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ArcelorMittal CLN



**Consolidated
Financials
Statements**

as at 31 December 2019

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ArcelorMittal CLN Distribuzione Italia S.r.l.

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1.1.1 CORPORATE BODIES of ArcelorMittal CLN Distribuzione Italia S.r.l.

Board of Directors

CHAIRMAN	Gabriele Perris Magonetto
MANAGING DIRECTOR	Gabriele Perris Magonetto
DIRECTORS	Giandionigi Ghislanzoni Cesare Alessandro Viganò Ramesh Kumar Kothari Paul Stephan Brettnacher Matthieu Jehl

Board of Auditors

CHAIRMAN	Mauro Messi
STATUTORY AUDITORS	Maria Venturini Paolo Burlando
SUBSTITUTE AUDITORS	Alessandra Odorisio Luca Longobardi

Audit Company

Deloitte & Touche S.p.A.



Management Report

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MANAGEMENT REPORT

The financial year that ended on 31 December 2019 reports an operating loss for the Group of € 2,060 thousand (the loss pertaining to the Group was of € 12,885 thousand at 31 December 2018), net of tax equal to € 2,556 thousand (€ 374 thousand at 31 December 2018). The profit attributable to minority interests (1.59% of shares of Delna S.p.A. and 20% of shares of Tamagnone S.r.l.) equals € 18,368 (the profit of minority interest was € 1,074 at 31 December 2018).

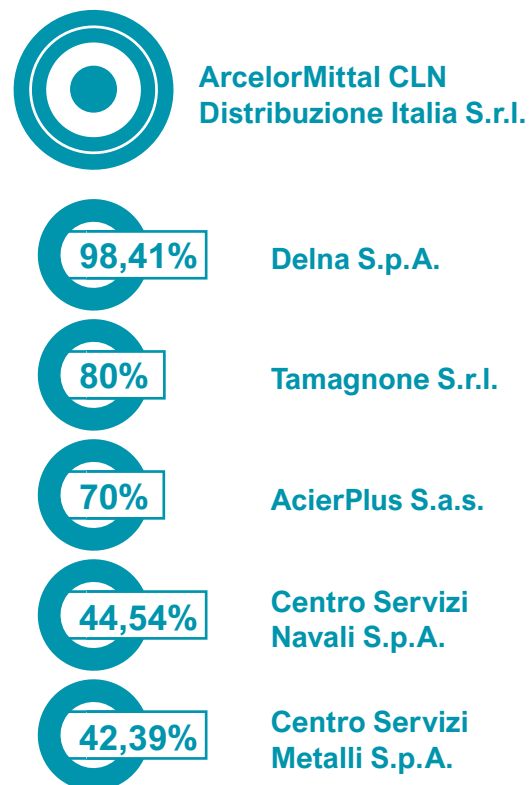
The ArcelorMittal CLN Group thus reports a loss of € 2,060 thousand against revenues for sales and services rendered equal to € 649,333 thousand (€ 744,101 thousand at 31 December 2018).

The parent Company ArcelorMittal CLN Distribuzione Italia S.r.l., established in 2015 from the creation of a joint-venture between the Italian distribution structures of the ArcelorMittal Group and of the CLN Group, is confirmed, for business volumes and market share, as one of the main players in the distribution of carbon steel in Italy. This operation has enabled the generation of significant synergies that are continuously developing and that, over the years, have been modifying the corporate perimeter. It should be noted that the results for 2019 are also affected by the sale of the 4 sites (Arcore, Rieti, Graffignana and Quarto Inferiore) to Liberty Steel Trade. Please refer to the paragraph dedicated to the events that occurred during the year.

The ArcelorMittal CLN Group operates in the following different businesses:

- Steel Distribution Service Centers (ArcelorMittal CLN Distribuzione Italia S.r.l.);
- Production of steel semi-finished products for industry (Acierplus S.a.s.);
- Pickling (Delna S.p.A.);
- Transport and direct and indirect storage service (Tamagnone S.r.l.);
- Processing and distribution of stainless and special alloy sheet metal (Centro Servizi Metalli S.p.A.);
- Handling and processing of long and flat steel products for naval shipyards (Centro Servizi Navali S.p.A.).

The following graph shows the Group's corporate structure as at 31 December 2019, highlighting that Acierplus S.a.s., Delna S.p.A. and Tamagnone S.r.l. have been consolidated in the Financial statements line by line, while Centro Servizi Metalli S.p.A. and Centro Servizi Navali S.p.A. affect only the Group's equity.



We believe that, in order to better understand the results achieved by Group in 2019, a brief summary of the market in which it operates is appropriate.

THE STEEL MARKET

In 2019 world steel production exceeded 1.8 billion tons, with an increase of over 3.5% compared to the previous year (WSA data).

Chinese production is still growing, now close to one billion tons, with a positive variation of 8.3% compared to the previous year and with a market share of world production that is now around 54%.

In Europe (EU-28), production was 159.4 million tons, a strong decrease (-4.9%) compared to the previous year, with a share of total world output that fell to 8.6%.

Production in Italy fell by 5.2% to 23.2 million tons, with the production of flat rolled products confirming the downward trend of recent years, also due to the progressive deterioration of the automotive sector, which is in continuous and significant contraction.

In the first quarter of 2019, steel prices rose compared to the end of 2018. This change is mainly due to the increase in apparent demand, after a few months of price reductions and limited purchases, as always happens during the repositioning of prices, and to the contraction in supply, generated by the introduction of quotas and new offsetting duties on imports from third countries (safeguard clause).

Subsequently, the reduction in apparent demand and the weakness of real consumption, together with increased availability from new alternative import sources, generated a change in the reference framework, with prices gradually and continuously decreasing.

The expected reductions generated a further contraction in apparent consumption and an important de-stocking cycle, which characterized the entire distribution chain, until the fourth quarter, when prices reached their lowest peaks and, on the part of the distribution system, there was a new and important speculative return to purchase. These phenomena have profoundly

affected the margins of the distribution sector, which is often subject to penalizing dynamics for a more correct management profitability.

OPERATIONS ON THE SCOPE OF CONSOLIDATION AND SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Only one change in the scope of consolidation of the ArcelorMittal CLN Group occurred during the period under review:

ACIERPLUS S.A.S.

On 26 June 2019, Company sold 30% of Acierplus S.a.s. to Mr. Cazzolla. This sale is the first step of an operation aimed at exploiting the industrial and commercial expertise of Mr. Cazzolla, owner of Casta s.r.l., a Company operating in the same sector as Acierplus. The sale of shares in Acierplus to Mr. Angelo Cazzolla will take place in several stages as defined in a contract for the purchase and sale of shares in the capital of Acierplus. The first step was the sale of 30% at a value of € 300.00 and then the remaining 20%, subject to the achievement of set Ebitda targets and aimed at achieving break-even in Ebitda by the end of 2021. What is envisaged should therefore make it possible to have - in the first part of the transaction (2019 - 2021) - a partner with specific expertise in the sector able to improve the performance of the Company's business and allow, in the second part of the transaction (2022 - 2025), the total sale of the Company at the best conditions for Company. On the basis of the agreements entered into, ArcelorMittal CLN Distribuzione Italia S.r.l. is still responsible for the results of the Company for 2019 and therefore, in the consolidated financial statements, no such share has been assigned to third parties.

During the period under review, the occurred significant event is:

LIBERTY STEEL TRADE

By deed of the Notary Andrea De Costa of Milan, on 28 June 2019 (effective 1 July 2019), Company sold, as requested by the Antitrust Authority, the four production sites of Arcore (MB), Graffignana (LO), Quarto Inferiore (BO) and Rieti to Liberty Steel Trade.

The business unit sold consisted of: tangible fixed assets, inventory (raw material, finished product and auxiliaries), lease contracts, some contracts strictly necessary for the continuity of the business unit, severance indemnities and employee accruals.

The amount of the sale generated a capital gain of € 4.8 million for Company.

ECONOMIC AND FINANCIAL PERFORMANCE

The 2019 financial year closed with a value of production of € 668.7 million and an EBITDA of € 25.6 million.

Reclassified income statement of ArcelorMittal CLN Group

(Euro'000)	31/12/2019	31/12/2018
Value of production	668,685	758,572
Gross operating margin (EBITDA)	26,670	12,148
<i>%value of production</i>	3.99%	1.60%
Operating Earnings (EBIT)	6,778	(7,970)
<i>%value of production</i>	1.00%	-1.05%
Net financial income	(6,380)	(5,102)
Value adjustments	117	561
Pre-tax result (EBT)	515	(12,511)
<i>%value of production</i>	0.08%	-1.65%
Income taxes	(2,556)	(374)
Net Profit for the Group and Third Parties (EAT)	(2,041)	(12,885)
<i>%value of production</i>	-0.31%	-1.70%

Reclassified balance sheet of ArcelorMittal CLN Group

(Euro'000)	31/12/2019	31/12/2018
Net trade receivables	72,273	88,538
(Net trade payables)	-148,756	-191,406
Closing stock	132,905	149,193
Other current assets (liabilities)	-1,824	-3,201
NET WORKING CAPITAL	54,598	43,124
Net Tangible Fixed Assets	91,449	99,151
Net Intangible Fixed Assets	25,016	30,015
Equity investments and non-current receivables	17,224	17,499
Reserves	-6,959	-9,510
Deferred tax assets / (Liabilities)	-3,152	-2,549
NET INVESTED CAPITAL	178,176	177,730
NET EQUITY	45,050	47,047
MINORITY INTERESTS	458	439
Group SHAREHOLDER'S EQUITY	44,592	46,608
(Liquid assets)	-7,983	-21,569
(Long-term receivables due from others)	-7,161	-7,147
(Intercompany financial receivables)	-1,919	-1,997
Short-term loans	137,779	151,171
Long-term loans	12,409	10,224
NET FINANCIAL DEBT	133,125	130,683
BORROWINGS	178,176	177,729

MAIN INCOME AND CASH FLOW INDICATORS

The main income indicator for the ArcelorMittal CLN Group is represented by the EBITDA, whereas the main cash flow indicator is represented by the Net Financial Debt (as explained in the reclassified income and equity statements shown above).

Other relevant indicators regarding income and cash flow are provided below.

It is noted that such indicators are “non-GAAP” indicators, so the calculation method used by the Company might be different from the one used by other groups/companies.

ROE - Return On Equity (Net profit/net equity)

It shows in summary corporate profitability, meant as the remuneration of equity invested by shareholders.

	Year 2019	Year 2018
ROE	(4,53%)	(27,39%)

ROI - Return On Investment (EBIT/Net Invested Capital)

It shows in summary the Company’s characteristic turnover, therefore excluding the financial and extraordinary component, with respect to the net invested capital.

	Year 2019	Year 2018
ROI	3,80%	(4,48%)

ROS- Return On Sales (EBIT/Revenues from Sales)

It shows in summary the capability of sales to produce income.

	Year 2019	Year 2018
ROS	1,01%	(1,05%)

Equity/Invested Capital

It shows the ratio between the Group Shareholder’s Equity and Invested Capital.

	Anno 2019	Anno 2018
Equity/Capitale Investito	25,03%	26,22%

Current assets to current liabilities ratio

It shows the capacity of current assets (trade debtors, short-term investments and liquid assets) to cover the Current Liabilities (trade creditors and financial liabilities).

	Year 2019	Year 2018
Attività a breve/ Passività corrente	0,78	0,80

Although the indicator is below 1, we do not, however, perceive a situation of tension as the level of stock realizability is high and transformation times are short.

Index of cover of the capital assets

It shows the portion of non-current capital funded by Equity.

The “Long-term receivables due from others” classified among the “Long-term investments” were excluded when determining this ratio, in accordance with the approach explained previously in the comment on the Current assets to current liabilities ratio.

	Year 2019	Year 2018
Equity/ Fixed Assets	33,36%	31,78%

Consolidated Financial Statements 2019

The profitability of the ArcelorMittal CLN Group, with the international IFRS principles, would result in a change in the above indexes, as follows:

ROE - Return On Equity (Net profit/net equity)

It shows in summary corporate profitability, meant as the remuneration of equity invested by shareholders.

	Year 2019	Year 2018
ROE	(24,25%)	(7,16%)

ROI - Return On Investment (EBIT/Net Invested Capital)

It shows in summary the Company's characteristic turnover, therefore excluding the financial and extraordinary component, with respect to the net invested capital.

	Year 2019	Year 2018
ROI	(5,95%)	(0,22%)

ROS- Return On Sales (EBIT/Revenues from Sales)

It shows in summary the capability of sales to produce income.

	Year 2019	Year 2018
ROS	(2,01%)	(0,06%)

Equity/Invested Capital

It shows the ratio between Shareholder's Equity and Invested Capital.

	Year 2019	Year 2018
Equity/Inv. Cap.	29,26%	37,80%

Current assets to current liabilities ratio

It shows the capacity of current assets (trade debtors, short-term investments and liquid assets) to cover the Current Liabilities (trade creditors and financial liabilities).

	Year 2019	Year 2018
Current Assets/ Current Liabilities	0,77	0,87

Although the indicator is below 1, we do not, however, perceive a situation of tension as the level of stock realizability is high and transformation times are short.

Index of cover of the capital assets

It shows the portion of non-current capital funded by Equity.

The "Long-term receivables due from others" classified among the "Long-term investments" were excluded when determining this ratio, in accordance with the approach explained previously in the comment on the Current assets to current liabilities ratio.

	Year 2019	Year 2018
Equity/ Fixed Assets	36,94%	49,16%

MAIN RISKS AND UNCERTAINTIES TO WHICH THE GROUP IS SUBJECT

Risks of a financial nature

The ArcelorMittal CLN Group is exposed to risks of a financial nature related to its operations; these are constantly monitored in order to mitigate the effects thereof:

- Business risk, in relation to the outlet markets and the price trend of the raw material;
- Credit risk, in relation to normal trade relations with clients and loan activities;
- Liquidity risk, with particular reference to the availability of financial resources and access to the credit market;
- Interest rate risks, because the parent Company ArcelorMittal CLN Distribuzione Italia S.r.l. is potentially exposed to the variability of interest rates;
- Currency risks, in relation to the variability of exchange rates.

Business risks

The ArcelorMittal CLN Group is exposed to certain risks related to its supply and outlet markets, and mainly:

- price of steel: volatility in particular, which produces significant and repeated variations in the price of raw material which can lead to exposure to the risk of not being able to quickly pass such dynamics on to the end client. One must remember, in particular, that while the price of steel proves to be strongly influenced by “global” dynamics (cost of iron mineral, scrap, carbon and the demand of steel in emerging markets), the end demand for processed steel is strongly influenced by “local” dynamics of consumption and existing competition;
- risks associated with the trend in consumption within the main end sectors of use, such as construction, the automotive and electrical appliance sectors, which are correlated to the

uncertainty of the macroeconomic framework, such as the increase and decrease of the gross national product, the level of consumer loyalty and that of companies, trend in interests rates for consumer credit and in the Euro/Dollar exchange rate, factors which are always defining in the dynamics of the purchase of long-lasting goods.

Credit risk

The greatest theoretical exposure to credit risk for the ArcelorMittal CLN Group as at 31 December 2019 is represented by the book value of the receivables shown in the financial statements.

The Group adopts specific business policies aimed at monitoring its clients' solvency and disposes of receivables with factoring companies and securitization companies mainly on the basis of agreements without recourse, thereby transferring the related risk.

The Group has chosen to insure its credits through ad hoc companies, while adopting internal commercial policies aimed at monitoring the solvency of its customers, in addition to specific provisions in the presence of an objective condition of partial or total non-recoverability not guaranteed by the insurance.

Liquidity risk

The main factors affecting the situation regarding liquidity of the ArcelorMittal CLN Group are partly the resources generated and absorbed by operational management and partly those used in investments made for development and the debt service. The Group constantly monitors the performance of liquid assets, financial flows (final and expected) and of the lines available through cash account reports. In particular, as of 31 December 2019, the liquid assets (including restricted securities in the portfolio which amount to € 7.2 million) amount to € 15.1 million, whereas payables owed to banks and other lenders within twelve months amount to € 125.8 million and those after more than 12 months amount to € 12.4 million. During the year, the Group continued to make constant use of its internal treasury to optimize the financial resources available among the Italian subsidiaries, called Cash Pooling.

Interest rate risk

The Group performs on a recurring basis credit disposal operation through: advances on invoices, bank receipts subject to collection and without recourse credit transfer operations (securitization); in addition, other forms of short-term financing (import financing) are used to finance working capital. As far as investments are concerned, medium and long-term loans are used where possible, mostly at variable interest rates.

Variations in the levels of market interest rates therefore affect the level of the net financial charges.

Currency risk

The Group's operating activities are almost exclusively in Euro and therefore the currency risk is limited.

Risks associated with the Covid-19 pandemic

The COVID-19 pandemic has had important effects on the whole world since February.

The restrictive measures introduced by the Italian and French Governments and, specifically, the Lockdown decision led to the closure of the main production activities in the automotive and steel sectors. This closure, due to government imposition, has had a significant negative impact on the Group's business and, in particular, a very significant reduction in turnover.

This being said, it is quite clear that it is difficult to imagine the national and international scenario in which the Group will move in the near future, mainly due to the uncertainty over the duration of the emergency. The variables in the field are so many and unpredictable that it is difficult to precisely define the risks and potential consequences that could arise for the Group. However, it is possible to include the following among the major risks: decline in customer demand and turnover, difficulties in collecting receivables, possible level of absenteeism, suspension of work due to measures taken by the

authorities as a result of contagion of one or more employees.

In order to deal with these risks, the Group has already implemented a specific action plan and drawn up diversified intervention scenarios according to the level of criticality. To cope with the drop in demand, the Group will be able to continue to use the redundancy fund to balance its production capacity with market demand. From the financial point of view, in the event of late collection of receivables, the Group will be able to make greater use of loans with the banking system and use all the instruments put in place by the governments of the individual countries to support the economy.

No factors have been identified among the hypothesized short-term cash flow scenarios that could make the assumption of going concern no longer valid, also on the basis of the fact that the Shareholders have formally undertaken, prior to the Board of Directors' meeting of 27 May 2020, to provide financial support to the Group until the approval of the financial statements for the year ending 31 December 2020. This support will take the form of the disbursement of two loans of the same amount, by each of the two shareholders, for a maximum amount of € 30 million, which, in the opinion of the directors, is sufficient to meet the cash commitments envisaged for the next twelve months, even in the event of the worst case scenario.

To reduce the risk of contagion and guarantee its workers the necessary health and safety in the workplace, the Group has issued a COVID-19 Safety Protocol following the guidelines contained in the Safety Protocol signed by trade union and employer representatives at national level (last updated on 24 April 2020). This protocol provides for the issue of a series of specific requirements such as - by way of example only and not exhaustively - the following:

- equipping personnel with appropriate PPE (masks, gloves, glasses, etc.),
- availability and obligation to use disinfectant gel,
- cleaning and sanitizing (daily and weekly) of both work environments and equipment, this activity

is carried out daily on all Tamagnone S.r.l. vehicles with particular attention to the working environment (e.g. truck cab) and equipment (steering wheel, gearbox, doors, etc.).

- staff distancing, the use of smart working where possible,
- cancellation of all travel and meetings with physical participation of the persons concerned.

ENVIRONMENT AND SAFETY

The Group carries out its business in compliance with the provisions in force concerning the protection of the environment with reference to the sectors it belongs to. In particular, we point out that the activity carried out, due both to the materials treated for energy consumption and produced waste, can be considered as of low environmental impact.

As for the REACH legislation, based on the European EC Regulation no. 1907/2006 (introduction of a registration, evaluation and authorization system for the chemical substances circulating in the European Union), the ArcelorMittal CLN Group is positioned with the parent Company ArcelorMittal CLN Distribuzione Italia S.r.l. as a “Downstream user” as it does not purchase, use or import regulated chemical substances for its manufacturing processes; the subsidiary Delna S.p.A., on the other hand, produces waste chemicals during the pickling phase that are sold on the market.

For these products, the chemical components were registered on the basis of REACH legislation in order to obtain the necessary documentation and authorization to sell them. Therefore, Group periodically requests the REACH declarations of conformity from its suppliers and monitors the updates of the Candidate List (list issued by the ECHA of banned substances), records new chemical compounds produced, and sends the aforementioned declarations to customers in order to carry out its business in compliance with the provisions in force concerning the protection of the environment and health and safety in the workplace.

As far as the environment is concerned, it is emphasized that the business is aimed at protecting the environment and health, with regard to energy consumption, emissions and waste produced.

No environmental damage occurred during the financial year and no penalties were imposed on Group in this context.

The AMLCN Group considers the protection of the safety of workers and of the work environment as two essential elements of its business.

The objective of Group is to reduce and prevent accidents and occupational illnesses.

During 2019 work was done in order to continue to further improve the results concerning safety in order to achieve the main goal of “zero accidents” by following these trajectories:

- Guarantee the protection of health and prevention or risks in observance of the normative in force;
- Identify the appropriate measures of prevention and protection in order to reduce the risk of events entailing injuries as much as possible;
- Provide corporate management with an efficient and effective management system allowing the permanent identification and management of emerging problems as well as an orderly flow of information capable of adequately supporting decision-making and operational responsibilities;
- Increase the involvement, motivation and awareness of personnel;
- Increase efficiency and performance with a view to continuous improvement;
- Improve its internal and external image, therefore have greater reliability with regard to clients, suppliers and supervisory entities/authorities;
- Progressively reduce the costs of health and safety at the workplace.

Furthermore, the Safety Policy adopted and disclosed by the Group establishes that the protection of Health and Safety is to be considered a priority and a precise responsibility of the entire Company hierarchy as well as

a constant commitment to be applied in all activities. The Group's objective is to reduce and prevent accidents and occupational diseases.

These principles are implemented through the identification of annual objectives for the constant and gradual reduction of accidents and the relative indexes, compared to the previous year, up to the final objective of zero accidents.

In this regard, it should be noted that during 2019, in the plants of the parent Company ArcelorMittal CLN Distribuzione Italia S.r.l., 5 factories out of a total of 8 achieved or confirmed the "zero accident" target, a goal set by the Company in terms of safety in the workplace. The subsidiary Delna S.p.A. recorded three accidents of moderate gravity, while the subsidiary Tamagnone S.r.l. improved its trend compared to the previous year recording only one accident in 2019.

Although these can be considered satisfactory results, it will be necessary to continue working on the behavioral aspect which is currently the most significant added value in tackling the issue of safety and health in the various facilities. Indeed, the involvement of employees and, in particular, supervisors (the link between corporate management and workers), represents a direct channel so that environment and safety are not abstract arguments, but become something real, concrete and tangible also, and, above all on the part of the supervisors. Only in this way shall it be possible for the latter to believe in the project and become a fundamental and essential part thereof in order to reduce the risk of injuries to zero.

The instruments used to be able to reach the set objectives on the matter of health and safety are:

1. training for personnel which must be specific, periodic and effective;
2. an analysis of injuries required for identifying the root causes of the event;
3. an analysis of incidents and near-misses in order to reduce opportunities for injury;
4. an assessment of the risks per single activity;
5. safety inspections in order to monitor the correct application of rules and procedures;

6. a safety audit to establish new prompts for improvement;

7. suggestions from employees so that supervisors become proactively involved in the matter of safety.

The commitment of the Management of ArcelorMittal CLN Group to reach and maintain the results is also expressed by means of a continuous improvement and identification of new instruments to be adopted and applied.

In this regard, we point out that the parent Company ArcelorMittal CLN Distribuzione Italia S.r.l is OHSAS 18001 certified and, during 2019, received the surveillance audit with positive results; while, in December 2019, the subsidiary Delna S.p.A. underwent a verification audit by the Certifying Body of the Company's Environmental System with positive results, a prerequisite that allowed Delna S.p.A. to obtain environmental certification in the first few months of 2020.

RELATIONS WITH ASSOCIATED COMPANIES

Relations between the Group companies are governed under market conditions.

A summary table is shown below which highlights financial relations which took place during the year between the Group and other associated companies belonging to the CLN And ArcelorMittal Groups:

Description	31/12/2019	31/12/2018	Variation
Arcelor Planos Sagunto S.A.	789	0	789
ArcelorMittal Atlantique & Lorraine	1,132	3,510	(2,378)
ArcelorMittal Avellino e Canossa S.p.A.	17,529	0	17,529
ArcelorMittal Belgium S.A.	10,233	0	10,233
ArcelorMittal Bremen GmbH	12,338	14,711	(2,373)
ArcelorMittal Centres De Services	1,500	2,741	(1,241)
ArcelorMittal Commercial Italy S.r.l.	12,014	10,833	1,181
ArcelorMittal Construction France S.A.	0	32,159	(32,159)
ArcelorMittal Distribution Solution	445,978	383,845	62,133
ArcelorMittal Espana S.A.	146,065	7,278	138,787
ArcelorMittal Flat Carbon Europe S.A.	0	6,436	(6,436)
ArcelorMittal FCE Itlay S.r.l.	43	0	43
ArcelorMittal Finanziaria	610	0	610
ArcelorMittal Flat Carbon Europe S.A.	6,436	0	6,436
ArcelorMittal France S.a.s.	3,049	0	3,049
ArcelorMittal Italia S.p.A.	269,540	501	269,039
ArcelorMittal Logistics Italia S.r.l.	411,065	602,173	(191,108)
ArcelorMittal Mediterranee SASU	7,349	18,520	(11,171)
ArcelorMittal Piombino S.p.A.	0	5,815	(5,815)
ArcelorMittal Tb Gent	4,750	4,750	0
C.L.N. Coils Lamiere Nastri S.p.A.	779,975	2,025,902	(1,245,927)
C.L.N. Serbia D.O.O.	0	370,665	(370,665)
C.L.N. Slovakia S.R.O.	0	18,267	(18,267)
C.S.N. S.p.A.	24,115	0	24,115
C.T.L. S.r.l. Centro Taglio Laser	426,096	414,540	11,556
Cellino S.r.l.	398,603	673,584	(274,981)
Celmac S.r.l.	730,776	848,690	(117,914)
Delfo Polska S.A.	1,676	0	1,676
DMW Sud Africa	2,000	0	2,000
Dp Metal Processing Polska Z.O.O.	308,671	82,701	225,970
Eurostamp S.a.s.	10,960	16,215	(5,255)
Fam MA Automotive S.A.	(1,572)	(1,572)	0
Itla Bonaiti S.R.L.	0*	9,426,986	(9,426,986)
MA Automotive Deutschland GmbH	9,708	7,253	2,455
MA Automotive South Africa (Pty) Ltd	0	6,203	(6,203)
MA France	328	85,252	(84,924)
MA Polska S.A.	0	14,570	(14,570)

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MA S.r.l.	16,042,356	8,081,335	7,961,021
MW Aftermarket S.r.l.	104,129	162,866	(58,737)
MW Italia S.r.l.	3,343	35,637	(32,294)
MW Romania S.A.	2,496	0	2,496
MW Wheels Sa (Pty) Ltd	0	2,000	(2,000)
Nichelino Immobiliare S.r.l.	36,024	36,024	0
O.M.V. S.p.A.	541,449	543,319	(1,870)
P.M.C. Automotive Melfi S.r.l.	11,728	4,390	7,338
Proma Poland Sp Z.O.O.	4,322	0	4,322
Solustil La Boisse	186,290	481,027	(294,737)
UM Corporation S.a.s.	13,976	141,372	(127,396)
Total due from associated companies	20,987,869	24,570,498	(3,582,629)

The companies that show a balance of “0*” in the 2019 table no longer fall within the scope of associated companies and so the balances are recorded under the item “Credits due from third parties”.

Description	31/12/2019	31/12/2018	Variation
Aperam Stainless Italy S.r.l.	18,757	50,186	(31,429)
Aperam Stainless Services	26,646	32,710	(6,064)
ArcelorMittal Centres De Services	7,017	39,204	(32,187)
ArcelorMittal Commercial Italy S.r.l.	58,170,326	83,113,606	(24,943,280)
ArcelorMittal Distribuzione Sol. IT	202,842	42,874	159,968
ArcelorMittal Flat Carbon Europe S.A.	17,955,400	25,602,311	(7,646,911)
ArcelorMittal Italia S.p.A.	2,114,930	12,317,029	(10,202,099)
ArcelorMittal Italy Services S.r.l.	31,208,402	0	31,208,402
ArcelorMittal Logistics Italia S.r.l.	769,319	595,411	173,908
ArcelorMittal Piombino S.p.A.	0	173,645	(173,645)
ArcelorMittal Rzk Celik Servis Merk	0	1,031	(1,031)
C.L.N. Coils Lamiere Nastri S.p.A.	7,214,096	288,444	6,925,652
C.L.N. Serbia D.O.O.	0	44,267	(44,267)
C.T.L. S.r.l. Centro Taglio Laser	100,840	49,295	51,545
Eurostamp S.a.s.	0	17,196	(17,196)
Gonvarri Italia S.p.A.	(51,830)	0	(51,830)
I.D.E.S.T. S.A.R.L.	304,215	698,001	(393,786)
Industeel Belgium	0	17,170	(17,170)
Itla Bonaiti S.r.l.	0	91,111	(91,111)
MA France	0	48,103	(48,103)
MA S.r.l.	1,745,453	747,374	998,079
MW Aftermarket S.r.l.	0	73	(73)
MW France S.A.	69,025	69,025	(0)
MW Italia S.r.l.	221,802	145,830	75,972
Nichelino Immobiliare S.r.l.	46,970	3,044	43,926
UM Corporation S.a.s.	0	42,650	(42,650)
Total Payables to associated companies	120,124,210	124,229,590	(4,105,380)

RESEARCH AND DEVELOPMENT ACTIVITIES

During the year, Group paid particular attention to developing innovative solutions and improving processes, with a focus on improving the quality of products and services offered and improving efficiency and productivity.

POSSESSION OF SHARES AND FINANCIAL INSTRUMENTS

The Group has not purchased, sold or held shares or holdings of the parent companies either directly or through trust companies or third parties. The Parent Company ArcelorMittal CLN Distribuzione Italia S.r.l. and the subsidiary Delna S.p.A. underwrote derivatives to hedge interest rates. Please refer to the Explanatory note for further details.

BUSINESS OUTLOOK

Although the start of 2020 was moderately satisfactory, thanks to a higher than budget production and an economic result that was also slightly better than the 2020 budget, since the beginning of March the Covid-19 emergency has had a deflagrating impact on all aspects of economic and social life around the world. The outlook for 2020 has suddenly become uncertain for everyone, including Group, with an undoubtedly negative short/medium-term outlook.

At present, it is difficult to predict what the impact on operating results in 2020 will be, as this depends very much on the speed of recovery of customer production activities in the coming months and in any case, the production shutdowns in March and April have had a significant impact that will affect the whole of the 2020 financial year. It is foreseeable that the recovery will be gradual and that business volumes will be lower than expected for many months to come. Equally uncertain is the time that will be needed for a return to pre-crisis levels, but it is unlikely to be achieved, at best, before the autumn of this year.

As explained in the section of this Report entitled “Risks associated with the Covid-19 pandemic,” in order to reduce the impact of the crisis and protect the Company’s assets, various business scenarios have been prepared for the remaining months of 2020, which call for increasing use of corporate measures to contain personnel costs based on the occurrence of a drop in demand, a plan to reduce all non-essential costs and a halt to investments not related to safety and the environment.

While adequately taking into account the market context in which the company operates, planned actions aimed at improving the economic-financial conditions and representing elements of reasonable optimism regarding the short and medium-term prospects of the group as a whole have been implemented.

Among the short-term cash flow scenarios assumed, no factors have been identified that could compromise the going concern assumption, also on the basis of the fact that the Shareholders have formally undertaken, prior to the Board of Directors’ meeting of 27 May 2020, to provide financial support to the Group until the approval of the financial statements for the year ending 31 December 2020. This support will take the form of the disbursement of two loans of the same amount, by each of the two shareholders, for a maximum amount of € 30 million, which, in the opinion of the directors, is sufficient to meet the cash commitments envisaged for the next twelve months, even in the event of the current worst case scenario.

Caselette, 27 May 2020

For the Board of Directors
The Chairman
Mr. Gabriele Perris Magnetto

Consolidated Financial Statements 2019





Consolidated Financial Statements 2019

Consolidated Balance sheet

ASSETS	31/12/2019	31/12/2018
RECEIVABLES from SHAREHOLDERS FOR PAYMENTS STILL DUE	-	-
FIXED ASSETS		
I) Intangible fixed assets		
Start-up and expansion costs	-	-
Development costs	-	-
Industrial patents and intellectual property rights	115,115	149,413
Concessions, licenses, trademarks and similar rights	340,702	219,504
Goodwill	23,916,071	28,867,222
Fixed assets under construction and advances	45,746	31,239
Other	598,642	747,456
Total intangible fixed assets	25,016,276	30,014,834
II) Tangible fixed assets		
Land and buildings	44,204,930	46,362,164
Plant and machinery	40,010,802	43,727,889
Industrial and commercial equipment	1,082,601	1,242,928
Other tangible assets	1,468,155	1,645,521
Fixed assets under construction and advances	4,682,989	6,172,420
Total tangible fixed assets	91,449,477	99,150,922
III) Long-term investments		
Equity investments in:		
associated companies	13,614,101	13,889,167
parent companies	-	-
other companies	3,609,602	3,609,602
<i>Total equity investments</i>	<i>17,223,703</i>	<i>17,498,769</i>
Receivables:		
due from associated companies	-	-
due from parent companies	-	-
due from other companies	7,161,190	7,147,290
<i>Total receivables</i>	<i>7,161,190</i>	<i>7,147,290</i>
Other securities	-	-
Own shares in treasury	-	-
Total long-term investments	24,834,893	24,646,059
Total fixed assets	140,850,646	153,811,815

Consolidated Financial Statements 2019

CURRENT ASSETS		
I) Stock		
Raw materials, ancillary materials and consumables	113,246,190	128,912,206
Work in progress and semi-finished goods	2,722,085	3,689,181
Goods being made to order	-	-
Finished products and goods	16,937,204	16,591,600
Advances paid	-	-
Total stock	132,905,479	149,192,987
II) Receivables		
From		
third party suppliers within 12 months	51,324,229	64,314,512
Other related parties due within 12 months	20,987,869	24,570,498
third parties after more than 12 months	213,868	179,610
Due from associated companies		
within 12 months	1,665,623	1,470,616
after more than 12 months	-	-
Due from parent companies		
within 12 months	-	-
after more than 12 months	-	-
Tax credits		
within 12 months	13,135,595	19,347,725
after more than 12 months	46,795	95,486
Prepaid taxes		
within 12 months	1,783,756	1,535,886
after more than 12 months	-	-
Other debtors		
within 12 months	714,129	759,292
after more than 12 months	113,880	326,957
Total receivables	89,985,744	112,600,582
III) Short-term investments		
Holdings in associated companies	-	-
Holdings in parent companies	-	-
Other holdings	-	-
Active derivative financial instruments	-	-
Other securities	-	-
Total equity investments	-	-
IV) Liquid Assets		
Bank and postal deposits	7,935,151	21,496,294
Cash and cash equivalents in hand	48,106	72,961
Total liquid assets	7,983,257	21,569,255
Total current assets	230,874,480	283,362,824
ACCRUED INCOME AND PREPAID EXPENSES		
Accruals and deferrals	2,238,410	3,215,503
Total accruals and deferrals	2,238,410	3,215,503
TOTAL ASSETS	373,963,536	440,390,142

Consolidated Financial Statements 2019

LIABILITIES	31/12/2019	31/12/2018
NET EQUITY		
I) Share capital	60,010,000	60,010,000
II) Share premium account	-	-
III) Revaluation reserves	-	-
IV) Legal reserve	103,377	103,377
V) Reserve for own shares in treasury	-	-
VI) Statutory reserve	-	-
VII) Other reserves		
- Extraordinary reserve	1,964,156	1,964,156
- Consolidation reserve	952,1659	952,171
- Derivatives reserve	(11,964)	-
- Merger surplus reserve	167,364	167,364
- Reserve for unrealized exchange rate gains	(73,761)	(129,713)
- Shareholding capital gains reserve	1,532,790	1,532,790
VIII) Profits (losses) carried forward	(17,992,103)	(5,105,989)
IX) Profit (loss) for the year	(2,059,595)	(12,886,114)
TOTAL SHAREHOLDER'S EQUITY for the Group	44,592,429	46,608,042
Minority interests	457,958	439,483
TOTAL SHAREHOLDER'S EQUITY	45,050,387	47,047,525
PROVISIONS FOR RISKS AND CHARGES		
Provision for pensions and similar obligations	360,649	322,091
Provisions for taxes, also deferred	4,936,082	4,084,520
Provisions for passive derivative financial instruments	28,138	21,422
Other provisions	2,233,591	3,960,524
Total provisions for risks and charges	7,558,460	8,388,557
STAFF SEVERANCE FUND	4,336,855	5,206,220
PAYABLES		
Debenture loans	-	-
Convertible debentures	-	-
Loans payable to shareholders	12,000,000	-
Due to banks		
within 12 months	125,620,161	140,766,282
after more than 12 months	12,408,708	10,224,483
Due to other lenders		
within 12 months	158,919	10,405,209
after more than 12 months	-	-
Advances paid	-	-
Due to		
third party suppliers within 12 months	28,384,821	66,735,053
other related parties due within 12 months	114,631,865	124,229,589
other related parties due within 12 months	5,492,345	-
Bills of exchange payable	-	-
Due to associated companies		
within 12 months	246,670	441,115

Consolidated Financial Statements 2019

after more than 12 months	-	-
Due to parent companies		
within 12 months	-	-
after more than 12 months	-	-
Due to other companies		
within 12 months	-	-
after more than 12 months	-	-
Fiscal liabilities		
within 12 months	2,122,318	2,379,524
after more than 12 months	-	-
Due to welfare agencies and social security		
within 12 months	3,055,478	3,363,348
after more than 12 months	-	-
Other creditors		
within 12 months	7,723,827	11,049,336
after more than 12 months	-	7,492,345
Total payables	311,845,112	377,086,284
ACCRUED LIABILITIES AND DEFERRED INCOME		
Issue premium	-	-
Other accruals and deferrals	5,172,722	2,661,556
Total accruals and deferrals	5,172,722	2,661,556
TOTAL LIABILITIES	373,963,536	440,390,142

Consolidated income statement	(Amounts in Euro)	
	2019	2018
A) PRODUCTION VALUE		
Revenues from sales and services	649,332,542	744,101,121
Change in closing stock: work in progress, semi-finished goods and finished products	387,812	(1,695,489)
Changes in goods being made to order	-	-
Work performed for own purposes and capitalized	-	-
Other revenues and income	18,964,868	16,166,126
Total production value	668,685,222	758,571,758
B) PRODUCTION COSTS		
Cost of raw materials, ancillary materials, consumables and goods	532,656,911	639,858,305
Cost of outside services	41,912,077	51,520,621
Use of third party assets	5,311,501	5,741,857
Staff costs		
Wages and salaries	36,396,691	44,153,846
Social charges	12,402,810	11,776,527
Staff severance indemnity	2,031,135	2,165,349
Pensions and post-retirement benefits	41,123	40,928
Other costs	3,463,329	3,298,500
Total staff costs	54,335,088	61,435,150

Consolidated Financial Statements 2019

Depreciation, amortizations and write-downs		
Amortization of intangible assets	5,116,890	5,051,033
Depreciation of fixed assets	13,700,587	13,906,046
Other reductions in value of fixed assets	440,693	40,000
Write-downs against short-term receivables and liquid assets	334,912	730,937
Total amortizations and write-downs	19,593,082	19,728,016
Changes in stock: raw materials, ancillary materials, consumables and goods	6,271,167	(13,209,108)
Allocation to risk provisions	-	-
Other provisions	298,350	390,304
Other management expenses	1,528,931	1,076,532
TOTAL PRODUCTION COSTS	661,907,107	766,541,677
Difference between production value and production costs	6,778,115	(7,969,919)
C) FINANCIAL INCOME AND CHARGES		
Income from equity investments:		
associated companies	-	-
parent companies	-	-
other companies	14	14
Total income from equity investments	14	14
Other financial income:		
- income from long-term receivables		
associated companies	-	-
parent companies	-	-
other provisions	28	-
Total income from long-term receivables	28	-
- income from securities held on a long-term basis	-	-
- income from securities entered under current assets	-	-
- other financial income not included above:		
interests and commissions from associated companies	17,125	5,619
interests and commissions from parent companies	-	-
interests and commissions from other companies and miscellaneous income	152,073	381,560
Total other financial income not included above	169,226	387,179
Total other financial income	169,226	387,179
Interest payable and other financial charges:		
associated companies	-	-
parent companies	-	-
other Group companies	-	-
other provisions	6,485,670	5,546,750
Total interest payable and other financial charges	6,485,670	5,546,750
Gains and losses on exchange rates	(63,895)	56,627
Total financial income and charges	(6,380,325)	(5,102,930)

Consolidated Financial Statements 2019

D) VALUE ADJUSTMENTS TO INVESTMENTS		
Revaluations:		
of equity investments	1,123,695	1,272,124
of long-term investments	-	-
of long-term investments	-	-
of securities entered under current assets	-	-
of derivative financial instruments	5,461	-
Total revaluations	1,129,156	1,272,124
Write-downs:		
of equity investments	1,011,678	672,023
of long-term investments	-	-
of securities entered under current assets	-	-
of derivative financial instruments	-	38,744
Total write-downs	(1,011,678)	(710,767)
Total adjustments made to the value of investments	117,478	561,357
PRE-TAX RESULT	515,268	(12,511,492)
Current taxes	1,907,582	1,627,794
Taxes relating to previous years	41,381	(664,590)
Prepaid and deferred taxes	607,532	(589,656)
Income tax for the year	2,556,495	373,548
Profits (losses) for the year DI GRUPPO E DI TERZI	(2,041,227)	(12,885,040)
Profit (loss) attributable to minority interests	18,368	1,074
PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO THE GROUP	(2,059,595)	(12,886,114)

Cashflow statement

(Euro/'000)	YEAR 2019	YEAR 2018
Financial flow from operating activities (indirect method)		
Profits (losses) for the year	-2,041,227	-12,885,040
Income taxes	2,556,495	373,548
Interest paid/(interest earned)	6,380,311	5,102,944
(Dividends)	-14	-14
(Gains)/losses arising from the sale of assets	-5,187,567	-1,175,191
Profit (loss) for the financial year before income taxes, interest, dividends and gains/losses on sales	1,707,998	-8,583,753
<i>Adjustments for non-monetary items that did not have a contra-entry in the net working capital</i>		
Provisions	2,370,608	3,286,590
Amortizations of fixed assets	18,817,477	18,929,713
Write-downs for impairment	440,693	-
Other increase (decrease) adjustments for monetary items	-5,461	38,744
Other increase (decrease) adjustments for non-monetary items	0	1,394
Financial flow before changes in the net working capital	21,623,317	13,672,688
<i>Changes in net working capital</i>		
Decrease/(increase) in stock	16,287,508	-10,173,301
Decrease/(increase) in receivables from clients	16,265,718	29,596,902
Increase/(decrease) in trade payables	-42,650,056	661,971
Decrease/(increase) in accrued income and prepaid expenses	977,093	558,071
Decrease/(increase) in accrued expenses and deferred income	2,511,166	482,004
Other changes in net working capital	-4,280,759	12,703,215
Financial flow after changes in the net working capital	10,733,987	47,501,550
<i>Other adjustments</i>		
Interest received/(paid)	-4,460,971	-5,145,785
(Income taxes paid)	1,202,364	-1,842,199
Dividends received	14	14
(Use of provisions)	-1,646,133	-2,914,056
Other receipts/payments	-	-
Operating financial flow (A)	5,829,261	37,599,524
Financial flows deriving from investments		
Purchase price of the controlling shares of MG net of initial liquidity	-	-
<i>Tangible Fixed Assets</i>		
(Investments)	-16,804,602	-15,888,632
Disinvestments	9,602,074	1,734,828
<i>Intangible Fixed Assets</i>		
(Investments)	-503,099	-341,606

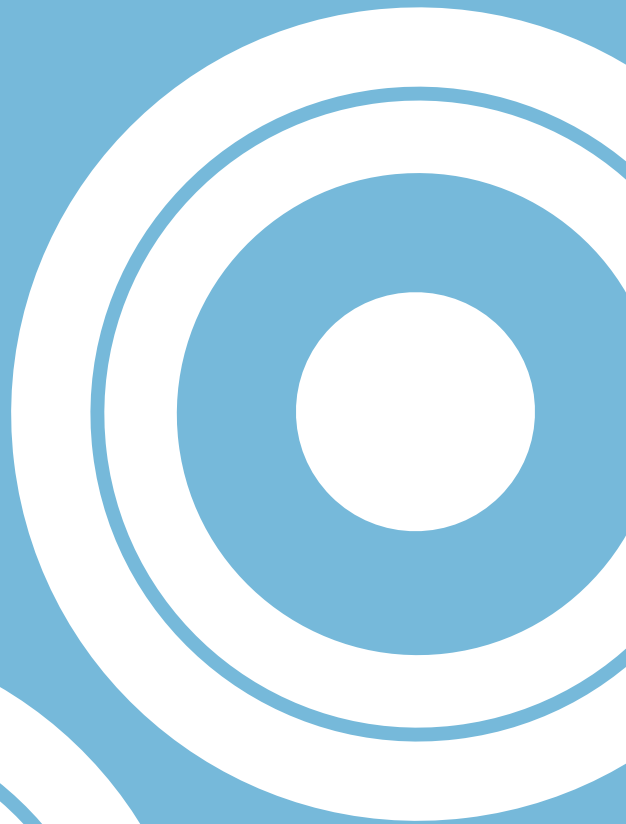
Consolidated Financial Statements 2019

Disinvestments		44
<i>Long-term investments</i>		-
(Investments)	-579,375	-14,777,557
Disinvestments		-
<i>Non-fixed financial assets</i>		-
(Investments)		-
Disinvestments		-
Investing financial flow (B)	-8,285,002	-29,272,923
Financial flows deriving from financing activities		
<i>Third party means</i>	-	-
Increase / (Decrease) of payables to banks	-12,961,896	-256,489
Increase / (Decrease) of payables to other lenders	-10,246,290	2,238,583
(Increase)/Decrease of intragroup financial receivables	77,929	-1,470,616
Increase/(Decrease) of intragroup financial payables	12,000,000	-
<i>Own means</i>		
Paid increase in capital	-	-
(Capital repayment)	-	-
Sale (purchase) of own shares	-	-
(Dividends (and dividend advances) paid)	-	-126,738
Financial flow from financing activities (C)	-11,130,257	384,740
Increase (decrease) in liquid assets (A ± B ± C)	-13,585,998	8,711,341
Liquid assets at the beginning of the financial year	21,569,255	12,857,914
of which:		
bank and postal deposits	21,496,294	12,833,455
cash and cash equivalents in hand	72,961	24,459
Liquid assets at the end of the financial year	7,983,257	21,569,255
of which:		
bank and postal deposits	7,935,151	21,496,294
cash and cash equivalents in hand	48,106	72,961

*The financial statement for the previous year has been reclassified according to the OIC 10 framework



Note to the Consolidated Financial Statements



MAIN BUSINESSES

ArcelorMittal CLN Distribuzione Italia S.r.l. is a legal entity under Italian law and with its subsidiaries (“the Group”) works along different business lines: steel service centres (pre-processing of steel coils and sheet metal processing in general); transport service; direct and indirect warehousing management; steel pickling and cutting; and production of semi-finished steel products for industry.

FORM AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements as at 31 December 2019 of ArcelorMittal CLN Distribuzione Italia S.r.l. and its subsidiaries (hereinafter also referred to as the “Group”) have been prepared in accordance with the provisions of Legislative Decree 127 of 9 April 1991, which implemented the 4th and 7th EEC Directives. It has also been prepared in compliance with the regulations of the Italian Civil Code, interpreted and supplemented by the accounting principles and criteria developed by the Italian Accounting Standards Board (O.I.C.) and, finally, where lacking and as not in conflict with Italian accounting rules and principles, by those issued by the International Accounting Standard Board (I.A.S.B.).

The consolidated financial statements have been prepared on a going concern basis. As explained in greater detail in the Management Report, it is believed that, despite the difficult economic and financial environment, there are no significant uncertainties about the Group’s ability to continue as a going concern, taking into account the actions planned by the Directors, which are designed to improve the Group’s economic and financial condition.

Among the short-term scenarios hypothesised by the Directors, no factors have been identified that could endanger the Group’s going concern, also on the basis that, prior to the Board of Directors’

meeting of 27 May 2020, the Shareholders formally committed themselves to provide financial support to the Group until the approval of the financial statements for the year ending 31 December 2020. This support will take the form of the disbursement of two loans of the same amount, by each of the two shareholders, for a maximum amount of 30 million Euros, which, in the opinion of the directors, is sufficient to meet the cash commitments envisaged for the next twelve months, even in the event that the worst case scenario should occur.

The Consolidated Financial Statements include the Balance sheet, the Income statement, the Cashflow statement (prepared in accordance with the layout referred to in Articles 2424, 2424 bis, 2425, 2425 bis and 2425 ter of the Italian Civil Code) and of this Explanatory note.

The Explanatory note has the function of illustrating, analysing and in some cases supplementing the financial statements data and contains the information required by Articles 2427 and 2427 bis of the Italian Civil Code, Article 38 of Legislative Decree 127/91, other provisions of the Italian Civil Code regarding financial statements and other previous laws. In addition, it provides all the additional information deemed necessary to provide the most transparent and complete representation, even if not required by specific legal provisions.

The balance sheet and the income statement do not include items (distinguished by Arabic numerals) and sub-items (distinguished by lowercase letters) with a zero balance in both financial years.

The Consolidated Financial Statements have been prepared by applying the line-by-line consolidation method to the financial statements of ArcelorMittal CLN Distribuzione Italia S.r.l., the parent company, with those of all Italian and foreign companies where it directly or indirectly holds the majority of voting rights and where it exercises unilateral control.

The subsidiaries that are jointly controlled or strongly influenced by the Group were consolidated using the equity method.

Group companies, their legal names, locations, corporate purpose, share capital and direct and indirect holding percentages are listed as an attachment to this Explanatory note. The financial statements being consolidated refer to the same date of closure of the Parent Company.

We specify that we did not proceed with derogations pursuant to paragraph 4 of art. 2423 of the Civil Code in these Financial statements.

The amounts indicated in the Financial statements and the Explanatory note are all expressed in Euros, unless indicated otherwise.

These financial statements are submitted to the Shareholders for approval within 180 days of the end of the financial year due to the emergency COVID-19 situation, pursuant to Decree 18 of 17 March 2020.

PRINCIPLES OF CONSOLIDATION

The consolidated Financial statements were drafted including the financial statements as of 31 December 2019 of the Group companies included in the area of consolidation that had been drawn up by the Boards of Directors for approval by the individual Shareholder's Meetings, duly amended where necessary, in order to standardize them to the accounting principles adopted by the Parent Company.

All subsidiaries (operating companies in which ArcelorMittal CLN Distribuzione Italia S.r.l. holds, directly or indirectly, an interest of more than 50% or in which it exercises a dominant influence) included in the area of consolidation are consolidated using the line-by-line method, as from acquisition of control and summarized thus:

- a. Assumption of the assets, liabilities, costs and revenues at their comprehensive total amount, regardless of the entity of the shareholding and attributing, in general, to minority Shareholders the portion of equity and net profit for the period due to them under dedicated entries.
- b. The book value of the equity investments held by the Parent Company and the other companies included in the scope of consolidation is eliminated against the related shareholders' equity at the date of consolidation against the assumption of the assets, liabilities, costs and revenues of the subsidiaries according to the line-by-line method.
- c. The difference emerging from the act of acquisition from the elimination of the book value of the holding in an enterprise included in the area of consolidation against the corresponding portion of equity is imputed, where possible, to the elements of the assets and liabilities of such enterprise. Any remaining amounts are treated as follows:
 - if positive, it is recorded under the item "goodwill" of intangible fixed assets and is amortized on a straight-line basis in relation to its expected recoverability;
 - if negative it is entered under an item of the shareholder's equity as "consolidation reserve", or, when due to expected unfavourable operating results, under an item called "consolidation provision for future risks and charges".
- d. Elimination of receivables and payables, as well as costs and revenues between the consolidated companies.
- e. Dividends from consolidated companies are reversed from the income statements of the parent companies.
- f. The following were also eliminated:
 - Capital gains deriving from transfers of fixed assets among consolidated companies;
 - Profits, where significant, deriving from transactions between consolidated companies related to transfers of assets remaining as inventories at the buying company, where deemed significant.

The holdings of joint control and affiliated companies (in which the Parent Company directly or indirectly owns between 20% and 50%) were assessed according to the equity method, deducting the dividends distributed to the Parent

company and enacting the rectifications required by the consolidation principles. According to said method:

- i. the consolidated Financial statements include only their share of the subsidiary's equity, including the profit for the year;
- ii. any positive difference between the purchase cost of the holding and their share of the subsidiary's equity, adjusted for the existing capital gains on assets, represents the goodwill included in the value of the holding in the consolidated financial statements. In the calculation inherent in the valuation according to the equity method, this goodwill is amortized on the basis of a determined useful life, within a period not exceeding twenty financial years, which is deemed not to exceed the period of potential benefit;
- iii. any negative difference, on the other hand, is entered into the net equity reserve until the eventual sale of the holding itself.

Other equity investments in fixed assets, including those in non-operational companies, irrelevant or the consolidation of which would have had little significant impact on the Group's income statement and balance sheet figures are recorded using the cost method, adjusted if necessary for permanent losses of value.

The financial statements used for consolidation purposes are those approved or prepared for approval by the shareholders' meetings of the individual companies suitably amended, where necessary, to adapt them to the uniform accounting principles of the Group. The financial statements subject to consolidation refer to the same date of closure of the Parent Company which coincides with the calendar year (1 January - 31 December).

The reconciliation between shareholders' equity and profit for the year as at 31 December 2019 which can be inferred from the financial statements of the Parent Company and those resulting from the consolidated financial statements at the same date, are shown in the paragraph on Shareholders' Equity.

Consolidation scope

Below is a list of the subsidiaries included in the scope of consolidation:

Parent company

Legal Name	Registered office
ArcelorMittal CLN Distribuzione Italia S.r.l.	Corso Susa 13/15, Caselette (Turin)

Companies consolidated using the line-by-line consolidation method - Subsidiaries

Legal Name	Registered office	Share capital	% owned
Delna S.p.A.	Via Per Airuno 20, Brivio (Lecco)	2,000,000	98.41%
Tamagnone S.r.l.	Corso Susa 13/15, Caselette (Turin)	20,000	80.00%
Acierplus S.a.s.	Impasse des Prairies, Z.I. Nord, Arnas (FR)	1,001	70.00%

Companies consolidated using the equity method - Affiliated or joint-control companies

Legal Name	Registered office	Share capital	% owned
Centro Servizi Navali S.p.A.	Via Volta SNC, San Giorgio di Nogaro (UD)	12,782,000	44.54%
Centro Servizi Metalli S.p.A.	Via G.M. Ferraroni 7, Reggio Emilia (RE)	871,000	42.39%

Changes in the consolidation scope

As better described in the Management Report, on 26 June 2019, the Parent Company ArcelorMittal CLN Distribuzione sold 30% of Acierplus S.a.s. to Mr. Cazzolla. This sale is the first act of a transaction aimed at exploiting the industrial and commercial expertise of Mr. Cazzolla, owner of Casta s.r.l., a company operating in the same sector as Acierplus. On the basis of the agreements entered into between the parties, the economic results achieved by the subsidiary in 2019 were considered to be attributable to the Parent Company and therefore the share of the result and shareholders' equity was not allocated to third parties.

ACCOUNTING PRINCIPLES

The criteria set out in Article 2426 of the Italian Civil Code used in the preparation and valuation of the consolidated financial statements as at 31 December 2019 are similar to those used for the financial statements for the previous year. The provisions of the Civil Code are interpreted by the accounting standards published by the Italian Accounting Body (OIC).

The valuation of the financial statements items was done based on general criteria of prudence and competence, in view of the continuation of the business and taking into account the economic function of each asset or liability item considered.

The accounting principles are based on the principle of the prevalence of substance over form where they are not expressly in contrast with other specific financial statements rules.

No exceptional events occurred which made it necessary to resort to exemptions pursuant to articles 2423 bis, second paragraph and 2423, fifth paragraph of the Civil Code.

The amounts are expressed in units of Euros, unless otherwise indicated.

Intangible Fixed Assets

Intangible fixed assets are entered at purchase cost. The cost includes accessory charges and direct and indirect costs for the portion that can be reasonably attributed to the asset. In all cases the sustained cost, as defined above, does not exceed the recoverable value.

The values are shown net of the amortizations allocated in the various financial years. Amortization starts from the financial year when the asset becomes available for use or when it begins to produce economic benefits.

The item "Goodwill" includes the sums paid for this purpose with reference to the acquisition of companies or other corporate transactions and

is amortized according to its useful life. Useful life is estimated at the time of initial recognition of the goodwill and is not changed in subsequent financial years. If it is not possible to estimate its useful life, the goodwill is amortized over a period of 10 years.

At each financial statements closing, the presence of indicators of loss of value of intangible fixed assets is assessed. If these indicators emerge, a reduction of value is carried out (impairment test). If the net book value of the fixed assets exceeds the recoverable value, they are written down to reflect the latter. If in subsequent years the reasons for the write-down no longer apply, the original value is restored, within the limits of the value that the asset would have had if the write-down had never taken place, except for the item "goodwill".

The recoverable amount of intangible fixed assets was determined as the greater between the use value calculated by discounting future cash flows, and the fair value. In determining the recoverable value of intangible fixed assets, the following parameters were considered:

- time horizon of five years as a reference for the analytical estimate of future cash flows (arising from the most recent business plan approved by the Board of Directors);
- a growth rate of 1.5% determined on the basis of the expected long-term inflation rate in Italy;
- an 8.03% cash flow discounting rate, determined on the basis of an unlevered approach in line with the method for calculating cash flows, using specific parameters of the Company / reference country (Italy).

Accessory costs related to financing

The Company applies the amortized cost criterion exclusively to payables arising from 2016 onwards and therefore the costs relating to previous loans continue to be recorded under the item "Others" of intangible fixed assets and amortized in accordance with the previous accounting standard, without prejudice to the exemptions specified in the paragraph "Payables".

Tangible Fixed Assets

Tangible fixed assets are recorded at the cost of purchase or production. Furthermore, some assets were revalued following their initial transfer on the basis of values certified by independent third party experts. The Company ArcelorMittal CLN Distribuzione Italia S.r.l. has recorded (subject to the limits established by the Law) revaluations with a contra-entry to the goodwill deriving from the initial transfer.

The tangible fixed assets, whose use is limited in time, are systematically depreciated each year on the basis of economic-technical rates determined in relation to the residual possibilities of use of the assets, with the exception of those whose usefulness does not end and that consist of land already existing as of 31 March 2015. If the value of buildings also incorporates the value of the land on which they are located, the value of the building has been separated.

For fixed assets that became operational during the financial year, the rates are reduced to 50%, assuming that the purchases are homogeneously distributed over the year.

If, regardless of the already recorded depreciation, there is a permanent loss in value, the fixed asset is correspondingly devalued; if in subsequent financial years the conditions for the write-down no longer apply, the original value is reinstated within the limits of the value that the asset would have had if the value adjustment had never taken place.

Ordinary maintenance costs are fully charged to the Income statement, while those of an incremental nature are attributed to the assets to which they refer and amortized in relation to the residual possibility of using them.

Notwithstanding generally accepted accounting principles, where i) permitted by special laws or ii) deemed appropriate in order to provide a more truthful and correct representation of the values of land, buildings, plants and machinery, and as previously clarified, ArcelorMittal CLN Distribuzione Italia S.r.l. has recorded (subject

to the limits established by law) revaluations following the initial transfer. The revaluation amounts do not, in any case, exceed the recoverable values. The partial allocation of the initial difference from asset transfer to revaluation was redeemed in 2016.

Leased assets have been recorded in the consolidated financial statements according to the criteria established by the financial methodology. In particular, the capital worth of the assets, including quotas of initial fees included in the prepaid expenses in the financial statements for the year, was included in the tangible fixed assets whereas payables for lease fees as principal were included in the medium/long term financial debts. The lease fees booked in the financial statements for the year were replaced with the depreciation and write-downs of the fixed assets subject matter of the lease, with the related interest payables entered in the financial charges and the related appropriated deferred taxes.

Long-term investments

Holdings not included in the scope of consolidation are valued using the cost method. The carrying value in the financial statements is determined on the basis of the purchase price, or subscription price, including accessory charges or the value attributed to the assets transferred.

The carrying amount of the holding, when the existence of a permanent loss in value is recognized, is reduced to its lowest recoverable value which is determined on the basis of the future benefits expected to flow to the holder's economy. The original value is reinstated in subsequent years if the reasons for the write-down no longer exist.

Holdings in subsidiaries and affiliated companies not included in the area of consolidation are adjusted each year based on the relative pro-quota net equity owned by the Group.

Inventories

Inventories are recorded at the lower of purchase or production cost, and the presumable net realizable value inferable from the market trend, represented

by the replacement value for raw materials and the realizable value for finished products and semi-finished products, net of sale costs.

The cost is determined according to the LIFO method in annual increments. The difference between the inventories calculated using the LIFO method and the valuation at current costs (FIFO method) recognized at the end of the year is provided in the Explanatory note.

Receivables

Receivables are recognised in the financial statements according to the amortised cost method, taking into account the time factor and the estimated realizable value. The amortised cost criterion is not applied when the effects are insignificant (i.e. when transaction costs, commissions paid between the parties and any other difference between initial value and maturity value are insignificant) or if they are short-term (i.e. with a maturity of less than 12 months).

In accordance with the materiality concept referred to in art. 2423 paragraph 4 of the Italian Civil Code, receivables were not discounted if the interest rate deducible from the contractual terms is not significantly different from the actual interest rate.

The receivables, regardless of whether the amortized cost was applied or not, are shown in the financial statements net of the allocation to a provision to cover bad debts and the generic risk relating to the remaining receivables, based on estimates made on the basis of the past experiences, the performance of maturity indexes of overdue credits, the general economic and sector situation, as well as events that happened after the end of the financial year which have an effect on the numbers at the balance sheet date. For collateralized receivables, the effects related to the enforcement of the collateral have been taken into account, and only the portion not covered by insurance has been taken into account for insured receivables.

The Group implements disposal transactions on its trade receivables portfolio by means of securitization and factoring operations. In some

cases, transfers can take place according to the “with recourse” procedure, so that the Group continues to be subjected to the risk of insolvency of the transferred debtor. In this case the receivables are not removed from the financial statements.

Liquid assets

Liquid assets are entered at their nominal value. Any liquid assets denominated in foreign currencies are valued at the year-end exchange rate. Restricted liquid assets are recorded under receivables in current assets or fixed assets, depending on the characteristics of the restriction.

Accruals and Deferrals

Accruals constitute the numeric counterpart of the ascertainment of the portion of competence of costs (where owed) and revenues (where due) common to several financial years, for which, as at the date of the financial statements, the corresponding changes in monetary availability or of receivables and payables have not yet been verified.

Deferrals represent the counterpart of portions of costs (where due) and revenues (where owed) common to several financial years not imputable to the net profit for the year related to the period during the course of which the corresponding monetary variation took place or that of receivables and payables. These express the value of services yet to be received or in any case usable in future financial years, where due, and the value of services yet to be carried out or for which the corresponding costs are yet to be sustained, where owed.

The adopted criteria of measurement constitute the application of the general principle of correlation of costs and revenues according to the financial year.

Provisions for risks and charges

The provisions for risks and charges are appropriated in order to cover losses or debts of certain or likely existence, the amount or date

of occurrence of which, however, could not be determined upon closure of the financial year. The appropriations reflect the best possible estimate on the basis of available elements.

The provision “for taxes, also deferred” is included in the provisions for liabilities and charges which includes the amounts relating to liabilities for probable taxes, of an undetermined amount or due date, deriving from not yet definitive audits or pending disputes and other similar cases. The provision “for taxes, also deferred” includes the liabilities for deferred taxes determined on the basis of the taxable temporary differences.

Staff Severance Indemnity Reserve

This item is calculated in accordance with the law and contractual agreements and represents the certain debt, even if not due, accrued in favour of employees at the balance sheet date. Staff severance indemnity is subject to revaluation using official indices. Any accruals to pension funds, other than the Staff Severance Indemnity and supplementing pension funds, which the Company pays out as required by the collective labour agreement are recorded in the item “Pensions and similar” in the income statement.

Payables

Payables are identified according to the amortized cost method, with the exception of payables for which the effects of the application of the amortized cost criteria are irrelevant (i.e. when the transaction costs, the commissions paid between the parties and any other difference between the initial value and the value at expiry are not relevant or when the expiration is less than 12 months).

In accordance with the materiality concept payables were not discounted if the interest rate deducible from the contractual terms is not significantly different from the actual interest rate.

Payables for which the amortized cost criterion has not been applied have been entered at their nominal value. Payables arising from asset

acquisitions are recorded at the time when the risks, charges and benefits were transferred; those relating to the services are recorded at the time of performance of the service; those of a financial or other nature are recorded at the time when the obligation towards the counterparty arises.

“Tax payables” include deferred tax liabilities as well as withholdings that have not yet been paid at the Financial statements date and, where compensation is permitted, they are entered net of advances, withholdings and tax receivables.

Revenues

Revenues are recorded net of returns, discounts, allowances and bonuses, and of taxes directly connected with the sale of goods and the provision of services. Revenues from product sales are recognized upon the transfer of ownership, which normally corresponds to the delivery or shipment of the goods. Revenues for the provision of services are recognized based on the performance of the service and in accordance with the related contracts.

Costs

Costs and expenses are booked according to the accrual principle.

Interests Receivable and Payable, Income and Charges

Interests receivable and payable as well as income and charges are disclosed in the financial statements according to the accrual principle, with a calculation of the related accruals and deferrals.

Income tax for the year

Current taxes are allocated in the Financial statements according to the rates and norms in force based on a precise estimate of the taxable income for fiscal purposes, considering applicable exemptions or eventual tax credits.

Prepaid and deferred taxes are calculated on the temporary differences between the value attributed to assets and liabilities in the financial

statements and the corresponding values recognized for tax purposes, based on the rates in force when the temporary differences are carried over. The Company makes appropriate adjustments in the event of a change in the tax rate compared to previous years, if the law that changes the tax rate has already been issued at the Financial statements reference date.

Assets deriving from prepaid taxes, entered in the dedicated item, are not recorded, in compliance with the principle of prudence, if there is no reasonable certainty of the existence of a taxable income equal to or higher than the differences that will be cancelled, in the years to which the relative temporary differences will be carried over. The tax benefit deriving from carrying tax losses forward is disclosed when there is a reasonable certainty of the existence of future taxable income in which losses can be carried forward.

Deferred and prepaid taxes are calculated by applying the tax rate in force for the periods in which the temporary differences shall be carried over.

Starting from the financial year that ended on 31 December 2017 and for the three-year period 2017-2019, the parent Company ArcelorMittal CLN Distribuzione Italia S.r.l. has decided to join the national tax consolidation of the CLN Group pursuant to art. 117/129 of the Consolidated Tax Law (CTL).

C.L.N. S.p.A. acts as the consolidating company and determines a single taxable base for the group of companies adhering to the tax consolidation, which thus benefits from the possibility of compensating taxable income with tax losses in a single tax return.

Each company participating in the tax consolidation transfers the taxable income (taxable income or tax loss) to the consolidating company; the consolidating company recognizes a credit against it that is equal to the CIT to be paid (the consolidated company recognizes a payable toward the consolidating company). On the other hand, with regard to companies that record tax losses, the consolidating company

recognizes a payable equal to the CIT on the part of the loss effectively offset at a group level (the consolidated company recognizes a receivable from the consolidating company).

Conversion criterion for items in foreign currency

The assets and liabilities originally recorded in foreign currency and realized during the year have generated exchange gains/losses recorded in the Income statement following their valuation at the spot exchange rate on the date of realization.

Commitment, Guarantees and Risks

The amounts of the actual risks, commitments and guarantees that were in existence at the balance sheet date are shown at the end of the Explanatory note.

Derivative financial instruments

Derivative financial instruments are recorded at fair value corresponding to the market value, if any, or to the value resulting from valuation models and techniques that ensure a reasonable approximation of the market value. Financial instruments for which it has not been possible to use such methods are valued on the basis of the purchase price.

The current value is entered under assets in the balance sheet, under the specific item of financial fixed assets or current assets depending on the destination, or under liabilities under the specific item included in the provisions for risks and charges.

Derivatives used to hedge cash flows (so-called cash flow edge) have a counter-entry in an equity reserve, i.e., for the ineffective portion, the income statement. Changes in the fair value of non-hedging derivatives are recognized in the income statement.

Please refer to the note "Information relating to the fair value of derivative financial instruments" for more information.

ASSETS

Fixed assets

I) Intangible fixed assets

Intangible fixed assets as at 31 December 2019 amounted to € 25,016,276 (€ 30,014,834 as at 31 December 2018).

Description	31/12/2019	31/12/2018
Start-up and expansion costs	-	-
Industrial patent rights and use of intellectual property	115,115	149,413
Concessions, licenses, trademarks and similar rights	340,702	219,504
Goodwill	23,916,071	28,867,222
Fixed assets under construction and advances	45,746	31,239
Other	598,642	747,456
Total Intangible fixed assets	25,016,276	30,014,834

During the 2019 financial year, the changes in the Intangible fixed assets are as follows:

Cost description	Initial situation			Movements of the financial year			Final situation		
	Historical cost	Amort. Fund	Net value	Purchases	Write-downs	Amort.	Historical cost	Amort. Fund	Net value
Industrial patent rights and use of intellectual property	288,853	(139,440)	149,413	19,502		(53,800)	308,355	(193,240)	115,115
Concessions, licenses, trademarks and similar rights	2,645,837	(2,426,333)	219,504	284,662	(45,781)	(117,683)	2,930,499	(2,589,797)	340,702
Goodwill	46,062,422	(17,195,200)	28,867,222		(329,464)	(4,621,687)	46,062,422	(22,146,351)	23,916,071
Fixed assets under construction	31,239	-	31,239	14,507			45,746		45,746
Other assets	4,828,791	(4,081,335)	747,456	184,428	(9,522)	(323,720)	5,013,219	(4,414,577)	598,642
Total	53,857,142	(23,842,308)	30,014,834	503,099	(384,767)	(5,116,890)	54,360,241	(29,343,965)	25,016,276

Goodwill at 31 December 2019, equal to € 23,916,071, relates to net value of the goodwill recorded in previous years with reference primarily to the transfer of the business units by CLN, AMDSI, the merger of Prorena-Canessa and Pro-Can, and to the consolidation differences determined as the difference between the value of the holding and the pro-quota net equity of the subsidiaries on the date of the first consolidation not allocated to the assets and liabilities of the acquired company.

The details of the goodwill recorded at 31 December 2019 are shown below:

Description	31/12/2018	Increases	Amortizations	Write-downs	31/12/2019
Goodwill	23,342,807	-	(4,308,261)	(384,767)	18,705,082
Consolidation differences	5,524,415	-	(313,426)	-	5,210,989
Total Goodwill	28,867,222	-	(4,951,151)	(384,767)	23,916,071

Amortization is carried out in 10-year periods from the date of first consolidation, depending on the residual possibility of use. The residual value of the “Goodwill” recorded in the financial statements is deemed to be recoverable on the basis of the Group’s profitability forecasts and of the actions and programs planned for the near future.

In particular, goodwill is subjected annually to an Impairment test to verify its recoverability. The valuation carried out by the Directors of the parent Company ArcelorMittal CLN Distribuzione Italia S.r.l. took into consideration a time horizon of 5 years for the estimate of future cash flows based on the most recent approved multi-year plans, and used a growth rate of 1.5% determined on the basis of the expected long-term inflation rate in Italy, a 8.03% cash flow discounting rate determined on the basis of an unlevered approach in line with the method for calculating cash flows, using specific parameters of the Company and of the reference country (Italy). These analyses gave rise to no write-downs of the goodwill recorded in the financial statements.

II) Tangible fixed assets

Tangible fixed assets as at 31 December 2019 amounted to € 91,449,477 (€ 99,150,922 as at 31 December 2018) and are broken down as follows:

Description	31/12/2019	31/12/2018
Land and buildings	44,204,930	46,362,164
Plant and machinery	40,010,802	43,727,889
Industrial and commercial equipment	1,082,601	1,242,928
Other tangible assets	1,468,155	1,645,521
Fixed assets under construction and advances	4,682,989	6,172,420
Total Tangible fixed assets	91,449,477	99,150,922

During the course of 2019 the changes in Tangible fixed assets were as follows:

Cost description	Initial net value	Movements of the financial year					Final net value
		Investments	Disposals	Write-downs	Amort.	Other variations	
Land and buildings	46,362,164	3,224,636	(3,272,197)	(8,175)	(2,287,271)	185,773	44,204,930
Plant and machinery	43,727,889	6,152,505	(5,909,999)	(44,781)	(10,519,430)	6,604,618	40,010,802
Industrial and commercial equipment	1,242,928	419,126	(236,828)	(2,969)	(369,415)	29,759	1,082,601
Other fixed assets	1,645,521	339,497	(173,184)		(524,471)	180,792	1,468,155
Fixed assets under construction and prepayments	6,172,420	6,668,838	(9,866)			(8,148,403)	4,682,989
Total	99,150,922	16,804,602	(9,602,074)	(55,925)	(13,700,587)	(1,147,461)	91,449,477

The acquisitions for the year, amounting to € 16,804,602, are mainly attributable to the parent Company ArcelorMittal CLN Distribuzione Italia S.r.l.:

- € 3,406,724 for the former Siderurgica Modenese Slitter 1850 line, including foundations, mechanical and electrical revamping and the IP 1500 packaging line, at the Caselette plant; € 923,508 for the revamping of the 1851 line at Atella; € 157,999 for the revamping of the 1100 levelling machine at Marcon; € 157,168 for the new stacking unit on the 2000 Viganò levelling machine.

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- € 354,449, mainly for new equipment purchased at the Avellino site for € 92,701, in particular Rollstop for € 54,975; at the Monza site for € 81,216, of which € 53,631 for saddles; at Caselette and Alpignano, € 71,375; at the Atella site, for € 39,981, and at the Marcon site, for € 36,307.
- € 836,685 for the revamping of the FIMI 1050 x 3 slitter line

It should be recalled that, by order of 26 October 2018, the Court of Lecco assigned to the subsidiary Delna S.p.A., following a competitive procedure by electronic auction, a real estate holdings owned by the company Autotrasporti Airoldi Arduino S.a.s. di Dozio Maria Rosa & C. in Concordato Preventivo, with accessories, for a total price of € 2,575,000, plus VAT where applicable. On 21 January 2019 the balance price of € 2,370,660 was paid, an amount that in the previous year was shown under “Commitments”, while on 27 February 2019 the Transfer Decree was issued, which allowed the subsidiary to acquire full ownership of the real estate holdings. During the year, the external renovation work on the office building of the subsidiary Delna S.p.A., which began in 2018, was finally completed.

As far as Tamagnone is concerned, the most important purchase amounts to € 275,028 and is related to the purchase of 5 road tractors and 3 semi-trailers.

During 2019, Acierplus S.a.s. continued to upgrade its production facilities by investing in a laser cutting machine for € 1,490,000 and related plants for € 835,000, cutting centres for € 956,000, packaging and palletizing lines for € 535,000 and a milling system for € 279,000.

Net divestments during the period are mainly related to the Liberty transaction, better described in the consolidated Management Report, with which the Parent Company sold tangible assets for a total net value of € 9,317,329 of which € 3,272,197 for land and buildings, € 5,636,371 for plant and machinery, € 236,563 for industrial equipment and € 172,198 for other assets.

III) Long-term investments

Equity investments

Description	31/12/2019	31/12/2018
In associated companies	13,614,101	13,889,167
In other companies	3,609,602	3,609,602
Total holdings	17,223,703	17,498,769

The item “holdings in associated companies” includes the investments made during the previous year by the Parent Company in the associated company Centro Servizi Metalli S.p.A., of which it holds 42.39% of the share capital, and in the joint-venture Centro Servizi Navali S.p.A., of which it holds 44.54% of the share capital. The value of the holdings is adjusted to the pro-quota net equity of the companies at 31 December 2019:

Description	Valuation	31/12/2018	31/12/2017
Centro Servizi Metalli S.p.A.	Equity	10,301,916	9,565,304
Centro Servizi Navali S.p.A.	Equity	3,312,185	4,323,863
Total holdings of associated companies		13,614,101	13,889,167

The item “holdings in other companies” is unchanged compared to the previous year (€ 3,609,602 as at 31 December 2019), details of which are given below:

Description	Valuation	31/12/2019	31/12/2018
San Polo Lamiere S.p.A.	Cost	3,504,642	3,504,642
Kyneprox S.r.l.	Cost	100,000	100,000
Credito Coop. Carate Brianza	Cost	1,000	1,000
Credito Coop. Castenaso	Cost	1,651	1,651
Banca di Bologna	Cost	516	516
Consorzio Alpignano Industrial	Cost	516	516
Consorzio API Formazione	Cost	52	52
C.O.N.A.I.	Cost	1,224	1,224
Centro Assistenza API	Cost	1	1
Total holdings in other companies		3,609,602	3,609,602

Long-term receivables due from others

The item “Long-term receivables due from others”, equal to € 7,161,190 includes € 7,061,000 related to a term deposit account as a guarantee for a credit line granted by Cariparma to the Parent company; € 65,000 related to a security deposit provided by Tamagnone S.r.l. to the Italian State Railways for the lease of the Orbassano rail yard.

Current Assets

I) Stock

Description	31/12/2019	31/12/2018
Raw materials, ancillary materials and consumables	113,246,190	128,912,206
Work in progress and semi-finished goods	2,722,085	3,689,181
Goods being made to order	-	-
Finished products and goods	16,937,204	16,591,600
Advances paid	-	-
Total Stock	132,905,479	149,192,987

Inventories included in the financial statements include those at the Group companies’ plants and warehouses (other than those received by third parties for trial and testing purposes, goods in process and on consignment), the Group’s inventories held by third parties and the goods in transit for which the Group has already acquired ownership.

The final inventory valuation has been carried out, as already indicated in the accounting principles, with the LIFO method. If the Group had valued inventories according to the current cost criterion (FIFO method), the inventories as at 31 December 2019 would have been higher by € 6,658,979. With the application of the FIFO method, the decrease in the inventories in the income statement would be of € 24,019,959 gross of taxes (in the financial statements at 31 December 2018 the increase in the income statement would have been of € 2,993,991).

II) Receivables

The changes in the item compared to the financial statements for the year that ended on 31 December 2018 are summarized below:

Description	31/12/2019	31/12/2018
Trade debtors	72,525,966	89,064,620
Due from associated companies	1,665,623	1,470,616
Tax credits	13,182,390	19,443,211
Prepaid taxes	1,783,756	1,535,886
Other debtors	828,009	1,086,249
Total Receivables	89,985,744	112,600,582

The data relating to the breakdown of receivables by maturity are shown below:

Description	Within 12 months	Over 12 months	Total
Due from third party trade debtors	72,312,098	213,868	72,525,966
Due from associated companies	1,665,623	-	1,665,623
Tax credits	13,135,595	46,795	13,182,390
Deferred tax assets	1,783,756	-	1,783,756
Other debtors	714,129	113,880	828,009
Total receivables by maturity	89,611,201	374,543	89,985,744

There are no receivables with a residual duration of more than five years and with a right of repurchase. Below are the figures relating to the breakdown of receivables, net of the bad debts provision, by geographical area:

Description	Italy	EU area	Extra-EU area	Total
Trade debtors	61,249,092	10,246,293	1,030,581	72,525,966
Due from associated companies	1,665,623	-	-	1,665,623
Tax credits	12,147,039	1,035,351	-	13,182,390
Deferred tax assets	1,783,756	-	-	1,783,756
Other debtors	509,858	318,151	-	828,009
Total receivables by geographic area	77,355,368	11,599,795	1,030,581	89,985,744

Trade debtors

Trade debtors, amounting to € 72,525,966 at 31 December 2019, including receivables from other related parties amounting to € 20,987,869, are shown net of the bad debt provision amounting to € 2,906,703 at 31 December 2019.

Description	Within 12 months	Over 12 months	Total
Due from third party trade debtors	51,324,229	213,868	51,538,097
Due from other related companies	20,987,869	-	20,987,869
Total receivables from clients	72,312,098	213,868	72,525,966

The bad debts provision underwent the following movement during the financial year and its amount at the end of the year is considered adequate in relation to the risks in place:

Bad debts provision as of 31 December 2018	2,655,161
Appropriations	334,912
Provision restatement	215,602
Uses / other net variations	(298,972)
Bad debts provision as of 31 December 2019	2,906,703

Note to the Consolidated Financial Statements

The receivables due from related companies as at 31 December 2019 amount to € 20,987,869. The table below summaries existing relations at the end of the financial year:

Description	31/12/2019	31/12/2018	Variation
Arcelor Planos Sagunto S.A.	789	0	789
ArcelorMittal Atlantique & Lorraine	1,132	3,510	(2,378)
ArcelorMittal Avellino e Canossa S.p.A.	17,529	0	17,529
ArcelorMittal Belgium S.A.	10,233	0	10,233
ArcelorMittal Bremen GmbH	12,338	14,711	(2,373)
ArcelorMittal Centres De Services	1,500	2,741	(1,241)
ArcelorMittal Commercial Italy S.r.l.	12,014	10,833	1,181
ArcelorMittal Construction France S.A.	0	32,159	(32,159)
ArcelorMittal Distribution Solution	445,978	383,845	62,133
ArcelorMittal Espana S.A.	146,065	7,278	138,787
ArcelorMittal Flat Carbon Europe S.A.	0	6,436	(6,436)
ArcelorMittal FCE Italy S.r.l.	43	0	43
ArcelorMittal Finanziaria	610	0	610
ArcelorMittal Flat Carbon Europe S.A.	6,436	0	6,436
ArcelorMittal France S.a.s.	3,049	0	3,049
ArcelorMittal Italia S.p.A.	269,540	501	269,039
ArcelorMittal Logistics Italia S.r.l.	411,065	602,173	(191,108)
ArcelorMittal Mediterranee SASU	7,349	18,520	(11,171)
ArcelorMittal Piombino S.p.A.	0	5,815	(5,815)
ArcelorMittal Tb Gent	4,750	4,750	0
C.L.N. Coils Lamiere Nastri S.p.A.	779,975	2,025,902	(1,245,927)
C.L.N. Serbia D.O.O.	0	370,665	(370,665)
C.L.N. Slovakia S.R.O.	0	18,267	(18,267)
C.S.N. S.p.A.	24,115	0	24,115
C.T.L. S.r.l. Centro Taglio Laser	426,096	414,540	11,556
Cellino S.r.l.	398,603	673,584	(274,981)
Celmac S.r.l.	730,776	848,690	(117,914)
Delfo Polska S.A.	1,676	0	1,676
DMW Sud Africa	2,000	0	2,000
Dp Metal Processing Polska Z.O.O.	308,671	82,701	225,970
Eurostamp S.a.s.	10,960	16,215	(5,255)
Fam MA Automotive S.A.	(1,572)	(1,572)	0
Itla Bonaiti S.R.L.	0*	9,426,986	(9,426,986)
MA Automotive Deutschland GmbH	9,708	7,253	2,455
MA Automotive South Africa (Pty) Ltd	0	6,203	(6,203)
MA France	328	85,252	(84,924)
MA Polska S.A.	0	14,570	(14,570)
MA S.r.l.	16,042,356	8,081,335	7,961,021
MW Aftermarket S.r.l.	104,129	162,866	(58,737)
MW Italia S.r.l.	3,343	35,637	(32,294)
MW Romania S.A.	2,496	0	2,496
MW Wheels Sa (Pty) Ltd	0	2,000	(2,000)
Nichelino Immobiliare S.r.l.	36,024	36,024	0
O.M.V. S.p.A.	541,449	543,319	(1,870)
P.M.C. Automotive Melfi S.r.l.	11,728	4,390	7,338
Proma Poland Sp Z.O.O.	4,322	0	4,322
Solustil La Boisse	186,290	481,027	(294,737)
UM Corporation S.a.s.	13,976	141,372	(127,396)
Total Receivables from related companies	20,987,869	24,570,498	(3,582,629)

Receivables from associated companies

“Receivables from associated companies” as at 31 December 2019 amounted to € 1,665,623 (€ 1,470,616 as at 31 December 2018) and exclusively includes the receivable due to the Parent Company from the jointly controlled company Centro Servizi Navali S.p.A.:

Description	31/12/2019	31/12/2018	Variation
Centro Servizi Navali S.p.A.	1,665,623	1,470,616	195,007
Total Receivables from associated companies	1,665,623	1,470,616	195,007

As at 31 December 2019, this receivable consisted of € 855,675 in trade receivables and € 809,948 in financial receivables, which represent an interest-bearing shareholder loan with annual interest of 2.50% + 3M Euribor which will be repaid as at 31/12/2020. The loan disbursed is interest-bearing and the interest applied is at market rates.

Description	Trade receivables	Financial receivables	Total
Centro Servizi Navali S.p.A.	855,675	809,948	1,665,623
Total Receivables from associated companies	855,675	809,948	1,665,623

Tax credits

The tax credits at 31 December 2019 amount to € 13,182,390. This item mainly consists mainly of € 9,367,849 of VAT reimbursements attributable to the Parent company which has requested the reimbursement of the VAT credit generated by the increasing number of customers who operate with a VAT exemption.

Receivables decreased by € 6,260,821 compared to 31 December 2018, as the Parent company obtained VAT refunds of € 32,511,557 during the year, partly pertaining to the previous year.

Deferred tax assets

The item Deferred Tax Assets, equal to € 1,783,756, is determined from the appropriations against certain liabilities charged to the Group according to realistic estimates of their definition and of some items for which the fiscal normative imposes a division over several financial years.

In particular, we stress that we have considered items representing events which shall be realized in the short term and which we therefore consider as covered by the taxable income that shall be realized. We invite you to consult the table of deferred taxes in the final pages of this Explanatory note in order to obtain details related to the movement which took place during the period.

Other debtors

Receivables due from other debtors amount to € 828,009 as of 31 December 2019 compared to € 1,086,249 of the previous year.

There are no receivables with a residual duration of more than five years and with a right of repurchase.

IV) Liquid assets

Liquid assets amount to € 7,983,257 and consist mainly of bank deposits of ArcelorMittal CLN S.r.l. for

Note to the Consolidated Financial Statements

€ 5,795,906 and of the subsidiary Acierplus S.a.s. for € 1,165,001. The item is composed as follows:

Description	31/12/2019	31/12/2018
Bank and postal deposits	7,935,151	21,496,294
Cash and cash equivalents in hand	48,106	72,961
Total Liquid assets	7,983,257	21,569,255

Accrued income and prepaid expenses

Accrued income and prepaid expenses are entered in the financial statements upon conclusion of assessments and valuations performed pursuant to law, in response to the purpose of merging the competent components into the financial year. This item includes prepaid expenses for insurance, administrative consultancy and lease fees.

Description	31/12/2019	31/12/2018
Accrued income	65,020	359
Prepaid expenses	2,173,390	3,125,144
Total Accrued income and prepaid expenses	2,238,410	3,125,503

The item mainly consists of the implicit interests to be paid for the purchase of Prorena Canessa for a total amount of € 1,956,242. The change during the year is attributable to the release of the portions pertaining to 2019 and 2020, for a total of € 889,166. During the year the debt passed to the shareholder C.L.N., for more details see the section “payables to related companies”.

LIABILITIES

Shareholder's equity

Description	31/12/2018	Destination of the previous year's result	Other movements	Financial year result	31/12/2019
Share capital	60,010,000				60,010,000
Legal reserve	103,377				103,377
Other reserves	4,486,768		43,994		4,530,762
Profits (losses) carried forward	(5,105,989)	(12,886,114)			(17,992,103)
Profit (loss) for the period	(12,886,114)	12,886,114		(2,059,595)	(2,059,595)
Total shareholder's equity for the group	46,608,042	-	43,994	(2,059,595)	44,592,441

The share capital is fully subscribed and paid up at 31 December 2019 and amounts to € 60,010,000, divided among the shareholders according to the following quotas:

- CLN Coils Lamiere Nastri S.p.A. holding a share of 51% of the share capital, for a value of € 30,605,100;
- ArcelorMittal Distribution Solutions Italia S.r.l. holding a share of 49% of the share capital, for a value of € 29,404,900;

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The following table shows the reconciliation between the net profit and the shareholders' equity of the Parent Company and the corresponding data resulting from the consolidated financial statements (values in € thousands).

Euro/000	Net Profit	Shareholder's equity
Financial statements of ArcelorMittal CLN S.r.l.	(2,706)	45,091
Elimination of value consolidated holdings	-	(30,640)
Profit for the period and Shareholder's equity achieved by the consolidated subsidiaries	509	30,789
Consolidation deficit	(932)	4,889
Deconsolidation Q1 Prorena- Canessa	47	(248)
IAS 17 Amendment	(177)	(1,119)
Reversal of write-down in Acierplus (Hericourt)	1,146	3,906
Reclassification of Badwill ArcierPlus	-	(3,906)
Contribution of Acierplus assets	-	(5,213)
Reversal A+ depreciation on capex AM recovery	402	470
Variation of Holdings in associated companies	(331)	1,031
Consolidated financial statements	(2,042)	45,050
Minority Interests	(18)	(458)
Consolidated financial statements pertaining to the Group	(2,060)	44,592

Provisions for risks and charges

Description	31/12/2019	31/12/2018
Provision for pensions and similar obligations	360,649	322,091
For taxes, also deferred	4,936,082	4,084,520
Provisions for passive derivative financial instruments	28,138	21,422
Other provisions	2,233,591	3,960,524
Total Provisions for risks and charges	7,558,460	8,388,557

Provision for pensions and similar obligations

The provision for pensions and similar obligations equal to € 360,649 includes indemnities accrued in favour of sales agents in compliance with contractual agreements or legal provisions.

Provision for taxes, including deferred taxes

The item "Provision for taxes, including deferred taxes" was allocated for temporary differences between the result for the year and the taxable base that have emerged for the individual companies and is equal to € 4,936,082 as at 31 December 2019.

We invite you to consult the table of deferred taxes in the final pages of this Explanatory note in order to obtain details related to the movement which took place during the period.

Provision for passive financial derivative instruments

At 31 December 2019, the item amounted to € 28,138 and includes the negative fair value of the derivative financial instruments outstanding at the closing date of the Financial statements, relating to the Parent Company ArcelorMittal CLN Distribuzione Italia S.r.l. and the subsidiary Delna S.p.A..

Other provisions

The item “Other provisions” amounts to € 2,233,591 as at 31 December 2018 and mainly consists of a provision for risks recognized by the Group’s Parent Company (€ 1,179,540), the Acierplus S.a.s. subsidiary (€ 783,551) and the Delna S.p.A. subsidiary (€ 250,000 for the remediation of land owned for the removal of hydrocarbons to be carried out in the near future).

The item includes the provision for future risks and charges entered in the consolidated financial statements as part of the negative goodwill relating to the Acierplus S.a.s. transaction in consideration of the charges connected with the restructuring of the French sites scheduled for the upcoming financial years for a total of € 3,906,000. This provision for risks was set aside in the 2016 consolidated financial statements on a prudential basis in order to provide for a partial recovery of the net working capital (or NWC) in the event that the company’s sites are decommissioned. This provision was fully utilised during 2019, with utilisation during the year amounting to € 1,146,000.

Staff severance indemnity reserve

The provision of € 4,336,855 reflects the indemnity accrued by the employees of the Group companies.

Severance indemnity as at 31/12/2018	5,206,220
Changes in scope	(521,490)
Usage and other changes	(2,379,010)
Appropriations	2,031,135
Severance indemnity as at 12/31/2019	4,336,855

The changes of this provision can be analysed as follows:

- The item “Changes in scope” refers to the exit of employees from the four sites sold by the Parent Company to Liberty Steel Trade with effect from 30 June 2019;
- Item “Usage and other changes” refers to liquidations of TFR upon termination of working relationships, liquidation of any advance payments, as well as portions transferred to the Treasury reserve established at the INPS or paid to other forms of supplementary pension indicated by the individual employee.

Payables

As of 31 December 2019, payables amount to € 311,845,112. The following are the changes compared to the previous year:

Description	31/12/2019	31/12/2018	Variation
Due to shareholders for loans	12,000,000	-	12,000,000
Due to banks	138,028,869	150,990,765	(12,961,896)
Due to other lenders	158,919	10,405,209	(10,246,290)
Advances paid	-	-	-
Trade creditors	148,509,031	190,964,642	(42,455,611)
Due to associated companies	246,670	441,115	(194,445)
Fiscal liabilities	2,122,318	2,379,524	(257,206)
Payables due to welfare agencies and social security	3,055,478	3,363,348	(307,870)
Other creditors	7,723,827	18,541,681	(10,817,854)
Total Payables	311,845,112	375,889,448	(64,044,336)

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Payables are valued according to the amortized cost criterion and, where not significant, at their nominal value. Their expiration is divided as follows:

Description	Within 12 months	Over 12 months	Total
Due to shareholders for loans	12,000,000	-	12,000,000
Due to banks	125,620,161	12,408,708	138,028,869
Due to other lenders	158,919	-	158,919
Trade creditors	143,016,686	5,492,345	148,509,031
Due to associated companies	246,670	-	246,670
Fiscal liabilities	2,122,318	-	2,122,318
Payables due to welfare agencies	3,055,478	-	3,055,478
Other creditors	7,723,827	-	7,723,827
Total payables by expiration	293,944,059	17,901,053	311,845,112

The breakdown by geographical area of the payables is:

Description	Italy	EU area	Extra-EU area	Total
Due to shareholders for loans	12,000,000	-	-	12,000,000
Due to banks	138,028,869	-	-	138,028,869
Due to other lenders	157,821	1,098	-	158,919
Trade creditors	126,840,381	21,507,515	161,135	148,509,031
Due to associated companies	246,670	-	-	246,670
Fiscal liabilities	1,992,990	129,328	-	2,122,318
Payables due to welfare agencies and social security	3,055,478	-	-	3,055,478
Other creditors	6,211,214	1,512,613	-	7,723,827
Total Payables by geographic area	288,533,423	23,150,554	161,135	311,845,112

Due to shareholders for loans

The item Due to shareholders for loans amounts to € 12,000,000 and represent the Parent Company's financial payables to the shareholder CLN S.p.A. It should be noted that € 2,000,000 Euros derive from the shareholder's waiver of the collection of the PRO.RE.NA. instalment pertaining to 2020.

Payables due to banks and other lenders

The following table gives details of the payables due to banks and other lenders as of 31 December 2019, with an indication of the short-term portion (expected repayment within the following year) and the medium/long-term portion (repayment scheduled for more than one year).

Description	31/12/2019	31/12/2018	Variation
Payables due to banks for advances on invoices/overdrawn c/c	65,351,352	61,874,537	3,476,815
Payables due to banks for short-term credit lines	51,197,660	59,952,886	(8,755,226)
Payable to factor for the transfer of VAT credit	-	9,279,027	(9,279,027)
Payables due to banks for ML loans - short-term portion	9,072,246	18,938,858	(9,866,612)
Payables due to banks for ML loans - long-term portion	12,408,709	10,224,483	2,184,226
Payables due to factor	157,821	447,198	(289,377)
Payables due to short-term leasing	-	678,985	(678,985)
Payables due to medium/long term leasing	-	-	-
Total payables due to banks and other lenders	138,187,788	161,395,974	(23,208,186)

The variation in the Group's financial indebtedness is described in greater detail in the Management Report.

The main changes that occurred during the period, by individual debt item, are reviewed below:

- "Payables due to banks for advances on invoices/overdrawn c/c": loans for advances on invoices are made up of credit lines against the presentation of bank receipts and have increased by € 3,476,815 due to the higher cash needs of the Parent Company and greater portfolio disposals. For more details, refer to the Cashflow statement;
- "Payables due to banks for short-term credit lines": the item decreased by € 8,755,226 due to the decreased use of import lines;
- "Payable to factor for the transfer of VAT credit": this item was zero at 31 December 2019, following payment in the first few months of 2019 of the advance without recourse obtained from Medio Credito;
- "Payables due to banks for ML loans - short-term portion": the item includes the portions to be paid during the 2019 financial year and decreased by € 9,866,612 compared to 31 December 2018;
- "Payables due to banks for ML loans - long-term portion": the item, amounting to € 12,408,709, increased by € 2,184,226 due to the new loans stipulated by the subsidiary Delna S.p.A. - better described below;
- "Payables due to factor": the decrease of € 289,377 is due to a lower transfer of receivables with recourse
- "Payables due to leasing": this consisted exclusively of ArcelorMittal CLN's residual debt to UBI Leasing for the Osimo (Ancona) Building, which ended on 31 December 2019.

As will be seen below, the Group has continued the activity begun in the previous years of lengthening the deadlines with a growth in medium/long-term financial debt.

The "Payables due to banks for medium/long loans" are composed of:

Company	Counterpart	Original payable	Date of Stipulation	Type	Durat.	Rate applied	Residual value at 31/12/2019	of which:	
								Short term	Long term
ArcelorMittal CLN	CARISBO	9,000,000	22/07/2008	Mortgage loan (**)	12 years	1,1% + EUR360 3M	614,362	614,362	-
ArcelorMittal CLN	Banco Popolare di Vicenza	6,000,000	21/03/2011	Mortgage loan (**)	10 years	3,8% + EUR360 3M	1,010,655	665,825	344,830
ArcelorMittal CLN	Credito Cooperativo Carate e Brianza	2,000,000	19/07/2018	Unsecured Loan	3 years	2%+ EUR360 6M	398,133	398,133	-
ArcelorMittal CLN	Banca Popolare di Milano	5,000,000	15/09/2018	Unsecured Loan	4 years	1,75%+ EUR360 3M	2,220,360	1,254,325	966,036
ArcelorMittal CLN	Banca Carige	5,000,000	01/12/2018	Unsecured Loan	4 years	1,8%+ EUR360 6M (*)	3,149,734	1,249,760	1,899,974
ArcelorMittal CLN	Crédit Agricole Cariparma	3,000,000	22/12/2018	Unsecured Loan	3 years	1,9%+ EUR360 3M	1,011,809	1,011,809	-
ArcelorMittal CLN	Banca IFIS	10,000,000	20/07/2019	Unsecured Loan	5 years	3,5%+ EUR360 3M	8,723,883	2,512,294	6,211,588
DELNA	Mediocredito	2,000,000	24/06/2010	Mortgage loan (**)	10 years	Tasso variabile 1,3%	105,263	105,263	-
DELNA	Banca Popolare di Sondrio	3,000,000	05/04/2017	Unsecured Loan	5 years	Tasso fisso 1,2%	1,686,616	668,590	1,018,026
DELNA	Banca Popolare Emilia Romagna	1,500,000	11/02/2019	Unsecured Loan	5 years	Derivato (***)	1,278,094	297,562	980,532
DELNA	Banca Credito Cooperativo Carate Brianza	1,500,000	14/01/2019	Unsecured Loan	5 years	Tasso fisso 1,5%	1,282,046	294,323	987,723
							21,480,955	9,072,246	12,408,709

(*) an Interest Rate Swap derivative contract was also stipulated on this loan, please refer to the paragraph "Information on the fair value of derivative financial instruments" for more details. | (**) for the guarantees provided, please refer to the description in the note "Commitments, guarantees and potential liabilities".
 (***) to hedge the interest rate risk of the loan, an Interest Rate Swap derivative contract was signed with the same credit institute.
 Nominal interest rate 0.650%. | Indexing value -0.300% | Depreciation spread +0.950 p.p.
 Please refer to the paragraph "Information on the fair value of derivative financial instruments" for further details

In particular, the following is a description of the loans that are outstanding as at 31 December 2019:

- Mortgage loan (€ 6,000,000) granted to CLN S.p.A. in March 2011 by Banca Popolare di Vicenza and transferred with effect from 1 April 2015 to ArcelorMittal CLN S.r.l. The mortgage was granted for a period of ten years and is governed by a three-month Euribor rate increased by 380 basis points. On 31 December 2019, the residual amount was € 344,830 for the portion due in more than 12 months and € 665,825 for the portion related to 2020. The registered mortgage weighs on the Atella building for a value of € 12,000,000.
- Mortgage loan (€ 9,000,000) granted to Canessa S.p.A., now CLN S.p.A., in July 2008 and transferred to ArcelorMittal CLN S.r.l. on 1 April 2015 and granted by Carisbo in a pool with other banks with the following quotas: 3/6 Carisbo, 1/6 Banca di Imola, 1/6 Banca Popolare di Milano and 1/6 Cassa di risparmio di Pistoia e Pescia. The mortgage was granted for a period of twelve years and it is repayable in quarterly instalments, the last falling on 22 July 2020. On 31 December 2019, the residual amount was € 614,362 for the portion due in more than 12 months, with the last instalment due on 22 July 2020. The loan was transferred to the Company ArcelorMittal CLN Distribuzione Italia S.r.l. at the end of December 2016 while the previous year it was placed under payables to CLN S.p.A. within the item "Other payables" which will be commented upon later. The registered mortgage weighs on the building of Quarto Inferiore (BO) for a value of € 18,000,000.
- Unsecured Loan (€ 2,000,000) granted to ArcelorMittal CLN S.r.l. on 19 July 2017 by Banca di Credito Cooperativo Carate Brianza. The loan was granted with a duration of 36 months, with a six months Euribor + 2% spread. On 31 December 2019, the residual amount is € 398,133 and it will be extinguished during 2020. The application fees are € 5,200. Following the new accounting standards the loan was accounted for at amortized cost.
- Unsecured Loan (€ 5,000,000) granted to ArcelorMittal CLN S.r.l. on 15 September 2017 by Banca Popolare di Milano. The loan was granted with a duration of 48 months, with a three months Euribor + 1.75% spread. This loan is repayable in quarterly instalments starting from 31 December 2017. On 31 December 2019, the residual amount is € 966,036 for the portion due in more than 12 months and € 1,254,325 for the portion due in 2020. The application fees are € 5,000. The loan was accounted for at amortized cost.
- Unsecured loan (€ 5,000,000) granted to ArcelorMittal CLN S.r.l. on 1 December 2017 by Banca Carige. The loan was granted with a duration of 48 months, with a six months Euribor + 1.8% spread. This loan is repayable in monthly instalments starting from 31 December 2018, with two pre-amortizations on 31 December 2017 and 30 June 2018. On 31 December 2019 the residual amount is € 1,899,974 for the portion due in more than 12 months and € 1,249,760 for the portion due in 2020. The application fees are € 50,150. The loan was accounted for at amortized cost.
- Unsecured Loan (€ 3,000,000) granted to ArcelorMittal CLN S.r.l. on 22 December 2017 by Crédit Agricole Cariparma. The loan was granted with a duration of 48 months, with a three months Euribor + 1.9% spread. This loan is repayable in quarterly instalments starting from 22 March 2018. On 31 December 2019, the residual amount is € 1,011,809; the loan will be extinguished in 2020. The application fees are € 30,000. The loan was accounted for at amortized cost.
- Unsecured loan (€ 10,000,000) granted to ArcelorMittal CLN S.r.l. on 20 July 2018 by Banca IFIS. The loan was granted with a duration of 60 months, with a three months Euribor + 3.5% spread. This loan is repayable in quarterly instalments starting from 30 September 2019, but during 2018 € 159,444 of advance interest were paid. On 31 December 2019, the residual amount is € 6,211,588 for the portion due in more than 12 months and € 2,512,294 for the portion due in 2020. The application fees are € 50,000. The loan was accounted for at amortized cost.

- Loan undertaken on 24 June 2010 by Mediocredito S.p.A. and granted to Delna S.p.A. for an original amount of € 2,000,000, at a variable rate of 1.3%, with a maturity date set at 31 March 2020. The loan is secured by a mortgage registered on the corporate properties of € 3,500,000, of which € 2,000,000 for the capital and € 1,500,000 for the interest, late payment interest, commissions, expenses and any other credit. On 31 December 2019, the residual amount is € 105,263 for the portion due in 2020.
- Loan undertaken on 5 April 2017 by Banca Popolare di Sondrio and granted to Delna S.p.A. for an original € 3,000,000, at a fixed rate of 1.2%, with a duration of 60 months. The repayment of the principal, due on a quarterly basis, started on 31 January 2018. On 31 December 2019, the residual amount is € 1,018,026 for the portion due in more than 12 months and € 668,590 for the portion due in 2020.
- Loan undertaken on 11 February 2019 by BPER Banca S.p.A. and granted to Delna S.p.A. for an original amount of € 1,500,000, with a duration of 60 months. To hedge the interest rate risk of the loan, an Interest Rate Swap derivative contract, already commented on, was signed with the same credit institute. The repayment of the principal amount, on a quarterly basis in arrears, took effect from 18 February 2019. On 31 December 2019, the residual amount is € 980,532 for the portion due in more than 12 months and € 297,562 for the portion due in 2020.
- Loan undertaken on 14 January 2019 by Banca di Credito Cooperativo di Carate Brianza and granted to Delna S.p.A. for an original € 1,500,000, at a fixed rate of 1.5%, with a duration of 60 months. The repayment of the principal amount, on a quarterly basis in arrears, took effect from 14 April 2019. On 31 December 2019, the residual amount is € 987,723 for the portion due in more than 12 months and € 294,323 for the portion due in 2020.

Trade creditors

Payables to suppliers amounted to € 148,509,031 as of 31 December 2019, down from € 190,964,642 as of 31 December 2018. Below are the balances as at 31 December 2019, broken down by maturity date:

Description	Within 12 months	Over 12 months	Total
Trade creditors	28,384,821	-	28,384,821
Payables due to other related companies	114,631,865	5,492,345	120,124,210
Total trade creditors	143,016,686	5,492,345	148,509,031

The “Payables due to other related companies”, consisting entirely of trade payables related to transactions carried out at normal market conditions, rose from € 124,229,589 to € 120,124,210 (of which € 119,726,408 contributed by the Parent Company).

Payables due in more than 12 months have been reclassified from “Other payables” to “Payables due to other related companies” given that during the financial year the residual debt for the acquisition of shares in Pro.re.na., merged into the Parent Company during 2015, has been transferred to CLN S.p.A..

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The following table summarizes the most significant relations as of 31 December 2019 compared with the situation as at 31 December 2018:

Description	31/12/2019	31/12/2018	Variation
Aperam Stainless Italy S.r.l.	18,757	50,186	-31,429
Aperam Stainless Services	26,646	32,710	-6,064
ArcelorMittal Centres De Services	7,017	39,204	-32,187
ArcelorMittal Commercial Italy S.r.l.	58,170,326	83,113,606	-24,943,280
ArcelorMittal Distribuzione Sol. IT	202,842	42,874	159,968
ArcelorMittal Flat Carbon Europe S.A.	17,955,400	25,602,311	-7,646,911
ArcelorMittal Italia S.p.A.	2,114,930	12,317,029	-10,202,099
ArcelorMittal Italy Services S.r.l.	31,208,402	0	31,208,403
ArcelorMittal Logistics Italia S.r.l.	769,319	595,411	173,908
ArcelorMittal Piombino S.p.A.	0	173,645	-173,645
ArcelorMittal Rzk Celik Servis Merk	0	1,031	-1,031
C.L.N. Coils Lamiere Nastri S.p.A.	7,214,096	288,444	6,925,652
C.L.N. Serbia D.O.O.	0	44,267	-44,267
C.T.L. S.r.l. Centro Taglio Laser	100,840	49,295	51,545
Eurostamp S.a.s.	0	17,196	-17,196
Gonvarri Italia S.p.A.	-51,830	0	-51,830
I.D.E.S.T. S.A.R.L.	304,215	698,001	-393,786
Industeel Belgium	0	17,170	-17,170
Itla Bonaiti S.r.l.	0	91,111	-91,111
MA France	0	48,103	-48,103
MA S.r.l.	1,745,453	747,374	998,079
MW Aftermarket S.r.l.	0	73	-73
MW France S.A.	69,025	69,025	0
MW Italia S.r.l.	221,802	145,830	75,973
Nichelino Immobiliare S.r.l.	46,970	3,044	43,926
UM Corporation S.a.s.	0	42,650	-42,650
Total Payables due to related companies	120,124,210	124,229,590	-4,105,380

Fiscal liabilities

The fiscal liabilities amount to € 2,122,318 as of 31 December 2019 and are divided as follows:

Description	31/12/2019	31/12/2018	Variation
Inland Revenue for employee Personal Income Tax withholdings	2,031,001	2,255,905	(224,904)
Inland Revenue for Self-employment Tax withholdings	15,942	27,199	(11,257)
Payables to Inland Revenue for Regional Income Tax	20,339	0	20,339
Self-employment Tax on Severance Indemnity revaluation	(2,251)	6,274	(8,525)
Other provisions	35,718	2,917	32,801
VAT payable	21,569	87,229	(65,660)
Total fiscal liabilities	2,122,318	2,379,524	(257,206)

During the year, the item decreased due to decrease in the number of employees, mainly related to the Liberty sale.

Payables due to welfare agencies and social security

The “Payables due to welfare agencies and social security” is equal to € 3,055,478 and include the following items:

Description	31/12/2019	31/12/2018	Variation
INPS	2,018,784	2,169,980	(151,196)
Cometa Reserve	170,662	202,643	(31,981)
Previdapi	-	47,257	(47,257)
INAIL	78,982	64,394	14,588
Payables due to INPS for mobility instalments	-	663	(663)
Deferred retributions for contributions	672,213	823,936	(151,723)
Senior management pension fund	22,625	29,514	(6,889)
Other provisions	92,212	24,961	67,251
Total payables due to welfare agencies	3,055,478	3,363,348	(307,870)

Other creditors

The item “Other creditors”, equal to € 7,723,827 as of 31 December 2019, is formed thus:

Description	31/12/2019	31/12/2018	Variation
Employees for retributions	3,109,233	3,726,093	(616,860)
Other creditors	2,293,155	12,186,657	(9,893,502)
Employees for deferred retributions	2,232,635	2,519,102	(286,467)
Various	88,803	109,829	(21,026)
Total other payables	7,723,826	18,541,681	(10,817,855)

The change in the period is mainly attributable to the Parent Company for:

- payment of the instalment of € 2,000,000 for the purchase of Prorena Canessa S.p.A.;
- payment of € 579,375 to Officine Graffignana for the purchase of Metallurgica Graffignana S.r.l., final balance;
- reclassification of the residual debt, equal to € 7,492,345, for the purchase of the Pro.Re.Na. shareholding from “Other payables” to “Payables to related parties”, for € 5,492,345, and to “Payables to shareholders for financing”, for € 2,000,000.

The item “other payables” also includes payables to employees.

Accrued liabilities and deferred income

As of 31 December 2019, this item amounts to € 5,172,722 and is formed as follows:

Description	31/12/2019	31/12/2018	Variation
Donations	79,240	82,880	(3,640)
Trash collection tax	102,159	100,716	1,443
Insurance costs	112,071	131,777	(19,706)
Energy deduction bonus	35,986	41,127	(5,141)
Prepayments for Acierplus contributions	4,743,458	2,243,865	2,499,593
Banking charges	43,064	-	43,064
Other minor	56,744	61,191	(4,447)
Total accrued liabilities and deferred income	5,172,722	2,661,556	2,511,166

The item “Accrued liabilities and deferred income” mainly consists of the payments received during the year by AcierPlus S.a.s. from the ArcelorMittal Group to cover the investments made for the restructuring of production sites. The amount of the contribution received up to 31 December 2019 is € 5,213,142: this deferral is net of the amortizations of the assets already in operation.

OBLIGATIONS, GUARANTEES AND POTENTIAL LIABILITIES

In relation to the provisions of art. 2427, paragraph 1, number 9 of the Italian Civil Code, the following prospectus shows obligations, guarantees and potential liabilities not resulting from the Balance sheet:

Description	31/12/2019
Mortgage guarantees on loans	44,000,000
Total	44,000,000

The guarantees include:

- mortgage guarantees for loans granted by Mediocredito S.p.A. to the subsidiary Delna S.p.A. for a total of € 14,000,000;
- mortgage guarantees for loans granted by Cassa di Risparmio di Bologna and Banca Popolare di Vicenza for a total of € 30,000,000, with reference to the Parent Company.

INCOME STATEMENT

Before proceeding with an analysis of the single items, we remind you that the comments on operating performance have already been made in the Management Report, pursuant to paragraph 1 of art. 2428 of the civil code.

Given the preceding comments on the items of the Balance sheet, the following analyses are limited solely to the main entries.

VALUE OF PRODUCTION

Revenues from sales and services

The “Revenues from sales and services” amounted to € 649,332,542 as at 31 December 2019 (€ 744,101,121 as at 31 December 2018) and decreased by € 94,768,579 compared to the previous year.

This change is mainly due to the Parent Company ArcelorMittal CLN which in 2019 saw its sales volumes go from 969,422 to 940,621 tons, with a loss of 28,801 tons attributable to the sale of stock to Liberty Steel Trade (16,674 tonnes) and the general decrease in the automotive market, offset by growth in the industry sector. The difference in revenues is attributable to the decrease in the price of raw material, starting from the second quarter of 2019, and the lower tonnes sold compared to the previous year.

A further impact on the revenues of the ArcelorMittal CLN Group was caused by the productive restructuring implemented by the company AcierPlus S.a.s. which closed the Chateaubriant site, causing its turnover to fall for a total amount of € 11,971,846.

The division by area of destination thereof is as follows:

Area	2019	2018	Variation
Overseas	66,448,071	77,225,490	(10,777,419)
Italy	582,884,471	666,875,631	(83,991,160)
Total by geographic area	649,332,542	744,101,121	(94,768,579)

Note to the Consolidated Financial Statements

Below is the breakdown of sales revenue by business category:

Area	Cutting and selling owned goods	Subcontracted performances	Transport	Other activities	Total
Overseas	46,612,760	225,145		15,828,781	62,666,686
Italy	562,726,659	16,609,235	7,329,962		586,665,856
Total per business category	609,339,419	16,834,380	7,329,962	15,828,781	649,332,542

Other revenues and income

The item “Other revenues and income” as of 31 December 2019 amounts to € 18,964,868 (€ 16,166,126 as at 31 December 2018) and is formed as follows:

Description	2019	2018	Variation
Sale of scrap, wastage and rejects	7,052,006	8,897,211	(1,845,205)
Contribution to repayment of excise duties	45,596	225,083	(179,487)
Compensation for damages	74,050	5,548	68,502
Issues of risks provisions	696,000	-	696,000
AM contribution (Acierplus)	3,652,155	4,932,789	(1,280,634)
AM assets contribution (Acierplus)	402,318	67,366	334,952
Capital gains for the sale of assets	226,579	331,836	(105,257)
Capital gains for the sale of business units	4,800,281	1,564,195	3,236,086
Write-downs - Gains from business unit	-	(696,614)	696,614
Rental expenses	232,933	72,792	160,141
Miscellaneous income	1,782,950	765,920	1,017,030
Total Other revenues and income	18,964,868	16,166,126	2,798,742

It should be noted that in 2019 the French subsidiary AcierPlus S.a.s. accounted for € 4,932,789 among its other revenues from the contribution received from the AM Group on the basis of the operating losses recorded by the Company during the year as required by the Agreements underlying the sale of the business unit from the AM Group to AcierPlus S.a.s. carried out at the end of 2016. These agreements provide that the ArcelorMittal Group is to bear the losses incurred by AcierPlus S.a.s. during the restructuring of the factories transferred in the transaction up to a maximum pre-established amount until the end of the 2019 financial year.

Revenues of exceptional size or incidence

In relation to the provisions of art. 2427, paragraph 1, number 13 of the Italian Civil Code, the following prospectus shows the revenues of exceptional size or incidence:

Revenue item	Amount	Nature
A.5) - Other revenues and income	226,579	Gains on sale of assets
A.5) - Other revenues and income	4,800,281	Capital gains for the transfer of business units
Total	5,026,860	

This item includes the capital gains from the sale of assets generated in 2019 which amount to € 226,579. Furthermore, following the sale of the sites of Arcore, Bologna, Graffignana and Rieti to Liberty Steel Trade with effect from 1 July 2019, a capital gains of € 4,800,281 can be noted.

Production Costs

Description	2019	2018	Variation
Costs for raw materials and ancillary consumables	532,656,911	639,858,305	(107,201,394)
Costs for services	41,912,077	51,520,621	(9,608,544)
Costs for the use of third party assets	5,311,501	5,741,857	(430,356)
Personnel costs	54,335,088	61,435,150	(7,100,062)
Depreciations, amortizations and write-downs	19,593,082	19,728,016	(134,934)
Changes in stock of raw materials, ancillary materials and consumables	6,271,167	(13,209,108)	19,480,275
Other Provisions	298,350	390,304	(91,954)
Other management expenses	1,528,931	1,076,532	452,399
Total Production costs	661,907,107	766,541,677	(104,634,570)

The “Production Costs” amount to € 661,907,107 as at 31 December 2019 (€ 766,541,677 as at 31 December 2018) with a reduction of € 104,634,570 compared to the previous year.

Costs for raw materials and ancillary consumables

The item “Costs for raw materials and ancillary consumables” amounts to € 532,656,911 as at 31 December 2019 (€ 639,858,305 as at 31 December 2018) and decreased by € 107,201,394 compared to the previous year due to the decrease in steel prices recorded during 2019; please refer to the Management Report for more details on the market trend.

Costs for services

The “Costs for services” amount to € 41,912,077 as at 31 December 2019 (€ 51,520,621 as at 31 December 2018) and decreased by € 9,608,544 compared to the previous year.

This item is mainly composed of transport costs of € 15,796,714, maintenance of € 4,182,672 and power supply of € 3,935,031.

Costs for the use of third party assets

The item amounts to € 5,311,501 as at 31 December 2019 (€ 5,741,857 in the previous year) and consisted of various rentals, for € 2,286,780, and rents paid under existing contracts for € 3,024,721, of which € 1,000,000 for the rental of the Parent Company’s plants of Caselette and Alpignano.

Personnel costs

The item “Personnel costs” amounts to € 54,335,088 (€ 61,435,150 as at 31 December 2018) and includes the whole expense for all employees, including merit salary increases, enhancements, promotions, automatic cost-of-living increases, unused vacation costs, statutory provisions and collective bargaining agreements, also connected to severance.

Description	2019	2018	Variation
Salaries and wages	36,396,691	44,153,846	(7,757,155)
Social charges	12,402,810	11,776,527	626,283
Severance indemnity	2,031,135	2,165,349	(134,214)
Pensions and post-retirement benefits	41,123	40,928	195
Other costs	3,463,329	3,298,500	164,829
Total personnel costs	54,335,088	61,435,150	(7,100,062)

The variation is attributable to lower costs for wages and salaries paid during 2019, partly due to the effect of the exit of personnel at the 4 sites sold to Liberty Steel Trade and partly to the restructuring implemented by AcierPlus S.a.s. during the year.

It should be noted that the item "Other costs" includes the provision for staff leaving, allocated in December 2019 within the Parent Company's financial statements, amounting to € 299,867.

Depreciations, amortizations and write-downs

As far as amortizations are concerned, we specify that these were calculated according to the useful life determined for each asset.

The item, equal to € 18,817,477, includes depreciation of tangible assets for € 5,116,890 and of intangible assets for € 13,700,587.

Furthermore, the item includes € 334,912 in bad debt write-downs included in the current assets plus write-downs for intangible fixed assets for a total of € 440,693.

Other management expenses

These amount to € 1,528,931 as at 31 December 2019 (€ 1,076,532 as at 31 December 2018) and are detailed as follows:

Description	2019	2018	Variation
Indirect taxes	813,173	817,801	(4,628)
Membership fees and scholarships	14,500	18,000	(3,500)
Other charges	701,257	240,731	460,526
Total Other management expenses	1,528,931	1,076,532	452,399

The increase is mainly due to the item "Other charges", where € 265,336 were recorded in relation to the recognition by the Parent Company to CLN S.p.A. of the balance collected, pertaining to 2017, for the customers Fontana and Sam, partly covered by the provision for bad debts arising from the contribution.

Costs of exceptional size or incidence

In relation to the provisions of art. 2427, paragraph 1, number 13 of the Italian Civil Code, it should be noted that no costs of an exceptional size or incidence were recorded.

FINANCIAL INCOME AND CHARGES

Other financial income:

OTHER FINANCIAL INCOME	2019	2018	Variation
Bank interest receivable	1,049	2,601	(1,552)
Other financial income	168,177	384,578	(216,401)
Total	169,226	387,179	(217,953)

During 2019 there was an decrease in the item "Other financial income" - this decrease was brought to the Group's consolidated financial statements by the Company ArcelorMittal CLN Distribuzione Italia S.r.l., in fact during the year, earned interest for the amount of € 140,836 was collected from the Revenue Agency.

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Other financial charges

The item “Other financial charges”, amounts to € 6,485,670 (€ 5,546,750 in the previous year).

The largest variation is to be attributed to “Interest expense on other payables” amounting to € 1,089,997 in 2019, of which € 1,079,029 relating to the release of the accrued implicit interest expense for the purchase of Prorena Canessa.

Description	2019	2018	Variation
Bank interest payable	5,380,974	5,072,276	308,698
Other interest and commissions	1,104,696	474,474	630,222
Total Other financial charges	6,485,670	5,546,750	938,920

VALUE ADJUSTMENTS TO INVESTMENTS

Holdings re-valuation

At 31 December 2019 the item totals € 1,123,695 and includes the positive variation recorded on the year's profit of the company Centro Servizi Metalli S.p.A. which amounts to € 2,651,000; the re-valuation was based on the ownership percentage of 42.39%.

Derivative financial instruments re-valuation

At 31 December 2019 this item amounts to € 5,461 (€ 0 in the previous year) and includes the positive changes in the fair value of derivative financial instruments.

Write-down of holdings

At 31 December 2019 the item totals € 1,011,678 and includes the negative variation recorded on the year's loss of the company Centro Servizi Navali S.p.A. which amounts to € 2,271,646.00; the write-down was based on the ownership percentage of 44.54%.

Write-down of Derivative financial instruments

The item amounts to € 0 as at 31 December 2019 (€ 38,744 in the previous year) and includes the negative changes of fair value of derivative financial instruments.

INCOME TAXES

Taxes have been calculated on the basis of the current tax law and represent the amount of taxes that fall within the scope of the financial year to which the financial statements refer.

They amount to a total of € 2,556,495 (€ 373,548 as of 31 December 2018) and relate to:

- current taxes on income attributable to taxable income for the year;
- deferred and prepaid taxes.

Note to the Consolidated Financial Statements

Below is the detail of the composition of this item:

Description	2019	2018	Variation
IRES and other corporate taxes	1,391,302	1,324,213	67,089
IRAP	516,280	303,581	212,699
Total current taxes	1,907,582	1,627,794	279,788
Taxes previous years	41,381	(664,590)	705,971
Prepaid and deferred taxes	607,532	(589,656)	1,197,188
Total income taxes	2,556,495	373,548	2,182,947

The main temporary differences that led to the recognition of deferred taxation are shown in the following table together with the related effects:

	Tax prev. year %	Tax base prev. year	Tax prev. year	Tax this year %	Changes Tax base	Changes Tax	This year tax base	This year tax
Bad debts provision	24-27.50%	979,150	224,634	24.00%	216,250	51,901	1,195,400	276,535
Provision for doubtful debts	24.00%	75,727	18,174	24.00%	25,946	6,227	101,673	24,401
Taxed bad debts provision	24.00%	1,161,872	278,849	24.00%			1,161,872	278,849
Revaluation amortization Leg.D. 185/2008	27.90%	1,467,551	409,447	27.90%	(177,874)	(49,627)	1,289,677	359,820
Laurentine trademark and goodwill	27.90%	55,278	15,421	27.90%	5,888	1,644	61,166	17,065
CIOCCA goodwill	27.90%	57,107	15,934	27.90%	352,893	98,456	410,000	114,390
Nuova Sabel goodwill	27.90%	20,000	5,580	27.90%	6,667	1,860	26,667	7,440
Tangible fixed assets written down (FY2019)	24.00%			24.00%	55,925	13,422	55,925	13,422
Intangible assets written down (FY2019)	24.00%			24.00%	55,303	13,273	55,303	13,273
Environmental reserve	27.90%	250,000	69,750	27.90%			250,000	69,750
Change in fair value of derivative financial instrument	24.00%			24.00%	15,996	3,839	15,996	3,839
Rev. A+ 2016	28.00%	1,125,488	315,136	28.00%	332,197	93,015	1,457,685	408,151
Losses 2017 (A+)	28.00%	621,808	174,106	28.00%			621,808	174,106
Others (e.g. previous)	24.00%	3,625	870	24.00%	7,809	1,873	11,434	2,743
Others 2017	24-27.50%	31,228	7,986	24-27.9%	49,938	11,985	81,166	19,971
Total Prepaid Taxes		5,848,834	1,535,887		946,938	247,868	6,795,772	1,783,755
Deferred tax liabilities on building conferral	27.90%	3,809,960	1,062,979	27.90%	(233,979)	(65,280)	3,575,981	997,699
FY19 division of gains into installments	24.00%			24.00%	5,901,259	1,416,302	5,901,259	1,416,302
FY18 division of gains into installments	24.00%	240,262	57,663	24.00%	(60,066)	(14,416)	180,196	43,247
FY16 division of gains into installments	24.00%	93,748	22,499	24.00%	(46,874)	(11,249)	46,874	11,250
FY15 division of gains into installments	24.00%	91,221	21,893	24.00%	(91,221)	(21,893)		
Revaluation of AMDSI conferral	24.00%	505,276	140,972	24.00%	(505,276)	(140,972)		
Sitek merger AMDSI	27.90%	2,500	698	27.90%	(750)	(210)	1,750	488
Assets ex MG	27.90%	856,822	239,053	27.90%	(851,277)	(237,506)	5,545	1,547
Leasing	31.40%	3,232,324	1,014,949	31.40%	(169,410)	(22,219)	3,161,561	992,730
Rev. fixed asset L. 2/2009	27.90%	2,806,946	783,135	27.90%	(120,298)	(35,564)	2,686,648	749,571
Rev. A+ 2016	33.33%	1,614,149	538,049	28.00%	307,455		1,921,604	538,049
Rev. A+ 2017	28.00%	723,680	202,630	28.00%	(62,254)	(17,431)	661,426	185,199
Total deferred taxes		13,976,888	4,084,520		4,067,309	849,562	18,142,843	4,936,082
Net Deferred (Anticipated) taxes		8,128,054	2,548,633		3,120,370	601,694	11,347,071	3,152,327

OTHER INFORMATION

Compensations to Directors and Statutory Auditors

The compensations payable to the Board of Directors amount to € 1,170,000.

The compensations payable to the Board of Auditors amount to € 40,000.

Compensation for statutory auditors or auditing firm

Below is the remuneration for the year recognized to Deloitte & Touche S.p.A. (auditor of the parent Company ArcelorMittal CLN Distribuzione Italia S.r.l.) for services performed for the audit service of the 2019 financial statements of the parent Company ArcelorMittal CLN Distribuzione Italia S.r.l. and its subsidiaries and included in the scope of the audit:

Type of services	Parent company	Subsidiaries
Audit 2019	105,000	45,000

Employment data

The average number of employees is shown below, broken down by companies consolidated using the line-by-line method:

Staff 2019	ArcelorMittal CLN	ACIERPLUS	DELNA	TAMAGNONE	ArcelorMittal CLN Group
Senior management	17	13	1	0	31
Office workers	210	29	33	9	281
Laborers	369	92	90	29	580
Temporary staff	50	15	0	0	65
TOTAL STAFF	646	149	124	38	957

The changes in the average number of personnel, divided by category, are shown below:

Staff	2019	2018	Variation
Senior management	31	33	(2)
Office workers	281	296	(15)
Laborers	580	615	(35)
Temporary staff	65	94	(29)
TOTAL STAFF	957	1,038	(81)

The average staff of the ArcelorMittal CLN Group went from 1,038 people in 2018 to 957 people in 2019, with a decrease of 81 people; this reduction in employees is due essentially to the sale of the four sites to Liberty Steel Trade and the restructuring of personnel, still in progress, in the subsidiary Acierplus.

Information on transactions with related parties

Relations between Group companies and related parties are governed by ordinary market conditions, taking into account the quality of the goods and services provided. For details on commercial and financial relationships, reference should be made to the Management report.

Information on assets and financing destined for a specific deal

Pursuant to art. 2447 bis of the Italian Civil Code it is noted that the Group has not assigned any assets, or financing to any specific deal.

Agreements not resulting from the Balance sheet

Pursuant to art. 2427, item 22-ter of the Italian Civil Code, it is noted that no third-party agreements have been entered into which do not appear in the Balance sheet and which involve significant risks and/or benefits to the Group's structure.

Significant events that occurred after the end of the financial year

With reference to point 22-quater of art. 2427 of the Italian Civil Code, with regard to the reporting of the main significant events occurred after the end of the financial year that had a significant impact on the equity, financial and economic performance, the following is reported.

In March 2020, the Covid-19 (so-called Coronavirus) epidemic, which initially involved China and a few other countries in Asia, had a strong spread, initially in Italy and then in the rest of Europe, in the United States and more generally in the rest of the world. Since the beginning of the epidemic, the company's management has constantly monitored the situation in order to promptly take the necessary actions to avoid significant impacts on the business.

On the basis of the information and forecasts on pandemic trends known at the date of preparation of these financial statements, an analysis of alternative scenarios was prepared, assuming the duration of the emergency and the consequences on the Group's turnover volumes.

Among the short-term scenarios hypothesised by the directors, no factors have been identified that may disrupt the company's ability to continue as a going concern, also on the basis that, prior to the Board of Directors' meeting of 27 May 2020, the Shareholders formally committed themselves to provide financial support to the Group until the approval of the financial statements for the year ending 31 December 2020. This support will take the form of the disbursement of two loans of the same amount, by each of the two shareholders, for a maximum amount of Euro 30 million, which, in the opinion of the directors, is sufficient to meet the cash commitments envisaged for the next

twelve months, even in the event that the worst case scenario should occur.

In particular, an articulated plan for the containment and rationalization of operating costs has been launched, assessments have been made regarding the use of the tools made available by the legislator for the management of the emergency (social shock absorbers, waivers of certain mandatory obligations), regarding contractual obligations towards third parties, and the adequacy of financial resources and consequent actions.

On the basis of the above considerations, the going concern assumption is therefore deemed to be confirmed.

Sale of the equity investment in San Polo Iamiere S.p.A.

On 28 February 2020, the Parent Company sold its shareholding in San Polo Lamiere S.p.A., equal to 16.67% of the share capital, for a price of € 3,500,000.00.

NAME AND REGISTERED OFFICE OF THE COMPANIES THAT DRAFT THE CONSOLIDATED FINANCIAL STATEMENTS OF THE LARGEST/SMALLEST BODY OF COMPANIES TO WHICH THEY BELONG

The following prospectus contains the information required by Article 2427, paragraph 1, number 22 quinquies and 22 sexies of the Italian Civil Code:

	Smaller unit
Company name	ArcelorMittal C.L.N. Distribuzione Italia S.r.l.
Town	Caselette
Tax code	11233970018
Place where the Consolidated financial statements were filed	Turin

Place where a copy of the consolidated financial statements is available

Pursuant to art. 2427, paragraph 1 number 22-sexies of the Italian Civil Code it is stated that a copy of the consolidated financial statements is available at the Registered Office at Corso Susa 13/15 Caselette, Turin, Italy.

Information relating to the fair value of derivative financial instruments

Pursuant to art. 2427 bis, paragraph 1, point 1 of the Italian Civil Code, it should be noted that the Company has derivative financial instruments in place.

As required by the reference accounting standards, in the absence of a formalised procedure to verify certain formal requirements, such contracts do not qualify for hedge accounting. In particular, changes in the fair value of derivative contracts entered into by the Parent Company have been recognized in full in the Income Statement, while those entered into by the subsidiary Delna S.p.A., having met the formal requirements for hedging, have been recognized in equity.

The fair value, pursuant to article 2426, paragraph 4 of the Italian Civil Code, is determined with reference to the value resulting from generally accepted valuation models and techniques that ensure a reasonable approximation to market value.

The following table shows the information required for contracts still in existence as at 31 December 2019:

	Contract type	No. Contracts	Type of transaction	Obligation	Negative Fair Value	Positive Fair Value
ArcelorMittal CLN Distribuzione Italia S.r.l.	IRS	1	Cap Option on Euribor 6m	€ 5,000,000	(12,142)	
DELNA	IRC	1	0,226%+ Euribor 3m	€ 1,500,000		
Total	Total	2			(28,138)	

Pursuant to art. 2427, point 19 of the Italian Civil Code, it is noted that the Group did not issue financial instruments.

Information pursuant to art. 1, paragraph 125, of law no. 124 of 4 August 2017

With reference to art. 1, paragraph 125 of Law 124/2017, the grants (contributions, paid assignments, economic advantages) received by public administrations are summarised below:

The Customs and Monopolies Agency:

- on 5 July 2019, the refund of the excise duty on the energy product used for the production of motive power was collected for the period from 1 July 2017 to 31 December 2017 equal to € 20,757, recognized and accounted for in 2018;
- on 13 June 2019, the refund of the excise duty on the energy product used for the production of motive power was collected for the period from 31 December 2017 to 31 December 2018 equal to € 45,596. The reimbursement was recorded on an accrual basis in the income statement of these financial statements.

CSEA - Cassa per i servizi energetici e ambientali:

- on 3 June 2019 the amount of the energivore bonus granted for 2016 was collected for € 26,014 with the provision of 25 September 2018 for a total of € 61,330. As previously illustrated, the

collection took place net of the deduction of the benefits pursuant to art. 23 of Legislative Decree no. 91/14;

- the amount of the energivore bonus (€ 52,989) granted for the 2017 financial year with a provision dated 25 July 2019 and collected on 31 July 2019 is recorded in the financial statements as at 31 December 2019;
- in the financial statements as at 31 December 2019, energy costs are recorded net of the energivore bonus (€ 155,388) granted for the 2019 financial year in the form of a discount on electricity bills.

Fondimpresa:

- on 7 August 2019 a contribution of € 8,370 toward training was collected, recognized on accrual basis in the income statement of these financial statements;

Carbon Tax:

- during 2019, a tax credit of € 145,259 was recorded for the recovery of excise duties on diesel consumed.

These Financial statements, which consist of the Balance Sheet, the Income statement, the Cashflow Statement and the Explanatory note, is a true and correct representation of the assets and liabilities, of the financial position and of the profit for the year and corresponds to the accounting records.

There are no other considerations to be made on the content of the Financial statements and on the accounting principles that were followed.

The considerations and the values contained in these financial statements are consistent with the accounting records and correctly reflect the administrative facts as they occurred.

Caselette, 27 May 2020

For the Board of Directors
The Chairman
Mr. Gabriele Perris Magnosto



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