COECLERICI

ANNUAL REPORT 2017

RINA
BS OHSAS 18001
Certified Health & Safety System

COECLERICI

Coeclerici SpA

Registered Office:
Piazza Generale Armando Diaz 7, 20123 Milan, Italy

VAT Reg.No., Tax Code No. and Registered Companies No.:
00269690103

Chamber of Commerce No. 1761693
Direction and Coordination: Fincler Srl

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COECLERICI GROUP AT A GLANCE

869ml
Turnover**

202ml
Investments over last 5 years*

13
Countries

1,237
Employees**

* *Includes entities accounted for using the equity method*
Investments adjusted to exchange rates at 31 December 2017

** *Figures at 31 December 2017*

DEAR SHAREHOLDERS,

the improvement in the international economic cycle, started in 2016, stabilised and became stronger in 2017; the pick-up in investments in the majority of the economies is stimulating the trade on a worldwide basis, favouring a decisive recovery as from the end of 2016. The improvement in the economic activities of emerging economies and the strengthening in global demand are the main trend of year 2017. The reinforcement trend affects all the advanced economies and the raw materials producing emerging countries which have benefited from the rise of the commodities' prices, stimulated by the positive course of the international economic cycle. The mid-term global growth prospects are overall favourable, but risks of a downwards trend remain, linked to the uncertainty of the economic policies and the possible escalation of geopolitical tensions.

With particular reference to the coal market, our corporate strategies were confirmed by the recent publication of the traditional report on energy issued by the IEA - International Energy Agency, World Energy Outlook - 2017. In its reference scenario entitled 'new policies' forecasts a 0.2% annual growth in coal demand until 2040 thanks to the rise of the demand of India and the South East Asian countries and of the industrial sector.
Indications of geographical areas (South East Asia vs OECD) and sector-related areas (industrial vs energy) converge with the vision and the action plans implemented by the Group involving focus on the coal trade with greater added value, therefore addressing the industrial sector, and geographic areas with higher development (Far East).

As far as coal prices are concerned, after a slight drop seen in the first quarter with respect to the peaks reached in the fourth quarter of 2016, a significant and constant trend of appreciation was noted in the subsequent three quarters, which brought the API2 and API4 indices to an average price in December of 94.5 USD/T and 94.8 USD/T, respectively. The average price of the API2 and API4 indices in 2017 reached 84 USD/T, well above the average values registered in the previous year of 60 USD/T (+40%) and 64 USD/T (+31%), respectively, albeit with moderate volatility. The satisfactory trend of coal prices was also confirmed in the first months of 2018, remaining on average at around 85 USD/T.

I am pleased to inform you that during the year the Group achieved important operating results, significantly better than the already positive ones of 2016. The EBITDA and the EBIT generated over the period amounted respectively to Euro 46.7 million and Euro 28.7 million (+50% and +39% compared to the results achieved in 2016), while the Group net profit amounted to Euro 20.2 million (Euro 13.5 million in 2016). These important results were achieved thanks to the good operating performances of all divisions of the Group.
At balance sheet level, a considerable improvement was achieved in the net financial position, which reached Euro 51 million, down by Euro 78 million compared to 2016 and Euro 97 million compared to 2015, thanks to the significant generation of cash resulting from operating activities (Euro 63 million) and the disposal of our stake in PT Asian Bulk Logistics (Euro 32.7 million).

The Mining Division disclosed a good operating performance, confirming the excellent results already achieved in the previous year. The rise in turnover (which came to Euro 51.4 million) was driven by local sales, while the extraction activities, 1,165 thousand tonnes, reported a slight drop with respect to expectations at the start of the year due to the changes to the medium/long term production plans reflecting the new architecture of the mining site. The reorganisation process implemented in previous years has allowed the Group to stabilise the results of the Division and, together with the investments aimed at improving the production efficiency, confirms the Group strategic interest towards its mining site in Kuzbass, in the region of Kemerovo. In the relevant period EBITDA reached Euro 9.0 million (Euro 9.2 million in 2016) and the EBIT totalled Euro 5.6 million (Euro 6.3 million in 2016).

The Trading Division managed to achieve excellent results in a market context characterised by satisfactory coal price levels, on average higher than those of 2016, albeit affected by moderate volatility. Even if volumes were 11% lower than those of 2016 the Division reported a considerable increase in turnover attributable to at least two main factors: the substantial rise in coal prices, the API2 increased 40% with respect to the comparative balance in 2016, and the business strategy adopted, aimed at trading products with a higher added value. During 2017 it was registered a further increase of the market share of PCI, a product with a higher calorific value and greater margins. The Asian activities deserve particular notice, as during the year achieved significant operational results thanks to the consolidation of related core business and a greater differentiation of products and customers. The increase in margins made it possible to achieve an EBIT of Euro 24.9 million (Euro 11.4 million in 2016), considerably up with respect to previous years.
The results of the Division do not include both those of the US affiliated company, Coeclerici Coal Network, and of the German affiliated company Dako Coal. These companies were no longer considered strategic for the Division and were sold to their management. The agreements reached allow the new entities to continue to operate within their reference market providing their usual services, without substantial limits to the operations and the development of the business of the Trading Division. As a result of these operations, the Division has come out stronger in financial terms and fully dedicated to the growth of its core business.

The weak demand of new industrial projects caused by the low price level of raw materials, combined with the low charter rates which do not allow an adequate return on huge initial capital investments, in countries characterised by high geopolitical risks, are the main reasons behind the crisis of the transshipment sector. Effective from 1 August 2017, Coeclerici Logistics sold off its 49% stake in PT Asian Bulk Logistics to the Singapore based company Chartswood Logistics (PTE) Ltd. As it was contractually agreed technical and operational services were rendered to the four vessels until December 2017. Furthermore, the contract with the customer PT Kaltim Prima Coal ended in December 2017.
Despite this unfavourable market scenario, in 2017 transshipment activities in Mozambique and Indonesia, remunerated on a time charter or take and pay basis (minimum guaranteed quantities), generated a fair operating cash flow and achieved satisfactory economic profitability, which permitted the Logistics Division to generate an EBITDA of Euro 16.8 million.
The Shipping Division, operating through the company dACC Maritime d.a.c, continued the shipping business for the transportation of dry bulk cargo via the operating fleet comprising of four 60,000 ton Supramax sister ships owned in joint venture with the d'Amico Group; this business is still affected by low charter rates, even if the market is showing the first signs of recovery making it possible the generation of an operating profit.
Overall, the two divisions disclose a turnover level of Euro 38 million, good profitability with EBITDA and EBIT respectively for Euro 14.8 million and Euro 6 million and a net result of Euro 4.5 million.

The Group, in line with its traditional innovation capacity and propensity for new challenges has acquired IMS Deltamatic, operating in the industrial sector, entering into the business for the design, manufacturing and marketing of high-technology automatic industrial machineries for the converting, packaging and automotive sectors. IMS Deltamatic, through several acquisitions carried out over the years, has become a leading player with a steady growth rate on a global scale, involving four plants - of which two in Italy, one in Germany and one in the United States, a sales office in China, serving customers located all over the world, with more than 300 employees. This acquisition took place in two stages: in December 2016, with effect as from January 2017, a majority stake was acquired in the IMS Deltamatic Group, which was followed in December 2017 by the acquisition of the remaining share.
In line with the general pick up of the global economy, and in particular of the reference sectors, 2017 reported an important growth of 40% in the value of backlog compared with December 2016, with an overall value of production amounting to Euro 72.4 million and an EBITDA margin of 10%. Among the main markets of the Group's products, it's worth mentioning North America for the Automotive Division and Asia for the Converting plants, with a wider geographic diffusion for the Packaging Division.

I would like to take the opportunity to thank the management and employees of the Group for their constant commitment and the results obtained.

Milan, 21 March 2018

Chairman and CEO
Paolo Clerici

COMPANY OFFICERS

Board of Directors

Paolo Clerici	Chairman and CEO
Teresio Gigi Gaudio	Executive Deputy Chairman and Responsible for Risk Avoidance
Corrado Papone	Deputy Chairman
Antonio Belloni	Director
Giorgio Cefis	Director
Andrea Clavarino	Director
Giacomo Clerici	Director
Giovanni Jody Vender	Director
Lupo Rattazzi	Director

The term of office of the Board of Directors expired with the approval of the financial statements on 31 December 2017.

Board of Statutory Auditors

Guglielmo Calderari di Palazzolo	Chairman
Maurizio Dragoni	Standing Auditor
Isabella Resta	Standing Auditor
Antonino Foti	Deputy Auditor
Nicola Iberati	Deputy Auditor

The term of office of the Board of Statutory Auditors will expire with the approval of the financial statements on 31 December 2017.

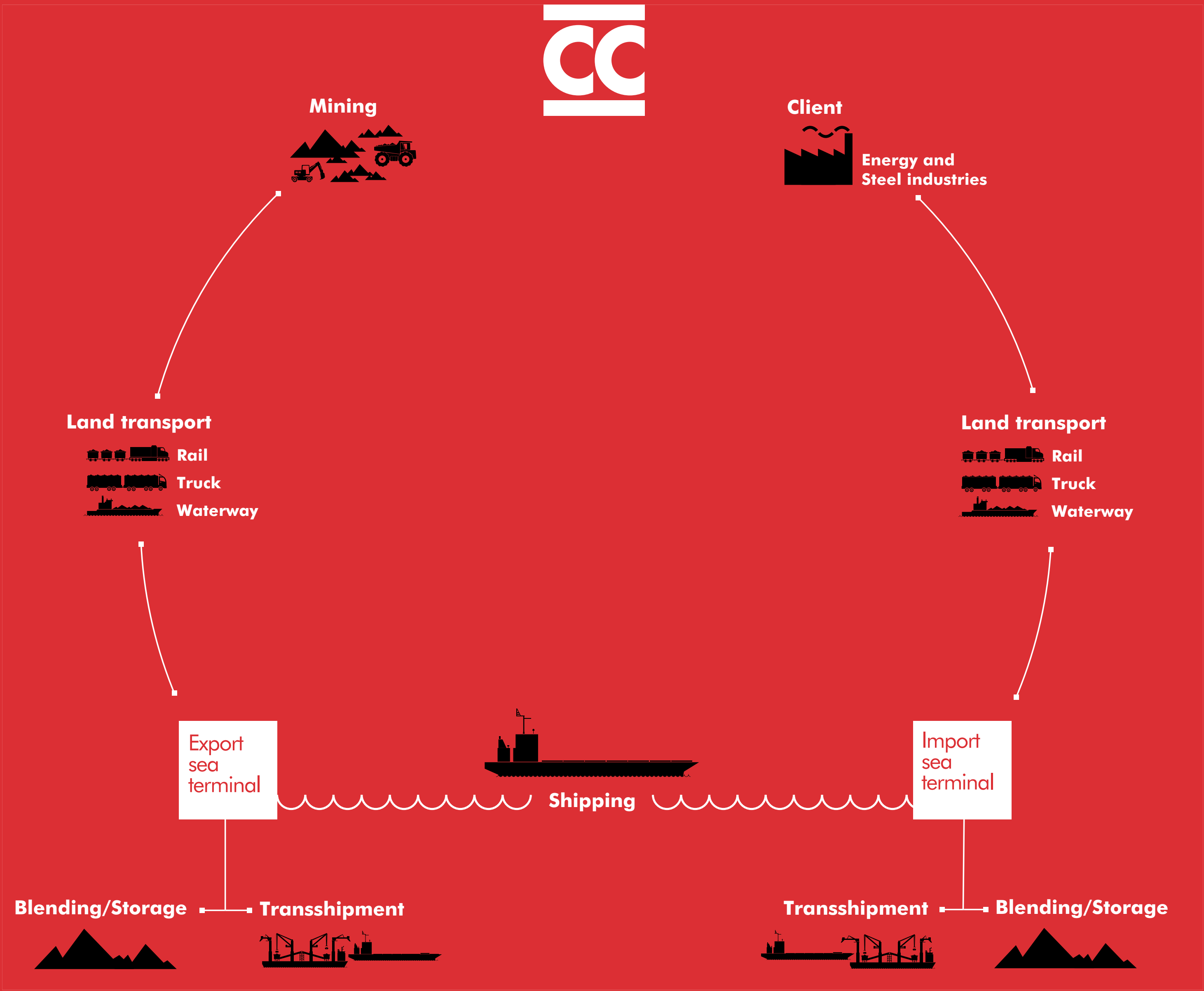
Independent Auditors

EY SpA

The independent auditing firm has been appointed for the three-year period 2015/2017. The term of office of the independent auditing firm will expire with the approval of the financial statements on 31 December 2017.

COECLERICI'S ROLE IN THE COAL VALUE CHAIN

The added value offered by the Coeclerici Group arises from its experience in all phases of the supply of coal. The Group's activities vary from mining extraction to the transportation of coal by land, and from transshipment to the transportation of coal by sea, thereby guaranteeing that clients receive the high-quality product within the times agreed.



A HISTORY OF SUCCESS

1895

Founded in Genoa, the company starts its activity by importing coal from the United Kingdom.

1910s

Coeclerici becomes the first company to import US coal into Italy and expands into the shipping sector.
In 1913, the Group buys its first dry cargo vessel: the "Tirreno".
In 1916 Henry Coe leaves the company, selling his stake to Alfonso Clerici Senior.

1936-1969

Alfonso's son Jack Clerici joins the company in 1936.
After World War II, Coeclerici resumes business and consolidates its international presence in the US, England, South Africa, Australia and the Soviet Union (at the end of the 1950s).
In 1958, Coeclerici opens an office in Moscow.
In 1964, Coeclerici signs an agreement for exclusive right to sell Soviet coal and scrap iron on the Italian market.

1970-1997

Coeclerici strengthens its shipping sector by purchasing and operating barges to tranship coal within port basin areas.
This solution is called and registered as "Cavalletto".
A strategic step towards developing the Group's logistics business.
In 1985 Bulkitalia S.p.A was founded, and acquires 5 dry bulk vessels; this company acquires Nedlloyd's dry bulk fleet in 1992 and in 1994 acquires Fermar, a company belonging to Ferruzzi Group, and Sidermar.
In 1997, in the process of internationalisation, the Logistics division signs contracts in Venezuela, Bahrein and Morocco.

1998-2000

Coeclerici signs a contract with the trade port of Murmansk and finances the dredging operations for the same, necessary to allow access to ships up to 130,000 tons.
In 2000, in Murmansk, Coeclerici loads the first ever Capesize ship in a port of Northern Russia.
The first contracts are signed for transhipment activities on a worldwide level.

2002

Coeclerici invests approximately 18 million USD to finance the completion of a coal mine in Kemerovo, in Russia, and signs a long-term contract, granting the company the exclusive rights to sell the two million tons of coal produced annually.
The Group also signs a ten-year partnership with the port of Murmansk for the exclusive use of a coal berth.

2003-2005

The Shipping division concludes 16 charter contracts to build 10 new Panamax and 6 Capesize.
The Coeclerici pool operates a fleet of 47 Capesize and 44 Panamax thus becoming one of the top three dry bulk cargo operators in Europe.
Coeclerici opens offices in China and Indonesia and starts to operate transhipment activities in Indonesia with the "Bulk Pioneer".

2007

Coeclerici acquires a 60% stake – increased to 85% in 2008 and to 100% in 2010 – in RAG Trading Asia Pacific Ltd, a Singapore based company specialised in coke and coking coal with offices in Australia, Indonesia, India and China. Through Coeclerici Asia (Pte) Ltd, the Group develops and strengthens its trading activities across the Far East.

2008

Coeclerici acquires 100% of Korchakol, a low volatile coal (PCI and thermal coal) mine located in Siberia in the vicinity of the city of Novokuznetsk, becoming the first and only Western company to have acquired a steam coal mine in Russia.
The Logistics Division starts to operate in India with "Bulk Prosperity", a last-generation offshore transshipper.

2011-2012

The Logistics Division takes delivery of the first four of six new vessels, designed to the highest standard and performance to be employed in long term service contracts signed: the "Bulk Java" and the "Bulk Borneo", employed in Indonesia, the "Bulk Zambesi" and the "Bulk Limpopo", employed in Mozambique.
Coeclerici enters the US market.
The Group's Trading Division acquires the assets of the American company Coal Network Inc.

2013-2014

The Group once again invests in the Shipping sector with the creation of dACC Maritime d.a.c., a joint venture with the d'Amico Group, for the purchase of four Supramax bulk carriers.
In 2013 Coeclerici Coal Network LLC acquires full ownership of the coal trading division of Alley-Cassetty Companies, Inc.
The new vessels "Bulk Celebes" and "Bulk Sumatra" are delivered.
Coeclerici wins the bid for the expansion of Korchacoal mine bringing reserves at 60 million tons.

2015

Coeclerici celebrates the 120th anniversary of its foundation (1895 – 2015).

dACC Maritime d.a.c. takes delivery of "DACC Tirreno" (which inherits the name of the first vessel purchased by the Group in 1913) and "DACC Egeo".

2016 - 2017

Coeclerici enters into the business of manufacturing high-technology automatic industrial machineries for the converting, packaging and automotive sectors by acquiring a 100% stake in the IMS Deltamatic Group.

dACC Maritime d.a.c. takes delivery of the last two vessels "DACC Adriatico" and "DACC Atlantico".

DECEMBER, 31 2017

GROUP STRUCTURE

COECLERICI SpA

LOGISTICS DIVISION

- **100%** Coeclerici Logistics SpA
  - **100%** Coeclerici Mozambico SpA
  - **100%** Capo Noli Transportes Maritimos Lda
    - **90%** Bulkguasare de Venezuela SA
  - **70%** Logconversion Transportes Maritimos Lda
  - **49%** PT Pelayaran Logistik Konversi Indonesia
  - **100%** CGU Logistic Ltd

SHIPPING DIVISION

- **49%** dACC Maritime d.a.c.

TRADING DIVISION

- **100%** Coeclerici Commodities SA
  - **100%** LLC Scc-Rozco
  - **99%** LLC Coeclerici Russia*

MINING DIVISION

- **100%** SC Kisk
  - **100%** LLC UK PTU
  - **100%** Sel Pre Taylepskoe
  - **100%** LLC Razrez

INDUSTRY DIVISION

- **100%** IMS Deltamatic SpA
  - **100%** Kasper Machine Co
  - **100%** Goebel Schneid und Wickelsysteme GmbH
    - **100%** Goebel Beijing Slitting Technologies Co

- **100%** Coeclerici Far East (Pte) Ltd
- **100%** Elvezia Immobiliare SA
- **100%** Coeclerici Americas Real Estate Inc.
  - **99,98%** Nuevaco Imobiliaria Srl

Non operational companies and those in liquidation are excluded

** 1% of the subsidiary LLC Coeclerici Russia is held by Coeclerici SpA*

DIRECTORS' REPORT

DIRECTORS' REPORT

CONSOLIDATED RESULTS

Some of the main financial indicators and a comparison with the consolidated financial statements of 2016 and 2015 drawn up in accordance with International Accounting Standards / International Financial Reporting Standards are shown below (figures in thousands of Euros):

	2017	2016	2015
Turnover	868,805	621,037	683,981
Ebitda	46,713	31,175	20,254
Ebit	28,738	20,650	4,129
Net Result	19,875	14,568	(22,354)
Group Net Profit	20,246	13,491	(22,876)
ROE	27%	22%	(35%)
ROI	18%	10%	2%

	2017	2016	2015
Fixed Assets	143,559	158,537	152,134
Working Capital	(20,721)	43,868	54,747
Net Capital Employed	122,838	202,405	206,881
Group Equity	67,371	66,349	51,883
Minority Interests	4,878	6,986	6,727
Net Financial Position	50,589	129,070	148,271
Sources of Finance	122,838	202,405	206,881
Cash flow from operating activities	62,573	38,805	28,896
Cash flow from investing activities	6,039	(12,283)	7,935
Cash flow from financing activities	(46,902)	(21,380)	(15,880)
NFP/EQUITY	0.70	1.76	2.53

20.2 ML

Euros of Group Net Profit in 2017

During 2017, the Group generated satisfactory operating profitability, up sharply with respect to the comparative figure in 2016. EBITDA equal to Euro 46.7 million and a Group net profit of Euro 20.2 million disclose an increase of 50% with respect to 2017.

The balance sheet and income statement figures benefit from the positive contribution of the IMS Deltamatic Group, with assets of Euro 92.2 million, turnover of Euro 72.4 million and EBITDA of Euro 7.3 million.

Therefore, also net of the positive contribution of the IMS Deltamatic Group, the Group's operating performance in 2017 was significantly higher to that in 2016, in particular thanks to the excellent results attributable to the Trading Division which reported an increase in core revenues of Euro 173 million mainly driven by the rise in coal prices (the average price of the API2 in 2017 was 40% higher with respect to the comparative period).

As mentioned by the Chairman in his letter to shareholders, these results were achieved thanks to the performance of the operating divisions. The rise in turnover of the Mining Division was the result of the increase of sales in the domestic market of the mine owned by the Group while the positive results of the Trading, Logistics and Industry Divisions were caused, respectively, by commercialisation of products with higher added value, maintenance of a satisfactory level of profitability for the port logistics services and good profitability.

The net financial position (NFP), which reached Euro 51 million, improved significantly, down by Euro 78 million compared to 2016. The positive change reflects the satisfactory operating results of the divisions which generated, overall, a cash flow of Euro 63 million. The improvement in the debt position is also attributable to the sale of the equity investment in the associated company PT Asian Bulk Logistics for Euro 32.7 million. Exposure to the banking system decreased during the year by Euro 50 million.

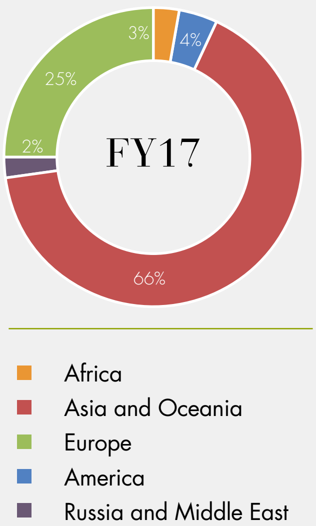
The uses of financial resources included Euro 17 million invested to improve the production efficiency of the mining site, of which Euro 7 million for the purchase of land, and Euro 0.6 million incurred for the renewal of the class of the Bulk Limpopo, operating in the waters of Mozambique, to guarantee the maintenance of the operating capacity of the vessel.

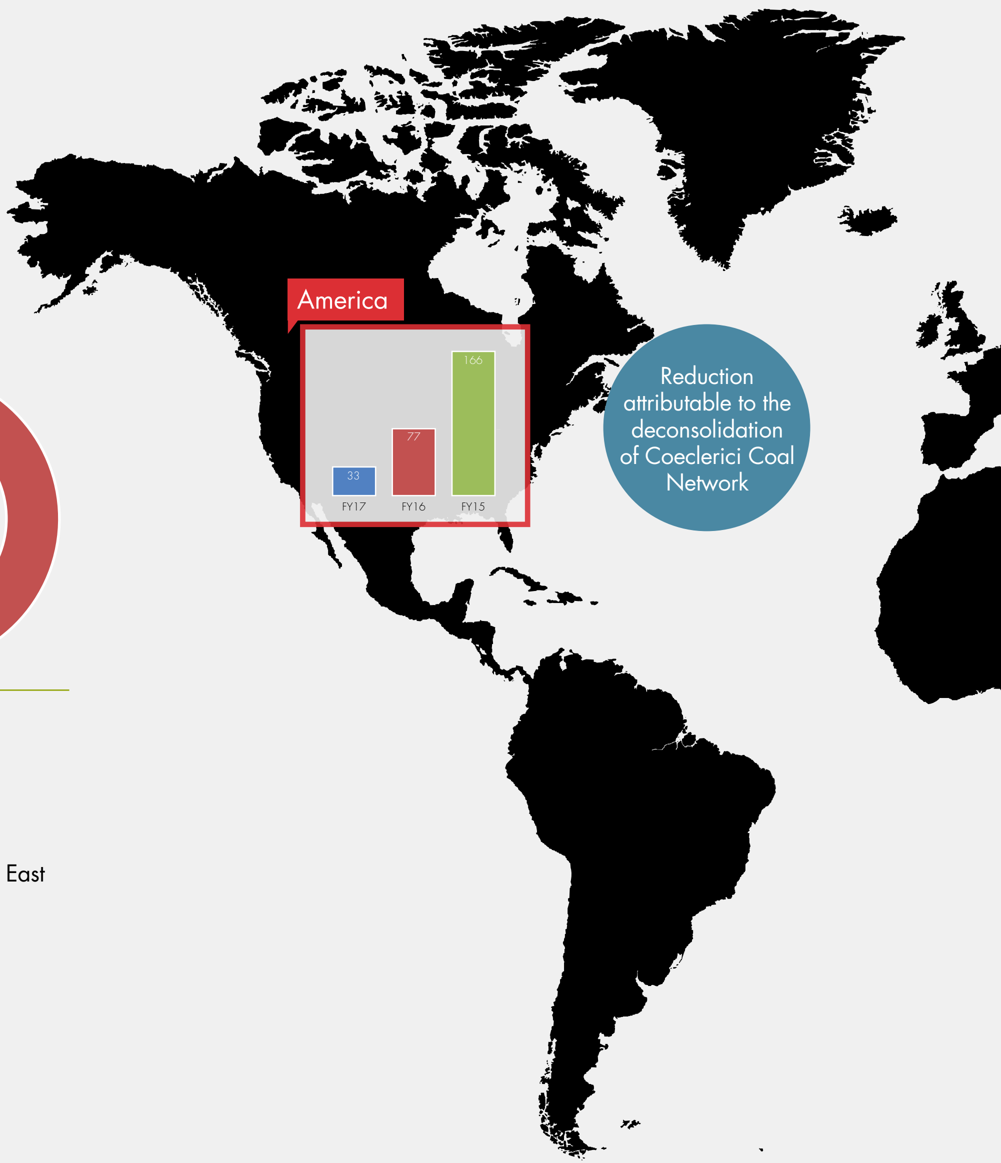
In the presence of a positive net result of Euro 20.2 million, a number of items with a negative balance were recorded during the year directly under Group shareholders' equity; these, conditions being equal, could be reclassified in the income statement in subsequent years for a total of Euro 5.7 million. Specifically, the amount is attributable for Euro 4.7 million to the reduction of the translation reserve of the financial statements in currency other than the Euro further to the appreciation of the European currency against the US dollar (1.1993 as of 31 December 2017 compared with 1.0541 as of 31 December 2016) and the Russian rouble (69.39 as of 31 December 2017 compared with 64.3 as of 31 December 2016) and for Euro 1 million to the reduction in the reserve relating to the fair value of the financial instruments classified as 'Available-for-sale financial assets'.

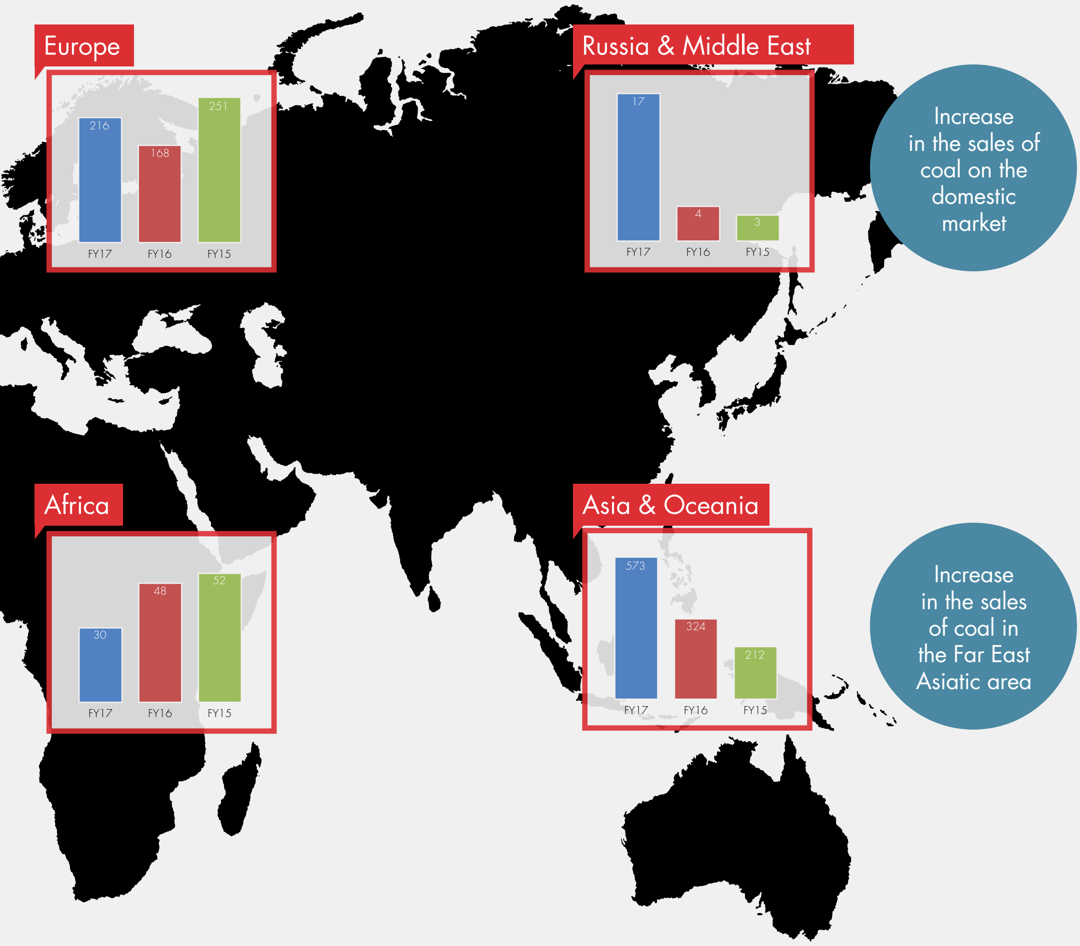
The graphs below illustrate the main financial and management information of the Coeclerici Group.

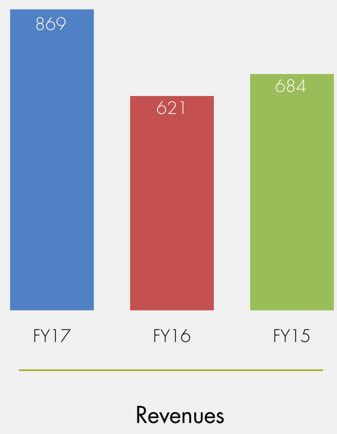
FINANCIAL CAPITAL

TURNOVER BY GEOGRAPHICAL AREA (M/EURO)





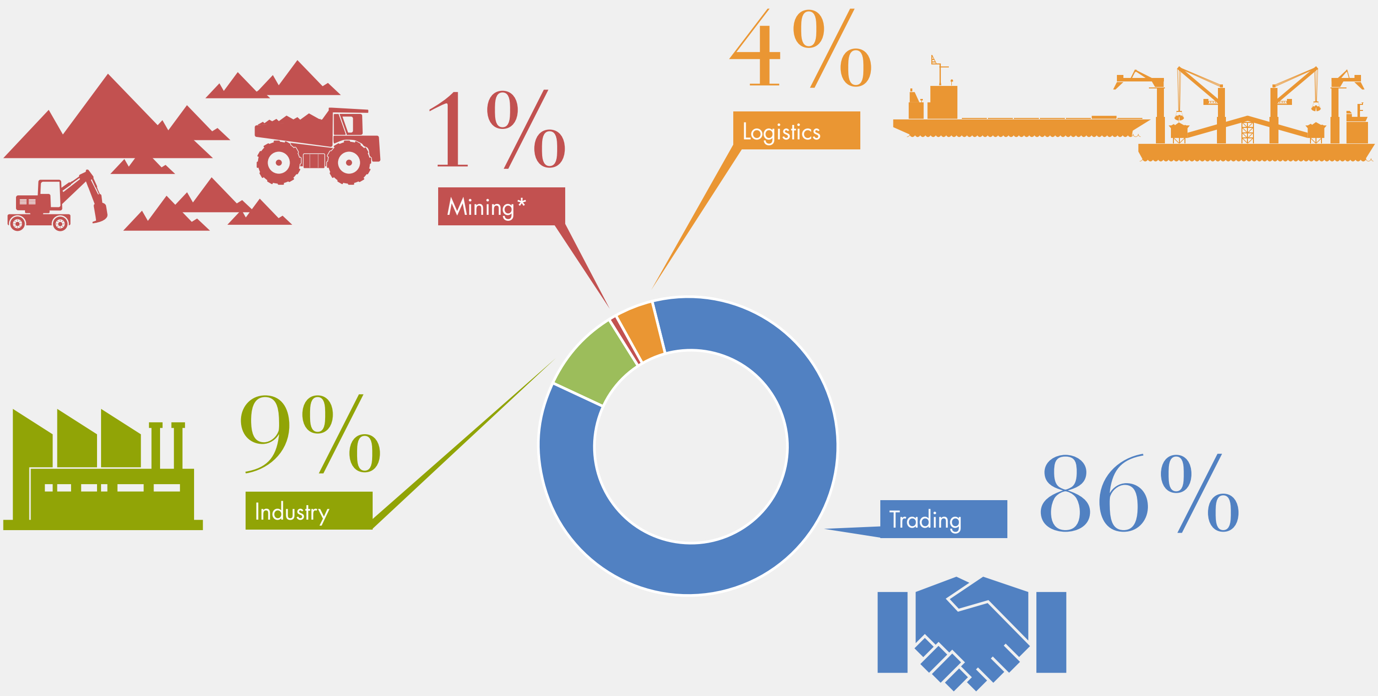

Europe
216
168
251
FY17
FY16
FY15
Russia & Middle East
17
4
3
FY17
FY16
FY15
Increase in the sales of coal on the domestic market
Africa
30
48
52
FY17
FY16
FY15
Asia & Oceania
573
324
212
FY17
FY16
FY15
Increase in the sales of coal in the Far East Asiatic area


869
621
684
FY17
FY16
FY15
Revenues

TONNES HANDLED (THOUSANDS OF METRIC TONNES - MT)*

FY17	FY16	FY15
26,159	31,886	34,501

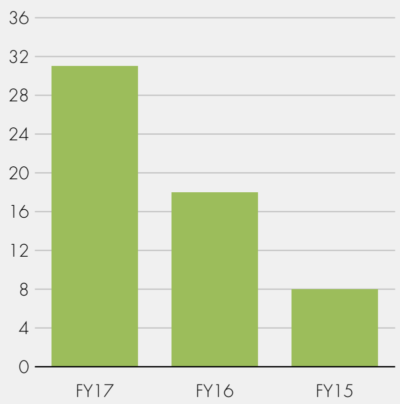
FY 2017 TURNOVER BY DIVISION



* Offset by intercompany transactions

PRODUCTIVE CAPITAL

INVESTMENTS* (M/ EURO)

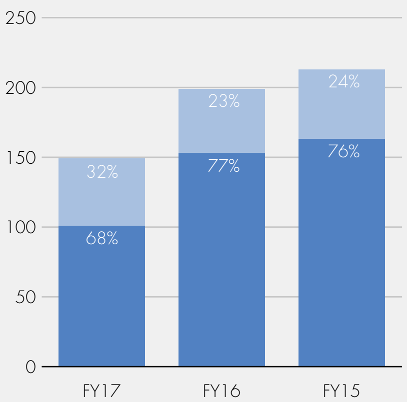


Investments over the last 3 years equal to Euro 57 million

2017	31
2016	18
2015	8

* Does not include investments made by companies consolidated using the equity method

FINANCIAL LIABILITIES (M/ EURO)

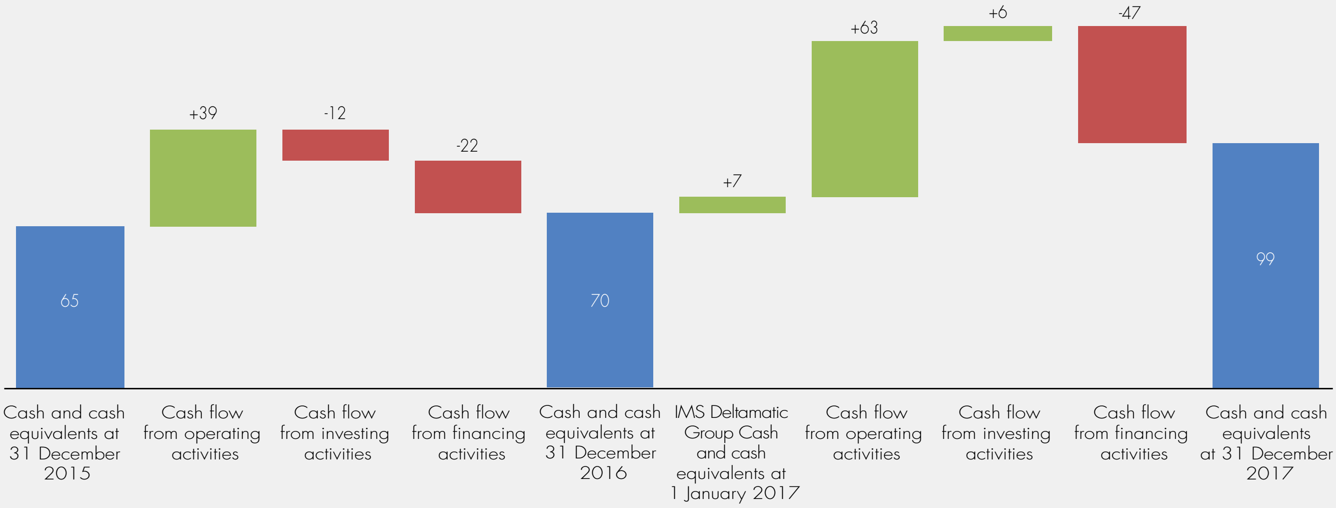


-30% in borrowing with respect to 2015

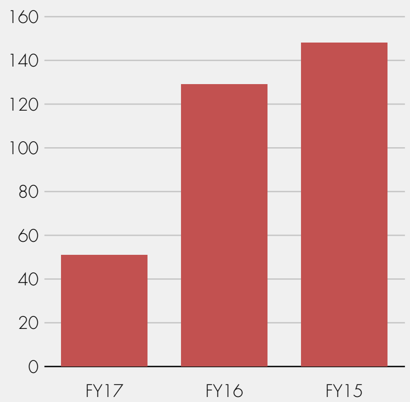
Short term financial liabilities
Medium-long term financial liabilities

2017	149
2016	199
2015	214

CASH FLOW (M/€)



NET FINANCIAL POSITION (M/EURO)



Improvement in the NFP for Euro 97 million with respect to 2015

2017	51
2016	129
2015	148

HUMAN CAPITAL

N° OF EMPLOYEES	2017	2016
Africa	45	67
America	18	18
Asia & Oceania	60	52
Russia & Middle East	735	711
Europe	379	69
Total	**1,237**	**917**

The increase in the number of employees is attributable to the acquisition of the IMS Deltamatic Group whose employees as of 31 December 2017 amounted to 350.

	2017	2016
Average age of employees	**43**	**43**

	2017	2016
Level of education*	**42%**	**49%**

* This index considers the percentage of white collar Group employees with university degrees.

TRADING DIVISION

x 2.1
Ebitda 2017 compared to 2016

	2017	2016	2015
Tonnes handled	7,339,436	8,230,420	9,811,440
Turnover	748,710	575,592	638,826
Ebitda	25,078	11,834	4,010
Ebit	24,945	11,417	717
Net Result	24,958	7,497	(7,086)

The Division generated a considerable increase in turnover, even if disclosing 11% lower volumes with respect to 2016, partially due to the lack of contribution from the businesses of the US and the German subsidiaries. The increase is attributable to at least two principal factors: the substantial rise in coal prices (the API2 increased 40% with respect to the comparative 2016 figure), as well as the business strategy adopted, aimed at trading products with a higher added value; the graph below shows the significant increase in the marketing of PCI, a product with higher calorific value and greater margins, whose sales percentage increased from 38% in 2016 to 45% in 2017.

EBITDA came to Euro 25.1 million, disclosing an increase of Euro 13.2 million essentially doubling the result achieved in 2016. This increase was the results of many factors, the main one being the increase in coal prices for the products of the mining site together with greater efficiency which affected all phases of the value chain (storage, transport, blending, marketing).

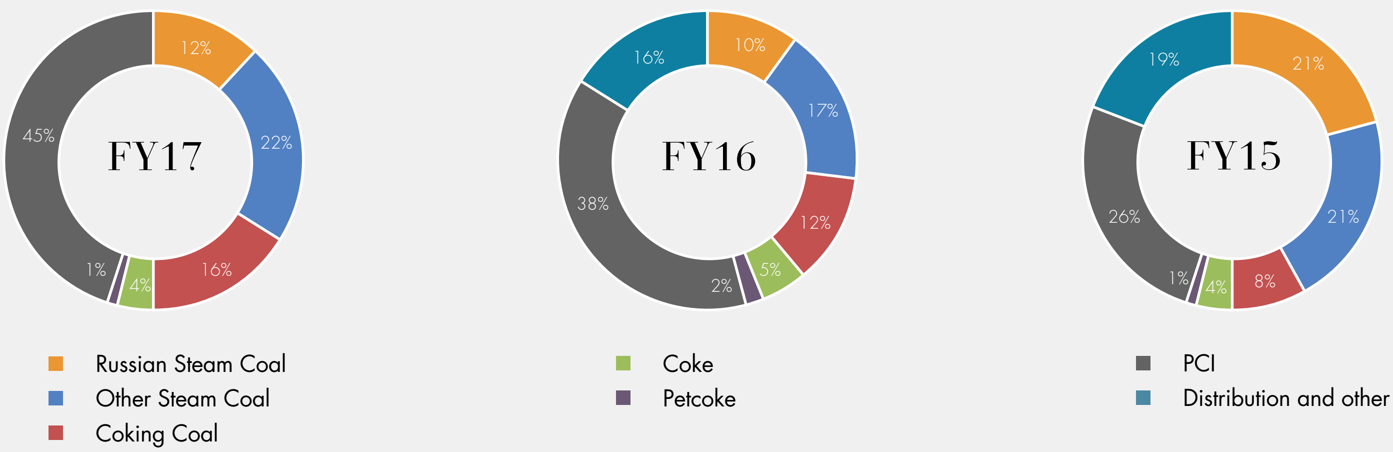
The performances achieved by the Asian business segment deserve a particular mention, as during 2017 they exceeded expectations at the start of the year thanks to the consolidation of related core business and a greater differentiation of products and customers.

From an organisational standpoint, the Division has decided to formally exit the US market, selling Coeclerici Coal Network, and the German market, selling Dako Coal. The US company joined the Group in 2013 and, over the last few years, operated in a difficult market, characterised by shale gas competition, nevertheless obtaining positive results. Top management however deemed that this company is no longer strategic for the Group and accepted the proposal of the company's minority shareholders to take over the entire shareholding.

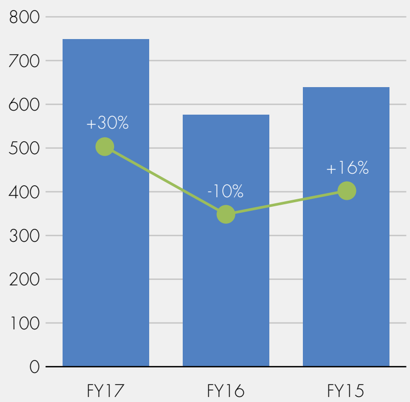
The German company Dako Coal, specialised in the marketing and distribution of Petcoke, joined the Group in 2013, and dealt with a difficult market with disappointing results. Also in this case, the company's CEO offered and agreed to take over the complete control of said company.

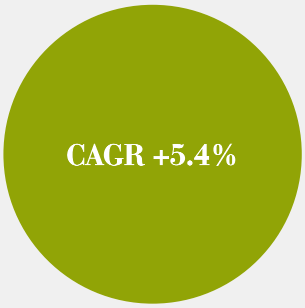
Here below follows a comparison of tons handled, by product type:

HANDLED COAL BY PRODUCT TYPE



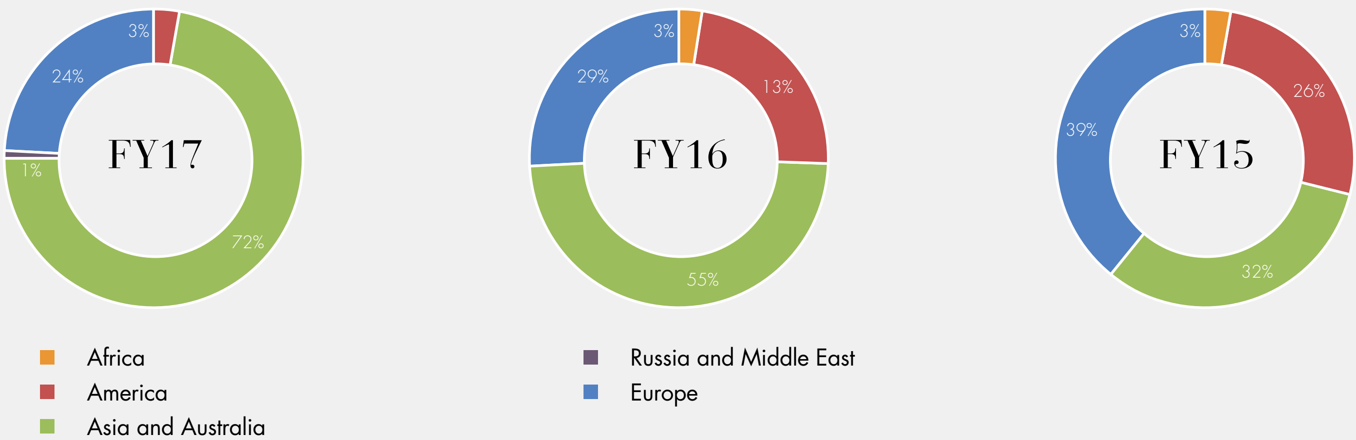
TURNOVER TREND (M/EURO)





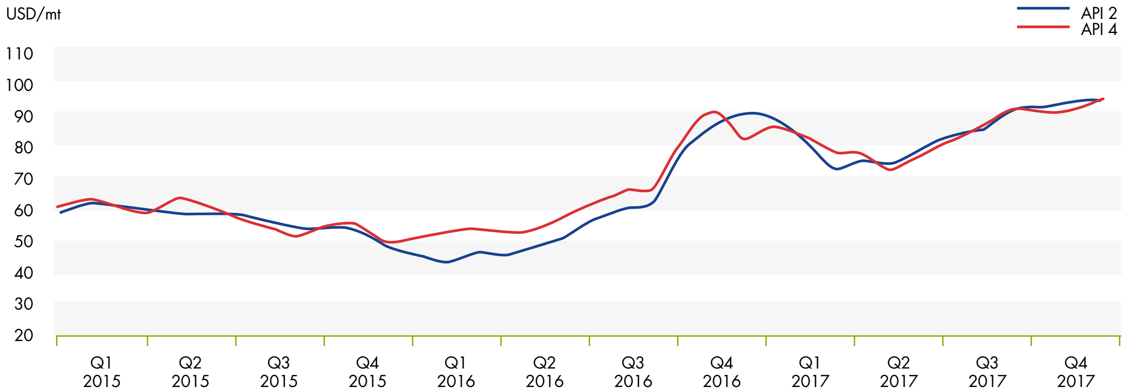
FY 17	749
FY 16	576
FY 15	639

TURNOVER BY GEOGRAPHICAL AREA



During the year, the API2 - the main reference index for the business carried out by the Division - reported a slight decrease in the first quarter with respect to the peaks achieved in the fourth quarter of 2016, then followed by three quarters in which the prices reported steady appreciation which led the index to reach a maximum of 94 USD/T in December 2017.

The evolution of the two main coal market indicators in the previous three years appears below, showing the improvement of the trend of the raw material compared to the two previous years.



API#2 = CIF coal price (including freight cost) - unloading ARA (Amsterdam-Rotterdam-Antwerp)
API#4 = FOB coal price (without freight cost) - port of Richards Bay (South Africa)

VALUES IN $	2017	2016	2015
API#2 INDEX – average	84	60	57
API#4 INDEX – average	84	64	57

MINING DIVISION

	2017	2016	2015
Tonnes handled	1,274,201	1,368,633	1,202,096
Turnover	51,417	36,441	31,820
Ebitda	8,999	9,236	1,588
Ebit	5,572	6,308	(2,335)
Net Result	3,580	6,248	(11,783)

+41%

Turnover compared to 2016

Tonnes of coal extracted during the year slightly decreased with respect to the 2016 production; this reduction is the result of changes in the extraction plans, aimed at an improved long-term planning. The possibility of marketing coal kept in stock and already available for sale made it possible to keep sales in line with the pre-established programmes.

During the year new opportunities arose to increase local sales thanks above all to a new type of coal extracted as from 2017 (Coking Coal) which due to its particular features is highly sought after within the domestic market. These sales increased turnover, despite the tonnes handled being slightly lower with respect to the previous year (-7% compared to 2016), partly thanks to the strengthening of the Rouble (EUR/RUB 65.90 average exchange rate in 2017 compared with an average value for the comparative period of 74.16).

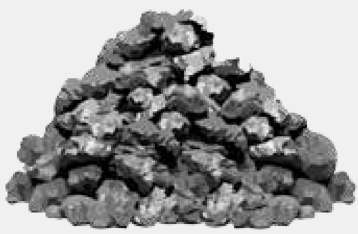
The positive results generated by the core operations guaranteed a satisfactory level of the EBITDA, albeit slightly lower with respect to the previous year, equating to Euro 9.0 million (-2.6% compared with 2016), and the EBIT, equal to Euro 5.6 million (-12% compared with 2016). The growth in the operating results in the last two years has made it possible to achieve an important economic-financial balance of the mining site.

The net result was also affected by the weight of the financial expense generated by the medium/long-term borrowing which made it possible to achieve important investments at the production site thereby ensuring efficiency well above the average and an elevated quality standard for the coming years.

TONNES EXTRACTED (THOUSANDS OF MT)

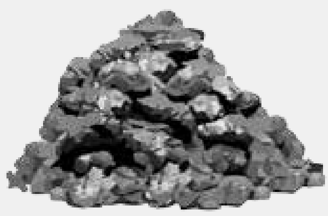
FY17

1,165



FY16

1,422



FY15

1,335

LOGISTICS & SHIPPING DIVISION

	2017	2016	2015
Metric tonnes handled including JV	18,642,653	23,552,821	24,600,729
Turnover	37,505	40,770	39,792
Ebitda	14,760	17,874	22,674
Ebit	6,040	11,148	14,551
Net Result	4,533	8,880	8,446

39%

Ebitda margin

The decrease in the tonnes handled equal to 4,910,168 tonnes is mainly due to the partial contribution of the 4 vessels of PT Asian Bulk Logistics, following the disposal of the equity investment with effect as from 1 August 2017, and the minor quantities handled by the vessels of Coeclerici Mozambico since one vessel was in hot lay-up.

TONNES HANDLED (THOUSAND OF MT)

FY17
18,643

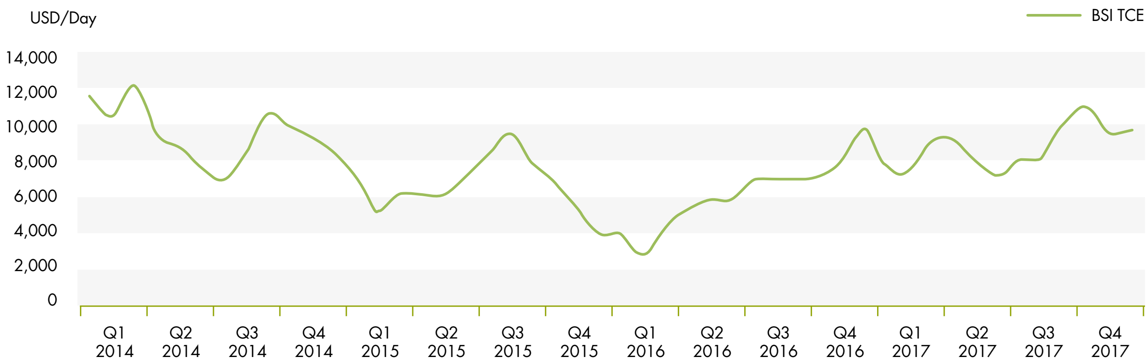
FY16
23,553

FY15
24,601

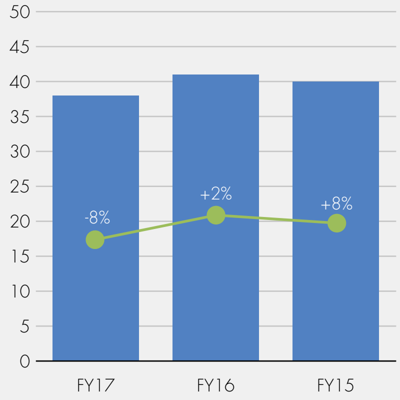
EBITDA, equal to Euro 14.8 million, disclosed a decrease with respect to 2016 of Euro 3.1 million, mainly due to the partial write-down of the financial receivable due by the joint venture dACC Maritime for Euro 3 million; net of this write-down, the EBITDA is in line with that for 2016 and this result was achieved thanks to the excellent contribution provided by the Logistics Division, which confirmed the satisfactory margins achieved in previous periods.

The worsening in the EBIT is attributable to both the write-down of the financial receivable and the write-down of Bulk Pioneer, to align the net book value with the market value further to the completion of the sale of the vessel on 4 January 2018.

In the Shipping Division, the trend of the main index of the charter market for Supramax vessels (Baltic Supramax Index Time Charter Equivalent – BSI TCE) showed rising values with respect to the average figure in 2016 sufficient for achieving an operational break-even.



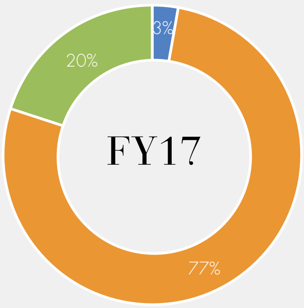
TURNOVER TREND (M/EURO)

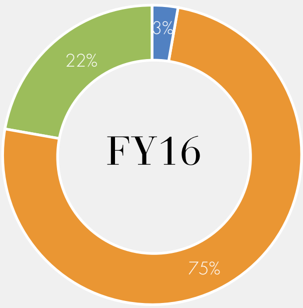


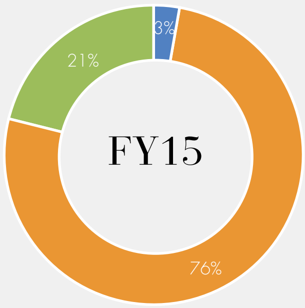
CAGR -2.0%

FY 17	38
FY 16	41
FY 15	40

TURNOVER BY GEOGRAPHICAL AREA







- Africa
- Asia and Australia
- Europe

The Logistics & Shipping Division fleet at 31 December 2017, consisted of the following:

	COMPANY	TPL	YEAR OF CONSTRUCTION
Bulk Pioneer	PT Pelayaran Logistik Konversi Indonesia **	5,974	2005
Bulk Zambesi	Coeclerici Mozambico SpA	54,400	2011
Bulk Limpopo	Coeclerici Mozambico SpA	54,400	2012
DACC Tirreno	dACC Maritime d.a.c. *	60,000	2015
DACC Egeo	dACC Maritime d.a.c. *	60,000	2015
DACC Adriatico	dACC Maritime d.a.c. *	60,000	2016
DACC Atlantico	dACC Maritime d.a.c. *	60,000	2016

(*) Company consolidated using equity method

(**) Vessel sold on 4 January 2018

INDUSTRY DIVISION

	2017
Turnover	72,440
Ebitda	7,264
Ebit	5,667
Net Result	3,418

10%

Ebitda margin

The new Division, joining the Group by means of the acquisition of IMS Deltamatic SpA effective as from 1 January 2017, led to an important increase in the backlog, equal to +40% compared with the balance as of 31 December 2016 amounting to Euro 99.7 million, transversally affecting all the main Divisions of the IMS Deltamatic Group. The composition of the backlog as of 31 December 2017 is indicated in the graph below, which shows a strong pre-eminence for the Converting Division and a good contribution of the Automotive Division.

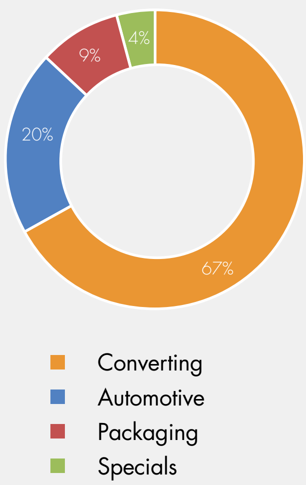
The effects of the increase in the orders registered during the year can be seen in the value of the turnover, with an overall value of Euro 72.4 million, EBITDA of Euro 7.3 million and a net result of Euro 3.4 million.

The geographical distribution of the revenues is widespread on all the continents, with a decisive predominance for the European and Asian markets, in particular China, and a moderate penetration of the US market thanks to the Automotive Division.

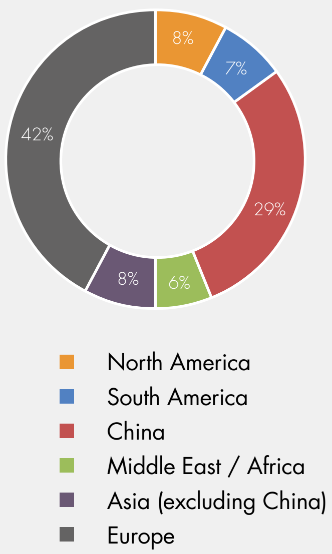
The composition of the turnover by Division discloses a decisive predominance of the Converting sector, whose main markets are Asia and Europe.

The graphs which follow disclose the backlog by Division as of 31 December 2017 and the composition of the turnover by geographical area and Division:

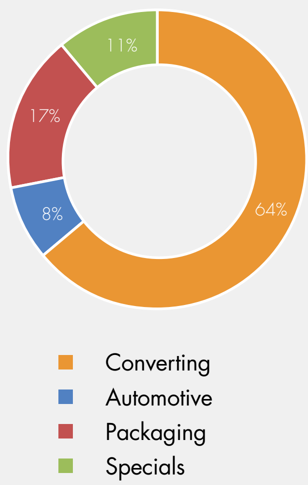
BACKLOG BY DIVISION
AT 31 DECEMBER 2017



TURNOVER BY
GEOGRAPHICAL AREA



TURNOVER
BY DIVISION



HOLDING COMPANY

	2017	2016	2015
Turnover	3,360	3,824	6,489
Ebitda	(9,388)	(7,769)	(8,018)
Ebit	(13,486)	(8,223)	(8,804)
Net Result	(16,614)	(8,057)	(11,931)

Following the reorganisation process which gave more autonomy to the divisions by transferring personnel and structures, the Holding focused on the coordination, control and definition of the strategic guidelines of the Coeclerici Group. The Holding Company continues to offer its subsidiaries and associated IT and Human Resource services.

RESEARCH AND DEVELOPMENT

The Industry Division mainly carries out experimental studies and pre-competitive development activities on new technical and technological solutions aimed at the realisation of new machines for automated industrial plants and the technological modernisation of existing models. The research activities are booked to the income statement, the development activities are capitalised if the conditions apply, and are amortised over five years. Within the sphere of the applicable Italian legislation, the possibility of accessing the tax concession granted for the research and development activities is checked.

STAFF TRAINING

During 2017, health and safety at work courses were planned to meet statutory requirements.

Overall we set aside 768 hours of training.

OWN SHARES AND SHARES OF THE PARENT COMPANY

The Holding Company does not hold its own shares nor those of its parent company.

TRANSACTIONS WITH PARENT AND RELATED COMPANIES

The Group has relations for tax consolidation procedures with the parent company Fincler Srl, which holds the position of consolidator. The credit arising from this position at 31 December 2017 towards Fincler Srl is mentioned in the Notes to the consolidated financial statements. Furthermore, an office rental contract exists between the Group and its direct holding company, Fincler Srl, referring to the offices in Piazza Generale Armando Diaz, 7 – Milan.

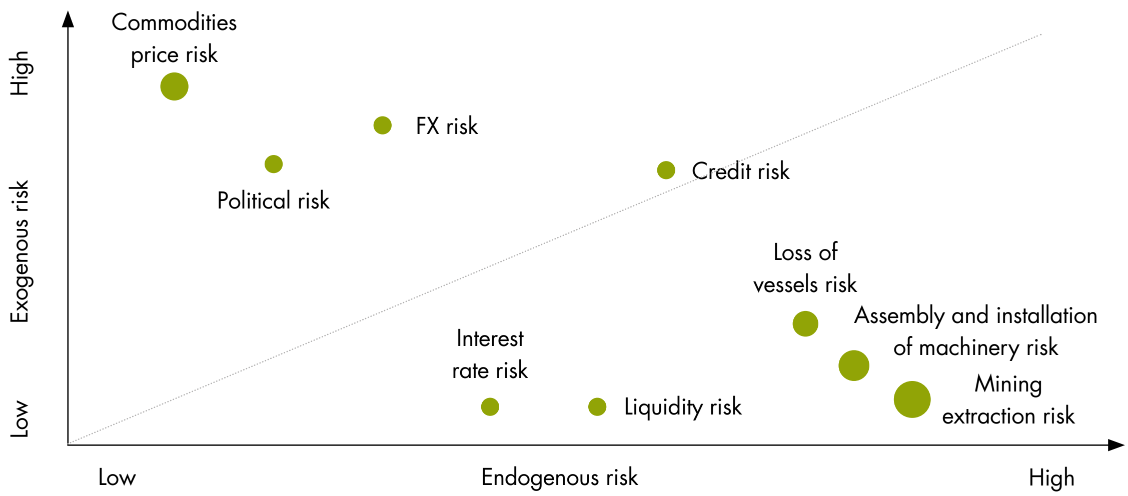
In accordance with clause 5, article 2497 bis of the Italian Civil Code, it is hereby affirmed that relations with Fincler Srl, which conducts activities of direction and coordination of the Group, exclusively concerned the rental contract which was regulated by normal market conditions, as well as the tax consolidation, as described in the Notes to the consolidated financial statements.

MAIN RISKS AND UNCERTAINTIES TO WHICH THE GROUP IS EXPOSED

The main risks linked to the Group's activities, monitored and handled by Coeclerici SpA and its subsidiaries, are as follows:

- market risk resulting from exposure to the volatility of commodity prices;
- market risk resulting from exposure to fluctuations in the exchange rates;
- market risk resulting from exposure to fluctuations in interest rates;
- credit risk resulting from the possibility of insolvency of a counterparty;
- liquidity risk resulting from a lack of financial resources to meet commitments undertaken;
- political risk, resulting from activities conducted in countries where from time to time elements of uncertainty arising from specific political and social conditions may be present;
- the risk of losing, partially or wholly, the vessels employed to carry out the principal activities of the Logistics Division, and the risk of damage occuring to the vessels during these activities;
- the operational risk, mainly damage to persons / objects, associated with the construction, assembly and installation of the machinery both at the plants used by the Group and at the customer's production sites, for the Industry Division;
- operational risk inherent to the extraction of coal, typical of open-face mining, for the Mining Division.

Refer to 'Note 27 – Risks characterising the Group's business' for further details.



ENVIRONMENT AND SAFETY

The Coeclerici Group is particularly sensitive to the need to protect its employees in any place where they may have to work.

As evidence of the considerable effort made by the Group regarding health and safety, and with the intention of raising its already high standards in this field, in 2015 the company Coeclerici Logistics SpA underwent a process of certification and reorganisation during the financial year which led to the creation of a specific department dedicated to health and safety and related management systems, thereby obtaining the BS OHSAS 18001:2007 standard early in 2015, which is recognised internationally.

The Coeclerici Group has adopted a system of prevention and protection, constantly monitored by the HSE-Q department (Health Safety Environment and Quality), and suitable for identifying the risks to safety and put in place the measures required to prevent them, also by means of key persons who guarantee the improvement over time of safety standards.

In addition, the carrying-out of maritime logistics services entails respect for certain local, national and international regulations and the maintenance of qualitative standards. In particular, Coeclerici Logistics

SpA operates in compliance with the following standards and regulations:

- Environment: all terminals apply the internationally binding IMO regulations and those of MARPOL;
- Safety: ISM System conforming to ISM Code (checked by RINA on Bulk Zambesi, Bulk Limpopo and Coeclerici SpA Milan), conforming to MLC 2006 regulations (Maritime Labour Convention) on the seafarer staff health and safety for Bulk Zambesi and Bulk Limpopo vessels, safety regulations and Italian law D.Lgs, 271/99, binding Venezuelan regulations;
- Standard BS OHSAS 18001:2007: award of certification regarding the two vessels Bulk Zambesi and Bulk Limpopo, and for the companies Coeclerici Logistics SpA and Coeclerici Mozambico SpA;
- In 2016, the certification pursuant to the BS OHSAS 18001:07 standard was successfully extended to the companies PT Asian Bulk Logistics and PT Pelayaran Logistic Konversi Indonesia and to the five Indonesian vessels, hence completing the certification of the entire fleet and relevant shipping companies.

As regards to the Russian mining site, the Group has put into place all the prevention activities relevant to environment and safety in compliance with the local laws in force.

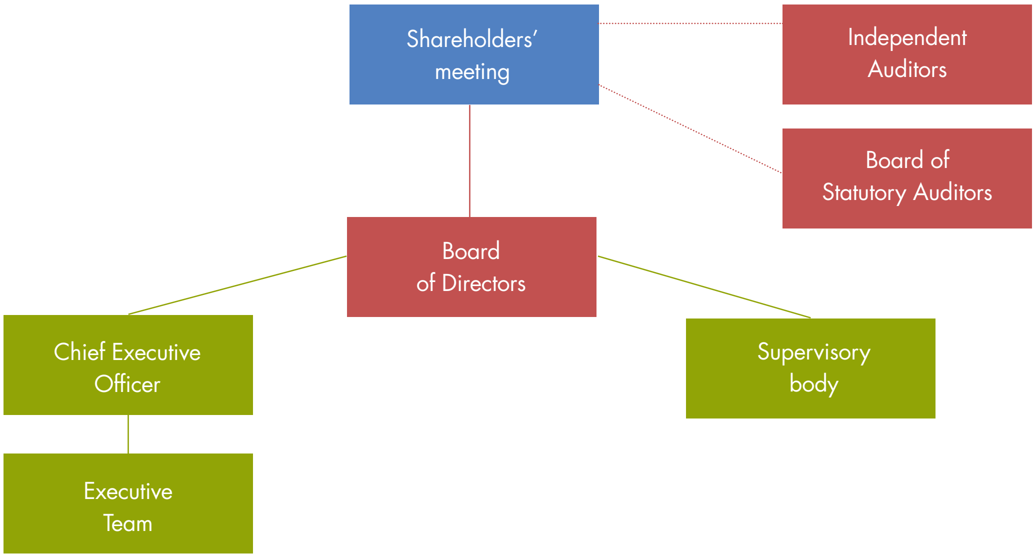
With regard to the Industry Division, there is a constant commitment to improve the health and safety conditions of its workers and to observe the environmental legislation in force in the countries in which the business activities are carried out. In particular, at the time of enforcement of new legislation or if changed operational needs render the geographic reallocation of part of the production cycle necessary, the Group makes a continual effort to adapt to the new requirements, both by means of use of internal resources and via recourse to specialised external resources, with the aim of seeking and constantly realising the best health and safety conditions in the working environments, monitoring the safety, rightly considering the production needs. Company management is fully involved and takes part in the commitments made, guaranteeing resources, co-ordination and willingness vis-à-vis an increasingly better health and safety system.

CORPORATE GOVERNANCE

This section seeks to give a general picture of the system of corporate governance adopted by Coeclerici.

The structure of Coeclerici's corporate governance is organised in line with the traditional Italian model which delegates: (i) company management to the Board of Directors, the fulcrum of the organisational system which is appointed for the period defined at appointment time, for a maximum of three-year period and may be re-elected, (ii) the functions of overseeing observance of the law to the Board of Statutory Auditors and (iii) legally-required auditing of the company accounts to an auditing firm approved at the shareholders' meeting, after hearing the opinion of the Board of Statutory Auditors.

The Board nominates one or more Managing Directors, to whom it delegates, within legal and statutory limits, activities aimed at furthering the Company's objectives. Moreover, the Board can set up an Executive Committee made up of its own members with a decision-making role on matters concerning overall Group management.



Board of Directors

Composition

In accordance with article 17 of the Statute, the number of members of the Board of Directors may vary between a minimum of three and a maximum of fifteen. An ordinary shareholders' meeting determines the number, within the said limits. The Board of Directors, appointed by the Ordinary Shareholders' Meeting on 3 May 2017, was given an annual mandate expiring with the approval of the financial statements for the financial year 2017.

Duties

The Board of Directors has wide powers for the ordinary and extraordinary management of the business and, consequently, may put into effect such measures as it considers necessary and opportune to meet the Company's objectives, excluding only those which statute specifically reserves for the Shareholders' meeting.

Requisites of independence

The Board of Directors has a central role in checking and guiding the process of Company management.

The efficiency and effectiveness of this organisation is guaranteed by the presence within it of independent directors who pay great attention to the substance as well as the form of Company activities. In particular, the presence of independent directors guarantees (i) checks that Company management is inspired by criteria of prudence and transparency; (ii) checks of the adequacy of reporting, ensuring that information is reliable and complete; (iii) the budget review of the Group for the subsequent year, in line with strategic intentions and the financial resources available; (iv) proposals (in the light of the above) for possible corrective action and support to the owners and management of the Company in the execution of their activities; (v) maintenance, over the period of the mandate, of a careful supervision of the Company in order to identify any risks which may not have been adequately guarded against or evaluated.

Executive Team

Executive Team has the task to define and put into effect the corporate strategy and assess its effectiveness; the members belonging to such body hold top roles within Coeclerici Group.

Internal control system

For Coeclerici the so-called 'risk and related control' culture helps to characterise and affect the outlook and choices of management in pursuing Company objectives and reporting their results. Coeclerici has therefore for some time encouraged the increase and spread of awareness regarding internal control among all Company employees.

In order to ensure that the business's activities are managed properly, correctly and coherently with the pre-established objectives, Coeclerici supports a preventive approach to risk management which aims to orient management towards choices and activities which reduce the probability that negative events will take place and may more easily be contained if they do. To this end, Coeclerici uses risk management strategies which depend on the nature and type of those risks, and which are considered in more detail in 'Note 27- Risks characterising the Group's business'. The ways in which management identifies, evaluates, manages and monitors the specific risks arising from Company processes are set out by the regulatory, procedural and organisational instruments contained in the Company's regulatory system. These instruments are permeated with risk culture and therefore geared towards risk containment.

The internal control system is reviewed and updated from time to time to guarantee its suitability for safeguarding against the main risks involved in Company activity, bearing in mind the features of its various operating sectors and organisational structure, as well as any new laws.

Reporting activities

Each month the companies of the Group prepare financial reports which aim to communicate and share information. During the reporting phase, specific checks are made on the accounting procedures and the output data arising from these procedures, so that any errors may be identified and corrected which could affect the correctness and completeness of financial information.

This is done both for routine processes taking place during the financial year, and for non-routine ones which generally occur when the accounts are closed at year-end.

Adoption of the Organisation, Management and Control Model in accordance with Italian law D.lgs 231/2001

Italian law D.Lgs. 231/2001 introduced administrative responsibility for juridical persons, companies and associations. Specifically, it introduced the criminal responsibility of organisations for certain crimes committed in their interest or to their advantage by persons who hold a representative, administrative or managerial role within the organisation or within any of its sub-sections possessing administrative and functional autonomy, as well as by persons who exercise by title or in fact the management and control of the same and, finally, by persons under the direction or supervision of the entities indicated above. The important criminal actions are those against the Public Administration and in favour of the company's interests.

However, arts. 6 and 7 of Italian Legislative Decree 231/2001 envisage a form of exemption from liability, should (i) the company demonstrate that it had adopted and put into practice organisational, management and control models, before the crime was committed, suited to preventing the crimes indicated in the law; (ii) if the task of supervising the functioning and observance of the models and ensuring that they are updated has been entrusted to a department of the organisation with autonomous powers of initiative and control.

To this end, on 27 September 2012, the Board of Directors of Coeclerici SpA approved the organisation, management and control model established by D.Lgs. 231/2001, revised and updated in 2016 as a result of organisational changes affecting the Group, with the purpose of creating a structured and organic system of procedures and preventive control activities having as its objective the prevention of crimes referred to in the aforementioned decree.

The supervisory body consists of two members, of which one external and one internal, who were appointed on 28 March 2017 and will remain in force until the approval of 2019 financial statements.

During the year, the supervisory body has applied and analysed the systems of information flow which enable it to supervise the functioning and observance of the model, including similarly an examination of reports arising from audit, as well as the planning of further activities.

In order to put the checks into effect, the supervisory body has set up a series of interventions to check that the protocols adopted are respected.

Activity of Management and Coordination

Coeclerici SpA is subject to management and coordination by Fincler Srl. For the purposes of article 2497 bis of the Italian civil code, direct and indirect Italian subsidiaries have indicated Coeclerici SpA as the company exercising management and coordination. This activity consists in identifying general and operational strategic indications for the Group, and takes shape in the defining and adjusting of internal control and risk management systems together with governance models and Company organisation, in the issuing of a Code of Conduct adopted at Group level and in the creation of general policies for human and financial resource management, and the supply of productive, marketing and communication factors.

Management and coordination, at Group level, enables subsidiaries, which remain fully autonomous at a managerial and operational level, to enjoy economies of scale by using the professionalism and specialist knowledge available thereby raising quality levels and concentrating their energies on their core business. Subsidiaries based abroad generally benefit from such activities.

OUTLOOK

The most recent economic cycle indicators suggest a 2018 marked by liveliness in the international markets even if risks remain with regard to the financial conditions inherent to the possible increase in the inflation and interest rates, as well as the risk of a slowdown in global growth. Risks of a downwards trend remain, linked to the uncertainty of the economic policies and the persistence of geopolitical tensions.

As illustrated in the Chairman's message, it is widely believed that the growing request for energy from emerging economies will be satisfied in the future with significant recourse to coal; this fuel, owing to new technologies, is still significantly competitive in terms of cost, risk and physical availability compared to other energy sources. According to the projections of the International Energy Agency, in its reference scenario entitled 'New Policies', the use of coal is expected to increase by 0.2% yearly until 2040; the growth driven by emerging countries will offset the drop in demand for coal in OECD countries and China which has started a programme for the reduction of emissions based on a greater fuel diversification.

During the first quarter of 2018, coal prices showed a slight depreciation trend with respect to the peak in the average prices registered in the fourth quarter of 2017, which in any event remain at a satisfactory level.

Within this sphere, the Group's strategy is aimed at seizing the best opportunities for development through the consolidation and optimisation of its core business thanks to the know-how achieved over the years. Great attention continues to be placed on creating the conditions for long-term success; likewise, focus will be placed on short-term results and maintenance of fundamental balance within the company.

With regard to the Trading Division, it will continue with the process outlined in previous years: greater focus on high added value transactions with a "balanced risk" approach. The signs of recovery in coal prices which emerged at the end of 2016 and continued in 2017 are without doubt comforting, despite this, the Management cautiously observes the developments of a market which still shows signs of strong volatility. The commitment to achieve a greater customer and product diversification within the Asian market will continue, also in light of the excellent results achieved and positive signs from the Far East market.

As far as the Mining Division is concerned, efforts will continue to improve efficiency and plans to increase production will be defined, bearing in mind the new licence, to be launched in the presence of market recovery already underway. Activities and projects aimed at improving production/logistics processes will continue, as well as the strengthening of the synergies with the Trading Division.

With regard to the Logistics Division, on 4 January 2018 Bulk Pioneer was sold off by the subsidiary PT PLKI.
The negotiations for the divestment of two transhippers, Bulk Zambesi and Bulk Limpopo, owned by the subsidiary Coeclerici Mozambico, are at an advanced stage. These events reflect the strategy of our Group to diversify the investments, also in consideration of the prolonged crisis of the transshipment sector, characterised by high initial investments and reduced profitability.

The Shipping Division, through the joint venture dACC Maritime d.a.c., will continue full operations with the four Supramax vessels employed within a pool, so as to mitigate the effects of the current phase of the maritime charter market, which however is experiencing a slight pick-up.

In conclusion, with regard to the Industry Division, which throughout the whole of 2017 benefited from a high level of orders for all its main business units, year 2018 started with a backlog such as to forecast revenues on the up with respect to the already positive level achieved in the period just ended. Additional and different sales negotiations already underway bode well for the confirmation of the same level of activities for the coming months, with a greater use of the production capacity and with orders which will generate a good level of revenues also during 2019.

The introduction of new professional profiles achieved in the last few months within the business organisation will benefit the production process, also in the direction of a general production rationalisation and optimisation.
To improve its competitive positioning in the technological sphere, IMS Deltamatic has opened an office at Kilometro Rosso, the Bergamo science and technology park, with the intention of achieving a hotbed of innovation for the development of new products and new technological solutions.
With regard to the US subsidiary Kasper Machine, the construction of a new plant in the Detroit area is envisaged, to keep in line with the production needs of the reference market; completion of the construction phase is forecasted for 2019.
In conclusion, with the intention of endowing the Division with the most up-to-date operating tools, a programme began in the first few months of the year which will lead to the implementation of a new ERP which will cover all the production and operating requirements of the companies concerned; the first stage of this implementation, which is envisaged to end in the coming months, will concern the accounting and finance aspects, also for the purpose of a greater integration with the operating systems employed by the other Coeclerici Group entities. The implementation of the modules more strictly related to the technical and production aspects will follow in the subsequent months.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2017 (thousands of Euro)

ASSETS	(NOTE)	31-Dec-2017	31-Dec-2016	CHANGES
NON-CURRENT ASSETS				
Property, plant and equipment	1	128,596	122,931	5,665
Intangible assets	2	13,922	4,551	9,371
Interests in jointly controlled entities and associated entities	3	-	28,603	(28,603)
Other investments	3	2	10	(8)
Available-for-sale financial assets	3	1,039	2,442	(1,403)
Deferred tax assets	24	7,516	9,648	(2,132)
Other non-current assets	4	23,539	41,947	(18,408)
TOTAL NON-CURRENT ASSETS		174,614	210,132	(35,518)
CURRENT ASSETS				
Inventories	5	74,853	17,575	57,278
Trade receivables	6	30,200	39,911	(9,711)
Prepayments	7	5,993	5,932	61
Other receivables and current assets	7	17,518	18,122	(604)
Cash and cash equivalents	8	98,815	70,464	28,351
TOTAL CURRENT ASSETS		227,379	152,004	75,375
TOTAL ASSETS		401,993	362,136	39,857

EQUITY AND LIABILITIES	(NOTE)	31-Dec-2017	31-Dec-2016	CHANGES
SHAREHOLDERS' EQUITY				
Group equity	9	67,371	66,349	1,022
Minority interests	9	4,878	6,986	(2,108)
TOTAL SHAREHOLDERS' EQUITY		72,249	73,335	(1,086)
NON-CURRENT LIABILITIES				
Interest bearing liabilities and borrowings	10	101,071	119,077	(18,006)
Provision for risks and charges	11	33,318	27,800	5,518
Post-employment benefits	12	3,297	1,740	1,557
Deferred tax liabilities	24	2,724	2,766	(42)
TOTAL NON-CURRENT LIABILITIES		140,410	151,383	(10,973)
CURRENT LIABILITIES				
Interest bearing liabilities and borrowings	10	48,358	80,457	(32,099)
Provision for risks and charges	11	359	-	359
Trade payables	13	56,679	39,277	17,402
Other payables and current liabilities	14	83,938	17,684	66,254
TOTAL CURRENT LIABILITIES		189,334	137,418	51,916
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		401,993	362,136	39,857

CONSOLIDATED INCOME STATEMENT AT 31 DECEMBER 2017 (thousands of Euro)

	(NOTE)	2017	2016	CHANGES
Revenues from sales and services	15	868,805	621,037	247,768
Operating costs	16	(763,402)	(544,712)	(218,690)
GROSS MARGIN		105,403	76,325	29,078
Overhead and administrative expenses	17	(48,682)	(35,764)	(12,918)
Capital gains / (losses) on non-current assets	18	2,011	1,954	57
Profit / (loss) companies measured using the E.M.	19	2,741	2,274	467
Other net operating income (costs)	20	(14,760)	(13,614)	(1,146)
EBITDA		46,713	31,175	15,538
Depreciation, amortisation and devaluation	21	(17,975)	(10,525)	(7,450)
OPERATING PROFIT (EBIT)		28,738	20,650	8,088
Net financial income / (expenses)	22	(6,016)	(6,770)	754
Profit / (loss) on foreign exchange	23	3,544	4,241	(697)
RESULT BEFORE TAXES		26,266	18,121	8,145
Taxes	24	(6,391)	(3,553)	(2,838)
NET PROFIT AFTER TAX FROM CONTINUING OPERATIONS		19,875	14,568	5,307
Net profit from discontinued operations		-	-	-
NET PROFIT		19,875	14,568	5,307
Attributable to the Coeclerici Group		20,246	13,491	6,755
Attributable to minority interests		(371)	1,077	(1,448)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AT 31 DECEMBER 2017
(thousands of Euro)

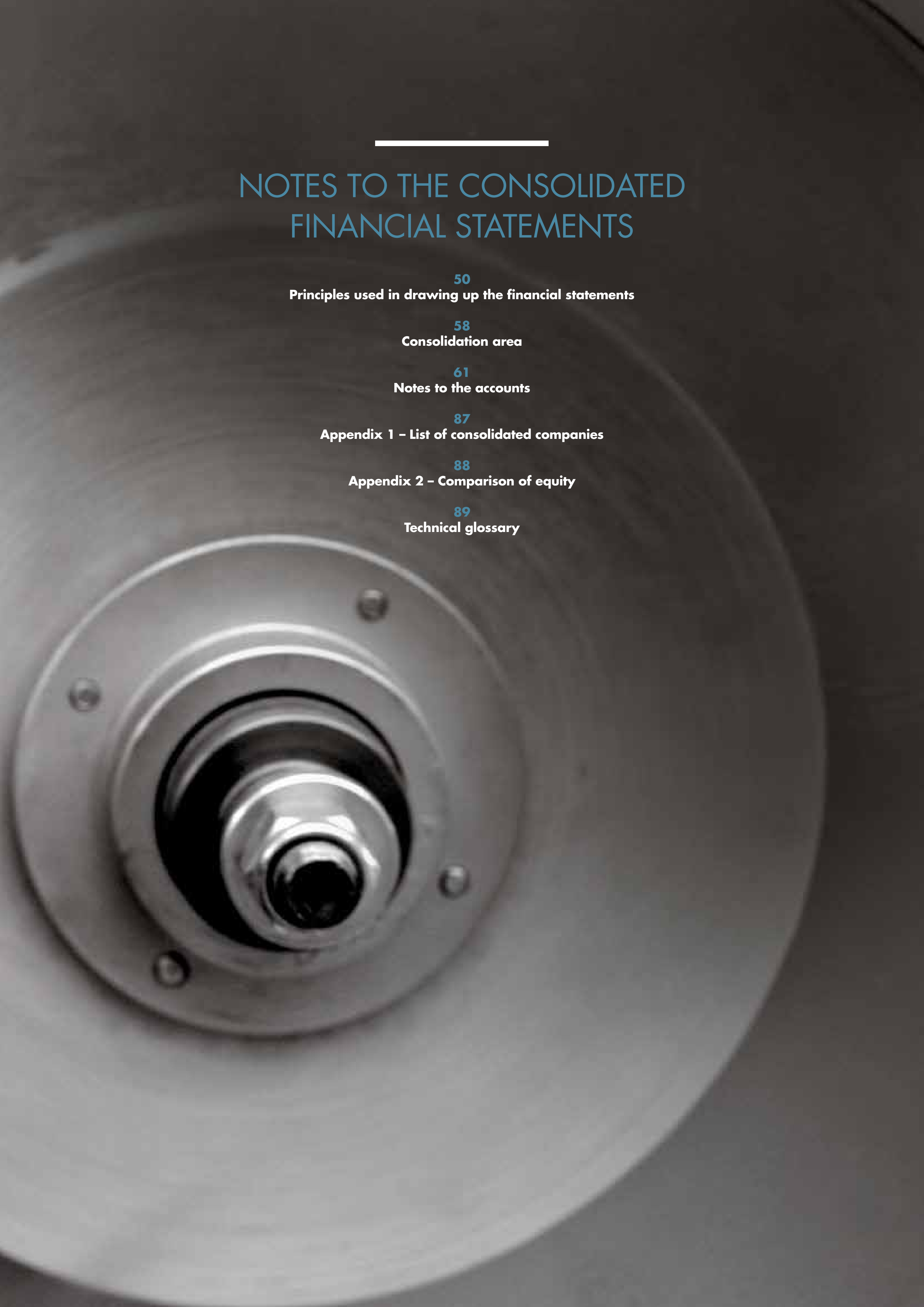
	(NOTE)	2017	2016	CHANGES
NET PROFIT		19,875	14,568	5,307
Items that may be reclassified subsequently to the Income Statement:				
- Differences from conversion of financial statements in currencies other than Euro		(5,041)	2,901	(7,942)
- Change in the fair value of available-for-sale financial assets	3	137	(118)	255
- Change in the fair value of cash flow hedge financial instruments	26	(1,090)	75	(1,165)
Total items that may be reclassified, net of tax effects		(5,994)	2,858	(8,852)
Items that will NOT be reclassified subsequently to the Income Statement:				
- Actuarial gains / (losses)		15	(16)	31
Total items that will NOT be reclassified, net of tax effects		15	(16)	31
NET INCOME RECORDED DIRECTLY IN EQUITY		(5,979)	2,842	(8,821)
TOTAL COMPREHENSIVE INCOME		13,896	17,410	(3,514)
ATTRIBUTABLE TO:				
- Attributable to the Coeclerici Group		14,537	16,127	(1,590)
- Attributable to minority interests		(641)	1,283	(1,924)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 31 DECEMBER 2017 (thousands of Euro)

	SHARE CAPITAL	LEGAL RESERVE	TRANSLATION RESERVE	MERGER SURPLUS RESERVE	RESERVE RELATED TO THE FAIR VALUE OF FINANCIAL INSTRUMENTS	ACTUARIAL GAINS / (LOSSES)	OTHER RESERVES	RETAINED EARNINGS	NET PROFIT	TOTAL CC GROUP EQUITY	TOTAL MINORITY EQUITY	TOTAL EQUITY
At 31 December 2015	**10,000**	**2,000**	**3,193**	**27,921**	**(1,525)**	**(128)**	**49,198**	**(15,900)**	**(22,876)**	**51,883**	**6,727**	**58,610**
2015 profit transferred to reserves	-	-	-	-	-	-	-	(22,876)	22,876	**-**	-	**-**
Dividends paid	-	-	-	-	-	-	-	(2,000)	-	**(2,000)**	(682)	**(2,682)**
Net income recorded directly in equity	-	-	2,695	-	(43)	(16)	-	-	-	**2,636**	206	**2,842**
Effect of change in consolidation area	-	-	49	-	-	-	-	290	-	**339**	(342)	**(3)**
Profit for 2016	-	-	-	-	-	-	-	-	13,491	**13,491**	1,077	**14,568**
At 31 December 2016	**10,000**	**2,000**	**5,937**	**27,921**	**(1,568)**	**(144)**	**49,198**	**(40,486)**	**13,491**	**66,349**	**6,986**	**73,335**
2016 profit transferred to reserves	-	-	-	-	-	-	-	13,491	(13,491)	**-**	-	**-**
Dividends paid	-	-	-	-	-	-	-	(5,000)	-	**(5,000)**	(230)	**(5,230)**
Net income recorded directly in equity	-	-	(4,771)	-	(953)	15	-	-	-	**(5,709)**	(270)	**(5,979)**
Effect of change in consolidation area	-	-	(3,870)	-	(16)	-	-	(4,629)	-	**(8,515)**	(1,237)	**(9,752)**
Profit for 2017	-	-	-	-	-	-	-	-	20,246	**20,246**	(371)	**19,875**
At 31 December 2017	**10,000**	**2,000**	**(2,704)**	**27,921**	**(2,537)**	**(129)**	**49,198**	**(36,624)**	**20,246**	**67,371**	**4,878**	**72,249**

CONSOLIDATED STATEMENT OF CASH FLOWS AT 31 DECEMBER 2017 (thousands of Euro)

	2017		2016	
CASH AND CASH EQUIVALENTS AS OF 31.12.2016	70,464		65,322	
IMS DELTAMATIC GROUP CASH AND CASH EQUIVALENTS AS OF 1.1.2017	6,641			
A CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	77,105		65,322	
B CASH FLOW GENERATED (ABSORBED) FROM OPERATING ACTIVITIES				
BEFORE CHANGES IN NET WORKING CAPITAL	35,036		25,267	
Net operating profit		20,246		13,491
Minority interest profit		(371)		1,077
Depreciation of property, plant and equipment		11,511		10,173
Amortisation of intangible assets		3,939		352
Devaluation of fixed assets		2,525		-
Losses (gains) on non-current assets		(2,011)		(1,954)
Share of profits from equity investments measured using the equity method		(2,741)		(2,274)
Interest paid		(5,496)		(3,567)
Net change in provisions for liabilities and charges		5,877		7,726
Net change in post-employment benefits		1,557		243
CHANGES IN NET WORKING CAPITAL	27,537		13,538	
Net change in deferred taxes		2,090		(1,473)
Change in inventories		(57,278)		910
Change in trade receivables		9,711		27,748
Change in trade payables		17,402		(8,769)
Other changes in working capital		55,612		(4,878)
CASH FLOW GENERATED (ABSORBED) FROM OPERATING ACTIVITIES (B)	62,573		38,805	
C CASH FLOW GENERATED (ABSORBED) FROM INVESTING ACTIVITIES				
Investments in property, plant and equipment	(21,300)		(6,873)	
Investments in intangible assets	(9,442)		(1,210)	
Disposal of property, plant and equipment	2,739		293	
Disposal of intangible assets	308		-	
Change in other non-current assets	1,147		37	
Disposal / (Increase) of investments in subsidiaries	(2,446)		(9,690)	
Disposal / (Increase) of investments in associated entities	32,702		-	
Disposal / (Increase) of investments in available-for-sale financial assets	2,317		2,952	
Disposal / (Increase) of investments in other companies	14		-	
Dividends and other gains received from associated and jointly controlled companies	-		2,208	
CASH FLOW GENERATED (ABSORBED) FROM INVESTING ACTIVITIES (C)	6,039		(12,283)	
D CASH FLOW GENERATED (ABSORBED) FROM FINANCING ACTIVITIES				
Change in current and non-current financial receivables	(323)		(4,639)	
Net change in current and non-current financial payables	(41,349)		(14,059)	
Dividends paid	(5,000)		(2,000)	
Dividends paid to minority interest	(230)		(682)	
CASH FLOW GENERATED (ABSORBED) FROM FINANCING ACTIVITIES (D)	(46,902)		(21,380)	
E OVERALL CASH FLOW GENERATED (ABSORBED) (E = B + C + D)	21,710		5,142	
F CASH AND CASH EQUIVALENTS AT END OF PERIOD (A + E)	98,815		70,464	



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

of the Coeclerici Group as of December 31, 2017

PRINCIPLES USED IN DRAWING UP THE FINANCIAL STATEMENTS

The consolidated financial statements have been drawn up in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Union. IFRS also includes the International Accounting Standards (IAS) still in place, as well as the interpretations of the IFRS Interpretations Committee, formerly called the International Financial Reporting Interpretations Committee (IFRIC) and even earlier the Standing Interpretations Committee (SIC).

The financial statements have been drawn up on the basis of historical cost, modified as requested for the evaluation of some financial instruments.

The financial statements are in EUR, and unless otherwise indicated, figures are in thousands of EUR.

The consolidated financial statements consist of the balance sheet, income statement, comprehensive income statement, a statement of changes in equity, a cash flow statement and notes to the financial statements, and they have been drawn up by using the accounts of the Holding Company and its subsidiaries, whether Italian or foreign, in which Coeclerici SpA directly or indirectly holds a majority of voting rights, and on which it therefore exercises control or from which it obtains benefits in virtue of its power of regulating their financial and operational policies.

For the purposes of drawing up the consolidated financial statements, the financial statements of the period to 31 December 2017 have been used. The financial statements have been adjusted where necessary to respect consolidation requirements and bring them into line with International Financial Reporting Standards (IFRS).

Financial statement models

The Coeclerici Group presents its income statement by expense type, a manner regarded as more representative than classification by function.

The balance sheet has been drawn up in conformity with IAS 1 by classifying assets and liabilities as 'current/non-current'.

Current assets are classified as such when they may predictably be realised within the normal operational cycle of the business, that is within twelve months from the date of the financial statements. Inventories and trade receivables are included in current assets.

Tangible and intangible assets, as well as all assets other than current ones, are included as non-current assets.

Current liabilities are classified as such when they may predictably be discharged within the normal operational cycle of the business, that is within twelve months from the date of the financial statements.

The cash flow statement was drawn up according to the indirect method.

PRINCIPLES OF CONSOLIDATION

Subsidiaries

These are firms that the Group controls, as defined by 'IFRS 10 - Consolidated Financial Statements', standard issued by the IASB in May 2011. Control exists when the Group has the direct or indirect power to govern the financial and operating policies of an entity to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date control begins until such time as that control ceases to exist. The amounts of equity and profit attributable to minority shareholders are shown separately in the consolidated balance sheet and income statement. Where necessary, adjustments have been made to the financial statements of subsidiaries to bring their accounting policies in line with those adopted by the Group.

The book value of the shares held is eliminated against a corresponding fraction of the subsidiary's equity, calculated by attributing each asset and liability its value at the date the Group acquired control. Any remaining positive difference is included under 'goodwill'; any negative difference is recorded in the income statement, as required by 'IFRS 3 - Business Combinations'.

Jointly controlled entities

These are firms over whose business the Group has joint control as defined in 'IFRS 11 – Joint Arrangements', issued by the IASB in May 2011. The consolidated financial statements include the share of the profits of jointly controlled entities attributable to the Group, measured using the equity method, from the date on which joint control starts until the moment it ceases to exist. If the share of losses attributable to the Group exceeds the book value of the equity investment in the financial statements, the value of the equity investment is written off and the Group's share of any further losses is not recorded, unless and to the extent to which the Group is obliged to answer for them. Where necessary, adjustments have been made to the financial statements of jointly controlled entities to bring their accounting policies in line with those adopted by the Group.

Associated companies

These are companies over whose financial and operating policies the company has considerable influence, but not control or joint control, as defined by 'IAS 28 – Investments in associates'.

The consolidated financial statements include the share of the profits of associated firms attributable to the Group, measured using the equity method, from the date on which considerable influence starts until the moment it ceases to exist. If the share of losses attributable to the Group exceeds the book value of the equity investment in the financial statements, the value of the equity investment is written off and the Group's share of any further losses is not recorded, unless and to the extent to which the Group is obliged to answer for them. Where necessary, adjustments have been made to the financial statements of associated companies to bring their accounting policies in line with those adopted by the Group.

Other investments

Minor equity investments in other companies are entered at fair value with the effects charged to the equity reserve along with the other components of the comprehensive income; variations in the fair value shown in the equity are taken to the income statement at the moment of devaluation or realisation. When the investment is not listed in a regulated market and the fair value cannot be reliably determined, the investment is valued at cost adjusted for loss of value. Dividends received from these businesses are included in the income statement.

Transactions eliminated during consolidation

When preparing the consolidated financial statements, all balances and significant transactions between Group companies are eliminated, as well as all unrealised gains and losses on intercompany transactions.

Foreign currency transactions

Items originally expressed in foreign currency are converted into EUR at the historical exchange rate on the date of the transaction. Exchange rate differences upon collection of receivables and settlement of payables in foreign currency are recorded in the income statement.

Foreign currency assets and liabilities are entered at the year-end spot exchange rate and the relevant exchange gains and losses are recorded in the income statement. Any net profit is set aside in a special non-distributable reserve until it is realised.

The conversion of the financial statements of foreign subsidiaries using other currencies into EUR is on the basis of the year-end exchange rate for balance sheet items and the average annual exchange rate for income statement items. Exchange differences stemming from the conversion of financial statements expressed in foreign currencies are allocated directly to the 'translation reserve' item under equity. The USD bank loan granted to the subsidiary Coeclerici Mozambico SpA was however not adjusted to the year-end exchange rate as described above since the sole purpose of the subsidiary is to perform a single contract that entails revenues in USD using two Supramax vessels financed with a medium-term loan in USD. In line with this contract, the revenues generated are not converted into EUR unless they exceed the three-month loan repayment instalment due. The revenues are instead placed in a foreign currency account and recorded financially at the same exchange rate in force when the loan was taken out. This procedure avoids the effects of exchange rate fluctuations when the loan is paid back, since it is covered by the revenue flow in USD. The contract is expected to give rise to revenues in USD that are greater than the payments required to pay back the loan, and this will be periodically checked.

ACCOUNTING POLICIES

The most important criteria used for valuing when drawing up the consolidated financial statements are shown below.

Property, plant and equipment

Tangible fixed assets are entered at cost price or production cost and are not re-valued.

Any costs incurred after purchase are included only if they increase the future economic benefits inherent in the asset they refer to. All other costs are recorded in the income statement when incurred. Assets are depreciated by applying the following depreciation rates, which are designed to spread the value of the tangible assets adequately over their estimated useful life.

	DEPRECIATION RATES
Buildings	3%
Plant and equipment	10% - 25%
Other tangible assets	12% - 25%

Land is not depreciated.

Fleet depreciation is applied on the basis of the cost of each vessel, decreased by the amount it is estimated could be gained from scrapping, on the basis of an assumed useful life of 25 years for the hull, 15-20 years for the engines, 10-15 years for cranes and conveyor belts and

5 years for all components subject to renovation or replacement during dry-dock maintenance.

'Mining reserves' are determined on the basis of an assessment of the fair value of the coal reserves conducted at the moment the mine was purchased, in keeping with 'IFRS 3 - Business Combinations'. Mine depreciation is calculated on the basis of the production schedule taking into consideration the quantities mined during the reference period. The depreciation schedule used will write off the value of the coal reserves when the licence expires. The carrying amount of the mining reserves, which is determined on the basis of the recoverability of the book value, may be written down, as outlined in IAS 36.

The costs of dismantling and reclaiming mining sites are recorded in compliance with IAS 16 as a separate component of the reference asset and amortised over the whole remaining life of that asset. These costs are set off against a special risk provision that is used when amounts are paid out to reclaim the sites.

'Assets under construction' include all investments that have not yet become part of the production process.

Intangible assets

According to 'IAS 38 - Intangible Assets', intangible assets are entered as assets when it is likely that use of the asset will generate future economic benefits and when the cost of the asset may be measured reliably.

Goodwill

If companies are taken over, the assets, liabilities and potential liabilities acquired and identifiable are recorded at their fair value on the takeover date.

If the difference between the takeover price and the share held by the Group at its fair value is positive, this difference is classified as goodwill and is entered in the financial statements as intangible assets.

Any negative difference (badwill) is instead recognised in the income statement at the time of acquisition.

Goodwill is not amortised but its value is tested annually, or whenever specific events or changes in circumstances suggest it may have been impaired. After initial determination, goodwill is calculated at cost less any accumulated impairment losses.

If a previously acquired company whose takeover gave rise to goodwill is partly or entirely transferred, the remaining goodwill will be taken into account in the capital gain or capital loss calculation.

When the International Financial Reporting Standards were applied for the first time, the Group chose not to apply 'IFRS 3 - Business Combinations' retroactively to company takeovers that occurred before 1 January 2006. Consequently, the allocations made on the purchase dates have not been reviewed.

Exploration assets

Costs relating to the purchase of exploration rights, geological and topographical surveys, exploratory drilling and excavation, sampling, and the technical feasibility and commercial viability studies of a mining resource are recorded as exploration and evaluation assets, in compliance with IFRS 6. These costs are recorded as intangible assets and amortised over the period during which it is expected the relevant mining will take place. Exploration assets may be decreased in value in compliance with the procedures laid down in IAS 36, when their book value is not recoverable.

Other intangible assets

According to 'IAS 38 - Intangible Assets', other intangible assets (purchased or produced internally) are entered as such when it is likely that use of the asset will generate future economic benefits and when the cost of the asset may be measured reliably.

These assets are assessed at purchase price or production cost and amortised on a straight-line basis over their estimated useful lives if they have a definite useful lifespan. Intangible assets with indefinite useful lives are not amortised, but are assessed for loss of value annually, or whenever specific events suggest they may have been impaired.

Other intangible assets acquired after taking over a company are entered separately from goodwill if their fair value can be measured reliably.

Leasing contracts

Assets held under financial lease contracts, which essentially transfer all the risks and benefits linked to ownership of the assets to the Group, are recognised as Group assets at their fair value or, if lower, at the present value of the lease payments due. The corresponding liability for the lessor is shown as a specific liability item.

The contract is classified as a finance lease upon stipulation by examining the contract requirements and/or asset involved. Payments made under operating lease contracts are charged to the income statement on a straight-line basis over the lease term.

Loss of asset value

The Group regularly assesses the recoverability of the book values of intangible and tangible assets to determine if there is any sign they may have been impaired. If there is such evidence, the book values of the assets concerned are decreased to their respective recoverable values. The recoverable value of an asset is either its fair value less any costs of sale or its value in use, whichever the greater. To determine the value in use of an asset, the Group calculates the present value of the estimated future cash flows (gross of taxation) discounted at a before-tax rate which reflects the current market time value of money and the specific risks associated with that asset.

An impairment loss is recorded if the recoverable value is lower than the book value. When an impairment loss (excluding impairment losses on goodwill) subsequently reverses or decreases, the book value of that asset or cash-generating unit is increased to the revised estimate of its recoverable amount which cannot exceed the book value that would have been determined had no impairment loss been recognised for that asset. Reversal of an impairment loss is immediately recognised in the income statement.

Available-for-sale financial assets

Financial assets available for sale are initially recorded at purchase price and subsequently assessed at fair value. The gains and losses stemming from changes in fair value are recorded directly in equity until the financial asset is eliminated from the balance sheet, which is when the overall profits and losses are recorded in the income statement. If a decrease in fair value is recorded directly in equity and there is objective evidence that the asset has undergone a permanent decrease in value, the cumulative loss which has been recorded in equity is reversed and recorded in the income statement.

Financial instruments

Non-current financial assets other than equity investments, current financial assets, and financial liabilities are entered according to 'IAS 39 - Financial instruments: recognition and measurement'.

Financial derivatives

Financial derivatives are normally used with the intention of hedging. In line with IAS 39, financial derivatives may be recorded according to the methods laid down for hedge accounting only when, at the beginning of the hedging, there is a formally designated and documented hedging relationship, the hedging is considered to be highly effective, its effectiveness may be reliably measured, and the hedging itself is highly effective during the various accounting periods for which it is designated.

All financial derivatives are measured at their fair value, as laid down in IAS 39. When financial instruments have the appropriate characteristics to be entered according to hedge accounting methods, the following accounting principles are applied:

- Fair value hedge – If a financial derivative is designated to hedge the exposure to changes in fair value of an asset or liability shown on the financial statements and attributable to a particular risk which may affect the income statement, the gain or loss from subsequently re-measuring the hedging instrument at fair value is entered on the income statement. The gain or loss on the hedged item attributable to the hedged risk changes the book value of that item and is recognised in the income statement.
- Cash flow hedge – If a financial derivative is designated to hedge exposure to changes in the future cash flows of an asset or liability entered into the financial statements or of a highly probable forecasted transaction that may affect the income statement, the effective portion of the gains or losses on the financial derivative is recorded in equity. Accrued equity gains or losses are reversed and entered into the income statement in the same period in which the hedged transaction is recorded. Gains or losses associated with hedging (or part thereof) which becomes ineffective are recorded in the income statement immediately. If a hedging instrument or hedging relationship is closed before the hedged transaction occurs, the accrued gains and losses recorded up to that time in equity are recorded in the income statement when the relevant transaction actually occurs.

If the hedged transaction is no longer considered likely, the gains or losses that have not yet been realised and are suspended in equity are immediately recorded in the income statement. If hedge accounting cannot be applied, the gains or losses arising from the fair value assessment of the financial derivative are immediately entered in the income statement.

Inventories

Inventories of lubricants and fuels on board ships are recorded at cost price, measured according to the FIFO method. Inventories of commodities are entered at either the cost price of the inventories on hand, measured according to the FIFO method, or their estimated realisable value on the basis of market price, whichever the lower.

Work in progress is recorded at the value of the agreed fees, accrued with reasonable certainty, according to the percentage of completion method, having taken into account the stage of completion achieved. The stage of work completion is measured with reference to the job costs incurred as of the balance sheet date in relation to the total costs estimated for each order.

If the result of a work in progress cannot be reliably estimated, the job revenue is recognised only to the extent that the costs incurred are likewise recoverable. When the result of an order can be reliably estimated and it is probable that the contract will generate a profit, the job revenue is recognised over the duration of the contract. When it is probable that the total of the job costs exceeds the total of the job revenues, the potential loss is recognised immediately in the income statement.

The Group presents as an asset the amount owed by the customers for the contracts relating to the jobs underway in relation to which the costs incurred, plus the recognised margins (less the recognised losses), exceed the invoicing on a stage of completion basis. The amounts invoiced, but not yet collected from the customers, are included under 'Trade receivables'.

The Group presents as liability the amount owed to the customers, for the contracts for all the jobs underway in relation to which the amounts invoiced on a stage of completion basis exceed the costs incurred, inclusive of the recognised margins (less the recognised losses). The liabilities are included under 'Other payables and current liabilities'.

Trade receivables

These are recorded at their presumed realisable value.

Cash and cash equivalents

These include cash funds, the surplus balance of current accounts, the total of bank deposits, and all high-liquidity investments with due date within the next three months.

Provisions for liabilities and charges

The Group records provisions for liabilities and charges when: it has a legal or implicit obligation towards third parties, when it is likely that Group resources will be needed to fulfil this obligation and when a reliable estimate of the total value of the obligation itself may be made. The provisions reflect the best possible estimate on the basis of the facts available. Estimates are updated to the date of the financial statements. Changes in the estimates are reflected in the income statement for the period during which they are made.

Post-employment benefits

Post-employment benefits are calculated according to IAS 19.

The severance indemnity reserve is regarded as a 'defined benefit plan' and is measured on the basis of actuarial calculations using the 'Projected Unit Credit Method'. The actuarial gains and losses generated by applying this method are recognised under the equity caption 'Actuarial gains /losses'.

For Italian companies belonging to the Group with a number of employees of less than 50, the amendments made by Italian law No. 296 of 27 December 2006 (the 2007 Finance Act) and subsequent decrees and regulations issued during the first few months of 2007 allow employees to keep their post-employment benefit within the company without being obliged to opt to hand it over to a supplementary pension fund or assign the post-employment benefit to the treasury fund at the Italian national social security institute (INPS).

The actuarial calculation made since 2007 excludes the component relating to future pay increases only for employees who voluntarily exercised the options laid down in the above-mentioned law. The difference resulting from the new calculation is treated as a 'curtailment' according to paragraph 109 of IAS 19 and is consequently entered in the first six months of 2007.

Amounts of post-employment benefit falling due for employees from the moment they exercise the option are deemed a 'Defined Contribution Plan'.

Recognition of revenues and costs

Revenues are recorded to the extent that it is likely the Group will receive economic benefits and that their total value may be measured reliably. Revenues are shown net of discounts and allowances.

Revenues from sales are recognised at the end of the service performed or when property is transferred. Financial revenues and revenues from services are recognised on an accrual basis.

Revenues from time charters are recognised on a straight-line basis over the period of the contract in question.

Revenues from the sale of industrial machines are accounted for when the machine is installed and tested at the customer's plant.

Capital grants

Capital grants are recognised when they are definitively assigned to the Company and recorded in the income statement at the same time as the asset they refer to is depreciated.

Financial income and expenses

Financial income and expenses are recognised on an accrual basis, according to the amount of time that passes and using the actual effective rate.

Income tax for the period

Income taxes include all the taxes calculated on the Group taxable income. They are recognised in the income statement, with the exception of those concerning items directly charged or credited to equity, in which case the tax effect is recorded directly in equity. Other taxes not related to income, such as taxes on property and capital, are included among the operating expenses. The taxable income is different from the amount recorded in the income statement since it excludes positive and negative components that are taxable in other accounting periods and excludes items that will never be taxable or allowable.

The liability for current taxes is calculated using the rates officially or actually in force at the year-end.

Deferred taxes are set aside according to the overall liability allocation method. They are calculated on all temporary differences which may emerge between the taxable base of an asset or liability and the book value in the consolidated financial statements. Deferred tax assets on tax losses and unused tax receivables that may be carried forward, as well as on temporary differences, are recognised to the extent that it is likely that future taxable income may emerge against which they can be recovered.

Use of estimates

In order to draw up the financial statements, the Directors produce estimates and assessments that affect the amounts recorded as assets, liabilities, costs and revenues, as well as on the presentation of potential assets and liabilities. The Directors periodically check their estimates and assessments on the basis of past experience and other factors considered reasonable in the circumstances. The use of estimates and assessments is particularly important in determining the following balance sheet and income statement items:

a) Tangible and intangible assets – Useful life and recoverability estimates

The Company has significant quantities of tangible and intangible assets. Establishing the useful lives of assets and determining whether they are recoverable (in order to decide whether the company should write them down), involves assessments and estimates.

Assets are depreciated or amortised on the basis of their useful lives, which is estimated for each category (tangible and intangible). The recoverable value of tangible and intangible assets depends on the possibility the assets have of generating sufficient net cash flows to recover their book value over the course of their estimated useful life.

b) Additional estimates

Estimates are also used to enter the presumed values of certain receivables, the fair value of derivatives and financial assets available for sale, the funds set aside for employee benefits, taxes and other provisions. Further details about these kinds of estimates can be found in the specific notes on each item. Generally speaking, the final figures in the following accounting period may differ from the estimates originally entered.

Changes in estimates are recorded in the income statement for the accounting period during which they actually appear.

In the absence of an established principle or interpretation applicable to a specific operation, the Group's management decides which accounting methods to adopt, through its own well thought-out and subjective evaluations, in order to provide relevant and reliable information so that the financial statements:

- paint a true picture of the company's balance sheet and financial position, profit result and cash flows;
- reflect the economic substance of transactions;
- are neutral;
- are prepared on a prudent basis;
- are complete in all relevant respects.

CONSOLIDATION AREA

Included in the notes to the financial statements are lists of companies included in the consolidation, holdings in associated companies and joint ventures valued using the equity method.

Some transactions brought about variations in the Group area of consolidation when compared to the previous financial year:

- the purchase of 67.11% of the IMS Deltamatic Group effective as from 1 January 2017; the industrial Group included IMS Deltamatic S.p.A. and its wholly-owned subsidiaries Deltamould Srl, Goebel Schneid und Wickelsysteme GmbH, Goebel Beijing Slitting Co and Kasper Machine Co; on 11 December 2017 the purchase of the remaining 32.89% was finalised;

- the merger via incorporation of the Italian subsidiary Deltamould Srl in its direct parent company IMS Deltamatic S.p.A.; this merger, which complies with a logic for the rationalisation and streamlining of the corporate structure, took place on 1 July 2017, with retroactive accounting effects as from 1 January 2017;

- on 7 April 2017, the transfer of the pertinent stake in the US subsidiary Coeclerici Coal Network Inc and its subsidiary CCN Transload Terminal LLC, by the subsidiary Coeclerici Commodities SA to Coal Network LLC was finalised;

- on 24 May 2017, the transfer of Dako Coal GmbH by Coeclerici Commodities SA to the CEO of the German company was finalised;

- on 31 July 2017, the transfer of the pertinent stake in the Indonesian associated company PT Asian Bulk Logistics, by Coeclerici Logistics S.p.A to the Singaporean company Chartswood Logistics (PTE) Ltd, was finalised.

ACCOUNTING PRINCIPLES RECENTLY ISSUED

Accounting principles, amendments and interpretations applied starting on 1 January 2017

The following IFRS accounting principles, amendments and interpretations were applied for the first time by the Group starting on 1 January 2017:

- Amendment to IAS 7 'Disclosure Initiative' (published on 29 January 2016): relating to the reinforcement of the disclosure requirements in the event of changes, monetary and non-monetary, in financial liabilities. The amendment is effective as of 1 January 2017. The adoption of this amendment led to the need to provide additional information in the Note 10 'Interest bearing liabilities and borrowings'.

- Amendment to IAS 12 'Recognition of Deferred Tax Assets for Unrealised Losses' (published on 19 January 2016) which provides clarifications relevant to the recognition and measurement of deferred tax assets. The amendments are effective as of 1 January 2017. The adoption of this amendment did not have any significant impact on the Group's consolidated financial statements.

Accounting standards, amendments and interpretations issued by the IASB/IFRIC and approved by the European Commission

The following new and amended standards, which have been issued but have not come into effect yet, have not been applied by the Group:

- 'IFRS 9 final version – Financial instruments' (published on 24 July 2014). This document represents the IASB purpose to replace IAS 39 and it includes the steps concerning classification and measurement, impairment, and hedge accounting:
  - new criteria for classification and measurement of financial assets and liabilities have been included;
  - in relation to the impairment model, it requires that the estimate of credit losses should be made on the basis of the expected losses model (and not on the incurred losses model used by IAS 39), using supportable information, available without unreasonable expenses or efforts, that includes historic, current and future data;
  - a new hedge accounting model was introduced (increase of eligible transactions for hedge accounting, changes in the accounting method for forward contracts and options when they are included in the hedge accounting report, efficacy test was modified).

The new standard, which replaces the IFRS 9 previous versions, must be applied as of 1 January 2018.

- New standard 'IFRS 15 – Revenue from Contracts with Customers' (published on 28 May 2014) is designed to replace 'IAS 18 – Revenue' and 'IAS 11 – Construction Contracts', as well as the interpretations 'IFRIC 13 – Customer Loyalty Programmes', 'IFRIC 15 – Agreements for the Construction of Real Estate', 'IFRIC 18 – Transfers of Assets from Customers' and 'SIC 31 – Revenues-Barter Transactions Involving Advertising Services'. The standard establishes a new model for the recognition of revenue, which will be applied to all contracts stipulated with customers except for those falling within the application of other IAS/IFRS standards as leasing, insurance contracts and financial instruments. The key steps for the accounting of revenue on the basis of this new model are:
  - identification of the contract with the customer;
  - identification of the performance obligations included in the contract;
  - pricing;
  - price allocation on the basis of the performance obligations included in the contract;
  - the criteria for the recognition of revenue when the entity meets each performance obligations.

On 12 April 2016, the IASB issued the document 'Clarifications to IFRS 15 Revenue from Contracts with Customers' (hereafter amendments to IFRS 15) containing clarifications regarding certain aspects relating to the implementation of the new accounting standard.
The new standard and the amendments issued must be applied as of 1 January 2018.

- New standard 'IFRS 16 – Leases' (published on 13 January 2016) which is designed to replace 'IAS 17 - Leases', as well as the interpretations 'IFRIC 4 - Determining whether an Arrangement contains a Lease', 'SIC-15 Operating Leases - Incentives' and 'SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The new standard provides a new definition of lease and introduces a criterion on the basis of the control (right of use) of an asset to distinguish leases from service contracts, the differences lying in: the identification of the asset, the right to replace the asset, the right to essentially receive all the financial benefits arising from the use of the asset, and the right to control the use of the asset underlying the contract. The standard introduces a single lessee accounting model, by which an asset under a lease, including an operating lease, is recognised in assets with an offsetting financial liability. The model also provides the possibility of not recognising as leases those contracts regarding low-value assets and leases with a term of 12 months or less. Conversely, the standard introduces no material changes for the lessor. The standard is applicable as of 1 January 2019; early adoption is allowed only for those companies that have applied 'IFRS 15 Revenue from Contracts with Customers' in advance.

The Directors do not expect any significant impact on the Group's consolidated financial statements from the adoption of the new standards IFRS 9 and IFRS 15. The Directors are currently analysing the impacts arising from the application of the new standard IFRS 16.

Accounting standards, amendments and interpretations issued by the IASB/IFRIC and not yet approved by the European Commission

At the date of the Consolidated Financial Statements, the relevant bodies of the European Union had not yet finished the process of ratification necessary to adopt the amendments and principles described below.

- On 11 September 2014, IASB published amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' (hereinafter: amendments to IFRS 10 and IAS 28), which defined the method to account for the relevant economic effects, especially, the loss of control of an investment as an effect of its transfer to an associate or joint venture. On 17 December 2015, IASB published the amendment that definitively postpones the amendments to IFRS 10 and IAS 28.

- On 8 December 2016, IASB published the document 'Annual Improvements to IFRS Standards 2014-2016 Cycle', containing amendments, essentially of a technical and drafting nature, of the international accounting standards. The main amendments are effective starting from the financial years starting on, or after, 1 January 2018.

- On 8 December 2016, the IASB issued an amendment to IAS 40 'Investment Property' which clarified when an entity should transfer a property, including properties under construction, in the caption or outside the caption 'Investment Property'. The amendment establishes that a change intervenes in the use when the property satisfies, or ceases to satisfy, the definition of real estate property and there is evidence of the change in use. A simple change in the intentions of management with regard to the use of the property does not provide evidence of the change in use. The amendment of the standard is effective for the years which start as from 1 January 2018 or afterwards.

- On 8 December 2016, IASB published the IFRIC Interpretation 22 'Foreign Currency Transactions and Advance Consideration' (hereinafter: IFRIC 22), on the basis of which exchange rate to use for the initial entry of an asset, cost or revenue relevant to an advance payment, previously paid/collected, in foreign currency, is that which is in force on the date of recognition of the non-monetary asset/liability relevant to such advance payment. IFRIC 22 is effective starting from the financial years starting on, or after, 1 January 2018.

- On 7 June 2017, the IASB issued IFRIC 23 'Uncertainty over Income Tax Treatment', which defines the accounting treatment of income taxes when the tax treatment leads to uncertainties which affect the application of IAS 12 and does not apply to the taxes or levies which do not fall within the sphere of IAS 12, nor specifically includes requirements relating to interests or fines attributable to uncertain tax treatment. IFRIC 23 is in force for the financial years starting on, or after, 1 January 2019.

The Directors are currently analysing the impacts arising from the application of the above-mentioned standards.

NOTES TO THE ACCOUNTS

The figures shown in these comments are expressed in thousands of Euro. Figures from the previous period or the exchange value of the amount in the currency of reference are shown in brackets.

Property, plant and equipment (Note 1)

The changes that occurred in property, plant and equipment over the course of 2017 are summarised in the following table:

	FLEET	LAND AND BUILDINGS	PLANT AND MACHINERY	OTHER ASSETS	COAL RESERVES	CLEAN-UP AND RESTORATION COSTS	FIXED ASSETS UNDER CONSTRUCTION	TOTAL
At 31 December 2015	**93,780**	**11,098**	**6,249**	**6,025**	**4,236**	**487**	**123**	**121,998**
Increases	823	55	3,298	697	-	90	1,910	6,873
Decreases	(16)	(3)	(2)	(272)	-	-	-	(293)
Depreciation and devaluation	(6,680)	(183)	(1,780)	(1,130)	(359)	(41)	-	(10,173)
Exchange rate differences	251	596	1,813	388	1,023	130	325	4,526
At 31 December 2016	**88,158**	**11,563**	**9,578**	**5,708**	**4,900**	**666**	**2,358**	**122,931**
Increases	604	6,961	8,508	3,060	-	2,111	56	21,300
Decreases	(1,007)	(889)	(9)	(259)	-	-	(575)	(2,739)
Depreciation and devaluation	(8,690)	(459)	(3,213)	(1,288)	(331)	(45)	-	(14,026)
Change in consolidation area	-	116	2,731	1,612	-	-	3	4,462
Exchange rate differences	(176)	(1,392)	(958)	(165)	(342)	(152)	(147)	(3,332)
At 31 December 2017	**78,889**	**15,900**	**16,637**	**8,668**	**4,227**	**2,580**	**1,695**	**128,596**

The increase in the heading 'Fleet', amounting to Euro 604 thousand, is attributed to the capitalisation of the costs incurred for the renewal of the class of the Bulk Limpopo vessel belonging to the subsidiary Coeclerici Mozambico SpA.

The increase of Euro 6,961 thousand in 'Land and buildings' refers to the purchase of land by the Russian subsidiary SC Kisk.

The increases of the captions 'Plant and Machinery' (Euro 8,508 thousand), 'Other assets' (Euro 3,060 thousand) and 'Clean-up and restoration costs' (Euro 2,111 thousand) are mainly attributable to investments incurred by the Russian subsidiaries SC Kisk and LLC Razrez (Euro 9,768 thousand), necessary to improve the production efficiency of the mining site and by the investments made by the IMS Deltamatic Group (Euro 3,242 thousand) essentially relating to building work carried out care of the Seriate plant and the purchase of machinery.

The decrease in the item 'Fleet' totalling Euro 1,007 thousand mainly relates to the sale of three vessels of the company Bulkguasare de Venezuela, which generated a capital gain of Euro 8 thousand.

The decrease in the item 'Land and buildings', Euro 889 thousand, is mainly attributable to the sale of the plant of the subsidiary Kasper Machine and a real estate unit by the subsidiary Coeclerici Americas Real Estate which, as indicated in Note 18 - Capital gains (losses) on non-current assets, generated a gain of Euro 1,223 thousand and a gain of Euro 147 thousand, respectively.

The item 'Change in consolidation area' includes the value of the tangible assets as of 1 January 2017 of the IMS Deltamatic Group (Euro 4,625 thousand) net of the tangible assets exiting the consolidation area relating to Dako Coal and Coeclerici Coal Network (Euro 163 thousand).

Intangible assets (Note 2)

The changes in intangible assets which occurred during 2017 financial period are summarised in the table below:

	GOODWILL	OTHER INTANGIBLE ASSETS	TOTAL
At 31 December 2015	**-**	**2,975**	**2,975**
Increases	-	1,210	1,210
Decreases	-	-	-
Amortisation and devaluation	-	(352)	(352)
Exchange rate differences	-	718	718
At 31 December 2016	**-**	**4,551**	**4,551**
Increases	8,814	628	9,442
Decreases	-	(308)	(308)
Amortisation and devaluation	-	(3,949)	(3,949)
Change in consolidation area	-	4,460	4,460
Exchange rate differences	-	(274)	(274)
At 31 December 2017	**8,814**	**5,108**	**13,922**

The increase in the item 'Goodwill', Euro 8,814 thousand, refers to the recognition of the additional value paid for the acquisition of the majority of the IMS Deltamatic Group, with respect to the fair value of the identifiable assets acquired. In accordance with accounting standard IFRS 3 'Business combinations' the choice was made to apply the partial goodwill method.

The increases in the caption 'Other intangible assets', amounting to Euro 628 thousand, are mainly explained by the extension of the mining licence project of the Russian subsidiary SC Kisk and development projects carried out by the IMS Deltamatic Group.

At 31 December 2017, the heading 'Other intangible assets' primarily included the residual value of the mining licence held by the Russian subsidiary.

The item 'Change in consolidation area' consists of the assets included in the consolidation area further to the inclusion of the IMS Deltamatic Group (Euro 4,907 thousand), of which Euro 3,492 thousand relating to the customer lists recognised as identifiable assets acquired and depreciated over 12 months, net of the assets exiting the consolidation area relating to Coeclerici Coal Network (Euro 447 thousand).

Interests in jointly controlled entities and associated entities, other investments and available-for-sale financial assets (Note 3)

This item consists of the following:

	31/12/2017	31/12/2016
Interests in jointly controlled entities and associated entities	-	28,603
Other investments	2	10
Available-for-sale financial assets	1,039	2,442
Total	**1,041**	**31,055**

'Interests in jointly controlled entities and associated entities', measured using the equity method, changed in the following ways during 2017:

	PT ASIAN BULK LOGISTICS	dACC MARITIME d.a.c.	TOTAL
At 31 December 2016	**28,603**	**-**	**28,603**
Result	4,757	-	4,757
Foreign exchange effect	(3,218)	-	(3,218)
Transfer of equity investment	(30,142)	-	(30,142)
At 31 December 2017	**-**	**-**	**-**

PT Asian Bulk Logistics carries out transshipment activities in Indonesia and was 49% invested in by the Coeclerici Group through the subsidiary Coeclerici Logistics SpA until 31 July. The sale of the investment generated a capital gain of Euro 1,389 thousand, as indicated in 'Note 18 – Capital gains / (losses) on non-current assets'.

The key financial information relating to dACC Maritime are as follows:

	dACC MARITIME d.a.c.
Assets	90,779
Liabilities	102,007
Shareholders' Equity	(11,228)
Turnover	12,185
Operating result	734
Net income	(4,114)

The Coeclerici Group has a 49% stake in dACC Maritime d.a.c. through the subsidiary Coeclerici Logistics SpA. The activity of the company is the shipping of dry bulk.

The heading 'Other investments' consisted of the following at 31 December 2017.

	31/12/2017	31/12/2016
Ambienta SGR SpA	0	9
Consorzio Maturatori 2000	1	1
Consortiums	1	-
Total other investments	**2**	**10**

The change during the year is attributable to the sale of the equity investment in Ambienta SGR SpA, which generated a capital gain of Euro 5 thousand, and the participation in Consortiums by the subsidiary IMS Deltamatic.

'Available-for-sale financial assets' consist of the following:

	31/12/2017	31/12/2016
Ambienta I Fund	-	891
Hao Capital Fund II L.P.	408	583
Value Secondary Investments SICAR	-	132
Canara Robeco Treasury Advantage Fund	631	743
Banca Popolare di Sondrio	-	93
Total available-for-sale financial assets	**1,039**	**2,442**

During the course of 2017, this heading fell overall by Euro 1,403 thousand; the decrease was due to the transfer of the Ambienta I Fund, which generated a capital gain of Euro 922 thousand, the sale of Value Secondary Investments SICAR, which generated a loss of Euro 16 thousand, as indicated in 'Note 22 - Net financial income (expenses)', the repayment on expiry of the Banca Popolare di Sondrio bonds and the decreases in the fair value of the Hao Capital Fund II L.P. and the Canara Robeco Treasury Advantage Fund. Further information regarding the closed investment fund Hao Capital Fund II L.P. is given under 'Note 28 – Obligations and guarantees'.

Other non-current assets (Note 4)

This heading consists of the following:

	31/12/2017	31/12/2016
Other receivables	23,486	32,171
Tax receivables	1,398	1,398
Advances for investments to be subscribed	-	9,690
Guarantee Deposits	216	249
Provision for other bad debts	(1,561)	(1,561)
Total other non-current assets	**23,539**	**41,947**

'Other receivables' refer mainly to the funding of Euro 18,897 thousand (Euro 25,176 thousand at 31 December 2016) of the joint venture dACC Maritime d.a.c., in order to finance the construction of four 60,000-ton Supramax vessels, and to an amount held in the 'Reserve Account' of the subsidiary Coeclerici Mozambico SpA for Euro 4,497 thousand (Euro 5,235 thousand at 31 December 2016).
'Tax receivables' for Euro 1,398 thousand, include fiscal and tax receivables related to previous financial years which have not yet been recovered.

The heading 'Advances for investments to be subscribed', amounting to Euro 9,690 thousand as of 31 December 2016, included the first tranche of the payment relating to the acquisition of the investment in the IMS Deltamatic Group; the item now presents a zero balance further to the completion of the acquisition of the investment.
The provision for bad debt refers mainly to tax receivables.

Inventories (Note 5)

Stocks, equal to Euro 74,853 thousand (Euro 17,575 thousand at 31 December 2016), are made up as follows:

	31/12/2017	31/12/2016
Raw, subsidiary and consumable materials	2,720	706
Work in progress and semifinished goods	58,001	-
Industry Division goods	164	-
Goods	13,968	16,869
Total inventories	**74,853**	**17,575**

The increase in the item 'Raw, subsidiary and consumable materials', Euro 2,014 thousand, is mainly due to the inclusion of the IMS Deltamatic Group whose contribution came to Euro 2,143 thousand.
The heading 'Work in progress and semifinished goods' contains the valorisation of the contracts underway in relation to the IMS Deltamatic Group according to the percentage of completion method. As shown in the breakdown of the item 'Goods' indicated below, referring entirely to various types of coal, the unit value of the goods in the inventory is higher than the amounts as of 31 December 2016 due to the higher production costs of the mine, as indicated in 'Note 16 – Operating Costs'.

	31/12/2017		31/12/2016	
	TONNES	EURO/000	TONNES	EURO/000
Goods	237,398	13,968	405,071	16,869

Trade receivables (Note 6)

This heading amounts to Euro 30,200 thousand (Euro 39,911 thousand at 31 December 2016) and consists entirely of receivables resulting from normal commercial operations with customers. It is shown net of the provision for bad debts amounting to Euro 17,757 thousand (Euro 19,877 thousand at 31 December 2016).

Trade receivables at 31 December 2017 can be divided between the following expiry periods:

	31/12/2017	31/12/2016
Invoices to be issued	6,526	244
Receivables not yet due	19,040	9,777
Due < 60 days	2,653	24,513
Due < 180 days	220	108
Due < 365 days	194	285
Due > 1 year	672	4,205
Debts in litigation previous years	18,652	20,656
Provision for bad debts	(17,757)	(19,877)
Total trade receivables	**30,200**	**39,911**

It should be noted that in the months subsequent to December 2017 a large proportion of the receivables shown in the table at 31 December 2017 with an expiry of less than 60 days were actually received.
The share of overdue receivables beyond the year not hedged by the provision for bad debts refers mainly to

receivables covered by an insurance guarantee; the risk of unrecoverability of such amounts is remote.

As of 31 December 2017, the IMS Deltamatic Group has trade receivables for Euro 8,382 thousand which partially offset the decrease deriving from the disposal of the companies Coeclerici Coal Network and Dako Coal which, as of 31 December 2016, had receivables for Euro 14,810 thousand. The decrease in the item 'Trade receivables' is mainly due to the significant collections reported by the Trading Division in the last few days of 2017.

The movement in the provision for bad debts during 2017, mainly generated by the change in the exchange rates, was as follows:

Provision for bad debts at 31 December 2016	**(19,877)**
Change in consolidation area	(184)
Provisions	(68)
Uses	237
Exchange rate differences	2,135
Provision for bad debts at 31 December 2017	**(17,757)**

The change in consolidation area, Euro 184 thousand, includes the provision for bad debts entered in the area of consolidation following the entry of the IMS Deltamatic Group.

Prepayments, other receivables and current assets (Note 7)

This heading consists of the following:

	31/12/2017	31/12/2016
Payments on account to suppliers	5,993	5,932
Other receivables	957	1,673
Receivables relating to the fair value of financial instruments	332	1,821
Tax receivables	11,145	10,087
Receivables from the holding company	3,412	3,520
Accrued income and prepaid expenses	1,672	1,021
Total prepayments, other receivables and current assets	**23,511**	**24,054**

'Payments on account to suppliers', amounting to Euro 5,993 thousand (Euro 5,932 thousand at 31 December 2016), refer mainly to advance payments made to suppliers for the purchase of coal delivered in the months immediately following 31 December 2017; the item also includes, for Euro 234 thousand, advances paid by the IMS Deltamatic Group mainly relating to the supply of goods.

'Receivables relating to the fair value of financial instruments' refer to currency sales made by the Group, as more fully commented on in 'Note 26 - Information regarding financial instruments', which gives further details.

The increase in 'Tax receivables', Euro 1,058 thousand, is due to the inclusion of the IMS Deltamatic Group whose tax receivables come to Euro 1,340 thousand.

'Receivables from the holding company' refer to receivables arising from the tax consolidation for IRES purposes. For further details regarding the composition of this amount, refer to 'Note 24 - Taxes'. These receivables, which arose as a result of the transfer to the parent company of the tax losses of the Group, shall be liquidated, pursuant to the tax consolidation agreement, upon the use by the Consolidator of the aforementioned tax losses.

Cash and cash equivalents (Note 8)

This heading consists of the following:

	31/12/2017	31/12/2016
Bank and postal deposits	98,740	70,421
Cash in hand	75	43
Total cash and cash equivalents	**98,815**	**70,464**

Bank deposits held with mainstream banks are managed centrally by the Holding Company's Treasury department, or under its direct supervision if held separately. Refer to the Cash Flow Statement for an explanation of the variations in cash and cash equivalents.

Total Equity (Note 9)

The movements which occurred in the various elements of Group equity are indicated in the relevant notes.

The 'Share capital', wholly subscribed to and paid up, amounts to Euro 10,000 thousand and consists of 10,000,000 ordinary shares each of a nominal value of Euro 1.

The 'Legal reserve' of Euro 2,000 thousand is the legal reserve held in the Holding Company.

The 'Translation reserve' has a negative value of Euro 2,704 thousand and regards the conversion into Euro of the financial statement of the foreign Group companies included in the consolidation but held in currencies other than the Euro; it decreased by Euro 8,641 thousand, due for Euro 3,870 thousand to the change in the consolidation area deriving from the deconsolidation of PT Asian Bulk Logistics and Coeclerici Coal Network.

The 'Merger surplus reserve' had a positive value of Euro 27,921 thousand and remained unchanged compared to its value at 31 December 2016.

The 'Reserve related to the fair value of financial instruments', with a negative value of Euro 2,537 thousand, showed a drop of Euro 969 thousand due to the negative change in the fair value of the derivative financial instruments (as is more fully analysed in 'Note 26 – Information regarding financial instruments') for Euro 1,106 thousand, partly offset by the positive change in the fair value of available-for-sale assets for Euro 137 thousand.

The heading 'Actuarial gains (losses)', with a negative balance of Euro 129 thousand, increased by Euro 15 thousand which arose from actuarial evaluation of post-employment benefits (TFR) at 31 December 2017 (as is considered in more detail in 'Note 12 – Post-employment benefits').

The heading 'Other reserves' had a positive balance of Euro 49,198 thousand and remained unchanged compared to its value at the end of the previous financial period.

The item 'Retained earnings' showed a negative balance equal to Euro 36,624 thousand, after recording a decrease as the result of the change in the consolidation area for an amount equal to Euro 4,629 thousand, mainly attributable to the negative impact of the step up acquisition of the remaining stake, equal to 32.89%, of the IMS Deltamatic Group, and the deconsolidation of PT Asian Bulk Logistics, Coeclerici Coal Network and Dako Coal, after retaining the profit from the previous financial year for Euro 13,491 thousand and the distribution of dividends to the sole shareholder for Euro 5,000 thousand.
With reference to the information envisaged by IAS 1 paragraph 124, it should be noted that the objectives identified by the Group in the management of its capital are the following: the creation of value for its shareholders, the safeguarding of the company's future and support for the development of the other Group companies. For this reasons, the Group seeks to maintain an adequate level of capitalisation enabling it to give its shareholders a satisfactory financial return and ensure it has access

to external sources of financing, also by means of an adequate credit rating. This strategy has remained the same since the previous financial period.
The Group monitors its capital structure constantly, especially the level of net financial debt, calculated as the ratio between the net financial position and equity. This ratio, compared with that of the previous financial year, was as follows:

	31/12/2017	31/12/2016
Net financial position	50,589	129,070
Equity	72,249	73,335
NFP/EQUITY	**0.70**	**1.76**

Interest bearing liabilities and borrowings (Note 10)

This heading consists of the following:

	31/12/2017			31/12/2016		
	CURRENT	NON CURRENT	TOTAL	CURRENT	NON CURRENT	TOTAL
Short term advances	21,966	-	**21,966**	46,616	-	**46,616**
Secured loans from financial institutions	6,360	28,035	**34,395**	6,482	33,552	**40,034**
Unsecured loans from financial institutions	19,038	70,070	**89,108**	27,139	84,228	**111,367**
Leasing	994	2,966	**3,960**	220	1,297	**1,517**
Interest bearing liabilities and borrowings	**48,358**	**101,071**	**149,429**	**80,457**	**119,077**	**199,534**

Short-term advances, amounting to Euro 21,966 thousand (Euro 46,616 thousand at 31 December 2016) refer mainly to loans disbursed by lending institutions to finance coal trading carried out by the subsidiary Coeclerici Commodities SA; the reduction is mainly attributable to the exit from the Group of Coeclerici Coal Network and Dako Coal and the minor advances requested by Coeclerici Commodities SA.

Secured loans amounting to Euro 34,395 thousand, down compared to 2016 by Euro 5,639 thousand, refer to loans granted by leading banks to fund the construction of the vessels owned by the Group, in addition to the funding for the acquisition of the property located in Riva Paradiso, Lugano, headquarters of the Trading Division.
Unsecured loans, amounting to Euro 89,108 thousand, dropped compared to 2016 by Euro 22,259 thousand, mainly due to the reimbursements made further to the disposal of the investment in PT Asian Bulk Logistics, and refer to loans granted by leading banks to finance the Group's investment activities.
It should be noted that the financial covenants included in the financing contracts were always respected.

The heading 'Leasing' includes the payable deriving from the signing of financial lease agreements by the Russian subsidiaries SC Kisk and LLC Razrez for the purchase of machinery and other assets necessary for mining production and the payable deriving from the signing of financial lease agreements by the IMS Deltamatic Group for the purchase of machinery and industrial equipment.

'Interest bearing liabilities and borrowings' at 31 December 2017 had the following expiry periods:

	Within 2018	2019-2020	2021 - 2022	After 2022	TOTAL
Short term advances	21,966	-	-	-	**21,966**
Secured loans from financial institutions	6,360	11,934	11,895	4,206	**34,395**
Unsecured loans from financial institutions	19,038	69,374	696	-	**89,108**
Leasing	994	1,944	1,022	-	**3,960**
Interest bearing liabilities and borrowings	**48,358**	**83,252**	**13,613**	**4,206**	**149,429**

'Interest bearing liabilities and borrowings' consists of the following currencies:

	31/12/2017			31/12/2016		
	CURRENT	NON CURRENT	TOTAL	CURRENT	NON CURRENT	TOTAL
Chf	812	1,637	**2,449**	940	1,753	**2,693**
Eur	17,283	63,512	**80,795**	3,249	59,880	**63,129**
Rub	664	2,437	**3,101**	1,048	1,453	**2,501**
Usd	29,599	33,485	**63,084**	75,220	55,991	**131,211**
Interest bearing liabilities and borrowings by currency	**48,358**	**101,071**	**149,429**	**80,457**	**119,077**	**199,534**

During the financial year, the changes in this heading were as follows:

At 31 December 2016	**199,534**
Change in consolidation area	(736)
(Reimbursements) / Drawdowns	(41,349)
Exchange rate differences	(8,020)
At 31 December 2017	**149,429**

Provisions for risks and charges (Note 11)

This heading comprises all of the provisions made for possible liabilities arising from legal, fiscal and commercial disputes in being. It also includes the cost of dismantling and reclaiming the Russian mine; these provisions will be used when amounts are actually paid to carry out the work in question. Releases were made after previous provisions created against potential liabilities were considered no longer necessary.

At 31 December 2017, this heading consisted of the following:

	31/12/2017	31/12/2016
Current	359	-
Non-current	33,318	27,800
Total provisions for risks and charges	**33,677**	**27,800**

During the financial year, the movements under this heading were as follows:

At 31 December 2016	**27,800**
Change in consolidation area	983
Allocation	8,394
Actuarial variation in restoration costs	149
Restoration costs	2,111
Releases	(2,370)
Uses	(3,018)
Provision for expected losses in work in progress reducing 'Work in progress'	93
Exchange rate differences	(465)
At 31 December 2017	**33,677**

During the financial year, Euro 8.4 million was set aside to meet possible liabilities which could reasonably result from previous judicial relations.
It should be noted that, in previous financial years, the Holding Company received verification notices related to Coeclerici Logistics SpA from the Italian Tax Authority - Provincial Division I - Milan for the years 2007, 2008, 2009, 2010, 2011 and 2012. The dispute concerns undue detractions for VAT and tax recoveries for IRES and IRAP purposes. The Company has appealed against the verification notice to the Milan taxation tribunal as it considers the issue to be illegitimate and unfounded.
In the 2013 financial year, the Company was the subject of a check regarding IRES and IRAP for 2010. In the 2015 financial year, the company received a verification notice for this. In 2016, further verification notices were received for the years 2011 and 2012. The Company has appealed against the verification notice to the Milan taxation tribunal as it considers the issue to be illegitimate and unfounded.
It is noted that, except for one minor case, all of the decisions of the tax commissions to date issued have had a positive outcome with acceptance of the appeals submitted by the Group.
Further, in 2017, two notices of assessment for the years 2010 and 2011 of the merged company Coeclerici Coal and Fuels Spa were defined via settlement agreements with the Italian Tax Authority - Lombardy Regional Direction.
The item 'Change in consolidation area', Euro 983 thousand, includes the provision for risks and charges included in the consolidation area further to the inclusion of the IMS Deltamatic Group.

Post-employment benefits (Note 12)

The changes in post-employment benefit provision were as follows:

At 31 December 2015	**1,497**
Provisions for the period	221
Actuarial (gains) / losses	22
Uses	-
At 31 December 2016	**1,740**
Change in consolidation area	1,631
Provisions for the period	535
Actuarial (gains) / losses	(21)
Exchange rate differences	(51)
Uses	(537)
At 31 December 2017	**3,297**

The item 'Change in consolidation area' includes the post-employment benefits (TFR) liability as of 1 January 2017 included in the consolidation area further to the inclusion of the IMS Deltamatic Group.
The main assumptions behind the actuarial valuation of the post-employment benefit provisions are as follows:

	31/12/2017	31/12/2016
Discount rate	0.88%	0.86%
Inflation rate	1.50%	1.50%
Annual salary increase rate	2.00%	2.00%
Annual post-employment benefit increase rate	2.63%	2.62%

The method of recalculating the TFR fund on an actuarial basis is set out in the accounting principles; in accordance with IAS 19, the method used is that of 'Unitary Credit Projection'. Actuarial gains and losses generated by applying this method are included in equity. As required by IAS 19, actuarial gains and losses arising in the financial year, amounting to Euro 21 thousand, consisted of 'actuarial gains from experience' for Euro 14 thousand, and 'actuarial gains from change of discount rate' for Euro 7 thousand.
There follows below an analysis of the sensitivity of each important actuarial hypothesis in order to show the effects (in absolute terms and in thousands of Euros) which would result following reasonably possible variations at that date in determining the liability at 31 December 2017:

	Changes	31/12/2017
Inflation rate	+0.25%	22
Inflation rate	-0.25%	(22)
Discount rate	+0.25%	(30)
Discount rate	-0.25%	31

Trade payables (Note 13)

The balance of Euro 56,679 thousand (Euro 39,277 thousand at 31 December 2016) includes current payables for supplies linked to the Group's normal operating activities.
The change during the year is mainly generated by the consolidation of the IMS Deltamatic Group.

Other payables and current liabilities (Note 14)

'Other payables and current liabilities' consist of the following:

	31/12/2017	31/12/2016
Advances from customers	57,577	864
Other payables	13,888	7,783
Payables relating to the fair value of financial instruments	2,437	1,641
Tax payables	4,593	2,192
Payables to Social Security institutions	1,672	717
Accrued expenses and deferred income	3,771	4,487
Total other payables and current liabilities	**83,938**	**17,684**

The item 'Advances from customers' includes Euro 54,873 thousand for advances received by the IMS Deltamatic Group, whose main activity is the production of industrial machine in relation to which an advance is contractually required and in which additional amounts are subsequently invoiced on achievement of specific stages of completion. From an accounting standpoint, the service is completed and the transfer of the risks and benefits takes place when the industrial machine is installed and tested & inspected care of the customer; until that moment the amounts received are recognised as advances from customers under the balance sheet liabilities and, at the same time, under the assets are recorded gross work in progress; the item also includes the advance received by the subsidiary PT PLKI, amounting to Euro 2,424 thousand, for the sale of the Bulk Pioneer vessel.

The item 'Other payables' amounted to Euro 13,888 thousand (Euro 7,783 thousand at 31 December 2016), and included payables of various types falling due within 12 months; the increase, amounting to Euro 6,105 thousand, is mainly attributable to the residual payable due to the previous shareholder of IMS Deltamatic, equal to Euro 4,000 thousand, for the purchase of the remaining stake of the company.

'Payables relating to the fair value of financial instruments' amounted to Euro 2,437 thousand (Euro 1,641 thousand at 31 December 2016) and refer to forward exchange transactions of coal and forward currency purchase transactions commented on in 'Note 26 – Information regarding financial instruments', which gives further details.

The increase in 'Tax payables' and 'Payables to Social Security institutions' is mainly attributable to the inclusion of the IMS Deltamatic Group.

'Accrued expenses and deferred income' amounted to Euro 3,771 thousand (Euro 4,487 thousand at 31 December 2016) and consisted mainly of deferred income regarding advance invoicing of charters regarding the Logistics Division's transshipment activities and accrued expenses relating to various operating costs.

Revenues from sales and services (Note 15)

The item is composed as follows:

	2017	2016
Raw material sales	758,750	579,453
Charters and shipping transport	7,405	8,723
Transshipment and other logistics services	28,892	30,667
Industrial machine sales	72,380	-
Coal brokerage commission	-	729
Other services	1,378	1,465
Total revenues from sales and services	**868,805**	**621,037**

'Raw material sales' amounted to Euro 758,750 thousand and referred to trading activities.

The increase of such item, Euro 179,297 thousand, is mainly attributable to the considerable increase in the prices of coal and the focusing on the marketing of products with a higher added value, partially offset by a slight decrease in volumes, as indicated in the Directors' Report.

'Industrial machine sales' amounted to Euro 72,380 thousand and referred to activities carried out by the IMS Deltamatic Group.

The items 'Charters and shipping transport' and 'Transshipment and other logistics services' refer to the activities of the Logistics Division; the slight decrease is mainly attributable to the minor quantities handled by the vessels of Coeclerici Mozambico and PT PLKI.

Information by division is shown in 'Note 25 – Information by operating segment and geographical area'.

Operating costs (Note 16)

The item is composed as follows:

	2017	2016
Purchase of raw materials	663,161	509,275
Mine operating costs	30,970	19,663
Cost of mining personnel	6,466	5,366
Cost of seafaring personnel	4,346	4,957
Technical costs for fleet and plants	3,450	3,243
Port expenses and other shipping costs	685	820
Lubricants / spare parts	727	1,166
Bunker	217	222
Industrial machine operating costs	38,317	-
Industrial machine personnel costs	15,063	-
Total operating costs	**763,402**	**544,712**

The increase in 'Purchase of raw materials', for Euro 153,886 thousand, is attributable, as already indicated for 'Raw material sales', essentially to the considerable increase in the prices of coal and focusing on the marketing of products with higher added value.
The increase in the item 'Cost of mining personnel', Euro 11,307 thousand, is influenced both by the strengthening of the Rouble (the average EUR / RUB exchange rate in 2017 was 65.90 compared with a 2016 average value of 74.16) and the increase in the average distance from the point of extraction of the coal to the point of processing.
The increase in the caption 'Cost of mining personnel', Euro 1,100 thousand, is mainly due to the strengthening of the Rouble.
The reduction in 'Cost of seafaring personnel', in 'Port expenses and other shipping costs' and 'Lubricants / spare parts' is essentially attributable to the reduction in the activities of a vessel.
The items 'Industrial machine operating costs', Euro 38,317 thousand, and 'Industrial machine personnel costs', Euro 15,063 thousand, refer to the operating costs incurred for the production of industrial machines by the IMS Deltamatic Group.

Overhead and administrative expenses (Note 17)

The item is composed as follows:

	2017	2016
Personnel costs	24,433	17,854
Consultancies	6,888	5,157
Director and Statutory Auditors' fees	4,317	4,611
Rents, leases and similar	4,242	2,466
Other costs	3,601	2,877
Travel expenses	1,262	1,049
Entertainment expenses - donations	1,644	548
Utilities, Building administration – Representative offices	1,328	786
Consumables	148	131
Advertising	819	285
Total overhead and administrative expenses	**48,682**	**35,764**

For the heading 'Personnel Costs', Euro 24,433 thousand, further details are provided in 'Note 30 - Other information'. The increase, Euro 6,579 thousand, is mainly attributable to the inclusion of the IMS Deltamatic Group within the scope of consolidation.
The change in the item 'Consultancies' is chiefly attributable to the costs incurred for the extraordinary transactions during the year as well as the costs incurred by the IMS Deltamatic Group amounting to Euro 1,336 thousand.
'Director and Statutory Auditors' fees' for Euro 4,317 thousand underwent a decrease of Euro 294 thousand. The item mainly includes fees due to Directors and Statutory Auditors of the Holding, as shown below:

	2017		2016	
	Number	Remuneration	Number	Remuneration
Directors	9	3,673	9	4,357
Statutory Auditors	3	55	3	55
Total fees	**12**	**3,728**	**12**	**4,412**

The change in the item 'Rents, leases and similar' is mainly attributable to the rental fees relating to the offices and plants of the IMS Deltamatic Group. The item includes the rental paid to the parent company Fincler Srl for the Milan offices.
The increases observed in the other cost items are mainly due to the inclusion of the IMS Deltamatic Group within the scope of consolidation.

Capital gains / (losses) on non-current assets (Note 18)

The item is composed as follows:

	2017	2016
Capital gains	3,097	2,128
Capital losses	(1,086)	(174)
Total capital gains (losses) on non-current assets	**2,011**	**1,954**

The item 'Capital gains' essentially includes the effects deriving from the sale of the investment held in PT Asian Bulk Logistics via the subsidiary Coeclerici Logistics for Euro 1,389 thousand, the impact deriving from the sale of the plant by the US subsidiary Kasper Machine for Euro 1,223 thousand, the effect deriving from the sale of the investment held in Coeclerici Coal Network via the subsidiary Coeclerici Commodities for Euro 238 thousand and the impact deriving from the sale of the property unit by the US subsidiary Coeclerici Americas Real Estate, for Euro 147 thousand.
The caption 'Capital losses' includes mainly the effects deriving from the sale of the investment held in Dako Coal via the subsidiary Coeclerici Commodities for Euro 1,038 thousand.

Profit (loss) from companies measured using the equity method (Note 19)

This is comprised of:

	2017	2016
Profit (loss) from companies measured using the equity method	2,741	2,274

The above income is attributable to the positive result achieved by the company PT Asian Bulk Logistics up until 31 July 2017, date of transfer of the investment by the subsidiary Coeclerici Logistics, for Euro 4,757 thousand, net of the loss recorded by the company dACC Maritime d.a.c. for Euro 2,016 thousand. It is noted that this loss was offset as an adjustment of the financial receivable due to the Irish joint venture entity. For further information on the nature of business of these companies, see 'Note 3 – Interests in jointly controlled entities and associated entities, other investments and available-for-sale financial assets'.

Other net income / (expenses) (Note 20)

The item is composed as follows:

	2017	2016
Other operating income		
Release of provisions and other liabilities	2,370	-
Insurance claims	86	511
Total other operating income	**2,456**	**511**
Other operating costs		
Allocations to provisions for risks and charges	(8,394)	(6,563)
Allocations to provisions for bad debts	(3,605)	(2,748)
Losses on derivatives	(4,538)	(2,288)
Other net income (costs)	(679)	(2,526)
Total other operating costs	**(17,216)**	**(14,125)**
Total other net income / (expenses)	**(14,760)**	**(13,614)**

This heading mainly comprises the movements in the heading 'Provisions for risks and charges' already mentioned in 'Note 11 – Provisions for risks and charges'.

Depreciation, amortisation and devaluation (Note 21)

The item is composed as follows:

	2017	2016
Depreciation of property, plant and equipment and devaluations	14,026	10,173
Amortisation of intangible assets and devaluations	3,949	352
Total depreciations, amortisations, and devaluations	**17,975**	**10,525**

The increase in the caption 'Depreciation of property, plant and equipment and devaluations', equal to Euro 3,853 thousand, is mainly attributable to the partial devaluation, amounting to Euro 2,391 thousand, of the PT PLKI's vessel to align its book value with the market value and to the entry of the IMS Deltamatic Group, whose depreciations amount to Euro 1,377 thousand.

The increase in the item 'Amortisation of intangible assets and devaluations' is chiefly attributable to the recognition, at the time of purchase price allocation of the IMS Deltamatic Group, of customer lists for Euro 3,492 thousand amortised over 12 months.

Net financial income / (expenses) (Note 22)

This consists of the following financial income (expenses):

	2017	2016
Total net financial income (expenses)	**(6,016)**	**(6,770)**

The category includes the following financial income:

	2017	2016
Interest received	1,869	1,634
Available-for-sale financial asset gains	922	-
Other income	29	31
Total financial income	**2,820**	**1,665**

The item 'Interest received' amounted to Euro 1,869 thousand and mainly concerns interests on loans granted to the joint venture dACC Maritime d.a.c., in order to finance the construction of new vessels, as mentioned in 'Note 4 – Other non-current assets', and to a lesser extent to interest receivable from banks on current and deposit accounts.

The item 'Available-for-sale financial asset gains' includes the gain deriving from the disposal of the investment in the Ambienta Fund.

Financial expenses included the following:

	2017	2016
Bank charges	(2,120)	(1,422)
Interests payable	(6,700)	(7,013)
Available-for-sale financial asset losses	(16)	-
Total financial expenses	**(8,836)**	**(8,435)**

'Bank charges' refer mainly to use of the syndicated line and the stipulation of new specific funding contracts specific to investments underway.

'Interests payable' refer mainly to financial charges on bank loans, mentioned in more detail in 'Note 10 - Interest bearing liabilities and borrowings'.

The item 'Available-for-sale financial assets losses' includes the loss deriving from the disposal of the investment in Value Secondary Investments SICAR.

Profit / (loss) on foreign exchange (Note 23)

In addition to the exchange rate differences arising at the end of the financial period from the translation of assets and liabilities in other currencies, this heading also shows exchange rate differences realised during the financial period. The item also includes the impacts deriving from the currency hedges (Rouble and USD).

Details of exchange rate differences, both realised and not realised in 2017, and their comparison to the previous financial period, are shown in the table below:

	2017			2016		
	REALISED	NON-REALISED	TOTAL	REALISED	NON-REALISED	TOTAL
Exchange gains	19,305	3,033	**22,338**	12,305	12,183	**24,488**
Exchange losses	(16,479)	(2,315)	**(18,794)**	(14,088)	(6,159)	**(20,247)**
Total exchange gains (losses)	**2,826**	**718**	**3,544**	**(1,783)**	**6,024**	**4,241**

Taxes (Note 24)

The amount of the tax burden regarding the period was negative for Euro 6,391 thousand. It was calculated in conformity with existing statutory regulations and includes expected exemptions, elements of deferred taxation and, as far as Italian companies in the Group are concerned, the effects of adhesion to the tax consolidation produced by the holding company Fincler Srl.

The amount of taxation consists of the following:

	2017	2016
Current taxes	(3,868)	(2,116)
Deferred taxes	(2,523)	(1,437)
Total taxes	**(6,391)**	**(3,553)**

The amounts in the table below refer to deferred tax assets and liabilities held in the balance sheets of Group companies and to the effects of consolidation.

	31/12/2017	31/12/2016
Deferred tax assets	7,516	9,648
Deferred tax liabilities	(2,724)	(2,766)
Net balance of deferred tax assets (provision for deferred tax liabilities)	**4,792**	**6,882**

'Deferred tax assets' is mainly attributable to additions to a risk provision during the financial year and in previous financial years, which cannot be immediately deductible fiscally, and also to additions for fiscal losses which will be recovered in subsequent financial periods.
The balance under the heading 'Deferred tax liabilities' consists of the deferred taxation arising from the setting-aside of elements of income or expenditure subject to deferred taxation.

The tax assets and liabilities of Group companies, related to direct taxes, included in the taxation consolidation at 31 December 2017 were as follows:

	RECEIVABLES	PAYABLES	TOTAL
Coeclerici Logistics SpA	1,481	-	1,481
Coeclerici SpA	1,931	-	1,931
Total receivables (payables) owing to tax consolidation	**3,412**	**-**	**3,412**

Information by operating segment and geographical area (Note 25)

The information by operating segment for 2017 period is summarised in the following table:

	TRADING	MINING	LOGISTICS	INDUSTRY	HOLDING ADJUSTMENT	TOTAL
Revenues from sales and services	748,710	51,417	37,505	72,440	(41,267)	**868,805**
Operating profit (EBIT)	24,945	5,572	6,040	5,667	(13,486)	**28,738**
Net financial income / (expenses)	(2,268)	(1,025)	(2,295)	(275)	(153)	**(6,016)**
Net income	24,958	3,580	4,533	3,418	(16,614)	**19,875**

The following table shows details of Group revenues from sales and services broken down by region:

	TRADING	MINING	LOGISTICS	INDUSTRY	HOLDING ADJUSTMENT	TOTAL
Africa	-	-	28,850	1,126	-	**29,976**
Americas	22,330	-	-	10,816	-	**33,146**
Asia and Australia	538,713	-	7,405	26,505	-	**572,623**
Russia and Middle East	4,113	10,158	-	3,236	-	**17,507**
Europe	183,554	41,259	1,250	30,757	(41,267)	**215,553**
Total revenues from sales and services	**748,710**	**51,417**	**37,505**	**72,440**	**(41,267)**	**868,805**

Information regarding financial instruments (Note 26)

Financial derivative instruments

The Group has used hedging transactions (fair value hedge and cash flow hedge) to meet the risks of oscillation in the Eur/USD and Rub/USD exchange rates and variation of coal prices.

Fair value hedge

Transactions in existence at 31 December 2017 which amount to fair value hedges and whose variations in fair value are included in the income statement under the heading 'Profit / (loss) on foreign exchange' are indicated below:

EXPIRY	AMOUNT (THOUSAND)	CURRENCY	FORWARD EXCHANGE €/USD CONTRACT RATE	NOTIONAL VALUE (EUR/000)	FAIR VALUE AT 31/12/2017 (EUR/000)
Q4 2017	32,761	USD	1.23	26,615	(41)
Total sales				**26,615**	**(41)**

Cash flow hedge

At 31 December 2017 currency transactions were in being which had the characteristics of cash flow hedges, and the variations to their fair value have been included net of the fiscal effects in equity under the heading 'Reserve related to the fair value of financial instruments', shown in detail below:

EXPIRY	AMOUNT (THOUSAND)	CURRENCY	FORWARD EXCHANGE USD/RUB CONTRACT RATE	NOTIONAL VALUE (EUR/000)	FAIR VALUE AT 31/12/2017 (EUR/000)
Q1 2018	82,500	RUB	59.31	1,391	20
Q2 2018	52,500	RUB	60.08	874	13
Q3 2018	52,500	RUB	60.83	863	13
Q4 2018	52,500	RUB	61.52	853	15
Total purchases				**3,981**	**61**

EXPIRY	AMOUNT (THOUSAND)	CURRENCY	FORWARD EXCHANGE €/USD CONTRACT RATE	NOTIONAL VALUE (EUR/000)	FAIR VALUE AT 31/12/2017 (EUR/000)
Q1 2018	1,876	USD	1.19	1,572	2
Q2 2018	1,154	USD	1.20	960	1
Q3 2018	486	USD	1.21	402	2
Total sales				**2,934**	**5**

EXPIRY	AMOUNT (THOUSAND)	CURRENCY	USD/RUB OPTION STRIKE PRICE	NOTIONAL VALUE (EUR/000)	FAIR VALUE AT 31/12/2017 (EUR/000)
Q1 2018	142,507	RUB	59.21	2,406	56
Q2 2018	112,505	RUB	59.48	1,892	55
Q3 2018	112,505	RUB	59.48	1,892	58
Q4 2018	112,505	RUB	59.48	1,892	62
Total purchases				**8,082**	**231**

EXPIRY	AMOUNT (THOUSAND)	CURRENCY	USD/RUB COLLAR PRICE		FAIR VALUE AT 31/12/2017 (EUR/000)
			LOWER MARGIN	SUPERIOR MARGIN	
Q1 2018	60,000	RUB	57.15	67.15	7
Q2 2018	60,000	RUB	57.15	67.15	10
Q3 2018	60,000	RUB	58.00	65.60	11
Q4 2018	60,000	RUB	58.00	65.60	7
Total purchases / sales					**35**

Hedging transactions existed at 31 December 2017 relating to variations in the price of coal. Forward sales transactions at 31 December 2017, which displayed the characteristics of cash flow hedges, and the variations in their fair value, have been shown net of their fiscal effect in equity under the heading 'Reserve related to the fair value of financial instruments', and are shown below:

EXPIRY	AMOUNT (TONNES)	CONTRACT PRICE PER MT IN USD	NOTIONAL VALUE (USD/000)	FAIR VALUE AT 31/12/2017 (EUR/000)
Q2 2018	60,000	79.55	4,773	(614)
Q3 2018	60,000	80.19	4,811	(482)
Q4 2018	60,000	79.85	4,791	(437)
Total	**180,000**		**14,375**	**(1,533)**

Finally, transactions existed at 31 December 2017 initially designated as hedging which subsequently became ineffective. The changes in their fair value are recorded in the income statement under the item 'Losses on derivatives' and are analysed below:

EXPIRY	AMOUNT (TONNES)	CONTRACT PRICE PER MT IN USD	NOTIONAL VALUE (USD/000)	FAIR VALUE AT 31/12/2017 (EUR/000)
Q1 2018	75,000	82.79	6,209	(863)
Total	**75,000**		**6,209**	**(863)**

Summary of fair value of derivative financial instruments

The values and variations in the fair value of derivative instruments in existence at 31 December 2017 are shown in the table below:

	31/12/2016	CHANGES IN EQUITY	CHANGES IN INCOME STATEMENT	31/12/2017
Receivables				
Foreign exchange market	1,821	(1,485)	(4)	332
Total receivables	**1,821**	**(1,485)**	**(4)**	**332**
Payables				
Foreign exchange market	-	-	(41)	(41)
Forward coal sales	(1,641)	(755)	-	(2,396)
Total payables	**(1,641)**	**(755)**	**(41)**	**(2,437)**
Total net value	**180**	**(2,240)**	**(45)**	**(2,105)**

The fair value of all financial derivatives has been calculated on the basis of forward quotations of market indices at the reference date. The reserve in equity, which includes the fair value of financial instruments, is shown net of any taxation.

The table below shows an analysis of financial instruments at their fair value, grouped in levels from 1 to 3 on the basis of the ability to calculate their fair value:

- level 1, the fair value is determined by prices quoted in active markets;
- level 2, the fair value is determined by valuing techniques on the basis of variables which are, directly or indirectly, observable in the market;
- level 3, the fair value is determined by means of valuing techniques which are on the basis of significant variables which cannot be observed in the market.

	LEVEL 1	LEVEL 2	LEVEL 3
Financial assets			
Available-for-sale	631	-	408
Hedging derivatives	-	332	-
Total financial assets	**631**	**332**	**408**
Financial liabilities			
Hedging derivatives	-	(2,437)	-
Total financial liabilities	**-**	**(2,437)**	**-**

Financial instruments classified at level 1 are shares in listed companies, whose value is listed daily, and also open investment funds.

Level 2 includes financial derivatives; in order to determine their market value, the Group uses the following model for measuring and evaluating them:

TYPE	INSTRUMENT	PRICING MODEL	MARKET DATA USED	DATA PROVIDER	IFRS 7 HIERARCHY
Foreign exchange / coal derivatives	Forward / Option / Collar	Discounted cash flow	- Spot rate - Zero coupon curve of reference currency	Bank of reference	Level 2

Instruments classified as level 3 refer to shares held at 31 December 2017 in closed-end investment funds.

Other financial information

For completeness, some additional financial information is given below:

- 'Note 10 – Interest bearing liabilities and borrowings' summarises the characteristics of the bank loans and gives their due dates;
- 'Note 22 – Net financial income / (expenses)' gives information about interest receivables and payables relating to financial items.

Risks characterising the Group's business (Note 27)

The main risks connected with the Group's business, which are monitored and managed by Coeclerici SpA and its subsidiaries, are as follows.

Commodity risk

The company's profit is affected by changes in the prices of the commodities and services it sells through its Trading Division. Volatile coal prices and freight rates generally lead to volatile operating profits and sales margins. The risks connected with trading may be limited by:

- Back-to-Back transactions;
- undertaking time-limited commitments to purchase/sell coal and transport services (freight) at values mainly pegged to the API#2 and API#4 indices and partly to fixed values; prior inspection and approval of transactions according to the corporate policy.

Trading risks are assessed through:

- constant monitoring of all trading transactions, including the continuous monitoring of trading partners;
- periodic business projections and analysis of the effects of the main variables (freight rates and commodity indices).

As regards sources of coal supply, the Group has depended less on suppliers since the Group took over the Russian 'SC Kisk' mine in 2008.

The demand for dry bulk transshipment services depends on the levels of freight rates. When freight rates are high, the development of efficient dock services, able to reduce loading and unloading times, becomes strategically important for traders and this favours the development of new opportunities for the Group.

Exchange rate risk

Most of the subsidiaries' revenues and operating costs are recorded in currencies other than EUR (mainly USD and RUB). The Group manages the exchange rate risk, where it deems necessary, through forward currency transactions and foreign currency loans. In addition, loans are stipulated by the operating companies in the same currency as the revenues, where possible, in order to attenuate exchange rate oscillations.

Interest rate risk

The Coeclerici Group is mainly funded at variable interest rates. The Group's policy is to monitor the trend in interest rates and the long-term forecasts in order to make sure that financial expenditure is always sustainable. In the current market situation, the company does not consider it wise to engage in hedging transactions with the aim of stabilising interest rates over time. In a risk sensitivity assessment, it was estimated that a 10% increase in market interest rates compared to those actually applied during 2017, would have had a negative effect of Euro 581 thousand on the 2017 income statement and of Euro 571 thousand on equity.

Credit risk

Credit risk is the company's exposure to potential losses deriving from the failure of trading partners to comply with their commitments. Commercial credit management is entrusted to the business units, in agreement with the Holding, on the basis of formal risk assessment procedures, including debt collecting and any dispute proceedings. Furthermore, all outstanding receivables are monitored monthly by Division credit committees, including regular prospective analysis of credit limits.
The credit position of certain customers with a degree of financial risk identified by scores representing levels of risk is monitored with even daily frequency.
Credit risk hedging is mainly carried out through the following instruments:

- confirmed letters of credit (bank guarantees) in the Trading Division;
- performance bonds (guarantees of satisfactory completion of a contract) and advance payment bonds in the Logistics Division;
- commercial credit insurance by leading insurance agencies (SACE B.T SpA, Credendo and Coface), in the Trading Division;
- collection of advances from customers to an extent appropriate to the counterparty and type of product object of the sale at the signing of the contract and, subsequently, at the achievement of specific stages of completion, in the Industry Division.

Liquidity risk

Liquidity risk is the risk that financial resources may not be available or are only available at high cost. Thanks in part to use of the credit system, the structure of the Coeclerici Group's sources of finance is diversified and makes sufficient sources of finance available to satisfy foreseeable financial needs both in the short term and in the medium-long term. Moreover, corporate liquidity risk management aims to ensure a suitable level of operational elasticity for the Group's development programmes.
The Trading Division needs to finance its working capital, especially the down payments made to Russian suppliers for the purchase of commodities. This need is mainly met by short-term borrowing through bank loans.

As regards the Logistics Division, the investments to build vessels are usually financed through specific medium and long-term loans whose characteristics are normally negotiated so that they are compatible with the cash flows forecast from operating activities. In addition, specific contract provisions such as advance payments in time charter contracts and guaranteed minimum tonnages in contracts on the basis of quantities handled are exploited, among other things, to achieve optimal short-term financial management.

With regard to the Industry Division, the financial requirements associated with the performance of the activities are satisfied initially by means of the negotiation of advances from customers to an extent in line with the counterparty and the type of product being sold, at the signing of the contract or even, subsequently, at the achievement of specific stages of completion; this solution also complies with the need to protect oneself from the risk of insolvency of the counterparty. Secondly, the Division resorts to short-term bank advances on receivables due to mature in the future or on contracts which will be achieved. With regard to the investments relating to tangible fixed assets, typically associated with those linked to the purchase of new machinery, the Division has access to medium-term unsecured loans or leasing agreements, entered into with leading financial counterparties. With a view to the optimisation of the resources at Group level, intercompany loans are implemented, provided under normal market conditions.

Political risk

The Group's business takes place through investments all over the world. In the case of investments made in a country considered to be politically 'at risk', the Group protects itself where possible with a specific investment insurance policy drawn up with a leading insurance company, SACE SpA. These investment insurance policies protect companies that set up or hold shares in foreign companies or that make indirect investments through foreign companies controlled by the Italian company. These policies cover the risk of losses in capital, revenues, interest and amounts owed to the Italian company or its subsidiaries in connection with the investment, caused by the following political events: expropriation and other acts of absolute power, currency restrictions and moratoriums, force majeure events and civil unrest.

Operational risk

For the Logistics Division in particular, there exists a general operational risk arising from the use of vessels as part of the contractual activities undertaken. Amongst the main categories of risk in this sense there are events resulting from the loss – either partial or total – of the Division's vessels, as well as those arising from responsibility for damage caused during the course of activities. Protection against such risks is made by means of insurance policies agreed with primary counterparts. The policies used are typical of those used by companies operating in shipping, and include Hull and Machinery policies for damages to the ships and the equipment installed on board, Protection and Indemnity third party liability policies, profit loss Trade Disruption policies and war risk policies.

In addition, and wherever possible, Escalation clauses are included in transshipment contracts which recalculate tariffs to reflect any increase in a number of cost categories.

The operating risk of the Industry Division is mainly associated with the activities for the construction and assembly of the machines, both in the plants used by the Group and at the time of installation care of the production sites of the customers. These risks, which may concern both damages to individuals involved in the production cycle and damages to machinery and structures, owned by the Group or the customers care of which the products are installed, are mitigated in the first place by means of the adoption of all the highest safety solutions, which regard both the work environment and the products sold, which observe the highest legislative standards; secondly, by means of recourse to insurance instruments taken out with leading market operators, aimed at covering the most diverse risks inherent to the various production, transportation and installation / functioning phases care of the production sites of the customers.

Operational risk of extraction

As far as the Mining Division is concerned, the operational risks arising from mining activities are mitigated by the usual civil liability insurance for any damages caused by the use of equipment to move the coal once extracted, as well as the compulsory protection regarding cover for professional accidents.

Obligations and guarantees (Note 28)

Obligations relating to derivatives

The existing derivatives are shown in 'Note 26 – Information regarding financial instruments' and concern forward transactions on the foreign exchange and on API#2 coal market quotation.

Obligations relating to financial instruments

'Obligations relating to financial investments' are shown in the following table:

	YEAR OF SUBSCRIPTION	FUND DURATION	OVERALL COMMITMENT	SUBSCRIBED AMOUNT	DISTRIBUTIONS	RESIDUAL COMMITMENT
Hao Capital Fund II L.P.	2008	10 years	834	709	321	125
Total financial instruments			**834**	**709**	**321**	**125**

Hao Capital Fund II L.P.

The 'Hao Capital Fund II L.P.' is a private equity fund investing in the Chinese market. During 2008, the Group took on the commitment to buy the shares, at a cost of USD 1 million equal to Euro 834 thousand at 31 December 2017. The financial investment was recorded to its market value of Euro 408 thousand, as indicated under the heading 'Available-for-sale financial assets'.

Guarantees issued

At 31 December 2017, guarantees given to third parties stood at Euro 16,196 thousand, and are illustrated below:

	31/12/2017	31/12/2016
Bank guarantees	13,632	15,324
Other	2,564	2,794
Total guarantees issued	**16,196**	**18,118**

Guarantees received

At 31 December 2017, guarantees received by third parties stood at Euro 6,085 thousand, and are illustrated below:

	31/12/2017	31/12/2016
Bank guarantees	6,085	15,807
Total guarantees received	**6,085**	**15,807**

Related party transactions (Note 29)

During the financial period, a number of transactions were conducted with the holding company, Fincler Srl, in the tax consolidation of the Group whose holding company is also the consolidating company, as described in 'Note 7 – Prepayments, other receivables and current assets'. Furthermore, an office rental contract exists between the Company and its direct holding company, Fincler Srl, referring to the offices in Piazza Generale Armando Diaz, 7 – Milan.

The Chairman of the Board of Directors and the CEO of Coeclerici SpA is also the Group's majority shareholder and Chairman of the Board of Directors of the subsidiary IMS Deltamatic.

Dr. Andrea Clavarino, Director of the Holding Company, is also Chairman of the Board of Directors and CEO of Coeclerici Logistics SpA.

Other information (Note 30)

Staff costs

Personnel costs for 2017 totalled Euro 50,308 thousand (Euro 28,177 thousand in 2016), of which Euro 4,346 thousand related to seafaring staff (Euro 4,957 thousand in 2016), Euro 6,466 thousand related to personnel at the Russian mine (Euro 5,366 thousand in 2016), Euro 15,063 thousand related to personnel involved in the design and production of industrial machines (Euro 0 thousand in 2016) and Euro 24,433 thousand related to staff personnel (Euro 17,854 thousand in 2016).

The average composition of employees was as follows:

	2017	2016
Executives	30	33
White Collars	361	214
Seafaring staff	87	100
Blue Collars	176	-
Miners	579	560
Total employees	**1,233**	**907**

The increase in staff personnel and the related rise in costs is mainly attributable to the inclusion of the IMS Deltamatic Group in the scope of consolidation.

Subsequent events (Note 31)

The negotiations for the divestment of two transhippers, Bulk Zambesi and Bulk Limpopo, of the subsidiary Coeclerici Mozambico, are at an advanced stage. On occurrence of this event, the Coeclerici Group will exit the transshipment sector, a sector permanently in crisis, characterised by the weak demand of new industrial projects, located in high political risk countries, with charters insufficient for guaranteeing an adequate return on the considerable initial investment.

APPENDIX 1
LIST OF COMPANIES CONSOLIDATED USING FULL CONSOLIDATION METHOD

NAME	REGISTERED OFFICES	CURRENCY	SHARE CAPITAL	EQUITY SHARE
Goebel Beijing Slitting Co	China	Cny	899,083	100.00%
Nuevaco Imobiliaria Srl	Dominican Republic	Dop	25,002,000	99.98%
Goebel Schneid und Wickelsysteme GmbH	Germany	Eur	1,500,000	100.00%
CGU Logistic Ltd	India	Inr	910,000,000	100.00%
PT Coeclerici Indonesia	Indonesia	Idr	2,265,000,000	100.00%
PT Pelayaran Logistik Konversi Indonesia ("PLKI")	Indonesia	Idr	17,000,000,000	49.00%
Coeclerici Logistics SpA	Italy	Eur	10,500,000	100.00%
Coeclerici Mozambico SpA	Italy	Eur	10,000,000	100.00%
IMS Deltamatic SpA	Italy	Eur	4,470,000	100.00%
Capo Noli Transportes Maritimos Lda	Portugal	Eur	5,000	100.00%
Logconversion Transportes Maritimos Lda	Portugal	Eur	2,300,000	70.00%
LLC Zapadny	Russia	Rub	20,000	100.00%
SC Kuznetskaya Investitsionno – Stroitelnaya Compania ("Kisk")	Russia	Rub	1,060,000,000	100.00%
LLC Coeclerici Russia	Russia	Rub	4,000,000	100.00%
LLC Razrez Korciakolskij	Russia	Rub	10,000	100.00%
LLC Scc-Rozko	Russia	Rub	13,381,000	100.00%
LLC Yuzhno – Kuzbasskoe promyshlenno – transportnoe upravlenie ("Ptu")	Russia	Rub	10,000	100.00%
Selskohozyaistvennoe predpriyatie Taylepskoe	Russia	Rub	125,600,000	100.00%
Coeclerici Asia (Pte) Ltd	Singapore	Usd	132,989	100.00%
Coeclerici Far East (Pte) Ltd	Singapore	Usd	100,000	100.00%
Coeclerici Commodities SA	Switzerland	Chf	10,000,000	100.00%
Elvezia Immobiliare SA	Switzerland	Chf	1,300,000	100.00%
Coeclerici Americas Real Estate Inc.	United States	Usd	9,300,000	100.00%
Kasper Machine Co	United States	Usd	399,000	100.00%
Bulkguasare de Venezuela SA	Venezuela	Vef	2,408,000	90.00%
Venezuelan Bulk Logistics SA	Venezuela	Vef	2,000,000	90.00%

LIST OF COMPANIES CONSOLIDATED USING EQUITY METHOD

NAME	REGISTERED OFFICES	CURRENCY	SHARE CAPITAL	EQUITY SHARE
PT Asian Bulk Logistics*	Indonesia	Usd	20,000,000	49.00%
dACC Maritime d.a.c.	Ireland	Usd	100,000	49.00%

** Investment valued at equity method until 31 July 2017, date on which the investment was sold*

APPENDIX 2
COMPARISON OF EQUITY OF COECLERICI SPA AND THAT OF GROUP

	NET PROFIT	EQUITY
Coeclerici SpA at 31 December 2017	**3,263**	**100,504**
Equity and net profit for the period recorded by consolidated companies	19,016	232,043
Consolidation adjustments:		
- elimination of holdings in subsidiaries and transactions between consolidated companies with exception of intercompany dividends	19,538	(269,164)
- application of IAS/IFRS international accounting principles	3,244	3,988
- elimination of intercompany dividends	(24,815)	-
Coeclerici Group at 31 December 2017	**20,246**	**67,371**

TECHNICAL GLOSSARY

API#2 (cif ARA): Average Coal Price Index (cost insurance freight on the Amsterdam-Rotterdam-Antwerp route). Average weekly coal price index including cost of freight on Amsterdam-Rotterdam-Antwerp route.

API#4 (fob Richards Bay): Average Coal Price Index (free on board on the Richards Bay port). Average weekly coal price index without freight cost referring to port of Richards Bay (South Africa).

B/B – Bare Boat Charter: Contract putting a vessel at the disposal of a charterer, without crew, for a given period of time; apart from the costs of the voyage (fuel, port taxes, canal transit fees etc.), the charterer also pays all operational costs (crew, maintenance, repairs, lubricants, provisions, insurance).

Capesize: Ship for transportation of dry bulk commodities exceeding 90,000 dwt, not able owing to its size to navigate the Panama Canal.

Demurrage: Penalty charged for the time, exceeding that established by the contract with the owner, which the charterer uses to bring loading/unloading operations of a vessel to a conclusion.

Despatch: Premium acknowledged for the time, less than that established by the contract with the owner, which the charterer uses to bring loading/unloading operations of a vessel to a conclusion.

DWT - TPL - Dead Weight Tonnage: Transportation capacity of a ship, expressed in tonnes, including cargo, fuel, provisions and crew.

Floating Transfer Station (FTS): Vessel patented by Coeclerici possessing adequate equipment (crane, conveyor belt, loaders etc.) and able to conduct cargo transshipping activities from one vessel to another.

Floating Storage & Transfer Station (FSTS): Ship adequately converted and equipped to store cargo and perform cargo transshipping operations.

Floating cranes: Floating cranes used in transshipping operations from barge to ship or vice versa.

IRS: Interest Rate Swap, a contract with which two parties agree to exchange payments, calculated on the basis of differing and pre-defined interest rates applied to a notional capital, for a period of time previously defined at the moment the contract is drawn up.

Panamax: Bulk-carrier vessel suitable for transiting the Panama Canal, with a width therefore not in excess of 32.24 metres. Normally these vessels are not greater than 80,000 dwt.

PCI: Pulverised Coal Injection. Coal used in steelworks, whose main characteristics are a low ashes content and a high heat-producing power.

Revamping: Extraordinary maintenance operations seeking to improve a vessel and increase its value.

Supramax: Bulk-carrier vessel suitable for transiting the Panama Canal, with a width therefore not in excess of 32.24 metres. Normally these vessels are not greater than 64,000 dwt. Vessel with a central crane enabling coal to be handled directly.

T/C - Time Charter: A contract whereby a ship is made available to a charterer who bears fuel costs, port fees, canal transit costs and other costs relating to the voyage. Normally expressed in USD per day of the ship's availability.

Transshipment vessel – Floating Terminal: Vessel able to transfer cargo from one vessel to another, positioned in the waters outside the port, with which loading or unloading operations of ocean-going vessels are conducted.

AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010

To the Shareholder of
Coeclerici S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Coeclerici Group (the Group), which comprise the consolidated balance sheet as at December 31, 2017, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Coeclerici S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010

The Directors of Coeclerici S.p.A. are responsible for the preparation of the Directors' Report of Coeclerici Group as at December 31, 2017, including its consistency with the related consolidated financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Directors' Report, with the consolidated financial statements of Coeclerici Group as at December 31, 2017 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Directors' Report is consistent with the consolidated financial statements of Coeclerici Group as at December 31, 2017 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Milan, April 17, 2018

EY S.p.A.

Signed by: Renato Macchi, Partner

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

BOARD OF STATUTORY AUDITORS' REPORT

Report of the board of statutory auditors pursuant to article 2429, second paragraph, of the Italian Civil Code.

To the Assembly of Shareholders of Coeclerici SpA

Introduction

During the financial year ended at December 31, 2017, the Board of Statutory auditors carried out the functions provided for by Article 2403 et seq. of the Italian civil Code, and those provided for by Article 2409 - bis of the Italian Civil Code were carried out by the auditing firm EY SpA.

During the year ended December 31, 2017 our activity was inspired by the provisions of the law and the Rules of Conduct of the Board of Statutory Auditors issued by the National Council of Chartered Accountants and Accounting Experts, in respect of which we carried out the self-assessment, with a positive result, for each member of the statutory auditor board.

Supervisory activities pursuant to Article 2403 et seq. of the Italian Civil Code

We have monitored compliance with the law and the articles of association as well as compliance with the principles of correct administration.

We have attended the shareholders' meetings and the meetings of the Board of Directors, in relation to which, on the basis of available information, we have not found violations of the law and the articles of association, nor operations manifestly imprudent, risky, in potential conflict of interest or such as to compromise the integrity of corporate assets.

During the meetings held, the Board of Directors provided us with information on the general management trend and its foreseeable evolution, as well as on the most significant transactions, due to their size or characteristics, carried out by the company and its subsidiaries; based on the information acquired, we have no particular observations to report.

We have met the supervisory body and no critical issues emerged regarding the correct implementation of the organizational model that should be highlighted in this report.

We have acquired knowledge and supervised, as far as we are responsible, on the adequacy and functioning of the company's organizational structure, also by collecting information from the heads of the departments and in this regard we have no particular observations to report.

We examined and monitored, within the scope of our responsibilities, the adequacy and functioning of the administrative and accounting system and its reliability in correctly representing the management situation, by obtaining information from managers and the examination of company documents, and in this regard, we have no particular observations to report.

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No complaints were received from the shareholders pursuant to Article 2408 of the Italian Civil Code.

The Board of Auditors did not issue the opinions envisioned by the law during the financial year.

During the carrying out of supervisory activities, as described above, there were no other significant events that would require mention in this report.

Comments regarding the financial statements

To the best of our knowledge, the directors, in drafting the financial statements, did not derogate from the provisions of the law pursuant to Article 2423, paragraph 4, of the Italian Civil Code.

Comments regarding the consolidated financial statements

Given the company's nature as a holding company, particular attention must be given to the consolidated financial statements that are presented for appropriate information and knowledge.

In this regard, we point out that the Group has voluntarily adopted the IAS/IFRS international accounting standards for the preparation of the consolidated financial statements.

With regard to the consolidated financial statements of the group as at 31/12/2017, we specify the following.

Since we are not responsible for analytical control of the content of the consolidated financial statements, we have monitored the general approach given to it and its general compliance with the law as regards its formation and structure and in this regard, we have no particular observations to report.

In the meetings held with the statutory auditor EY SpA we have examined the analytical list of the companies included in the scope of consolidation, we have gathered information on the various levels of control and examined the main consolidation principles adopted. Regarding the possible existence of weaknesses found in the instructions provided to the investee companies and of differences with the accounting principles of the parent company, the auditing company did not report any findings.

The statutory auditor EY S.p.a. has released the report pursuant to art. 14 of Legislative Decree no. 39/2010 stating that the consolidated financial statements provide a truthful and correct representation of the financial position of the Coeclerici Group, of the economic result and of the cash flows for the year ended December 31, 2017, in compliance with IFRS and on the consistency of the management report with the financial statements, expressing a positive opinion; the same, the full text of which should be consulted, does not contains findings or references to information.

Observations and proposals regarding the approval of the financial statements

Considering the results of the activity carried out by us, as well as the results of the report on the financial statements issued by the auditing company, the board proposes to the shareholders to approve the financial statements for the year ended December 31, 2017, as prepared by the directors.

The board agrees with the proposed allocation of the operating result made by the directors in the explanatory notes.

Lastly, we remind you that, since the three-year period has elapsed, the mandate conferred upon us expires with the approval of the financial statement. Therefore, during the Shareholders' Meeting you will be called to resolve on the appointment of the Statutory Auditors.

Milan, 17 April 2018

The Board of Statutory Auditors

Guglielmo Calderari di Palazzolo

Isabella Resta

Maurizio Dragoni

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