

REPORT ON OPERATIONS

4. Strategy and investments of Feralpi Group

4.1 Strategic Guidelines

European economies continue to be substantially impacted by the following macroeconomic trends: high energy costs; the necessity to revise the regulatory push towards sustainability and the environment, starting with the reduction of emissions; uncertainties determined by geopolitical and macroeconomic events.

These trends also have significant implications for the electric steel industry in the following respects: scrap shortage, energy crisis, emission constraints. In particular, there is significant pressure on scrap prices due to limited availability, which will increasingly impact the Italian and German markets, characterised by a significant (in Italy) or growing (in Germany) share of electric arc furnace (EAF) production.

The increase in electricity and gas costs is impacting and will continue to impact the energy-intensive electro-steel industry, causing a competitive disadvantage with respect to the full steel industry (which uses hard coal). Finally, the phased elimination of the free allocation of CO₂ ETS allowances by 2034 could lead to higher operating costs for market participants; conversely, if suitably adapted, the CBAM (*Carbon Border Adjustment Mechanism*) regulation could result in a competitive gain against imported steel.

During the year 2024, Feralpi continued to implement significant changes to its organisation to adapt to the new trends in the world of work, focusing on a human-centric vision and on enhancing the well-being and satisfaction of human resources through the development of the skills and talents of individuals, investing in knowledge and professionalism also with a view to strengthening the sustainability of the business in the long term.

No less important was the centrality of the DEI (*Diversity, Equity and Inclusion*) path so that each Group company could offer a safe, secure and inclusive working environment for all, where everyone can feel free to give the best of themselves in full

respect of their identity and, more generally, of all human rights. This vision is encapsulated in the DEI policy, which Feralpi structures into four pillars: global culture, inclusive leadership, gender balance and collective responsibility.

As far as the construction industry is concerned, the market for coil products is expected to grow at the expense of rebar due to the higher workability of coil, reduced waste, and better handling in the warehouse. In the other sectors, demand for coil products with increasingly larger diameters is expected.

In summary, the scenario analysis revealed the following opportunities and risks:



Feralpi Group is among the leading players in the major construction markets (Italy, Germany, France and Switzerland). The growth-oriented and sustainability-conscious Group, Europe's leading long steel producer, has defined five objectives for its Business Plan and to achieve these it has defined a specific mix of strategic initiatives:



Growing beyond the current domains

Gaining market share Scope 2 in neighbouring countries for construction steels, and in high-margin applications for special steels



Expanding as a "one-stop shop"

Responding to customer needs with a flexible and comprehensive product offering: coiled, extended special range



Excelling in efficiency and innovation

Further optimising the cost base with improvements in productivity, energy efficiency, and intra-organisation synergies



Securing the supply chain

Reduce business risks by controlling key inputs: scrap, with upstream integration, and electricity, with self-generation



Turning sustainability into an advantage

Set ambitious CO₂ emission reduction targets that differentiate Feralpi and have an impact on the Planet

The market context also highlights the need to have a solid decarbonisation pathway, which has unique characteristics depending on whether the business is construction or specialties. Until now, customers in the construction sector have shown interest in the specific emission intensity of products by requesting EPD (*Environmental Product Declaration*) certifications from their suppliers.

In the future, operators with the lowest emissions will be at an advantage and, in this context, having a "green" offer will become a "licence to operate". Specialties customers have so far shared extremely limited demand for purchasing decarbonised steel; however, it is reasonable to expect an acceleration in demand in the coming years, given the decarbonisation goals of the major downstream sectors (e.g. automotive).

In specialties, Feralpi has a significant advantage over competitors that use the full cycle (+50% of the market), and has already developed its EPD portfolio, positioning itself among the medium- to low-emission players. The Group's objective is to leverage its position to become a decarbonisation leader in the special steels sector.

Feralpi Group has identified seven tools to achieve its decarbonisation goals:

SCOPE	DECARBONISATION TOOL	TOOL DESCRIPTION
 Scope 1	 PROCESS ELECTRIFICATION	Implementation of induction or conduction heating for billet rolling, possible experimentation with electric burners and resistance heating.
	 THERMAL RECOVERY AND ENERGY EFFICIENCY	Enhancement of thermal recovery to serve both internal and external district heating . Energy efficiency with a view to operational excellence, combining the multiple effects of individual initiatives (e.g., regenerative burners, heat recuperators).
	 USE OF GREEN FUELS (BIOMETHANE AND H2)	Replacement of natural gas in (non-electrified) furnaces with: <ul style="list-style-type: none"> ♦ Biomethane: in Italy, consider the interest in the "Green Metals" consortium; in Germany, agreements with local producers are possible. ♦ Hydrogen for Riesa: considering planned developments of the hydrogen pipeline network in the country, possible utilisation from 2028.
	 USE OF COAL SUBSTITUTE MATERIALS	Use of raw materials with a higher biogenic carbon content , continuing the implementation process already started in previous years. The search for alternative materials to fossil carbon continues.
 Scope 2	 ENERGY EFFICIENCY AND HEAT RECOVERY	<ul style="list-style-type: none"> ♦ Energy efficiency with a view to operational excellence, combining the multiple effects of individual initiatives (e.g., IE5 motors, auxiliary optimisation, Power Quality systems). ♦ Possible heat recovery for internal electricity generation via ORC.
	 SELF-PRODUCTION FROM RENEWABLE PLANTS	Implementation of investments for renewable electricity generation in Italy and Germany, especially with solar technology, subject to implementation capacity.
	 PURCHASE OF GdO / GREEN PPA	<ul style="list-style-type: none"> ♦ Guarantees of Origin: Purchase of expendable certificates to certify renewable electricity consumption, allow decoupling of energy purchase and guarantee of renewability. ♦ PPA: Purchase of electricity with a contract linked to a specific renewable generation plant, with established volumes and price calculation formula. First volumes planned from 2026.

From an ESG perspective, the Group is committed to:

- ◇ **Contribute to change in the steel sector**, by leveraging decarbonisation and digitalisation to strengthen its competitive advantage and reduce its environmental impact.
- ◇ **Ensure business continuity**, by enhancing the ability to manage crises and increasing agility in organisational processes through structured and efficient management systems.
- ◇ **Innovate for the future of production**, by investing in state-of-the-art processes and environmentally friendly technologies to ensure inclusive industrial development.
- ◇ **Accelerate the ecological transition**, by integrating the challenges of decarbonisation and committing to a path of energy transformation towards low-impact models.
- ◇ **Value people and ensure security**, by promoting decent work that respects the uniqueness of each person, in line with the principles of the *International Labour Organisation* (ILO) on employment, rights, social protection, and social dialogue.

4.2 State of implementation of Strategic Investments

In order to execute the Business Plan, investment projects were carried out during the year 2024, some of which are a continuation of initiatives already started in previous years. In particular:

Steel for Construction Italy business unit Feralpi Siderurgica S.p.A.

Steel mill



The new 135 MVA Tamini transformer for furnace and LF power supply was installed in the substation to replace the 100 MVA transformer, ensuring operational continuity and flexibility with the twin 135 MVA transformer.



The new vertical rack warehouse for storing refractory materials has been constructed in the new facility to optimise warehouse space.



Rolling mills

The assembly of the new Spooler line for the production of spoolings has been completed, and by the end of 2024, initial trials for the production of the new hot spooled coil began, with full production set to start at the beginning of the 2025 financial year. The new line will be able to produce spools up to 8 tonnes.



The relocation of the reheating furnace chimney and the associated methane ramps has been completed. This work is preparatory to the foundation work for the future billet reheating machine using "electro-conduction" at Rolling Mill 2, which is scheduled to commence operations in mid-2025. The new conduction reheating machine has the advantage of reducing methane consumption at the reheating furnace, reducing scale, reducing Scope 1 CO₂ emissions and optimising the mixed charge.



A new 75 MVA auxiliary transformer was installed in the substation to replace the 60 MVA transformer in order to meet the needs of the new rolling mill utilities (inductors, welding machine, spooler system, etc.).

Derivatives Area



The installation of mesh machine no. 6 (for diameters from 4.5 to 12 mm and mesh size 10x10 to 20x30 cm) continued.

Logistics and infrastructure



The commissioning of the new osmosis water treatment plant for the steel mill and rolling mill 1 has been completed.



A 437 kWp photovoltaic system was installed on the roof of the new refractory shed.

LEGEND



Industrial commitment



Environmental Commitment



Product Quality

**Presider S.p.A.
Borgaro**



The necessary works for changing the layout of the factory were carried out. In particular, to enhance productivity and ensure the safety of the production teams, certain production machines were modified and relocated, while others underwent refurbishment. Action was also taken on the warehouses to rationalise the quantities of material in stock.

**Presider S.p.A.
Pomezia**



The works related to the special project for the expansion of the production facility have been carried out, specifically the construction of a new prefabricated shed of approximately 2,500 square metres and related appurtenances. Work was carried out on the electrical systems and the compressed air system, and the smoke extraction system and the CO₂ distribution system were installed.

**Presider S.p.A.
Nave**



Two new overhead cranes have been installed in the production span of the assembled product.

**Steel for Construction
Germany business unit
ESF Elbe-Stahlwerke Feralpi GmbH**



Steel mill

New equipment has been ordered for the EAF furnace, including a slag door manipulator and a sampling/temperature robot. Installation is planned for the summer of 2025. This investment is essential to ensure safe conditions for the EAF and is part of the “no man on the floor” strategy. This action reduces EAF downtime and improves the energy efficiency of the process.



Both EAF furnace vats have been equipped with new OXYMOTM burner technology to improve process efficiency.



The initial engineering steps for modernising the ladle furnace were developed as part of the measures to increase the capacity of the steel mill. The project is in the implementation phase and will be carried out in several phases in 2025-2027.



Rolling mill

A new billet transfer system has been put into operation between the existing steel mill and the new rolling mill.



The new rolling mill B has been assembled and the commissioning process for the new production line is underway.



Logistics and infrastructure

The construction of a new electrical substation has been completed, which will enhance the efficiency of the electrical systems and supply the necessary electricity for the new Plant B and all anticipated energy users.

**Specialties Business Unit
Acciaierie di Calvisano S.p.A.**



Two outdoor parks for photovoltaic power generation have been completed to achieve a total capacity of about 4.0 MW.



Steel mill

A new silo has been installed specifically for the injection of polymers or other carbon substitutes to optimise the injection process and enhance material management.



A new extractor hood for the EAF furnace and two extractor hoods for the ladle furnace area have been constructed. The new larger hood allows for an increase in the efficiency of the fume extraction and treatment process.



The creation of two billet storage areas with controlled cooling has been completed in order to improve the quality of the finished product.

Arlenico S.p.A.



Rolling mill

The construction site for a new coil bar plant has been completed.



The studies and engineering for the construction of a district heating plant have been completed.



A new area adjacent to the facility was acquired.