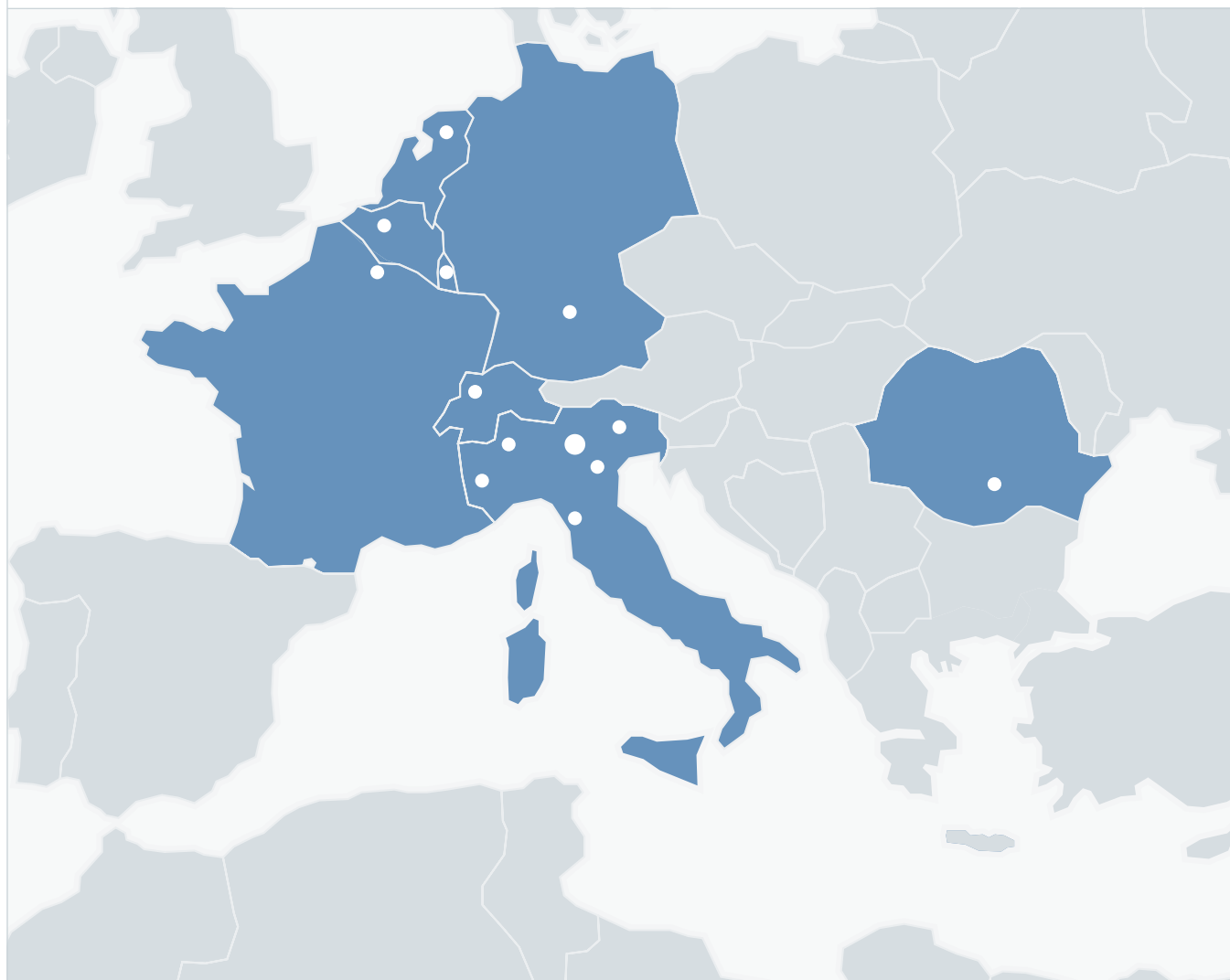
Monica MARAGOTTO

## Substitute Statutory Auditors

Massimo MARI

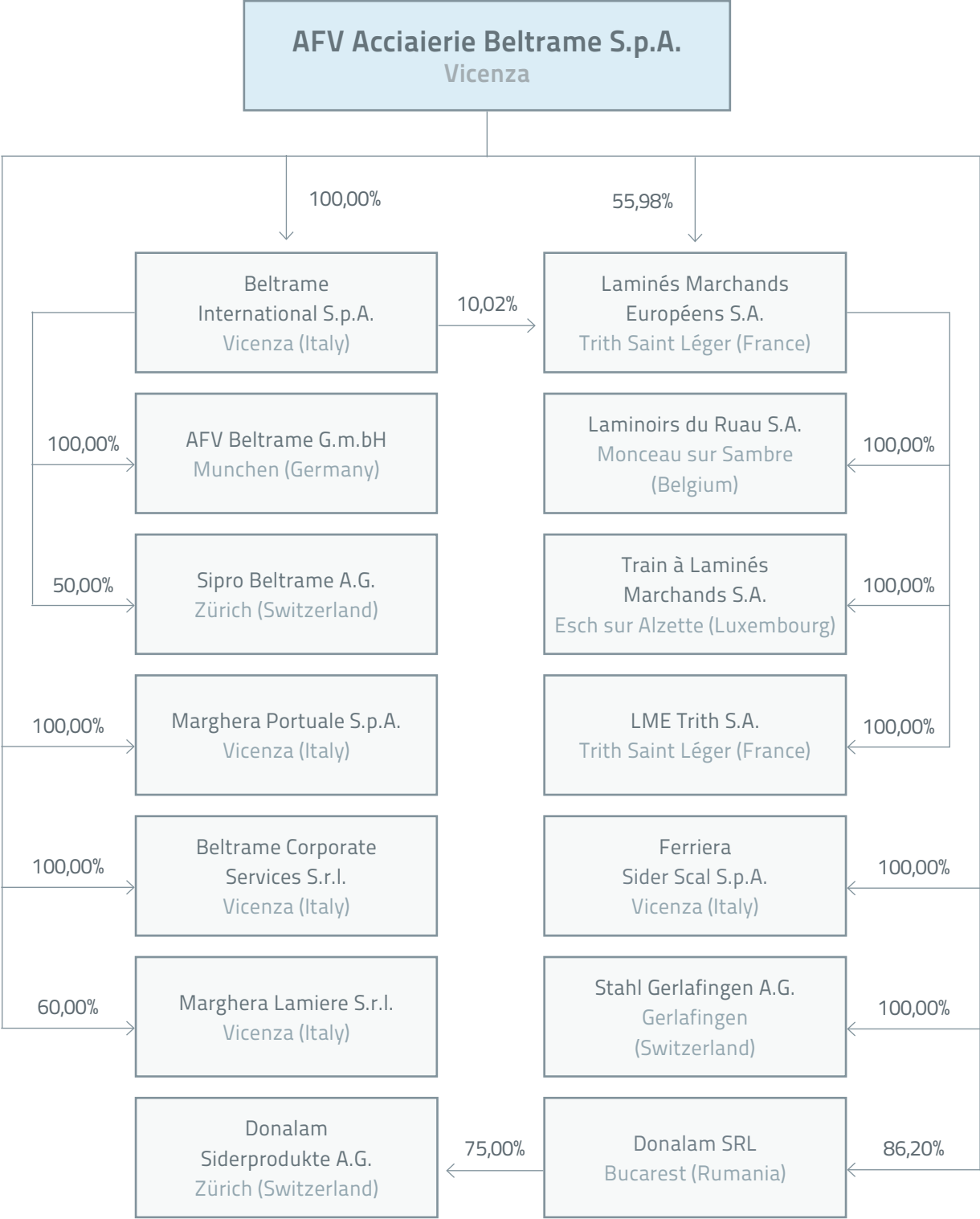
Aldo BISIOLI

## Presence of the Beltrame Group in Europe



AFV Beltrame S.p.A.	LME S.A.	Stahl Gerlafingen A.G.
Vicenza S. Didero (TO) Marghera (VE) S. Giovanni Valdarno (AR) S. Giorgio di Nogaro (UD)	Trith Saint Léger (France) Monceau Sur Sambre (Belgium) Esch Sur Alzette (Luxembourg)	Stahl Gerlafingen A.G. (Switzerland)
		<b>Foreign Sales Offices</b>
		Sipro Beltrame A.G. (Switzerland) AFV Beltrame GMBH (Germany) L.M.E. Nederland S.A. (Holland) Donalam Siderprodukte A.G. (Switzerland)
SC Donalam s.r.l.	Ferriera Sider Scal S.p.A.	
SC Donalam s.r.l. (Rumania)	Villadossola (VB)	

# The Beltrame Group



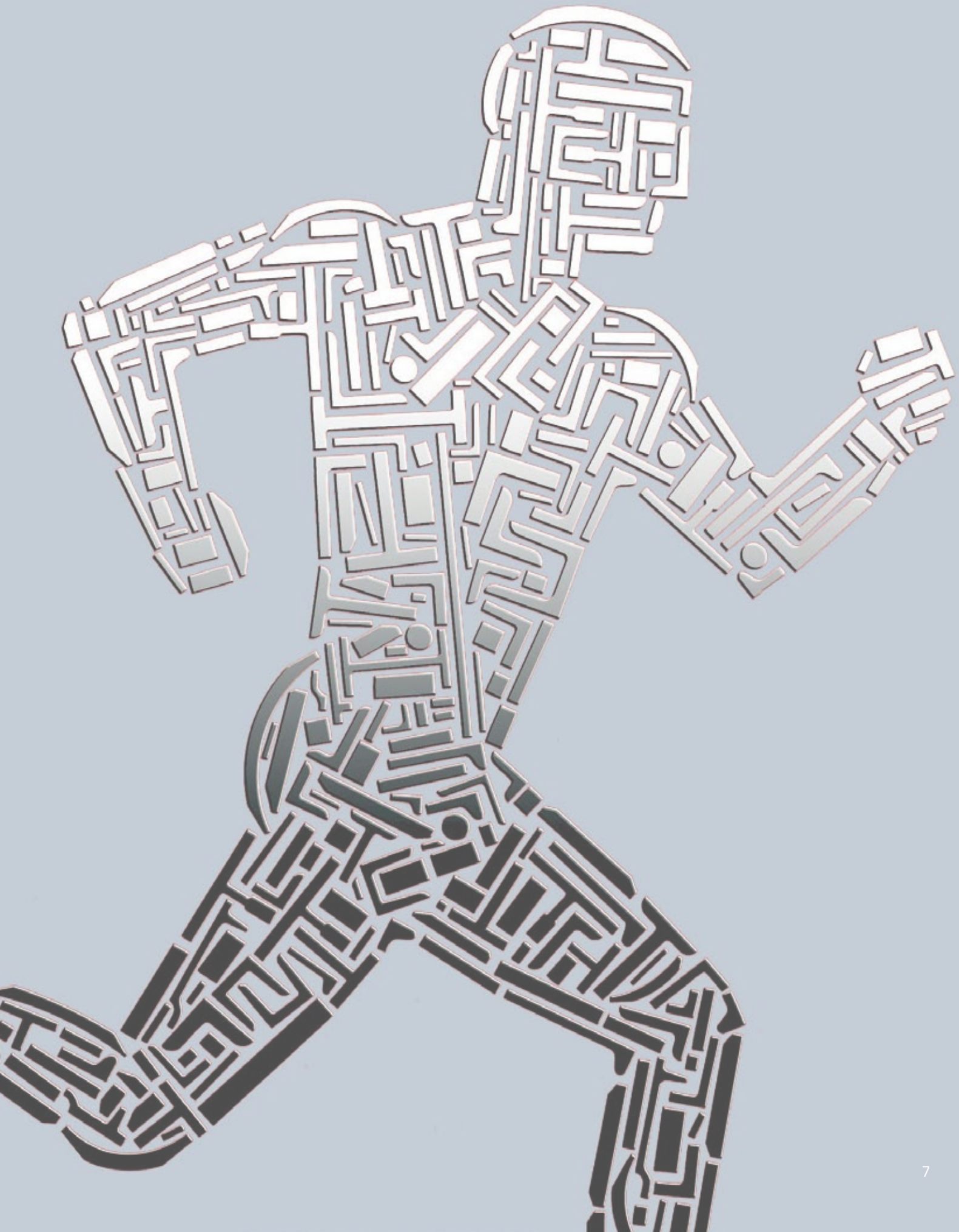


The Annual General Meeting , which approved the Financial Statements closed at December 31, 2010, was the first since the 1960's not to benefit from the presence of Ingegnere Giancarlo Beltrame.

Ingegnere Beltrame's passion for science was equalled by his enthusiasm for the humanities, and it was thanks to his considerable entrepreneurial flair in the steel sector that the company, founded by his grandfather Antonio, developed to become the European leading manufacturer of merchant bars.

With his charisma and great skill, he was deeply committed to strengthening the Beltrame Group's position in the context of the European market, whilst always remaining true to his core belief in investing in human resources, with a view to promoting trust, transparency and teamwork within the company.

The Beltrame Group acknowledges the significant inheritance bequeathed by Ingegnere Beltrame and intends to build on these foundations in coming years.



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Consolidated Statement of Changes in Shareholders' Equity 2010 and 2009 pag. 38

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# Report on Group Operations

Financial statements  
as of December 31, 2010

## The Beltrame Group's Business Activities

The Beltrame Group is the European leader in the production of merchant bars as well as one of the main producers of special bars for shipbuilding and earth moving machinery.

The industrial sites consist of steel plants with an electric furnace and rolling mills, located on sites across Italy, France, Luxembourg, Belgium, Switzerland and Rumania. These are optimum locations due to their proximity to the main consumer markets, as well as for the supply of raw materials.

The Beltrame Group operates in all European markets as well as the Mediterranean basin through subsidiaries, agents or internal sales teams, who are constantly in touch with customers and with the largest direct users.

## Economic Scenario

The recovery of the world's economy which began in the final months of 2009, continued in the first half of 2010, where greater pace came from emerging economies. Reasonable growth levels were achieved in the United States and Japan, whilst more conservative growth levels were recorded in Europe. The second half of the year however displayed less vitality, both in developed and emerging markets, and trading, despite having recovered pre-economic crisis volumes in the first half of the year, has since shown signs of slowing down. This has been caused mainly by inventory reductions and by the weakening of the effect generated by the fiscal stimulus.

The OECD's forecast for 2011 predicts average growth for the world's GDP of 4.2%, a slight downturn compared to 2010. Growth for the Euro area is forecast between 0.7% and 2.1%, with greater levels in Germany, average growth in France and below average growth in Italy.

Prices are predicted to remain stable in developed economies, whilst inflationary pressures are expected to affect emerging economies.

Overall prospects remain uncertain, in particular in developed economies, where private consumer spending continues to feel the effects of a weak job market and of the need for a turnaround in public finances in some countries and household finances in others, in a context still defined by vulnerable housing markets.

In this moderately positive European scenario, the steel sector has shown signs of a slow and patchy recovery in the different industry segments. The growth recorded, which was at its most prevalent in the first half of 2010, was not significant enough to indicate a clear turnaround.

Total steel production in Europe grew by 24.5% in 2010, however still 16% below the peak recorded in 2007.

The steel market segment relating to the construction industry grew to a limited degree, however figures are still slightly lower than those recorded in 2008, due to the continuing slowdown of investments in the housing market and infrastructure. The market sector linked to the automotive and machine working industries

however, has displayed more vigour, recording encouraging results, thanks to the recovery of orders destined in particular for exports.

## Beltrame Group

In 2010 the Beltrame Group substantially maintained its market share in its areas of greater industrial and commercial presence (Italy, Germany, Austria, Switzerland, France and Benelux), with total sales volumes of 2.2 million tonnes.

The combined effect of the reduction of consumer spending and increased competition has eroded economic margins. As a result, the Beltrame Group has reduced exports to the Iberian Peninsula, the Mediterranean basin and North Eastern Europe, as these are no longer cost effective due to high transport costs.

Current sales volumes will act as a starting point for forecasting developments for the near future.

Beltrame Group kept implementing the strategies outlined after, in order to combat the exceptional situation faced since 2008:

- Group production rationalisation in order to achieve positive results in the presence of reduced economic margins.
- Development of the beams market.
- Expansion of the current product range to include new products in market segments where higher margins can be achieved.

The business plan approved by the Board of Directors in January 2010 which included:

- Production diversification in market segments with higher profit margins.
- Increase in volumes to optimise production capacity.
- Launch of beams and heavy sections production at the Gerlafingen site.

is in the process of being implemented, adjusted to take into account the latest market developments.

The Beltrame Group plans to achieve growth via internal channels, such as production diversification and researching new areas of the market, as well as via new prospects, such as industrial projects and new development opportunities.

In accordance with these factors, the Board of Directors, updated the three year business plan at its meeting held 28th January 2011, forecasting a return to profitable margins starting in 2011 and the maintenance of adequate financial ratios.

The economic and financial results of the Beltrame Group in 2010 can be summarised as follows:

- Net revenues increased from Euro 951 million in 2009 to Euro 1,125 million in 2010, an increase of 18%.

Sales volumes decreased from 2,269 thousand tonnes in 2009 to 2,182 thousand tonnes in 2010.

- Positive EBITDA of Euro 64 million against Euro 37 negative EBITDA in the previous year. The return to positive figures can be attributed to the favourable international dynamic of an increase in raw materials and finished product prices, which defined the year in question, as well as the containment of energy costs. This has been achieved through the planning and development of infrastructure, as set out by industry sector regulations, in order to connect the electric grid with others abroad and therefore source electricity from both national and international supplies. In addition to this, further measures have been taken in accordance with the strategy set out to face the exceptional circumstances encountered since 2008.
- Extraordinary income includes reversal of the impairment of tangible fixed assets recorded last year of Euro 7 million and effects to the opening balance of Euro 11 million caused by the change of accounting principles.
- The profit before tax is affected by extraordinary provisions of Euro 4.6 million, which is mainly related to the implementation of the restructuring plan previously mentioned in relation to the strategy for recovering from the crisis.
- The net financial position went from Euro 244 million to Euro 265 million, notwithstanding disbursements for investments in tangible fixed assets for a total of Euro 51 million and for the acquisition of a non-controlling interest of the subsidiary Stahl Gerlafingen for Euro 36 million, thanks to positive operating cash flow driven primarily by a return to profitable margins.

Capital expenditure plans developed during the year were finalised, to expanding the range of commercial rolled sections and diversifying into market segments where higher profit margins can be achieved, as well as contributing towards technological plant improvements to ensure that high plant standards are maintained, whilst still safeguarding the environment and respecting profitability and production efficiency.

The most important capital expenditures carried out in 2010 were:

- Completion of the first phase of the investment of the subsidiary Stahl Gerlafingen and the implementation of production at the new facility for heavy sections and beams. This project, which began in 2007, relates to capital expenditures for the expansion, technological updating and environmental safeguarding of the site and confirms the definitive integration of the Swiss site into the wider Group scenario.
- Work carried out at rolling mills for the gradual expansion of production ranges allowing greater capacity to supply market segments with higher margins.

Other important business carried out during the year includes:

- In April the Parent Company exercised, in agreement with minority shareholders, earlier than the contractual terms, the option to buy out the 35% minority interest in the subsidiary Stahl Gerlafingen AG. The Parent Company purchased 17,500 shares for a total value of Euro 42,500 thousand.
- Taking into account the positive prospects in term of volumes and profit margins forecasted for coming

years, during the second semester the Donalam subsidiary resumed production of large size sections for the mechanical engineering industry.

In order to align the financial structure to the forecasted volume of activities, the share capital was reduced from RON 123.2 million to RON 43.2 million to cover losses carried forward, and subsequently increased by RON 60 million. FINEST, a holding company which promotes economic cooperation in Eastern European countries, participated in the transaction, maintaining an investment of 13.8%.

- In February the “Modello di Organizzazione Gestione e Controllo” (Control and Management Organisational Model) ex legislative decree nr. 231/01 was updated in order to take into account the latest courts’ decisions and legal developments, based on the absorption of new kinds of offences and the identification of related sensitive procedures.
- In November the Board of Directors defined the governance procedure for transactions with related parties. Henceforth the Board of Directors will have a pre-emptive review and will have to approve all material transactions.

Additional information on the Group’s economic and financial data, along with key ratios are shown below.

Key performance indicators	2010	2009	2008
Net Revenues	1,125,150	950,982	2,114,636
Added value	189,162	96,579	337,973
Operating expenses	1,071,576	913,761	1,852,989
EBITDA	63,931	(37,362)	189,124
Amortisation, depreciation and write-down	56,301	57,615	62,655
Operating income	7,630	(94,976)	126,469
Financial income and (expenses), net	(2,121)	(12,389)	(21,247)
Financial asset adjustments	(82)	19	(52)
Extraordinary income (expenses), net	13,302	(23,534)	(6,937)
Profit before tax	18,730	(130,880)	98,233
Tax	2,092	(31,178)	28,676
Net profit	16,638	(99,702)	69,557
Attributable to minority shareholders	(243)	(12,754)	14,296
Net income of the Group	16,881	(86,948)	55,261
Additions to fixed assets	51,435	74,552	121,359
Shareholders’ equity as of December 31	410,280	371,284	463,029
Number of employees	2,605	2,684	2,767

In thousands of Euro

<b>Financial position</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Fixed assets	527,254	506,562	496,812
Other net assets (non-financial)	261,277	265,173	424,204
Invested capital	788,531	771,735	921,016
Provision for risks and charges and severance indemnities	64,267	67,428	81,217
Capital resources, net	724,264	704,307	839,759
Total Shareholders' equity	459,317	460,491	570,735
Financial position, net – indebtedness	264,947	243,816	269,064

In thousands of Euro

<b>Profitability Ratios (%)</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
EBITDA/ net revenues	5.7	(3.9)	8.9
R.O.S.	0.7	(10.0)	6.0
Financial charges (income), net / net revenue	0.2	1.3	1.0
Labour cost / net revenues	11.1	14.1	7.0

<b>Financial Ratios (%)</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Shareholders' equity / fixed assets	0.9	0.9	1.1
Shareholders' equity / total liabilities	0.4	0.5	0.5
Financial position, net – indebtedness / Shareholders' equity	0.6	0.5	0.5

The financial statements of all the Beltrame Group's companies were closed at 31st December 2010. The most significant points relating to the main companies are reported as follows.

## The Parent Company

The most important data taken from the financial statements of the Parent Company at the 31st December 2010, and two previous financial years are reported hereunder. Information on the most significant differences is given in the illustrative notes to the financial statements.

The parent company's business activities include the production plants in Vicenza, San Didero (Turin), San Giovanni Valdarno (Arezzo), San Giorgio di Nogar (Udine) and Marghera (Venice).

Key performance indicators	2010	2009	2008
Net Revenues	518,039	451,406	1,103,026
Amortisation, depreciation and write-down	28,054	26,436	27,594
Added value	97,779	41,093	169,967
EBITDA	49,025	(14,449)	106,977
Difference between value and cost of production	20,972	(40,885)	79,383
Financial income and (expenses), net	(5,362)	1,338	(1,557)
Financial asset adjustments	2,186	(22,309)	(6,954)
Extraordinary income (expenses), net	(3,341)	27,146	(4,708)
Profit before tax	14,454	(34,710)	66,164
Tax	5,237	(5,980)	22,505
Net profit	9,217	(28,730)	43,659
Additions to fixed assets	7,672	25,168	36,321
Shareholders' equity as of December 31	335,923	326,706	358,436
Average number of employees	1,252	1,297	1,231

In thousands of Euro

<b>Financial position</b>	<b>2010</b>	<b>2008</b>	<b>2008</b>
Fixed assets	384,765	353,055	373,249
Other net assets (non-financial)	149,291	162,232	224,961
Invested capital	534,056	515,287	598,210
Allowance for liabilities	31,926	34,419	33,350
Capital resources, net	502,130	480,868	564,860
Total Shareholders' equity as of December 31	335,923	326,706	358,436
Financial position, net – indebtedness	166,207	154,162	206,424

In thousands of Euro

<b>Profitability Ratios (%)</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
EBITDA / net revenues	9.5	(3.2)	9.7
R.O.S.	4.1	(9.1)	7.2
Financial charges (income), net / net revenue	(1.0)	0.3	(0.1)
Labour cost / net revenues	9.4	12.3	5.7

<b>Financial Ratios (%)</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Shareholders' equity / fixed assets	0.9	0.9	1.0
Shareholders' equity / total liabilities	0.5	0.5	0.5
Financial position, net – indebtedness / Shareholders' equity	0.5	0.5	0.6
Current assets / current liabilities	1.2	1.4	1.3

## Subsidiaries

### Laminés Marchands Européens S.A. - France

The most significant data from the consolidated financial statements at the 31st December 2010, and the two previous financial years of Laminés Marchands Européens S.A. (henceforth referred to as LME) and of its 100% owned subsidiaries, LME Trith S.A., Laminoirs du Ruau S.A. (Belgium) and Train à Laminés Marchands S.A. (Luxemburg), can be found hereunder.

Key performance indicators	2010	2009	2008
Net Revenues	289,548	252,654	550,174
Amortisation, depreciation and write-down	14,689	13,317	11,167
Added value	47,106	17,496	63,578
EBITDA	11,922	(18,694)	25,128
Difference between value and cost of production	(3,198)	(32,386)	12,112
Financial income and (expenses), net	(1,363)	(1,698)	(3,709)
Extraordinary income (expenses), net	154	(51)	22
Profit before tax	(4,407)	(34,135)	8,425
Tax	3,522	(9,255)	2,961
Net profit (of which Euro 301 thousand attributable to minority shareholders)	(885)	(24,880)	5,464
Additions to fixed assets	4,165	6,590	18,544
Shareholders' equity as of December 31	111,599	112,539	141,502
Shareholders' equity attributable to minority shareholders	37,944	38,263	48,111
Number of employees	687	700	722

In thousands of Euro

<b>Financial position</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Fixed assets	112,890	124,210	122,844
Other net assets (non-financial)	85,681	85,188	118,291
Invested capital	198,571	209,398	241,135
Allowance for liabilities	22,947	22,563	26,624
Capital resources, net	175,624	186,835	214,511
Total Shareholders' equity	111,599	112,539	141,502
Financial position, net – indebtedness	64,025	74,296	73,009

In thousands of Euro

<b>Profitability Ratios (%)</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
EBITDA / net revenues	4.1	(7.4)	4.6
R.O.S.	(1.1)	(12.8)	2.2
Financial charges (income), net / net revenue	0.5	0.7	0.7
Labour cost / net revenues	12.1	14.3	7.0

<b>Financial Ratios (%)</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Shareholders' equity / fixed assets	1.0	0.9	1.2
Shareholders' equity / total liabilities	0.4	0.4	0.5
Financial position, net / Shareholders' equity	0.6	0.7	0.5
Current assets / current liabilities	1.2	1.2	1.3

The consolidated financial statements of LME recorded negative results in 2009, and also in 2010, despite recovering margins through the rationalisation of structural costs and the international favourable dynamic in the increase of steel product prices.

The company has established a business plan addressing the reorganisation of the production structure of the three industrial sites, which states the following points:

- To increase production volumes, concentrating in particular on LME Trith S.A., in order to optimise production capacity.
- To define, in agreement with the minority shareholder, a new industrial structure at Train à Laminés Marchands S.A., through the development of shared investments, with the aim of expanding its range of products.
- To maintain limited production at Laminoir du Ruau S.A..

## Stahl Gerlafingen AG - Svizzera

The most significant data from the financial statements at December 31 2010, and the two previous years of the subsidiary Stahl Gerlafingen AG, are found below:

Key performance indicators	2010	2009	2008
Net Revenues	292,324	227,667	435,829
Amortisation, depreciation and write-down	11,310	15,001	19,197
Added value	44,645	35,192	100,358
EBITDA	7,199	257	65,228
Difference between value and cost of production	(4,111)	(14,744)	46,032
Financial income and(expenses), net	(1,974)	(946)	(2,930)
Profit before tax	(6,086)	(15,690)	43,101
Tax	(1,298)	(3,357)	6,712
Net profit	(4,788)	(12,333)	6,389
Additions to fixed assets	39,429	33,142	50,097
Shareholders' equity as of December 31	142,513	116,341	140,894
Number of employees	528	538	576

In thousands of Euro

<b>Financial position</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Fixed assets	166,168	117,300	98,655
Other net assets (non-financial)	6,728	(5,935)	23,219
Invested capital	172,896	111,365	121,874
Allowance for liabilities	8,323	7,667	6,567
Capital resources, net	164,573	103,698	115,307
Total Shareholders' equity	142,513	116,341	140,894
Financial position, net (asset) / liability	22,060	(12,643)	(25,587)

In thousands of Euro

<b>Profitability Ratios (%)</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
EBITDA / net revenues	2.46	0.0	15.0
R.O.S.	(1.4)	(6.5)	10.7
Financial charges (income), net / net revenue	0.7	0.0	0.7
Labour cost / net revenues	12.8	15.3	8.1

<b>Financial Ratios (%)</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Shareholders' equity / fixed assets	0.9	1.0	1.4
Shareholders' equity / total liabilities	0.5	0.5	0.6
Financial position, net / Shareholders' equity	0.2	(0.1)	(0.2)
Current assets / current liabilities	0.9	2.2	1.7

The installation of the new plant for the production of beams and heavy sections was completed during the second half of 2010. Final tuning of the new range of rolled sections is currently under way and normal production activity of merchant bars and rebars continues.

## Beltrame International S.p.A. - Italy

The most significant data from the financial statements at December 31 2010, and the two previous years of the subsidiary Beltrame International S.p.A., are found below:

Key Economic and Financial Figures	2010	2009	2008
Current assets	9,241	8,976	6,116
Total assets	17,254	16,993	14,118
Liabilities	31	162	147
Shareholders' equity	17,223	16,831	13,971
Net revenues	447	2,910	3,233
Net profit	392	2,860	3,347

In thousands of Euro

Beltrame International S.A. holds almost all the shareholdings of the foreign companies of the Group. That carry out trading activities for the Parent Company. Beltrame International S.A. also retains a minority interest in LME (equal to 10%).

## AFV Beltrame GmbH - Germany

The most significant data from the financial statements at December 31 2010, and the two previous years of the subsidiary AFV Beltrame GmbH., are found below:

Key Economic and Financial Figures	2010	2009	2008
Current assets	7,409	7,921	7,900
Total assets	7,534	8,060	8,038
Liabilities	6,112	7,275	5,534
Shareholders' equity	1,422	785	2,504
Revenues	139,480	111,251	243,431
Net profit	897	261	1,952
Number of employees	9	11	14

In thousands of Euro

The company carries out trading activities in Germany of merchant bars produced by the Parent Company, and the subsidiary Laminés Marchands Européens S.A. and its companies. From the beginning of 2011 this has also been expanded to the trading of merchant bars and beams produced by Stahl Gerlafingen AG.

## Sipro Beltrame AG - Switzerland

The most significant data from the financial statements at December 31 2010, and the two previous years of the subsidiary Sipro Beltrame AG., are found below:

Key Economic and Financial Figures	2010	2009	2008
Current assets	1,875	759	1,149
Total assets	1,875	759	1,149
Liabilities	1,232	116	458
Shareholders' equity	643	643	691
Revenues	11,350	9,085	21,736
Net profit	109	151	230

In thousands of Euro

The company carries out trading activities in Switzerland of products from the Parent Company and the subsidiaries Stahl Gerlafingen AG and Laminés Marchands Européens S.A and its companies.

## Donalam SRL - Rumania

The most significant data from the financial statements at December 31, 2010, and the two previous years of Donalam SRL and its fully owned subsidiary Donalam Siderprodukte AG (Switzerland) are found below.

Key Economic and Financial Figures	2010	2009	2008
Current assets	31,689	16,237	21,151
Total assets	61,429	42,296	58,783
Liabilities	33,581	34,313	30,066
Shareholders' equity	27,848	7,983	28,717
Revenues	24,702	3,942	26,200
Net profit (loss)	5,432	(18,591)	(6,798)

In thousands of Euro

During the second half of 2010 the company resumed production of large size sections destined for the mechanical engineering industry. This had previously been frozen in 2009 due to the lasting crisis in this sector, however it now shows positive prospects for coming years, both in terms of volumes and margins.

The favourable progress of the market segment in which the company operates, along with the necessary selective process for deciding the choice and timing of investments, means that the project relating to the installation of the new plant for production of beams destined for the construction industry is no longer considered a priority.

The positive results achieved by the company in 2010, as well as the encouraging prospects of demand and increasing margins for coming years, have led to the reversal of the previous year's impairment of tangible fixed assets of Euro 7 million, as described in the illustrative notes.

## Marghera Portuale S.p.A. - Italy

The most significant data from the financial statements at December 31 2010, and the two previous years of the subsidiary Marghera Portuale S.p.A., are found below:

Key Economic and Financial Figures	2010	2009	2008
Current assets	1,359	1,000	797
Total assets	4,954	4,884	4,635
Liabilities	1,582	920	345
Shareholders' equity	3,372	3,965	4,290
Revenues	979	902	1,867
Net profit	594	324	408
Number of employees	5	6	6

In thousands of Euro

The company carries out port activities, unloading, loading and distribution logistics. The negative result in 2010 can be attributed to the limited operations carried out during the year due to the negative economic trend and the provision of extraordinary expenses relating to 2009 and previous years, connected to the use of port concessions, the amount of which has yet to be determined.

## Ferriera Sider Scal S.p.A. - Italy

The most significant data from the financial statements at December 31 2010, and the two previous years of the subsidiary Ferriera Sider Scal S.p.A., are found below:

Key Economic and Financial Figures	2010	2009	2008
Current assets	4,654	6,902	10,363
Total assets	10,686	12,913	16,148
Liabilities	4,004	4,561	4,616
Shareholders' equity	6,682	8,352	11,532
Revenues	253	1,231	10,995
Net profit	(1,670)	(3,179)	(815)
Number of employees	77	81	78

In thousands of Euro

The activity of transforming semi products into finished products for the Parent Company AFV Beltrame S.p.A. was suspended in March 2009.

In February 2011, at the Ministry for Labour and Social Policies, the company reached an agreement with the unions for the provision of extraordinary redundancy funds for companies in crisis (Cassa integrazione ordinaria e straordinaria) for all employees and for the duration of 24 months. The agreement, specific to businesses which are closing down, covers placement of staff at other companies, redundancy, voluntary redundancy, early retirement and transfer of personnel to the Parent Company, AFV Beltrame S.p.A.'s, plants. Following this agreement, the procedures for the definitive closure of the Villadossola site have been formally initiated.

The profit before tax is affected by extraordinary provisions of Euro 1.2 million, relating to the aforementioned points.

## Risk Management

Risk management is defined and coordinated at a centralised level by the predefined functions of the Parent Company.

The principal risks and uncertainties to which the Parent Company (and the whole Group) are exposed are outlined hereunder.

### **Risks relating to general economic conditions.**

The Group's financial position, the results of operations and the cash flows are influenced by various factors which make up the macro-economic environment. If the current, reasonably positive trend were not to be confirmed, the Group's business, strategies and prospects could be negatively affected with consequent impact on the financial position and results of its operation.

### **Risks related to the market conditions in which the Group operates.**

The Group operates in a sector which is historically subject to cyclic trends whose durations are difficult to predict. Moreover, macro-economic turn of events such as user trends, fluctuations in prices of raw materials and in energy costs, variations in financial and capital markets can all impact negatively on the Group's results. The growth of the steel sector, mainly in the first half of 2010, was not sufficient to indicate a clear turnaround. The progress of the sector will depend primarily on a series of external factors and conditions, such as the anticipated reinstatement of government infrastructure projects, the recovery of local investments as well as the growth in consumer spending.

### **Risks relating to Company funding.**

The Beltrame Group aims to fund capital expenditures and loans due to be repaid through operating cash flow, cash on hand, overdraft facilities and by obtaining new loans linked to capital expenditures.

Even in the current economic market, the Group believes it can maintain sufficient capability to generate cash flow through operating activities, thanks to steps taken to reduce the working capital.

### **Risks relating to the fluctuation of exchange and interest rates.**

These are outlined subsequently in compliance with the requirements of art. 2428 no.6 bis) of the Civil Code.

### **Risks relating to requirements in the areas of health, safety and environment.**

In the different countries in which it operates, the Group's activities are subject to multiple regulations

in the areas of health, safety and the environment, and these are fully respected. These regulations are strictly applied.

With reference to the obligations outlined in art. 2428 of the Civil Code it is noted that:

- No R&D activity was reported for the Parent company and its subsidiaries in 2010, since the investments and modifications carried out to the production processes and the organisation in general cannot be considered as R&D activities.
- Neither the Parent Company nor any of its subsidiaries holds any of its treasury shares.

Regarding the utilisation of financial instruments, the objectives and policies related to risk management and exposure to risks of prices, credit, liquidity and variations in rates are summarised as follows:

#### **Credit risk.**

The Group presents different degrees of credit risks in relation to the different markets, however this is mitigated by the fact that the credit risk is subdivided over a large number of counterparts and customers, almost 83% of which are located in the European Union and 12% in Switzerland.

The financial activities are shown in the financial statement net of the allowance calculated on the basis of default risk, considering the available information on the solvency of the customers and considering historical data. Where considered necessary, bank guarantees have been activated, receivables have been disposed of without recourse, or other procedures for limiting the risk have been put in place. In the current financial year these guarantees were related to approximately 4% of trading receivables (almost 5% in the case of the Parent Company).

#### **Liquidity risk.**

The liquidity risk refers to the potential difficulties of satisfying obligations within the required timescale. In the case of the Beltrame Group the solidity of financial ratio, the preponderance of medium term loans against short term debts and bank overdrafts not completely utilised, significantly reduce these risks. Furthermore cash flow, the necessity of loans and the liquidity of the Group Companies are monitored and managed centrally under the control of the Group Treasury with the objective of guaranteeing an effective and efficient management of financial resources.

#### **Market risk.**

Market risk is the risk that the fair value or future cash flows of a financial instrument fluctuates due to changes in the underlying asset market price. Market risk includes three types of risk: exchange rate risk, interest rate risk and price risk.

**Exchange rate risk:** exchange rate risks are contained since the majority of business is carried out in Euro. Operations denominated in other currencies are generally hedged using specific financial instruments. In the case of the Swiss Company, Stahl Gerlafingen AG, the majority of revenues and costs are recorded in Swiss Francs and therefore the results are reasonably balanced.

**Interest rate risk:** The risk of variation of interest rates, mainly connected to the medium term financial debt whose interest rates are linked to the EURIBOR, are constantly monitored and managed through appropriate hedging instruments.

**Price risk:** The risks of variations in the level of purchasing and selling prices, in particular for firm commitments, have been mitigated due to a short operating cycle. The volatility of such prices which are often correlated but not synchronised, leads however to a significant residual risk to the inventory value.

#### **Atypical and unusual operations.**

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

#### **Transactions with subsidiaries, associates, Parent Company and with related parties.**

The Parent Company has significant commercial, financial and service providing relationships with its subsidiaries, which are determined by normal market conditions, as detailed in the Illustrative Notes.

#### **Safety Plan Document.**

The Safety Plan Document has been updated in compliance with the requirements and the timescale outlined by law.

#### **Significant post balance sheet events.**

- In January 2011 the Parent Company underwrote a medium and long term loan for Euro 20 million from the Veneto Banca bank to cover its investment plan.
- On February 14th, 2011 the Parent Company's Board of Directors nominated Doctor Antonio Beltrame as Chairman and CEO, to replace the late Doctor Giancarlo Beltrame.
- On April 5, 2011 the Parent Company issued a bond denominated "Ferrum 2011 – 2016" for a nominal value of Euro 15 million. The bond was subscribed by the companies Arbisia srl and Antelia srl in Milan, shareholders of the only shareholder of the Parent Company.
- On April 12, 2011 the Parent Company acquired for Euro 3.5 million from the related party Idroelettriche Riunite S.p.A. an investment equal to a third of the share capital of the company Ferriere Bellicini srl. The company operates in the manufacturing of merchand bars.

The Company has made the decision to take advantage of the extended terms regarding when to hold the Annual General Meeting to approve the financial statements as of December 31, 2010, as per art. 28.3 of the articles of association,

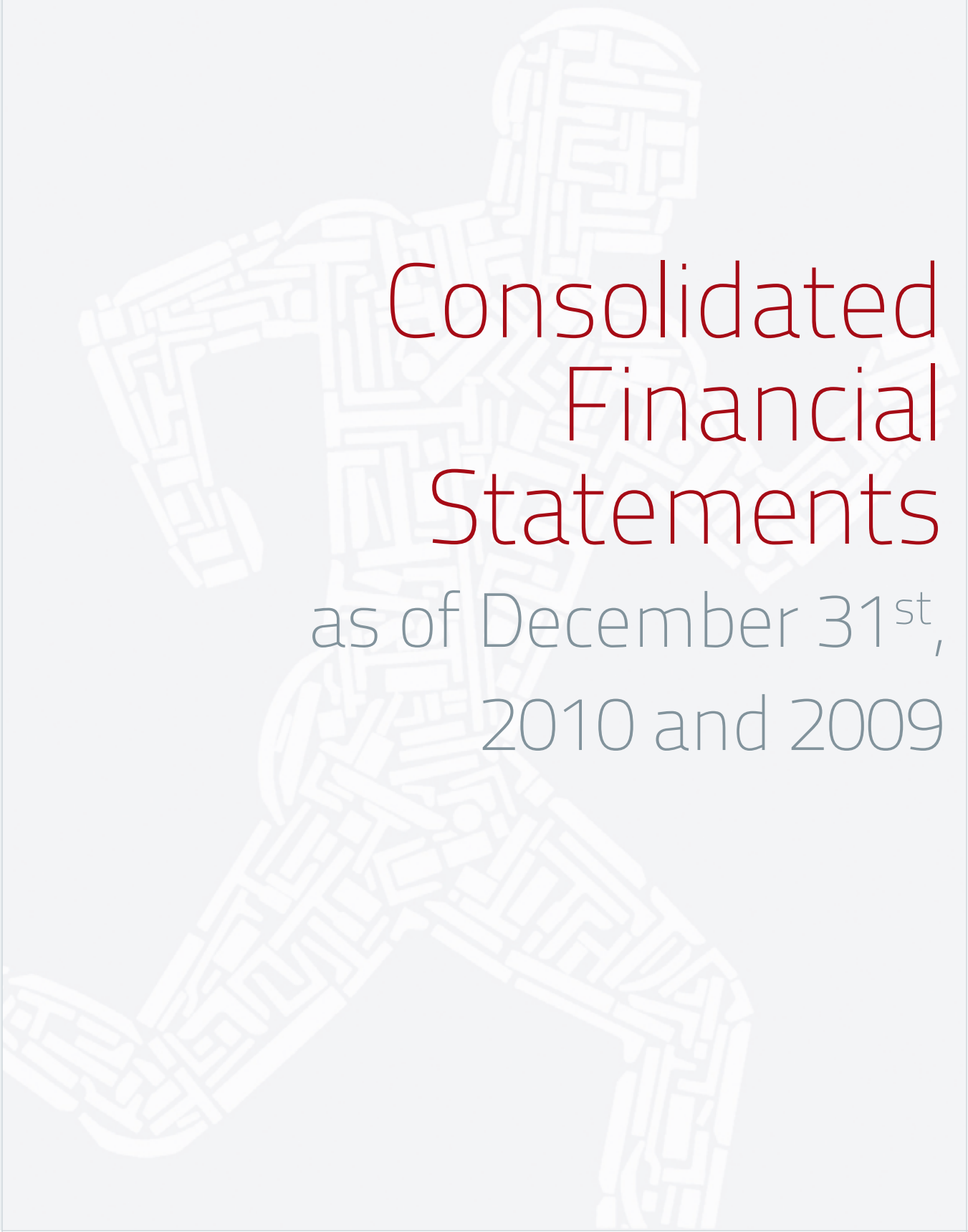
#### **Business outlook**

In Europe in the first quarter of 2011 the economic scenario has shown positive signs which reinforce the forecast of recovery during the year, albeit with low growth rates.

As far as the steel sector is concerned, the early months of 2011 have proved buoyant in terms of quotations. This is due to a strong increase in raw materials prices, driven by demand in emerging markets. Demand is stronger in 2011 than it was during the same period of 2010, although it is still down compared to pre-crisis levels.

The actual results of the Beltrame Group in the first quarter of 2011 confirm the goals for positive profitable margins in 2011, whilst maintaining compatible financial ratios.

The Beltrame Group continues with the implementation of its reorganisation plan, as already outlined, and will face the challenges of this difficult situation with confidence, thanks to clear leadership, in particular as far as production costs, market presence and customer service are concerned, and also thanks to its solid and balanced financial position, and ability to carry out decisional processes in the time required.



# Consolidated Financial Statements

as of December 31<sup>st</sup>,  
2010 and 2009

<b>BALANCE SHEET - ASSETS</b>	<b>2010</b>	<b>2009</b>
A - AMOUNTS DUE FROM STOCKHOLDERS FOR SHARE SUBSCRIBED BUT NOT CALLED	700,000	700,000
B - FIXED ASSETS		
I - INTANGIBLE FIXED ASSETS		
1) Start-up and expansion costs	19,702	23,998
3) Industrial patents and intellectual property rights	387,624	473,926
6) Assets under construction and advances	74,495	55,263
7) Others	2,449,430	3,087,526
Total I - Intangible assets	2,931,251	3,640,713
II - TANGIBLE FIXED ASSETS		
1) Land and buildings	169,848,253	166,000,928
2) Plant and machinery	275,693,029	230,152,907
3) Industrial and commercial equipment	12,955,010	15,118,385
4) Other assets	2,463,959	2,946,726
4-bis) Licensed property	2,379,265	2,404,174
5) Construction in progress and advances	54,954,311	73,848,022
Total II - Tangible fixed assets	518,293,827	490,471,142
III - FINANCIAL FIXED ASSETS		
1) Investments in:		
a) subsidiaries	6,838	31,024
d) associated companies	4,580,620	4,566,172
2) Receivables:		
d) others receivables	741,317	7,153,184
Total III - Financial fixed assets	5,328,775	11,750,380
<b>TOTAL B - FIXED ASSETS</b>	<b>526,553,853</b>	<b>505,862,235</b>
C - CURRENT ASSETS		
I - INVENTORIES		
1) Raw, ancillary and consumables materials	58,298,193	49,039,795
2) Work in progress and semi-finished products	62,460,151	50,486,919
4) Finished products and goods	127,662,077	129,592,147
5) Advances	3,822	164,704
6) Plant and machinery held for sale	261,724	393,153
Total I - Inventories	248,685,967	229,676,718
II - RECEIVABLES		
1) Trade receivables	201,454,948	151,561,979
3) Receivables from associates companies	840,956	443,844

Amounts in unit of Euro

<b>BALANCE SHEET - ASSETS (continued)</b>	<b>2010</b>	<b>2009</b>
4-bis) Tax receivables	24,526,638	36,007,164
4-ter) Deferred tax assets	24,139,499	23,939,815
5) Other receivables	2,171,298	4,763,483
Total II - Receivables	253,133,339	216,716,285
III - FINANCIAL ASSETS NOT HELD AS FIXED ASSETS		
7) Other	0	8,747,615
Total III - Financial assets not held as fixed assets	0	8,747,615
IV - LIQUID FUNDS		
1) Bank and post office accounts	22,009,209	40,736,309
2) Cheques	59,034	0
3) Cash on hand	24,661	22,157
3) Other	5,546,973	740,654
Total IV - Liquid funds	27,639,877	41,499,120
<b>TOTAL C - CURRENT ASSETS</b>	<b>529,459,183</b>	<b>496,639,738</b>
D - ACCRUED INCOME AND PREPAID EXPENSES		
1) within one year	752,248	462,117
2) beyond one year	995,133	46,865
<b>TOTAL D - ACCRUED INCOME AND PREPAID EXPENSES</b>	<b>1,747,381</b>	<b>508,982</b>
<b>TOTAL ASSETS</b>	<b>1,058,460,417</b>	<b>1,003,710,955</b>

BALANCE SHEET - LIABILITIES AND SHAREHOLDERS' EQUITY	2010	2009
A - SHAREHOLDERS' EQUITY		
I - SHARE CAPITAL	104,000,000	104,000,000
II - SHARE PREMIUM RESERVE UNTAXED	1,082,165	4,370,045
III - REVALUATION RESERVE	0	0
IV - LEGAL RISERVE	12,356,778	12,356,778
V - STATUTORY RESERVES	0	0
VI - RESERVE FOR OWN SHARES	0	0
VII - OTHER RISERVES		
a) Extraordinary reserve and other reserves	275,444,844	336,990,061
d) Tax suspension reserve	515,391	515,391
VIII - PROFIT (LOSS) CARRIED FORWARD	0	0
IX - CONSOLIDATION RESERVE	0	0
X - GROUP PROFIT (LOSS)	16,880,735	(86,948,100)
GROUP SHAREHOLDERS' EQUITY	410,279,913	371,284,175
MINORITY INTEREST	49,279,152	101,960,645
PROFIT (LOSS) ATTRIBUTABLE TO MINORITY SHAREHOLDERS	(242,542)	(12,754,162)
NET EQUITY ATTRIBUTABLE TO MINORITY SHAREHOLDERS	49,036,610	89,206,483
TOTAL A - TOTAL SHAREHOLDERS' EQUITY	459,316,523	460,490,658
B - RESERVE FOR RISKS AND CHARGES		
2) For taxes, also deferred	6,164,737	5,662,779
3) Other	31,657,979	34,883,494
TOTAL B - TOTAL RESERVE FOR RISK AND CHARGES	37,822,716	40,546,273
C - RESERVE FOR EMPLOYEE SEVERANCE INDEMNITY	26,444,062	26,881,976
D - AMOUNTS PAYABLE		
1) Bonds		
1) due within one year	17,325,000	17,325,000
2) due beyond one year	0	0
4) Borrowings from banks		
1) due within one year	125,933,468	115,753,750
2) due beyond one year	142,379,722	156,548,585
5) Payables to other lenders		
1) due within one year	1,740,205	1,332,649
2) due beyond one year	5,099,322	3,019,278

Amounts in unit of Euro

<b>BALANCE SHEET - LIABILITIES AND SHAREHOLDERS' EQUITY</b> (continued)	<b>2010</b>	<b>2009</b>
7) Trade payables	215,036,560	158,355,973
9) Payables to subsidiaries	109,626	83,195
11) Payables to parent Company	419,413	37,628
12) Tax payables	10,340,692	6,156,751
13) Social security payables	4,194,953	3,867,658
14) Other payables	12,171,180	12,655,356
<b>TOTAL D - TOTAL PAYABLES</b>	<b>534,750,141</b>	<b>475,135,823</b>
<b>E - ACCRUED EXPENSES AND DEFERRED INCOME</b>		
1) due within one year	126,975	656,225
<b>TOTAL E - TOTAL ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>126,975</b>	<b>656,225</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<b>1,058,460,417</b>	<b>1,003,710,955</b>
<b>MEMORANDUM ACCOUNTS</b>	<b>2010</b>	<b>2009</b>
Interest rates swap	157,369,000	144,500,000
Call and put option for acquisition of minority shares of subsidiary	9,550,000	46,250,000
Currency swap	12,102,308	6,203,324
Third parties' goods	2,751,012	2,478,620
Titles at third party warranty	42,680,283	0
<b>TOTAL MEMORANDUM ACCOUNTS</b>	<b>224,452,603</b>	<b>199,431,944</b>

<b>CONSOLIDATED INCOME STATEMENT</b>	<b>2010</b>	<b>2009</b>
<b>A - VALUE OF PRODUCTION</b>		
1) Revenue from sales and services	1,115,823,734	945,640,144
2) Changes in work in progress, semifinished and finished products inventories	5,843,869	(76,437,651)
4) Additions to internally produced fixed assets	4,513,555	1,855,297
5) Other income and revenues		
- grants	1,058,946	640,289
- others	8,267,149	4,701,163
<b>Total value of production</b>	<b>1,135,507,253</b>	<b>876,399,242</b>
<b>B - COST OF PRODUCTION</b>		
6) Raw, ancillary and consumable materials	732,718,412	498,160,029
7) Services	211,236,493	247,101,328
8) Leases and rentals	3,506,137	3,515,813
9) Personnel costs		
a) Wages and salaries	89,302,954	94,704,704
b) Social security costs	29,235,003	30,911,797
c) Employment severance indemnity	4,026,144	5,304,780
d) Other costs	2,667,164	3,018,828
<b>Total 9 - Personnel costs</b>	<b>125,231,265</b>	<b>133,940,109</b>
10) Amortisation, depreciation and writedowns		
a) amortisation of intangible fixed assets	1,198,084	1,268,124
b) depreciation of tangible fixed assets	53,238,446	53,753,168
c) writedown of intangible and tangible fixed assets	240,000	0
d) writedown of receivables among current assets	926,720	229,110
<b>Total 10 - Amortisation, depreciation and writedowns</b>	<b>55,603,250</b>	<b>55,250,402</b>
11) Changes in raw materials, ancillary and consumable materials	(7,526,129)	24,867,796
12) Provisions for risks	697,665	2,364,501
14) Other operating expenses	6,409,892	6,175,747
<b>Total cost of production</b>	<b>1,127,876,985</b>	<b>971,375,725</b>
<b>DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A-B)</b>	<b>7,630,268</b>	<b>(94,976,483)</b>
<b>C - FINANCIAL INCOME AND EXPENSES</b>		
16) Other financial income:		
d) from third parties	267,737	1,125,210
17) Interests and financial charges - towards third parties	9,279,433	12,588,202

Amounts in unit of Euro

<b>CONSOLIDATED INCOME STATEMENT (continued)</b>	<b>2010</b>	<b>2009</b>
17bis) Loss on investments	40,484	0
17 bis) Profit (loss) on exchange rates	6,931,188	(925,656)
<b>Total financial income and expenses</b>	<b>(2,120,992)</b>	<b>(12,388,648)</b>
<b>D - ADJUSTMENT TO FINANCIAL ASSETS</b>		
18) Revaluations of		
b) financial fixed assets other than equity investments	46,494	172,379
19) Writedowns of		
b) financial fixed assets other than equity investments	128,127	153,324
<b>Total adjustment to financial assets</b>	<b>(81,633)</b>	<b>19,055</b>
<b>E - EXTRAORDINARY INCOME AND EXPENSES</b>		
20) Income		
e) other income	18,508,964	601,868
21) Expenses		
e) other expenses	5,206,703	24,135,643
<b>Total extraordinary income and expenses</b>	<b>13,302,261</b>	<b>(23,533,775)</b>
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>18,729,904</b>	<b>(130,879,851)</b>
22) Income taxes		
a) current	983,641	(4,520,930)
b) deferred costs	1,536,203	(17,631,275)
c) deferred income	(428,133)	(9,025,384)
<b>Total 22 - Taxes</b>	<b>2,091,711</b>	<b>(31,177,589)</b>
23) Income (loss) for the year	16,638,193	(99,702,262)
<b>GROUP NET INCOME (LOSS)</b>	<b>16,880,735</b>	<b>(86,948,100)</b>
<b>MINORITY INTEREST</b>	<b>(242,542)</b>	<b>(12,754,162)</b>

Attachment A to Consolidated statements of cash flows for the year ended December 31st, 2010 and 2009

STATEMENT OF CASH FLOWS	2010	2009
<i>Cash flows from (used in) operating activities</i>		
- Profit (loss) for the year	16,638	(99,702)
- Income taxes	2,092	(31,178)
- Profit (loss) before taxes	18,730	(130,880)
- Amortisation and amortization	54,437	55,021
- Impairment of tangible fixed assets	(3,881)	13,606
- Interests and financial charges	9,279	12,588
- Interests and financial income	(268)	(1,125)
- Net gain (loss) on disposal of tangible fixed assets	(334)	(139)
- Net gain (loss) on disposal of intangible fixed assets	(40)	0
- Provision for risks and various charges, net	(4,188)	4,851
- Change in employee severance indemnity, net	(438)	(935)
- Impairment of financial fixed assets	82	(19)
Cash flow before change in net current assets	73,379	(47,032)
- Change in deferred taxes provision, net and tax payables	14,224	3,169
- (Increase) decrease in accounts receivables	(49,307)	93,095
- (Increase) decrease in inventories	(11,430)	103,660
- Increase (decrease) in trade payables	48,953	(25,564)
- Change in other operating assets and liabilities	6,203	(2,752)
	82,022	124,576
<i>Cash flows from (used in) investment operations</i>		
- Acquisition of others investments	0	(3,315)
- Acquisition of minority shares of controlled companies	(36,250)	0
- Tangible fixed assets additions	(51,435)	(75,392)
- Tangible fixed assets disposals	714	617
- Intangible fixed assets additions	(551)	(1,285)
- Disposal and writedowns of securities and shares, net	(50)	(28)
	(87,572)	(79,403)

Amounts in thousands of Euro

<b>STATEMENT OF CASH FLOWS (continued)</b>	<b>2010</b>	<b>2009</b>
<i>Cash Flows from (used in) financial activities</i>		
- Financing by subsidiaries	(17)	(83)
- Third parties for share capital increase in subsidiary	800	0
- Loan granted or (reimbursed)	31,700	80,000
- Bond interests payments	(14)	(45)
- Increase (decrease) of medium-long term loans, net	(56,542)	(43,449)
- Payment of interests and financial charges, net	(9,169)	(11,161)
- Distributed dividends	(101)	(8,944)
	(33,343)	16,318
<i>Translation adjustment on short terms debts, net</i>	5,673	1,082
Net increase (decrease) in short terms debts	(33,220)	62,573
Short-term debts at beginning of the year	66,922	129,495
Short-term debts at end of the year	100,142	66,922

Attachment B to Consolidated Financial Statements as of December 31st,  
2010 and 2009

Consolidated statement of changes in shareholders' equity	Share Capital	Share Premium Reserve Untaxed	Legal Reserve	Other Reserves	Group Income (Loss)	Minority Interest	Consolidated Shareholders' Equity as of December 31
Balance as of December 31, 2008	104,000	4,370	10,174	289,225	55,261	107,705	570,735
Allocation of net income							
- Legal reserve			2,183		(2,183)		
- Other reserve				50,078	(50,078)		
- Dividends					(3,000)	(5,469)	(8,469)
Translation adjustment and other minor adjustments				(1,797)		(276)	(2,073)
Net income for the year					(86,948)	(12,754)	(99,702)
Balance as of December 31, 2009	104,000	4,370	12,357	337,506	(86,948)	89,206	460,491
Allocation of net income							
- Legal reserve		(3,288)			3,288		
- Other reserve				(83,660)	83,660		
- Dividends						(101)	(101)
Participation purchase from minority						(39,890)	(39,890)
Translation adjustment and other minor adjustments				22,114		64	22,178
Net income for the year					16,881	(242)	16,639
Balance as of December 31, 2010	104,000	1,082	12,357	275,960	16,881	49,037	459,317

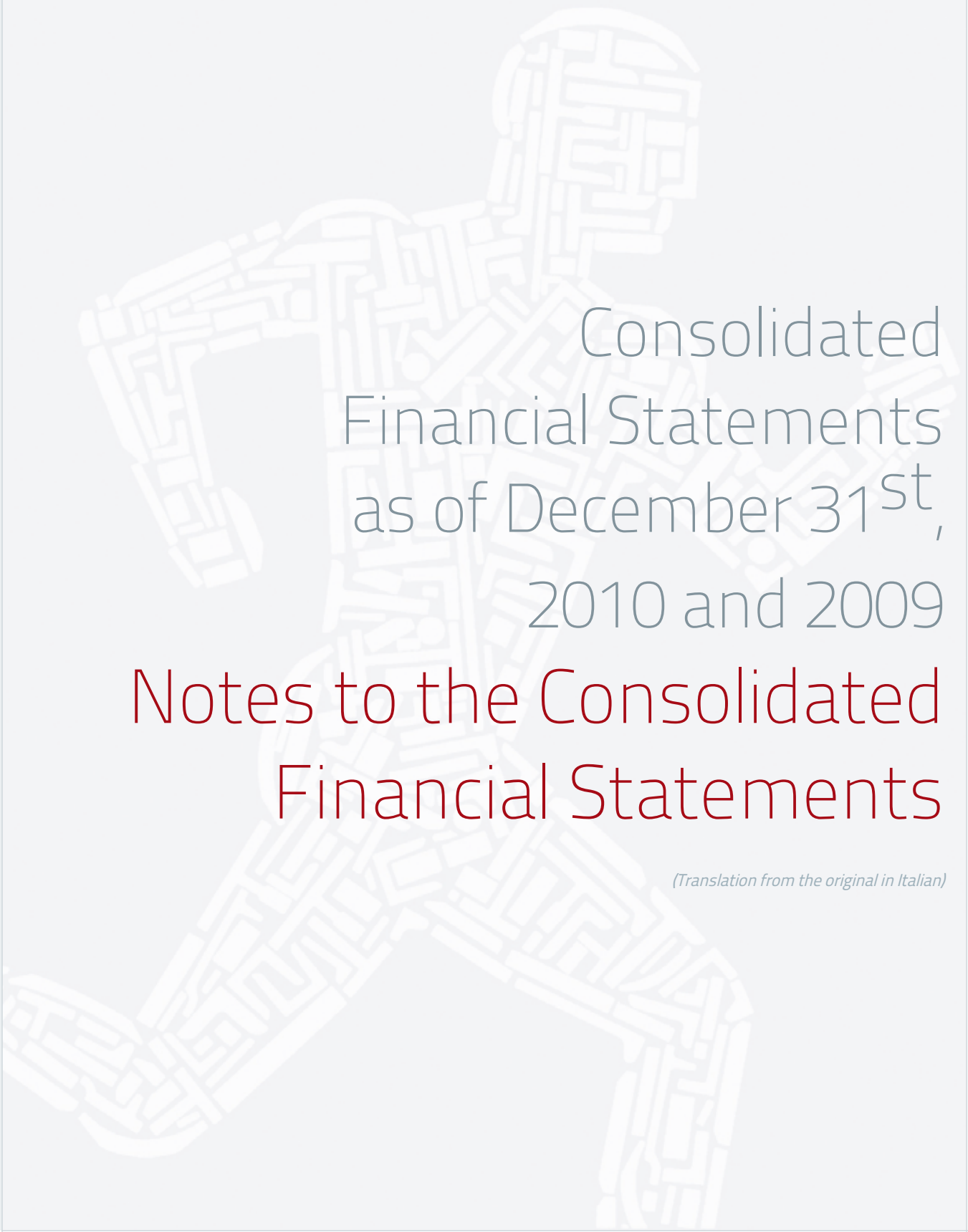
Share premium reserve is linked for the reconstruction of untaxed reserves of the merged companies.

Attachment C to Consolidated Financial Statements as of December 31st,  
2010 and 2009

**CONSOLIDATED STATEMENT OF PREPAID AND DEFERRED TAXATION**

Description of the temporary differences	Deferred tax assets 2009	Increases 2010	Reversals 2010	Translation differences and rate variation	Deferred tax assets 2010
- Provisions for risk and charges	7.715	919	(874)		7.760
- Tax losses recoverable in following financial years	6.523	3.216	(1.312)	214	8.641
- Adjustment to inventories	3.217	2.726	(2.933)		3.010
- Non deducted provisions for employee indemnity	2.881	582	(398)		3.065
- Interest charges not deducted	2.441		(2.441)		
- Amortization and depreciation non deducted and tax redeemed	1.010	531	(178)		1.363
- Other minor	153	244	(97)		300
<b>Total</b>	<b>23.940</b>	<b>8.218</b>	<b>(8.233)</b>	<b>214</b>	<b>24.139</b>

Description of the temporary differences	Deferred tax liabilities 2009	Increases 2010	Reversals 2010	Translation differences and rate variation	Deferred tax liabilities 2010
- Tax provisions on accelerated depreciation	5.348		(204)		5.144
- Tax provisions on capital gains	172		(71)		101
- Inventories value adjustment		382			382
- Other minor	143	429	(34)		538
<b>Total</b>	<b>5.663</b>	<b>811</b>	<b>(309)</b>	<b>0</b>	<b>6.165</b>



Consolidated  
Financial Statements  
as of December 31<sup>st</sup>,  
2010 and 2009

Notes to the Consolidated  
Financial Statements

*(Translation from the original in Italian)*

## 1. Form and Content of the Consolidated Financial Statements

The Consolidated financial statements of the Beltrame Group consist of the AFV Acciaierie Beltrame S.p.A. Financial Statements as of December 31, 2010 (hereinafter referred to as the "Parent Company") and those of the following companies directly or indirectly controlled by the Parent Company:

Name	Percentage of interest	
	Direct	Indirect
AFV Beltrame G.m.b.H. - trading company Munich (D) – Share capital Euro 204,800	---	100.00
Beltrame Corporate Services S.r.l. - financial services company Vicenza – Share capital Euro 100,000	100.00	---
Beltrame International S.p.A. - holding company Vicenza – Share capital Euro 7,669,500	100.00	---
Donalam SRL - steel manufacturing company Calarasi (Ro) – Share capital Leu 103,200,000	86.20	---
Donalam Siderprodukte AG - trading company Zurich (CH) – Share capital CHF 300,000	---	64.65
Ferriera Sider Scal S.p.A. - steel manufacturing company Vicenza – Share capital Euro 9,367,474	100.00	---
Laminés Marchands Européens S.A. - steel manufacturing company Trith Saint Léger (F) – Share capital Euro 48,303,522	56.00	10.00
Laminoir du Ruau S.A. - steel manufacturing company Monceau sur Sambre (B) – Share capital Euro 10,000,000	---	66.00
LME Trith S.A. - steel manufacturing company Trith Saint Léger (F) – Share capital Euro 25,258,750	---	66.00
Marghera Lamiere S.p.A. - steel manufacturing company Vicenza – Share capital Euro 3,000,000 (paid in Euro 2,300,000)	60.00	---
Marghera Portuale S.p.A. - port logistics services company Vicenza – Share capital Euro 5,000,000	100.00	---
Sipro Beltrame AG - trading company Zurigo (CH) – Share capital CHF 300,000	---	50.00

Name	Percentage of interest	
	Direct	Indirect
Stahl Gerlafingen AG - steel manufacturing company Gerlafingen (CH) – Share capital CHF 50,000,000	100.00	---
Train à Laminés Marchands S.A. - steel manufacturing company Esch sur Alzette (L) – Share capital Euro 10,000,000	---	66.00

The Consolidated financial statements were prepared by consolidating the Financial statements of the above-mentioned companies on a line-by-line basis.

The consolidation area has not changed compared to the previous year.

In April the Parent Company exercised, in agreement with the minority shareholders, earlier than the contractual terms, the option to buy out the 35% minority interest in the subsidiary Stahl Gerlafingen AG. The Parent Company purchased 17,500 shares for a total value of Euro 42,500 thousand.

Taking into account the positive prospects in terms of volumes and profit margins forecasted for coming years, during the second semester the subsidiary Donalam resumed production of large size sections for the mechanical engineering industry.

In order to align the financial structure to the forecasted volume of activities, the share capital was reduced from RON 123.2 million to RON 43.2 million to cover losses carried forward, and subsequently increased by RON 60 million. FINEST, a holding company which promotes economic cooperation in Eastern European countries, participated in the transaction, maintaining an investment of 13.8%. The Parent Company and its subsidiaries have a majority holding or exercise significant influence on the following companies:

Name	Percentage of interest	
	Direct	Indirect
Immobiliare Siderurgica S.r.l. - real estate company Milan – Share capital Euro 99,000	5.03	---
Laminoirs des Landes S.A. – steel manufacturing company Bayonne (F) – Share capital Euro 8,431,840	14.24	---
Laminados Industriales S.A. – steel manufacturing company Villa Constitution (RA) – Share capital Pesos 120,000,000	14.84	---
Beltra GmbH – logistic services company Munich (D) – Share capital Euro 20,000	---	100.00
LME Nederland N.V. – trading company 'S Hertogenbosch (NL) – Share capital Euro 18,580	---	100.00

For these companies, where full control was exercised, they have not been consolidated on materiality grounds.

The Consolidated financial statements, made up of the balance sheet, the income statement and the illustrative notes, have been prepared in accordance with the criteria stated by the Legislative Decree 127/91, as well as being integrated with the accounting principles recommended by "Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili" (Italian Accounting Professional body) as updated by "Organismo Italiano di Contabilità – OIC" and, where deficient, by the International Accounting Standard / International Financial Reporting Standards.

The Financial statements of consolidated companies are those approved by the respective Shareholders or prepared by the Board of Directors for approval. They have been adjusted, where necessary, in order to conform to the valuation criteria of art. 2426 of the Civil Code, uniformly applied within the Group, as well as being interpreted and integrated with the accounting principles recommended by the Italian Accounting Professional Body and, where deficient, by the International Accounting Standard / International Financial Reporting Standards.

These notes to the Consolidated financial statements fulfil the function of providing an illustration, an analysis, and, in every case, an integration of the financial statements. They also contain the information required by articles 2427 and 2427 bis of the Civil Code, other provisions of the legislative decree n.127/1991, or other laws. Moreover, they contain all the relevant information held as being necessary in order to provide a true and fair view of the financial statements, even if not required by specific provisions of the law.

The balance sheet and the income statement contain values expressed in units of Euros, while in these illustrative notes to the consolidated financial statements, except where indicated otherwise, values are expressed in thousands of Euros.

In compliance with art. 2423 ter of the Civil Code, the sub captions of the balance sheet and of the income statement identified by a capital letter and an Arabic number have been omitted, as the amount was zero for both the financial years.

Amounts to be settled beyond twelve months have been separately shown in the balance sheet.

Moreover the following are supplied:

- Statement of cash flows (attachment a).
- Statement of changes in shareholders' equity (attachment b).
- Statement of deferred tax assets and liabilities (attachment c).

The reconciliation between Shareholders' equity and net income of AFV Acciaierie Beltrame S.p.A. as of December 31, 2010 and those reflected in the consolidated financial statements of the same date is detailed in the following table (in thousands of Euro):

	2010		2009	
	Shareholders' equity	Net profit	Shareholders' equity	Net profit
- Statutory Financial Statements of the Parent Company	335,923	9,217	326,706	(28,730)
- Group interest of the difference between the adjusted shareholders' equity of consolidated entities and their carrying amounts in the financial statements of the Parent Company	53,982	7,853	49,345	(20,745)
- Translation difference of the financial year	21,787	328	(1,638)	(157)
- Allocation of merger differences in the consolidated financial statements	10,254	117	8,264	(67)
- Adjustment of inventories in the Parent Company calculated by applying the average cost method				(25,085)
- Dividend collected from the subsidiaries	---	(361)	---	(12,164)
- Adjustment to the allocation of the merger difference	(10,954)	---	(10,954)	---
- Elimination of inter-company profits, net of tax effect	(712)	(273)	(439)	---
Consolidated financial statements	410,280	16,881	371,284	(86,948)

## 2. Principles of Consolidation

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

- a)** Assets and liabilities of subsidiaries are consolidated on a line-by-line basis, the carrying amounts of the investments are eliminated against their shareholders' equity regardless of the percentage owned.

**b)** The difference between the cost of the investments against the related shareholders' equity of the investments is allocated to the specific assets and liabilities at their fair value at the acquisition date. Any residual amount is reported as "Difference arising on consolidation" in the caption intangible assets, net of the related amortisation computed over the period of expected future benefit or, when appropriate, directly charged to the consolidation reserve.

**c)** The lower price paid at the time of the acquisition of investments compared to the related shareholders' equity is allocated in the consolidated shareholders' equity as "Consolidation reserve" or, when the lower price paid is due to a forecast of unfavourable results, as a liability to the line item "Consolidation allowance for risks and future charges".

**d)** Receivables, payables, revenues and expenses, as well as unrealised profit deriving from transactions between Group consolidated companies are eliminated.

**e)** Dividends received from Group companies are eliminated from the consolidated income statement.

**f)** Minority interests in consolidated subsidiaries are separately indicated as well as income attributable to minority shareholders.

**g)** Adjustments and provisions accounted for in application of tax laws only are eliminated.

**h)** The translation into Euro of the Financial statements of foreign subsidiaries is made using the year-end exchange rates for balance sheet items, historic rates for the shareholders' equity reserves, while the average exchange rate for the year has been used for the income statement. The exchange rate differences caused by the translation have been accounted for within an equity reserve.

The following exchange rates were applied:

	CHF	Leu
Exchange rate as at December 31, 2009	1,48360	4,23630
Average exchange rate in the financial year 2010	1,38226	4,21057
Exchange rate as at December 31, 2010	1,25045	4,26200

No significant changes to the exchange rates were recorded after the balance sheet date.

### 3. Accounting Principles

The most significant accounting principles adopted for the preparation of the consolidated financial statements, consistently applied with respect to the previous financial year, are as follows:

#### Intangible fixed assets

Intangible fixed assets are accounted for at acquisition or construction cost. The cost of intangible assets with finite life is amortised over the useful life, generally of five years. The amortisation of the financing charges is related to the disbursement and reimbursement of the related loans.

#### Tangible fixed assets

Tangible fixed assets are recorded at acquisition or construction cost, adjusted in order to take into account the higher purchase price paid compared to the tangible fixed asset book values held by the acquiring companies. In any case, the carrying amounts are within the limits of the corresponding market value and/or value in use of the assets.

Acquisition cost includes ancillary costs. Production cost includes all direct costs and other costs that can be reasonably allocated to the asset during the manufacturing period until the asset can be used.

Depreciation for finite life tangible fixed assets is calculated every financial period on a straight-line basis in relation to their residual useful lives.

Fixed assets acquired during the year have been depreciated applying a 50% rate, assuming their insertion in the production line by the middle of the year.

The main depreciation rates applied are the following:

Industrial buildings	3.0-5.0%
Industrial plants and machinery	7.0-8.0-12.0-15.5-17.5%
Electric furnaces	15.0%
Equipment	13.0-25.0-35.0%
Office furniture and commercial equipment	12.0-20.0-25.0%
Means of transport	20.0-25.0%

In the cases where, independently of the depreciation already accounted for, a long-term loss of value resulted, the fixed assets are correspondingly impaired. If in following years the assumptions of the impairment no longer hold true, then the original value will be restated.

The carrying amount of the tangible fixed assets cannot exceed the recoverable amount. The recoverable amount is defined as the higher between the market value (the amount that can be obtained from the disposal of the tangible fixed asset in an arm's length transaction between knowledgeable willing parties, net of costs to sell) and its value in use (present value of the future cash flows expected to be derived from the continuous use of the asset, including the amount recoverable from its disposal at the end of its useful life).

The estimation of the value in use implies forecasting future positive and negative cash flows derived by its operations and eventual disposal and by applying appropriate discount rates.

Ordinary repair and maintenance expenses are charged in the income statement as incurred.

Leased assets have been accounted for following the financial method, which requires the assets and residual liabilities to be included into the balance sheet, while amortisation and financial expenses are to be shown in the income statement.

### **Financial fixed assets**

Investments in unconsolidated subsidiaries and associates are valued under the equity method. If the owner's percentage or the value of the investment is not significant, the investment is valued at cost, represented by the value of the underwriting or the acquisition price. The cost is reduced in case of impairment, when the subsidiaries have incurred losses and profits are not expected, in the near future, to recover the incurred losses. The original value is reinstated in future years if the reasons for such write-downs no longer apply.

### **Inventories**

Inventories are stated at the lowest of purchase or manufacturing cost, determined using the weighted average cost method, and the corresponding market value (replacement cost for raw material and net realisable costs for finished goods and work in progress).

Manufacturing costs include the cost of raw materials, labour and both direct and indirect production costs attributable to the finished products.

Manufacturing cost is determined assuming normal capacity of the production facilities. The normal capacity is defined as the production expected to be achieved on average by the production facilities assuming reasonable levels of efficiency.

Inventories are written down due to obsolescence and/or slow moving stock.

### **Receivables**

Receivables are stated at their estimated realisable value by means of an adequate allowance for doubtful accounts.

## **Payables**

Payables are stated at face value.

## **Accruals and prepayments**

The accrued expenses and prepaid incomes details the revenues of the current financial year whose consideration is due in successive financial years, as well as those costs incurred before year-end but relating to successive financial years. The accruals and deferred expenses list the costs of the financial year that are due in successive financial years and the revenues whose consideration is collected before year-end and relate to successive financial years. The amounts are determined on time basis.

## **Reserves for risks and charges**

The reserves for risks and charges include provisions to cover losses or liabilities likely to be incurred, but where uncertainty remains as to the amount or date when this will happen.

Provisions reflect the best estimate of losses to be incurred based on the information available. Contingent liabilities are disclosed in the illustrative notes, without accounting for a provision for risks and charges.

## **Allowance for employee severance indemnity**

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

In relation to the Italian companies, starting January 1, 2007, due to the pension reform introduced by the 2007 National Budget, the severance indemnity accrued from that date is transferred monthly to private pension funds or to a treasury fund held by INPS, based on the employees' choice. The allowance reflects the liabilities up to December 31, 2006, net of the advances paid, to all employees and revalued in compliance with the law.

## **Derivative financial instruments**

Financial instruments are utilised for hedging purposes, in order to reduce interest rate or currency risks. At the end of the fiscal year, the financial instruments are valued at their market value. The hedging instrument is valued consistently to the accounting principle applied to the hedged item. For cash flow hedging loss of value is charged to the income statement, while gain is recognised when realised only.

The objectives and policies adopted by the Group with regards to risks managements through financial instruments and the exposure to price risk, credit risk, liquidity risk and changes in the financial position are commented in the "Report on Group Operations".

## **Costs and revenues**

Costs from purchases and revenues from sales are accounted for on an accrual basis. Revenues for sales of

goods are accounted for when transfers of ownership has happened, which generally corresponds to the time of shipping or receiving.

### **Current year grants**

Current year grants are accounted for on an accrual basis in the income statement taking into account the disbursement resolutions of the supplying entities.

### **Dividends**

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

### **Income taxes**

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

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

They mainly refer to provisions for risks, to adjustments to assets carrying amounts, to gains on disposal of fixed assets, to capital grants cashed in the fiscal year, to costs non tax deductible in the current financial year and to the elimination of unrealised inter-company profit.

Deferred tax assets on tax losses carried forward are recorded when their utilisation in the short term becomes reasonably certain. This is due to future taxable incomes that will absorb the tax losses before their expiry dates, in compliance with tax laws.

### **Foreign currency balances**

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

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

### **Memorandum accounts**

Guarantees, commitments and third party goods located in the Group premises are shown at the bottom of the balance sheet at their nominal value. Guarantees or commitments already reflected in the face of the financial statements or whose happening is judged unlikely are excluded.

The notional amounts of the derivative contracts are shown at the bottom of the balance sheet.

### **Restructuring costs**

Restructuring costs are accounted for in the income statements when the programmes are defined and the conditions for their realisation are met. The impairment of tangible fixed assets is recorded when the carrying amount is lower than the recoverable value. These costs are classified within the extraordinary category.

## **OTHER INFORMATION**

### **Changes in the valuation criteria**

In the financial year under review the valuation criteria of consumable and maintenance materials included in inventory of the subsidiary Stahl Gerlafingen AG was changed. This was driven by the acquisition of the minority interest, in order to render the accounting principles uniform to the ones applied by the Group.

Due to this change, the profit of the financial year which ended at December 31, 2010 was, before the tax effect and the effect to the opening balance, Euro 716 thousand (Euro 516 thousand net of tax) higher than the one the company would have recorded if it had continued to apply the previous valuation criteria.

The effect to the consumable and maintenance materials inventory opening balance of the subsidiary Stahl Gerlafingen AG at the beginning of the financial year was of Euro 11,015 thousand (Euro 8,481 thousand net of tax), accounted for in the extraordinary income.

### **Dispensations with reference to the 4th sub-section of art. 2423 of the Civil Code**

It is also stated that no dispensation was used with reference to the 4th sub-section of art. 2423 of the Civil Code.

## 4. Comments on the Principal Items of the Balance Sheet

Comments on the economic environment and Group operations as well as comparison between the current financial year figures against the previous one are made in the "Report on Group Operations".

### 4.1 Amount Due from Stockholders for Shares Subscribed but not called

The amount of Euro 700 thousand is related to the share capital subscribed, but not yet paid by minority shareholders, and related to the approved increase in share capital of the subsidiary Marghera Lamiere S.p.A.. The residual due will be paid in connection with the progressive realisation of the capital expenditure plan developed by the company itself.

### 4.2 Intangible Fixed Assets

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

	Information technology system development and software acquisition	Expenses for work on third party assets	Charges arising from financing	Start-up and expansion costs	Under construction and others
Balance as of December 31, 2009	3,174	213	206	24	24
Additions	304	---	141	4	102
Translation differences	20	---	---	---	---
Reclassification and others	(111)	---	---	---	28
Amortisation	(985)	(71)	(110)	(8)	(24)
Balance as of December 31, 2010	2,402	142	237	20	130

Amounts in thousands of Euro

The additions for the current financial year are equal to Euro 551 thousand (Euro 1,285 thousand in 2009). The amortisation of the intangible assets in 2010 was Euro 1,198 thousand (Euro 1,268 thousand in the previous financial year). The amortisation rate mostly used was 20%. The amortisation of the financing charges was in

proportion to the disbursement and reimbursement of the related loans.

The most significant item refers to the implementation of the new SAP management information system, which started operating and being amortised in the first semester of 2009. The project, coordinated by the Parent Company, was structured in a way to allow the use of the above mentioned software by all the other Group companies. The net book value accounted for in the intangible fixed assets, equals to Euro 1,548 thousand.

The amount shown within "Expenses for work on third party assets" refers almost entirely to the dredging of the canal near the Marghera Portuale S.p.A. wharf. This intervention allows the docking of greater draught ships. The work was completed in December 2007 and the cost of this operation chargeable to the company has a residual value of Euro 142 thousand.

### 4.3 Tangible Fixed Assets

Most of the fixed assets consist of items owned by the Parent Company and by its subsidiaries with manufacturing operating activities.

The changes that occurred during the fiscal year, compared to the previous one, are summarised as follows:

	2010	2009
Balance as of December 31, 2009	490,471	484,182
Additions	51,435	74,552
Translation differences	24,135	(1,411)
Allocation to the tangible fixed assets of the difference between the purchase price of an investment and its equity book value	1,991	---
Elimination of fixed assets through dismissals and renewals, net	(380)	(459)
Impairment, impairment reversal and others	3,881	(12,640)
Depreciation and impairment for the fiscal year	(53,239)	(53,753)
Balance as of December 31, 2010	518,294	490,471

Amounts in thousands of Euro

Tangible fixed assets under construction, were equal to Euro 54,954 thousand (Euro 73,848 thousand in 2009). The assets, which entered into operation in the course of the financial year under examination, were classified to their pertinent categories. The 2010 additions in tangible fixed assets (including the assets which were not already operational by the year end) amount to Euro 51,435 thousand. The most relevant additions in 2010 were the following:

- Completion of the first phase of the investment of the subsidiary Stahl Gerlafingen and implementation of production at the new facility for heavy sections and beams for a total of Euro 31,600 thousand. This project, which began in 2007, relates to capital expenditures for the expansion, technological updating and environmental safeguarding of the site and confirms the definitive integration of the Swiss site into the wider, Group scenario.
- Work carried out at rolling mills of Euro 7,100 thousand for the gradual expansion of production ranges allowing greater capacity to supply market segments with higher margins.
- Purchase of industrial trucks for Euro 2,300 thousand by the subsidiary Stahl Gerlafingen AG.

The amount of Euro 24,135 thousand accounted for in the translation differences derives from the revaluation of the Swiss Franc (functional currency of the subsidiary Stahl Gerlafingen AG) against the Euro recorded during the financial year.

The assets are without mortgages.

The difference between the purchase price paid to acquire the minority interest in the subsidiary Stahl Gerlafingen AG and its equity book value was Euro 1,991 thousand. The amount was allocated to increase the value of land. The adjusted carrying amount of land is however still lower than the fair value at the acquisition date.

As commented in the "Report on Group Operations" the Group has put into place a strategy to reorganise industrial operations. The restructuring plan covers halting production in minor plants in Italy. The recoverability of the value of the tangible fixed assets of the sites in question has been assessed comparing their carrying amounts to their recoverable values. The carrying amounts of the tangible fixed assets of the Italian sites under review were adjusted in 2009 to a lower net realisable value through a provision of Euro 2,000 thousand. The realisable value was supported by an independent third party expert valuation report. In the financial year under review the provision was increased to a total of Euro 2,300 thousand.

During the second semester, due to positive prospects forecasted for coming years both in terms of volumes and profit margins, the subsidiary Donalam SRL resumed production of large size sections for the mechanical engineering industry.

The tangible fixed assets of the Rumanian subsidiary have been tested for impairment in order to assess the recoverability of the carrying amount. The test was carried out calculating the present value of 2011-2013 cash flows (DCF) and the terminal value in 2014. The income statement data and the changes in the net working capital were taken from the three year business plan approved by the Parent Company. The test

showed a positive outcome, and consequently Euro 11,636 thousand impairment accounted for in the prior financial year was reversed for Euro 7,214 thousand.

An additional impairment of Euro 240 thousand was accounted for in order to write off the net book value of supplementary logistic structures at the San Didero (TO) steel plant. These tangible assets will be replaced during 2011 in connection with the restructuring plan outlined in the "Report on Group Operations".

In the financial years 2002 and 2003 the Parent Company allocated the merger differences to the tangible fixed assets. The merger differences, in accordance to the accounting principles adopted at the time, were recorded net of deferred taxes. The amounts, with the exception of land, are almost entirely depreciated.

The carrying amount of land is higher than its tax base for Euro 71,809 thousand. The decision was made not to realign the two values, unlike all remaining tangible fixed assets through the payment of a "substitute" tax. The amount, net of the related tax and mainly related to areas whose disposal is at the moment only hypothetical, is lower than the potential realisable one.

The tangible fixed assets carrying amounts, which includes the allocation of the merger differences completed in previous financial years and higher acquisition costs compared to the carrying amount shown in the acquiring companies' balance sheet, do not exceed their market value and/or their value in use.

## 4.4 Financial Assets

Unconsolidated investments are accounted for Euro 4,587 thousand (Euro 4,597 thousand in 2009) and are mainly due to:

- Laminados Industriales S.A (Argentina) with a shareholding of 14.84%, for Euro 3,315 thousand.
- Laminoirs des Landes S.A. (France), with a shareholding of 14.24%, for Euro 1,200 thousand.

The two companies' corporate objective is to operate in the steel industry. The investment projects for the construction of the production sites have started and it is forecasted that they will start operating in the next couple of years.

The other receivables included within the financial assets, which amount to Euro 741 thousand (Euro 7,153 thousand in 2009), include:

- Deposit for Euro 288 thousand (Euro 243 thousand in 2009) of the subsidiary Stahl Gerlafingen AG in a Swiss bank in relation to customs transactions.
- Receivables with public bodies by the subsidiary L.M.E. Trith S.A. for housing and advances for Euro 285 thousand (Euro 389 thousand in 2009).

- Other deposits for Euro 168 thousand (Euro 91 thousand in 2009).

In the previous financial year an advance of Euro 6,430 thousand was included in the financial assets. The advance was paid in 2008 to the minority shareholder of the subsidiary Stahl Gerlafingen against the intended buy out of its shares. The minority interest was bought during the current financial year.

## 4.5 Inventories

Inventories consist of the following:

	2010	2009
Finished products	127,662	129,592
Semi-finished products	62,460	50,487
Consumable materials	33,037	23,724
Raw materials	18,891	18,366
Ancillary materials	6,370	6,950
Plants and machineries held for sale	262	393
Advance	4	165
<b>Total</b>	<b>248,686</b>	<b>229,677</b>

Amounts in thousands of Euro

Changes in the inventory are analysed below with reference to the main categories:

- Raw materials decreased with regards to quantities, while the unit costs registered an increase of 58%.
- Semi-finished goods decreased in quantities by 15%, while the unit cost registered an increase of 46%.
- Finished goods decreased in quantities by 25%, while the unit cost registered an increase of 31%.

The decrease of quantity in stock derives from the optimisation of the inventory management and from the dynamic of the quantities sold, which increased towards the end of the year. The unit value increased as it was directly influenced by the dynamic recorded in the raw materials purchase price which, after significant increases in the first semester, remained at a high level for the rest of the financial year.

The adjustment of the manufacturing cost to the market value (replacement cost for raw materials and net realisable value for finished goods and work in progress) generated a write down of Euro 3,443 thousand (Euro 9,128 thousand in 2009).

## 4.6 Trade Receivables

Trade receivables, net of allowance for doubtful accounts, have passed from Euro 151,562 thousand in the previous financial year to Euro 201,455 thousand in 2010. The increase, compared to the previous financial year, is derived from the growth in shipped volumes recorded in the last quarter, of about 9%, and in the selling price, of about 24%.

The trade receivables have been aligned to their realisable value, through a provision for bad debt whose movement is shown hereunder (in thousands of Euro).

	2010	2009
Balance as of December 31, 2009	7,075	8,220
Additions	927	229
Amounts recovered from bankruptcy proceedings	14	121
Translation differences	(4)	---
Utilisation	(646)	(1,495)
Balance as of December 31, 2010	7,366	7,075

Amounts in thousands of Euro

Receivables, due within the next financial year, for about 93% (94% in 2009) against customers within the European Union, net of the adjustments, reflect the estimated realisable value.

## 4.7 Receivables Towards Associated Companies

The amount of Euro 841 thousand (Euro 444 thousand in 2009) refers to trade receivables from the Parent Company to the associates:

- Laminoirs des Landes S.A. for Euro 604 thousand (Euro 379 thousand in 2009).
- Laminados Industriales S.A. for Euro 211 thousand (Euro 27 thousand in 2009).
- A3 Metal S.r.l. for Euro 2 thousand.

And to the related party Idroelettriche Riunite S.p.A. for Euro 24 thousand.

Receivables towards Laminoirs des Landes S.A. and Laminados Industriales S.A. are related to the disposal equipment by the Parent Company's plant. With regards to Idroelettriche Riunite S.p.A. the amount is related to legal and administrative services provided by the Parent Company and by the subsidiary Beltrame Corporate Services S.r.l..

## 4.8 Tax Receivables

Tax receivables amount to Euro 24,527 thousand (Euro 36.007 thousand in 2009). The amounts refer mainly to:

- Advance tax payments and receivables accrued during the financial year for Euro 17,396 thousand (Euro 19,759 thousand in 2009). The decrease compared to the previous financial year is due to the utilisation of advance tax payments made by the Parent Company and the subsidiary Laminés Marchands Européens S.A..
- VAT for Euro 6,427 thousand (Euro 15,970 thousand in 2009), mainly relating to Donalam SRL and LME Trith S.A.. The decrease is principally due to the refund of a receivable reported by Donalam SRL, whose disclosure was provided in the previous financial year.

## 4.9 Deferred Tax Assets

Deferred tax assets, recorded at Euro 24,139 thousand (Euro 23,940 thousand in 2009), derived from temporary differences on the taxable income. The composition of the balance is analysed in the attachment c).

## 4.10 Other Receivables

Other receivables include the following:

	2010	2009
Receivables from social security and employees	1,455	1,905
Receivables due to excess Co2 emission certificates	444	431
Advances to suppliers	91	2,098
Receivables from insurance	15	162
Others	166	167
<b>Total</b>	<b>2,171</b>	<b>4,763</b>

Amounts in thousands of Euro

Receivables from social security and employees are mainly connected to payments towards employees that were affected by redundancy funds ("Cassa integrazione ordinaria e straordinaria") and similar mechanisms for the foreign companies.

The receivable due to excess Co2 emission certificates is derived from the partial utilisation by the subsidiary Stahl Gerlafingen AG of certificates previously acquired.

#### 4.11 Financial Assets not Held as Fixed Assets

The Financial statements of the previous financial year showed an amount of Euro 8,748 thousand related to a loan granted to Stahl Gerlafingen's minority shareholder. The loan was interest bearing and collectable at request. In the financial year under review, in connection with the acquisition of the minority interest by the Parent Company the loan was settled.

#### 4.12 Liquid Funds

The balance of Euro 27,640 thousand (Euro 41,499 thousand in 2009) is mostly derived from the amounts present in the financial statements of the following subsidiaries:

- Stahl Gerlafingen AG, connected to financing, they will be utilised in the following months in accordance with the capital expenditure plans.
- Donalam SRL, connected to cash collected at the end of the financial year. They will be utilised in the first few days of the 2011.

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

#### 4.13 Prepayments and Accrued Income

The amount listed of Euro 1,747 thousand (Euro 509 thousand in 2009), principally refers to:

- Euro 1,040 thousand accounted for by the Parent Company relates for the funding of the planning and development of structures to strengthen infrastructure to connect the electric grid with others within the European Union. Against the outlay, the Company will be entitled to use the infrastructure, as soon as operational, in proportion to the level of investment made. This will allow the Company to source cheaper energy.
- Euro 217 thousand accounted for by the Parent Company relates to charges, incurred at the beginning of 2010, connected to the subscription of an Interest Cap Swap contract. The contract was signed in order to hedge interest risks on bank borrowings.
- Euro 130 thousand (Euro 211 thousand in 2009) related to current financial year accruals of rents and leases of buildings and equipment by the subsidiaries LME Trith S.A. and Stahl Gerlafingen AG..

In the previous financial year Euro 168 thousand of the "substitute tax", was recorded following the accrual basis of accounting. This resulted from the tax redemption of part of the "merger differences" connected to the mergers completed in the financial years 2002 and 2003. The division of the charge between present and future financial years was determined on the basis of the temporal allocation of the tax benefits connected with the increased depreciations recognised for tax purposes.

#### 4.14 Shareholders' Equity

Share capital, entirely underwritten and paid-in, consists of Euro 104 million and is represented by 200,000 ordinary shares with a nominal value of Euro 520 each, entirely held by the Parent Company Beltrame Holding S.p.A..

The Parent Company reformed, in previous financial years, the reserves under tax suspension regime previously shown in the shareholders' equity of the subsidiaries merged for Euro 1,597 thousand (Euro 4,885 thousand in 2009), thus binding the share premium reserve and part of the extraordinary reserve.

The reserves shown by the Italian companies, which are not distributable in accordance with art. 2426 point 5) of the Civil Code, amount to Euro 20 thousand (Euro 24 thousand in 2009). The reserve for profit on exchange rate amounts to Euro 4 thousand. At the shareholders' approval of the current financial statements the reserve will be increased by Euro 14 thousand to a total of Euro 18 thousand.

The changes in the Shareholders' equity are reported in attachment b).

#### 4.15 Deferred Tax Liabilities

Deferred tax liabilities, amounting to Euro 6,165 thousand (Euro 5,663 thousand in 2009) is recorded mainly for additional depreciation deducted in the previous financial year by the Parent Company and the subsidiaries LME Trith S.A. and Ferriera Sider Scal S.p.A. for Euro 5,524 thousand (Euro 5,346 thousand in the previous financial year). Deferred tax liabilities of Euro 101 thousand (Euro 172 thousand in the previous financial year) are accounted for by the Parent Company and the subsidiary Ferriera Sider Scal S.p.A. and are related to the instalments of capital gain on disposal of non-current assets.

Further details are provided in the attachment at the foot of these financial statements.

## 4.16 Other Allowances for Risks and Charges

The balance is made up as follows:

	2009	Additions	Utilisations	Translation differences	2010
Provision for environmental charges	11.051	93	1.086	187	10.245
Provision for restructuring	7.500	2.412	2.354	---	7.558
Provision for risks and future charges	6.518	219	421	43	6.359
Provision for derivatives valuation	4.372	1.665	2.782	284	3.539
Provision for tax litigation	2.148	---	---	---	2.148
Provision on order backlog	2.041	485	2.118	202	610
Retirement provision	1.016	54	4	---	1.066
Others	237	24	128	---	133
<b>Total</b>	<b>34.883</b>	<b>4.952</b>	<b>8.893</b>	<b>716</b>	<b>31.658</b>

Amounts in thousands of Euro

Provision for environmental charges was recorded by the Parent Company, and the subsidiaries LME Trith S.A., Stahl Gerlafingen AG, Ferriera Siderscal S.p.A. and Train a Laminés Marchands S.A. due to taking into account liabilities the companies may incur. In some instances they refer to clean up costs of area where the companies operated in the past, even before they were part of the Group. The utilisations in the financial year are related to the costs for activities carried out in the year and legal and technical advice provided by third parties.

Provision for restructuring was accounted for in order to take into account costs that will be incurred by the Italian companies in connection with the restructuring plan initiated at Group level and described in the "Report on Group Operations".

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

The provision for derivatives valuation reflects the negative valuation at the balance sheet date of the financial instruments connected to the hedging of interest rates. Further information is provided in the memorandum accounts paragraph.

Provision for tax litigation was accounted for in previous years by the Parent Company to take into account costs that may be incurred during a tax audit. Caption 4.24) provides a brief description of the Parent Company

and main subsidiaries tax position.

Provision on orders backlog was accounted for in order to take into account potential losses on sale commitments underwritten, whose shipments will be carried out in the next financial year.

The retirement provision was accounted for by the Parent Company and it is related to the allowance due to the agents who collaborate with the company, in compliance with what is required by the "Accordo Economico Collettivo" (general labour agreement).

The provisions are estimated also with the support of legal advice from Company lawyers.

#### 4.17 Personnel and Severance Indemnity

The analysis of the movements of the severance indemnity for the year under examination is detailed as follows:

	2010	2009
Opening balance	26,882	27,817
Provisions for the year	1,764	2,142
Translation differences	262	2
Utilisations for the year	(2,464)	(3,079)
Closing balance	26,444	26,882

Amounts in thousands of Euro

The item includes the severance indemnity of the Italian companies and the pension funds of the foreign entities of the Group, updated, if necessary, with actuarial calculation and monetary revaluation in compliance with the appropriate legal requirements.

The Group's personnel went from 2,684 employees in the previous financial year to 2,605 currently.

## 4.18 Non-Convertible Bonds

The balance, equal to Euro 17,325 thousand (unchanged compared to the previous financial year), relates to the "Platinum" bond issued by the Parent Company in January 2004 for Euro 63 million. The full repayment was planned for December of the financial year under review. However, the Company agreed the bond holders' request for the bond to keep accruing interest until the contractual repayment date. The interest calculation, unchanged compared to the original bond regulation, is equal to the average Euribor rates quoted in October, plus a spread of 100 basis points.

## 4.19 Borrowings from Banks

Payables to banks total Euro 268,313 thousand (Euro 272,302 thousand in 2009) and include the usage of the following technical forms of loan:

	2010	2009
Bank overdraft facilities, having effect on the single portfolio and short term financing account	83,494	74,899
Medium and long term financing – due within the following financial year	42,439	40,855
Total short term payables to banks	125,933	115,754
Medium and long term financing – due beyond the following financial year	142,380	156,548
Total	268,313	272,302

Amounts in thousands of Euro

At the financial statements date the companies of the Group had significant amounts of unused bank overdraft facilities.

The variation in debt levels is analysed in the attached statement of cash flows.

The subsidiary Laminés Marchands Européens S.A., against short term payables to its banks, disposed of some of its trade receivables without recourse. At the end of the financial year the transaction was in place for Euro 31,240 thousand against borrowings of Euro 26,000 thousand (Euro 28,187 thousand and Euro 12,000 thousand respectively in the previous financial year).

Medium and long term loans, including the short term part, amount to Euro 184,819 thousand (Euro 197,403 thousand in 2009). Each amortisation plan is summarised below (in thousands of Euro):

Reimbursement year	2011	2012	2013	2014	2015	2016
Funds provided by Banca Antonveneta to the Parent Company	13.605	---	---	---	---	---
Funds provided by Banca Popolare di Vicenza to the Parent Company	---	4.505	9.202	9.462	4.831	---
Funds provided by Banco Popolare di Verona e Novara to the Parent Company	12.000	12.000	9.000	---	---	---
Funds provided by Unicredit Banca to the Parent Company	5.773	5.921	6.072	6.228	3.174	---
Funds provided to the subsidiary LME Trith S.A.	6.032	6.102	3.079	---	---	---
Funds provided by Cassa di Risparmio del Veneto to the subsidiary Stahl Gerlafingen AG	5.000	15.000	15.000	12.500	10.000	10.000
Funds provided by Crédit Suisse to the subsidiary Stahl Gerlafingen AG	29	304	---	---	---	---

Additional information on the financing facilities shown in the Parent Company's and in the subsidiaries Laminés Marchands Européens S.A., LME Trith and Stahl Gerlafingen AG's balance sheets are provided below:

## AFV Acciaierie Beltrame S.p.A

	Unicredit S.p.A.	Banca Popolare di Vicenza	Banca Popolare Antonveneta	Banca Popolare di Verona e Novara
Original amount	30,000	28,000	96,505	60,000
Residual amount as of December 31, 2009	30,000	---	28,605	45,000
Residual amount as of December 31, 2010	27,168	28,000	13,605	33,000
Annual interest rate	variable	variable	variable	variable
Interest payment	Quarterly	Quarterly	Semester	Quarterly
Number of instalments	20 quarterly	12 quarterly	Six annual	20 quarterly
Date of disbursement	2009	2010	2002	2006
Date of repayment of 1st instalment	August 2010	September 2012	December 2006	December 2008

In the financial year under review the Parent Company took a loan from the Banca Popolare di Vicenza bank of Euro 28,000 thousand. The loan is connected to the acquisition of the residual 35% minority interest in the subsidiary Stahl Gerlafingen AG. The shares have been mortgaged as collateral security of the loan.

The Euribor rates used for the interest computation are related to the period in which the interest is paid.

### LME Trith S.A.

The loan was granted in two instalments of the same amount for a total of Euro 30 million in the financial years 2006 and 2008 by a pool of French banks. The reimbursement, which began in 2008, amounted to Euro 14,787 thousand. The reimbursement plan is described in the previous page. The interest rate is based on the Euribor three months, plus a spread.

### Stahl Gerlafingen AG

The company has in place:

- Loan for Euro 75 million underwritten against a capital expenditure plan in a new rolling mill for heavy sections. The amount was transferred in two instalments, Euro 25 million in July 2007, and Euro 50 million in 2009. The reimbursement began in 2009 on a quarterly basis for a total of Euro 7.5 thousand. The interest rate is based on the Euribor six months, plus a spread.
- Loan of CHF 416 thousand (translated in the current financial statements to Euro 333 thousand). The cash was transferred in 2008 for a total of Swiss Franc 506 thousand. The reimbursement is made up of

equal quarterly instalments of Swiss Franc 9 thousand each, for every financial year until 2011 and will end in 2012 with the payment of the last instalment of Swiss Franc 380 thousand. The interest rate is 4.15%. The loan agreements set out financial covenants, for the entire length of the contracts, related to profitability performances and indebtedness levels on the consolidated financial statements of the current year and previous year and negative pledges related to providing personal and or collateral security. As of December 31, 2010, due to a negative EBITDA recorded by the Group in the previous financial year, one of the financial covenants was not met. However, the companies that borrowed the amounts obtained a formal communication from the banks that no modifications to the contractual terms will take place due to the covenant not being met.

Hedging instruments that have been put in place by some Group companies to hedge against the interest rate risk related to the above mentioned loans, have been described in the memorandum accounts.

## 4.20 Payables to Other Lenders

The amount equal to Euro 6,840 thousand (Euro 4,352 thousand in 2009) refers to:

- For Euro 3,921 thousand residual payments due to the acquisition of fixed tangible assets carried out by the subsidiary Stahl Gerlafingen AG through financial leasing agreements and accounted for following the financial method (Euro 973 thousand in 2009).
- For Euro 2,710 thousand to a loan granted by Soloturn canton to the subsidiary Stahl Gerlafingen AG (Euro 3,066 thousand as at 31 December 2009).
- For Euro 112 thousand (Euro 124 thousand in 2009) to a loan granted to the subsidiary Stahl Gerlafingen A.G. from an energy supplier in the financial year under review. The loan is related to operations carried out to the external distribution energy grid.
- For Euro 97 thousand (Euro 189 thousand in 2009) to the residual instalments of an original loan of Euro 811 thousand that was granted to the Parent Company in two parts in the years 1997 and 1999 by the Ministry of Industry, Commerce and Craft. Repayment is scheduled over 10 annual instalments, the first of which, of 67 thousand Euros, was repaid in the financial year 2002. The last instalment is due in April.

## 4.21 Trade Payables

Trade payables passed from Euro 158,356 thousand in 2009 to Euro 215,037 thousand in the financial year under review. The variance is mainly due to the international dynamic of an increase in raw materials prices which defined the 2010 financial year, where prices were on average 57% higher than the previous one.

The item included trade payables of Euro 37,839 thousand (Euro 25,957 thousand in 2009) towards suppliers not located within the European Union. The majority of the amount is accounted for in the subsidiary Stahl Gerlafingen A.G.'s Financial statements.

## 4.22 Payables to Parent Subsidiarie

The amount of Euro 110 thousand (Euro 83 thousand in the previous financial year) refers to a bearing interest loan granted by the Laminés Marchands Européennes S.A. to its subsidiary LME Nederland A.G..

## 4.23 Payables to Parent Company

Payables to the Holding Company, accounted for in the Parent Company's and in the subsidiary Stahl Gerlafingen AG's financial statements, amounted to Euro 419 thousand (Euro 38 thousand in 2009). The amounts were related to interest on loans for Euro 365 thousand and services provided by the Holding Company and related to the purchase of raw materials for Euro 54 thousand (the entire amount recorded as payables to the Parent Company in the previous financial year).

## 4.24 Tax Payables and Tax Exposure

The composition of this item is as follows:

	2010	2009
VAT	6.256	1.265
Withholdings on self-employees and employees	3.019	2.400

Amounts in thousands of Euro

(segue)	2010	2009
Current tax	995	1,445
"Substitute tax" on the redemption of the merger difference and of the reserves for accelerated depreciation	---	766
Others	71	281
<b>Total</b>	<b>10,341</b>	<b>6,157</b>

Amounts in thousands of Euro

Current tax payables represent the forecasted payments due to taxable income, taking into account advanced payments and withholdings. The amount refers mainly to the liability for IRAP accounted for by the Parent Company. In most cases advance payments covered, partially or totally, the tax liabilities.

In the previous financial year a "substitute tax" payable that was originally accounted for in the 2007 financial year by the Parent Company and by the subsidiary Marghera Portuale was shown. The payment of the "substitute tax", in line with the provisions of the Law n. 244 of 24th December 2007, allowed the elimination of the difference between book and tax value of the tangible fixed assets.

The differences were derived from the deduction of accelerated depreciation in the tax return and from the allocation of "merger differences" carried out as part of the corporate reorganisation. The third and last instalment was paid in the financial year under review.

The Italian companies direct and indirect taxes are closed for tax review up to the financial year 2005, due to the audit term having expired. In 2010 the Parent Company was subject to a tax audit by the Venice "Direzione Regionale delle Entrate" (tax audit office), with regards to the 2008 financial year. The audit also covers specific issues in other years which are still open for audit. No claim has been issued so far and the Company and its tax advisors remain convinced of the legitimacy of all operations.

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

- Laminés Marchands Européens S.A., LME Trith S.A., Train à Laminés Marchands S.A. e Laminoir du Ruau S.A. up to the financial year 2008 for direct taxes and to the financial year 2007 for indirect taxes.
- Stahl Gerlafingen AG up to the financial year 2009 for direct and indirect taxes.

In the 2010 financial year Donalam SRL was selected for a tax audit by the local tax authority. The tax authority audited the company operations carried out up to the end of the 2008 financial year and no material issues were highlighted.

## 4.25 Other Payables

The item 'other payables', all due within the next financial year, consists of the following:

	2010	2009
Due to employees and withholding for the supplementary severance fund for employees	10,129	10,355
Payables for advanced to minority shareholders	884	950
Differentials to be paid on hedging instruments	420	683
Insurance premium balance	97	76
Advance from customers	---	59
Others	641	532
<b>Total</b>	<b>12,171</b>	<b>12,655</b>

Amounts in thousands of Euro

The amount entered against Payables to employees is principally related to December wages and to the provision made for holidays accrued, but not yet taken. The amount of Euro 884 thousand refers mainly to payments carried out by the minority shareholder on behalf of the subsidiary Train à Laminés Marchands S.A..

## 4.26 Accrued Expenses and Deferred Incomes

Accrued expenses and deferred incomes consist of the following:

	2010	2009
Accrued interest on financing	103	578
Deferred interest and grants on trade receivables	---	34
Accrued interest on bonds	---	14
Others	24	30
<b>Total</b>	<b>127</b>	<b>656</b>

Amounts in thousands of Euro

The most significant amount refers to the interest accrued on a loan granted to the Parent Company for Euro 54 thousand.

## 4.27 Memorandum Accounts

Financial instruments for the hedging of interest and exchange rates were underwritten by:

### **AFV:**

- Interest Rate Swap with a residual notional amount of Euro 30 million, starting September 13, 2007, until February 7, 2011. The estimated market value at the balance sheet date was negative for Euro 246 thousand (Euro 1,208 thousand in 2009).
- Interest Rate Swap Amortising with a residual notional amount of Euro 16,500 thousand, starting September 1, 2006, until September 1, 2013. The estimated market value at the balance sheet date was negative for Euro 638 thousand (Euro 904 thousand in 2009).
- Interest Rate Swap with a notional amount of Euro 12,869 thousand, starting June 17, 2009, until February 28, 2015. The estimated market value at the balance sheet date was negative for Euro 316 thousand (Euro 267 thousand in 2009).
- Interest Rate Cap with a notional amount of Euro 28,000 thousand, starting 26 May 2010 until June 30, 2015. The estimated market value at the balance sheet date was positive for Euro 223 thousand.

### **LME Trith S.A.:**

- Interest Rate Swap Amortising with a residual notional amount of Euro 7,500 thousand, starting December 4, 2006, until June 3, 2013. The estimated market value at the balance sheet date was negative for Euro 278 thousand (negative for Euro 439 thousand in 2009).
- Interest Rate Swap Amortising with a residual notional amount of Euro 3,750 thousand, starting June 10, 2008, until June 10, 2013. The estimated market value at the balance sheet date was negative for Euro 179 thousand (negative Euro 302 thousand in 2009).
- Forward sales contracts in Pound Sterling 3,375 thousand (4,564 thousand in 2009), Norwegian Corona 527 thousand (2,587 thousand in 2009) and Swedish Corona 950 thousand (8,935 thousand in 2009) against export sales with deferred payment and sale agreements of finished products.

### **Stahl Gerlafingen AG:**

- Interest Rate Swap Amortising with a residual notional amount of Euro 8,750 thousand, starting July 4, 2007, until June 30, 2014. The estimated market value at the balance sheet date was negative for Euro 508 thousand (Euro 712 thousand in 2009).
- Interest Rate Swap Amortising with a notional amount of Euro 50 million, starting October 15, 2009, until July 18, 2016. The estimated market value at the balance sheet date was negative for Euro 727 thousand (Euro 328 thousand in 2009).

### **Donalam SRL:**

- Option to purchase USD 5.5 million, starting December 28, 2010, until March 28, 2011. The estimated

market value at the balance sheet date was negative for Euro 118 thousand.

- Option to purchase USD 5.2 million, starting September 29, 2010, until February 24, 2011. The estimated market value at the balance sheet date was positive for Euro 17 thousand.

In order to fully cover the estimate negative market value of the derivative contracts, provisions or other payables were accounted for in the current or previous financial years.

The Parent Company signed with the minority shareholder of the subsidiary Donalam SRL a put and call options agreement to acquire the minority interest.

The exercise price of the option is connected to the market value of the investment at the same date, the agreement provides an indication of the cap and floor value. The estimate of the exercise price at the balance sheet date was Euro 9,550 thousand.

The amounts recorded within the memorandum of accounts are relative to Euro 2,751 thousand (Euro 2,479 thousand in 2009) of third party goods and include various types of equipment used by the Group companies.

In the previous financial year the memorandum accounts showed Euro 37,500 thousand related to the purchase commitment of the minority interest in the company Stahl Gerlafingen AG. The option was exercised in 2010, earlier than the contractual term and in agreement with the counterpart. The acquisition, for a total of Euro 42,681 thousand, was partially funded through a loan of Euro 28,000 thousand provided by Banca Popolare di Vicenza. The shares have been mortgaged as collateral security of the loan.

## 5. Comments on the Principal Items of the Income Statement

Comments on the economic environment and Group operations as well as comparison between the current financial year figures against the previous one are made in the "Report on Group Operations".

### 5.1 Revenues from Sales and Services

The apportionment of revenues is summarised in the table below:

	2010	2009
Rolled bars	863,897	740,738
Rounds for construction industries	206,622	166,938
Meshes	32,892	28,677
Wire rod	5,806	5,869
Semi-finished products	4,408	958
Contract works	1,626	1,293
Raw materials	163	210
Others	410	957
Total	1,115,824	945,640

Amounts in thousands of Euro

The increase in revenues is due to the growth of the average selling prices by about 22%, while volumes sold decreased by about 4%.

It should be highlighted that, in the 2010 financial year, 74% of revenues were generated from sales to countries within the European Economic Community (77% in the prior year).

### 5.2 Changes in Work in Progress, Semifinished and Finished Goods Inventories

The increase in the value of the inventories was equal to Euro 5,844 thousand (decrease of Euro 76,438 thousand in 2009). The analysis of the change is illustrated in paragraph 4.5).

## 5.3 Additions to Internally Manufactured Fixed Assets

The amount, equal to Euro 4,514 thousand (Euro 1,855 thousand in 2009), refers to the capitalisation of personnel and materials costs used to carry out the capital expenditure plans described in caption 4.3).

## 5.4 Other Revenues and Incomes

Other revenues and incomes include:

	2010	2009
Disposal of Co2 emission certificates	2,307	---
Utilisation of provisions	1,854	1,521
Compensation and various reimbursements	1,459	1,312
Current year grant	1,059	640
Capital gain derived from normal operations	836	527
Rent	470	410
Capital gains on tangible assets disposal	334	139
Services rendered by employees	324	27
Others	683	765
<b>Total</b>	<b>9,326</b>	<b>5,341</b>

Amounts in thousands of Euro

The subsidiaries LME Trith S.A. and Donalam SRL disposed of Co2 emission certificates they were holding in excess, achieving revenues of Euro 2,307 thousand, as indicated above.

The utilisation of provisions for Euro 1,854 thousand (Euro 1,521 thousand in 2009) is derived mainly from the consolidation of the subsidiaries LME Trith S.A., Laminoir du Ruau S.A., Train à Laminés Marchands S.A. and AFV Beltrame GmbH's Financial statements.

Compensation and various reimbursements refer to claims paid out by insurance companies.

Current year grants refers for Euro 950 thousand to a grant received by the Parent Company, connected to the energy saving achieved by the Vicenza plant for better performance in steel production.

## 5.5 Costs for Raw, Ancillary and Consumable Materials and Products

These costs can be summarised as follows:

	2010	2009
Raw materials	593,978	390,905
Ancillary materials	62,172	53,992
Consumable and maintenance materials	48,080	43,471
Semi-finished products	22,383	4,357
Goods	4,688	4,040
Packaging	1,268	1,206
Others	149	189
<b>Total</b>	<b>732,718</b>	<b>498,160</b>

Amounts in thousands of Euro

The increase in raw material costs is derived from an increment of the average purchase price of about 62%; purchase volumes decreased by about 6%.

The costs of semi-finished products were higher in 2010, mainly due to an increase in the manufacturing of large size sections for the mechanical engineering industry by the subsidiary Donalam SRL.

## 5.6 Services

Details of the principal items are listed below:

	2010	2009
Electricity and methane	105,078	125,534
Logistics	43,919	51,001
Maintenance charges	23,570	31,513
Charges for the disposal of production by-products and other environmental costs	7,938	8,175
Legal and administrative charges	5,621	4,896
Sales commissions	4,214	5,635
Insurance	2,901	3,271
Directors and statutory auditors compensation	2,772	2,773
Security	1,421	1,374
Warehouse movement charges	1,166	1,094
Travel expenses	1,014	1,090
Phone and post expenses	1,002	936
Canteen	811	765
Cleaning expenses	636	874
Bank charges	636	611
Others	8,537	7,559
<b>Total</b>	<b>211,236</b>	<b>247,101</b>

Amounts in thousands of Euro

In accordance with the provision issued by the Authority for Electricity and Gas, which has the aim of creating one energy market for the whole of the European Union, the Parent Company was selected to finance the planning and development of structures to strengthen infrastructure to connect the electricity grid with others abroad. Against the outlay, the Company will be entitled to use the infrastructure, as soon as operational, in proportion to the level of investment made. This will ultimately allow the Company to source cheaper energy. During the planning and development phase, the Company has been entitled to purchase definitive quantities of electricity from abroad, therefore sourcing energy from both the national grid as well importing it and thus making considerable savings.

This benefit, along with improvements to energy efficiency due to plant investments carried out on the Group's steel production machinery, and a limited reduction in the quantities of steel produced, has contributed to a total reduction of electricity and methane gas costs, which have fallen from Euro 125,534 thousand in 2009 to Euro 105,078 thousand in 2010.

The decline in the logistics costs is due mainly to:

- Optimisation of the logistics costs obtained through the centralisation of the logistics function of subsidiaries trading with foreign countries.
- A lower number of shipments carried out to customers in countries not in close proximity to the production plants.

Maintenance activity is derived from the planned systematic checks for ensuring the maintenance of efficiency levels of structures, plants and machinery present at company production sites. The activity is generally carried out through preventative interventions based on planned schedules.

Charges for waste disposal from the manufacturing processes are applicable only to steel production sites. During the melting process some waste materials are reusable (only the iron part after a mechanical screening process can be sent for melting once again) and others are destined for authorised landfills.

## 5.7 Leases and Rental

Lease and rental costs totalling Euro 3,506 thousand (Euro 3,516 thousand in 2009) refer mainly to the lease of buildings and machinery by the Parent Company and the subsidiaries Stahl Gerlafingen AG and LME S.A..

## 5.8 Personnel

Personnel costs in the financial year under review totalled Euro 125,231 thousand (Euro 133,940 thousand in 2009). The decrease is due to:

- The substantial use of ordinary and extraordinary redundancy funds ("Cassa integrazione ordinaria e straordinaria") from the Parent Company and Ferriera Sider Scal S.p.A. during the financial year under review (already used for a limited period in the previous financial year) and similar mechanisms for the foreign companies.
- Reduced average number of employees compared to the previous financial year.

Minor impacts were caused by salary dynamics and to a lower incidence, of extraordinary personnel payments incurred in the previous financial year.

## 5.9 Amortisation, Depreciation and Write-Offs

### ***Amortisation of intangible fixed assets.***

The amount accounted for in the financial year came to Euro 1,198 thousand (Euro 1,268 thousand in 2009).

### ***Depreciation of fixed tangible assets.***

The amount totalled Euro 53,238 thousand (Euro 53,753 thousand in 2009). The charge to the income statement

was affected by what was previously described in caption 4.3).

**Write off of tangible fixed assets.**

An impairment of Euro 240 thousand was accounted for by the Parent Company in order to write off the net book value of supplementary logistic structures of the steel plant in San Didero (TO). These tangible assets will be replaced during 2011.

**Write off of trade receivables.**

The addition to the bad debt provision was of Euro 927 thousand (Euro 229 thousand in 2009). The bad debt provision is considered adequate to align the trade receivables to the estimated realisable value.

## 5.10 Changes in Raw Materials, Ancillary and Consumable Materials Inventories

The increase in the value of the inventories was equal to Euro 7,526 thousand (it decreased by Euro 24,868 thousand in 2009). The analysis of the change is illustrated in paragraph 4.5).

## 5.11 Provisions for Risks

The additions of Euro 698 thousand (Euro 2,365 thousand in 2009) derived from the provisions accounted for by the subsidiary Stahl Gerlafingen AG. Further information is provided in caption 4.16).

## 5.12 Other Operating Expenses

The item "other operating expenses" is composed of the following:

	2010	2009
"Taxe professionnelle" and others assimilated	2,772	2,097
Properties tax	2,436	2,255
Association fee	379	434
Third parties compensation	208	108
Capital loss on operating activities	194	50
Other taxes	65	143
Capital loss derived from fixed assets disposal	4	31
Others	352	1,058
<b>Total</b>	<b>6,410</b>	<b>6,176</b>

Amounts in thousands of Euro

The "taxe professionnelle" is derived mainly from Laminés Marchands Européens S.A. and its subsidiaries; the increase compared to the previous financial year is caused by a change in the tax base, that starting from the financial year under review, refers to balance sheet value.

Taxes on buildings are related to Laminés Marchands Européens and its subsidiaries, Donalam SRL and to Ferriera Sider Scal S.p.A..

## 5.13 Financial Incomes

The financial incomes item consists of the following:

	2010	2009
Interests on loan to minority shareholders	136	101
Interest on late payments granted to customers	65	319
Bank interest	48	259
Withholdings	---	424
Others	19	22
<b>Total</b>	<b>268</b>	<b>1,125</b>

Amounts in thousands of Euro

Interests on loan to minority shareholders are derived from the loan disbursed by the subsidiary Stahl Gerlafingen AG in 2009. It was repaid in 2010, simultaneously to the acquisition of the minority interest. The interest on late payments granted to clients refers almost totally to export accounts that took longer than twelve months to settle. In relation to their specific nature these operations are supported by credit transfers without recourse.

## 5.14 Interest and Other Financial Charges

Interest and other financial charges are classified as follows:

	2010	2009
Interest charges on medium and long term loans	4,924	5,563
Charges from interest rate hedging instruments	2,049	4,009
Financial charges on short-term bank loans	1,247	1,360
Financial charges on investments	525	---
Interest on bonds and loans to subsidiaries	351	1,048
Interest on receivables transferred without recourse	75	245
Other financial charges	109	363
<b>Total</b>	<b>9,280</b>	<b>12,588</b>

Amounts in thousands of Euro

The decrease of interests and other financial charges compared to the previous financial year is due to:

- Lower interest hedging costs.
- The interest rates dynamic that since the second semester of 2009 has recorded a significant reduction.

Within the "Charges from interest rate hedging instruments" the costs of the periodic settlements of the differentials (the difference in cash flow between the financial instruments and the underlying contracts) have been accounted for, as well as the additions to the allowance for risks and charges

The provision was booked in order to take into account the negative market value of the hedging financial instruments, shown in the memorandum accounts, caused by the trend in the interest rates, which was significantly at a lower level than the one contractually agreed.

The interest costs on the receivables disposed without recourse is derived from sales of goods upon which the Parent Company granted its customers extended payment terms (longer than those usually agreed). In most cases the financial cost of the operation is predominantly debited to the client; in some cases the difference is supplemented by grants registered within item A5 in the income statement.

Financial charges on investments of Euro 525 thousand refers to costs incurred in connection with the agreements signed with the minority shareholder of the subsidiary Donalam SRL, and related to the recapitalisation of the company.

## 5.15 Profits and Losses on Exchange Rates

Profits and losses on exchange rates totalled Euro 10,286 thousand and Euro 3,355 thousand (Euro 4,165 thousand and Euro 5,091 thousand in 2009) and refer mainly to transactions and medium and long term loans in currencies different from the companies' functional ones. The increase in profit on exchange rates is due to the increase in value of the Swiss Franc, functional currency of the subsidiary Stahl Gerlafingen AG, against the Euro.

## 5.16 Adjustments to the Financial Assets

Gains on adjustments to the financial assets equal Euro 46 thousand and are reported by the subsidiary Laminés Marchands Européens S.A., while the write off of Euro 128 thousand refer mainly:

- For Euro 60 thousand to the subsidiary Marghera Lamiere S.p.A., in order to take into account the impairment of its investment in the company A3 Metal S.r.l..
- For Euro 65 thousand to the subsidiary Laminés Marchands Européens S.A..

## 5.17 Extraordinary Incomes and Expenses

Extraordinary income amounts to Euro 18,509 thousand (Euro 602 thousand in 2009) and refers mainly to:

- For Euro 11,015 thousand, to the effect of the change of the valuation criteria of consumable and maintenance materials inventory opening balance, reported by the subsidiary Stahl Gerlafingen AG. A detailed description is provided in the paragraph "Other information".
- The partial reversal of an impairment accounted for in the previous financial year on tangible fixed assets reported by the subsidiary Donolam SRL for Euro 7,214 thousand. A detailed description of the transaction is provided in paragraph 4.3).

Extraordinary expenses amounting to Euro 5,207 thousand (Euro 24,136 thousand in 2009), refer mainly to:

- Provisions accounted for by the Italian companies and connected to the restructuring plan started at Group level and better described in the "Report on Group Operations" for Euro 2,621 thousand (Euro 7,500 thousand in 2009).
- Impairments of tangible fixed assets and write off of consumable materials of the Italian companies to realign the carrying amounts to the recoverable values for Euro 1,950 thousand (Euro 13,606 thousand in 2009). The impairments are connected to the restructuring plan better described in the "Report on Group Operations".

The residual extraordinary incomes and expenses referred to costs and revenues related to previous years.

## 5.18 Income Taxes

The provision for income taxes debited to the income statement of Euro 984 thousand (credit of Euro 4,521 thousand in 2009) refers mainly to the Parent Company and to the subsidiaries Laminés Marchands Européens S.A., Ferriera Sider Scal S.p.A. and AFV Beltrame GmbH.

The debit to the income statement of deferred taxes for Euro 1,536 thousand (credit of Euro 17,632 thousand in 2009) refers mainly to the subsidiaries Stahl Gerlafingen AG, Laminés Marchands Européens S.A. and its subsidiaries.

The amount of Euro 428 thousand of deferred tax credited to the income statement (Euro 9,025 thousand in the previous financial year) refers for Euro 3,111 thousand to debits accounted for by the Parent Company and for Euro 3,312 to credits accounted for by Laminés Marchands Européens S.A and its subsidiaries.

The nature of the increase and utilisation of the deferred tax assets and liabilities are shown in the attachment c).

## 5.19 Directors and Statutory Auditors Compensations

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

	2010	2009
Directors	2,509	2,420
Statutory Auditors	158	158
Audit company for the services provided to the Parent Company	133	139
Audit company for the services provided to the companies within the area of consolidation	222	259
Total	3,022	2,976

Amounts in thousands of Euro

In this financial year, as in the previous one, no additional compensation has been assigned to Directors on the destination of the annual result. The expenses related to activities carried out by external auditors are not included here.

## 5.20 Transactions with Associated, Related Companies, the Parent Company and Companies Controlled by Them

Transactions with Holding Company, carried out at normal market values, are derived mainly from the Platinum bond loan, outlined in caption 4.18) and services provided by the Parent Company and the subsidiary Stahl Gerlafingen AG in the purchase of raw materials.

Related parties' transactions, identified in compliance with the international accounting standard IAS 24, are mainly related to the render of services, exchanging of goods and providing disbursement or reimbursement of loans within subsidiaries and associates. All the transactions are carried out in the interest of the company, within the normal business activities and are settled at normal market terms.

In accordance with art. 2427 of the Civil Code we specify that there are no receivables and payables with a duration exceeding five years, except for what is specified in points 4.19 and 4.20.

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

*The Chairman of the Board of Directors*

**Dott. Antonio Beltrame**

## Explanatory Note Added to Translation into English

The Financial Statements have been translated into English from the original version in Italian solely for the convenience of international readers. They have been prepared in accordance with the Italian law related to Financial Statements, interpreted and integrated by the accounting principles established by the Italian Accounting Profession. Certain accounting practices applied by AFV Beltrame that conform with generally accepted accounting principles in Italy may not conform with generally accepted accounting principles in other countries.



# Independent Auditors' Report

## AUDITORS' REPORT PURSUANT TO ART. 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Sole Shareholder of  
AFV ACCIAIERIE BELTRAME S.p.A.

1. We have audited the consolidated financial statements of AFV Acciaierie Beltrame S.p.A. and subsidiaries (the "AFV Beltrame Group") as of December 31, 2010. These consolidated financial statements prepared in accordance with the Italian law governing financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with Auditing Standards issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the prior year's consolidated financial statements, the balances of which are presented for comparative purposes as required by law, reference should be made to our auditors' report issued on May 11, 2010.

3. In our opinion, the consolidated financial statements give a true and fair view of the financial position of the AFV Beltrame Group as of December 31, 2010, and of the results of its operations for the year then ended in accordance with the Italian law governing financial statements.
4. The Directors of AFV Acciaierie Beltrame S.p.A. are responsible for the preparation of the report on group operations in accordance with the applicable law. Our responsibility is to express an opinion on the consistency of the report on group operations with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob. In our opinion the report on group operations is consistent with the consolidated financial statements of the AFV Beltrame Group as of December 31, 2010.

DELOITTE & TOUCHE S.p.A.

*Signed by*  
Pier Valter Azzoni  
Partner

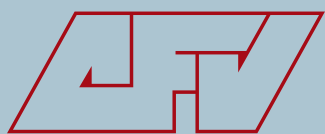
Verona, Italy  
May 18, 2011

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

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

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Member of Deloitte Touche Tohmatsu



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