COECLERICI

ANNUAL REPORT 2018

The picture on the cover celebrates the tenth anniversary of the Coeclerici Group's purchase of the Korchakolsky mine located in the Siberian region of Kemerovo in Russia.

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

943ml
Turnover**

194ml
Investments over last 5 years*

12
Countries

1,198
Employees**

** Includes entities accounted for using the equity method*
Investments adjusted to exchange rates at 31 December 2018
*** Figures at 31 December 2018*

DEAR SHAREHOLDERS,

in 2018 the global economy has continued to grow, but the outlook for world trade weakened. Risks related to uncertainty over economic policies and continuing geopolitical tensions weighed heavily on the expansion of the international economy. The introduction of new protectionist measures increased doubts over trade policies in the coming years. In fact, the slowdown in global investments in recent quarters significantly reflects uncertainty in the industrial sector concerning regulations in future years, which has translated into a postponement of investment decisions. Political risk and the risk of a drop in international trade are actually closely related during this phase.

In this geopolitical environment, demand for coal is mainly driven by India and the South East Asian countries where emerging economies are searching for a cheap, available energy source and see coal as the optimal fuel for economic and industrial development. This trend is confirmed by the recent publication of the traditional report on energy prepared by IEA - International Energy Agency, World Energy Outlook – 2018. In its key scenario called "new policies", with a time horizon for the analysis going to 2040, the demand while weakening in the western countries, forecasts an annual growth for coal in India and the South East Asian countries at 3.4% and 3.5% respectively.
In 2018, coal prices confirmed last year's upward trend, with average prices of the API2 and API4 indexes (benchmark indicators for the price of steam coal) at USD 92/T and USD 98/T respectively, with an increase over average levels of USD 8/T and USD 14/T respectively compared with average prices seen in 2017. At the beginning of 2019 prices were closer to 2017 levels.

After almost a half century of business, the Coeclerici Group has terminated its transhipment operations by selling its 49% stake of the Indonesian company PT ABL and the vessels operating in Indonesia and Mozambique. In recent years, the transhipment industry has continued to decline significantly with a constant reduction in margins, and weak demand from new industrial projects that are located in countries with high business and political risk.
The Group's exit from the transhipment industry had a significant positive impact on the income statement and generated a significant amount of cash making it possible to repay the related bank loans.

I am pleased to inform you that during the year your Group achieved important operating results (net of the extraordinary events described above). EBITDA, EBIT and Group net profit amounted to Euro 41.3 million, Euro 31.7 million and Euro 15.9 million respectively (-12%, +10% and -21% compared to results achieved in 2017). For comparison purposes, it should be noted that compared to 2017, in view of the scenario described above, the Logistics Division's operating contribution in 2018 consisted only of the charter rate received for using the two vessels operating in Mozambique until May 2018. The year was characterized by the excellent operating performance of the Trading and Mining Divisions that benefited from strong coal prices.

During the year the Group made investments of Euro 41 million, including Euro 22 million for equipment needed for extraction activities at the mining site, and Euro 14 million for the Holding to take over two finance leases for the Calcinate and Seriate plants, which are the operating facilities of IMS Technologies. The net financial position stood at Euro 53.9 million, which was in line with the figure for the previous year.

It is worth mentioning that an agreement was reached during the year regarding the amendment of several conditions of the existing syndicated credit line with the broad satisfaction of all parties involved. The maximum amount of the line was reduced to Euro 75 million, but its availability was extended from December 2020 to December 2023.

The year 2018 confirmed the Mining Division's excellent performance, which improved compared to the already strong results achieved in previous years. Following a slowdown in production in 2017 related to changes in medium/long-term production plans due to the new architecture of the mining site, production returned to full capacity bringing extraction activity to a level of 1.5 million tonnes showing an increase of 29% over the same period of the previous year. The increase in tonnage handled and coal prices resulted in a 10% increase in turnover despite the weakening of the ruble (average exchange rate of EUR/RUB 74.03 in 2018 compared to an average of EUR/RUB 65.90 in the comparison period).
The reorganization process implemented in previous years has allowed the Group to stabilize the results of the Division and, together with the investments aimed at improving the production efficiency, confirms the Group's strategic interest towards its mining site in Kuzbass, in the region of Kemerovo, which during the current year is celebrating 10 years of business under the control of the Coeclerici Group. In the relevant period EBITDA reached Euro 18.2 million (Euro 9 million in 2017), EBIT totaled Euro 14.3 million (Euro 5.6 million in 2017) and Net Result amounted to 8.4 million (Euro 3.6 million in 2017).

During the reporting period the Trading Division, managed to achieve excellent results in a market environment characterized by satisfactory price levels, which were 10% higher than the previous year (using the API2 index as a basis) despite the high level of volatility. The Division reported a growth in turnover of 11% due to the increase in tonnes handled (+6%) and the rise in price levels (+10%), which was partially offset by a slight depreciation of the US dollar against the Euro of about 4% (average exchange rate of EUR/USD 1.18 in 2018 compared to an average of EUR/USD 1.13 in 2017). Operating results were in line with the previous year and were mainly due to a commercial policy aimed at trading high-added-value products, and at the same time, minimizing all forms of risk. In 2018, EBITDA totaled Euro 25.8 million (Euro 25.1 million in 2017), thanks mainly to the marketing of Russian PCI, a product with higher calorific value and greater margins, and thanks to Asian operations, which, despite a slight decline during the year, continued to generate significant operating results due to the strengthening of its core business. The higher profitability made it possible to achieve an EBIT of Euro 25.6 million (Euro 24.9 million in the previous year).
Effective 31 December 2018, Coeclerici Commodities SA sold the business complex involving international trade bound for Asian markets to Coeclerici Far East (Pte) Ltd with registered office in Singapore.

Following the divestment and the resulting exit from the transhipment sector, Coeclerici Logistics and Coeclerici Mozambico were merged into Coeclerici SpA in a merger transaction with effect for tax and accounting purposes on June 1, 2018.
In 2018 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 consisting of four 60,000-ton Supramax sister ships in a joint venture with the d'Amico Group; this business is still negatively affected by low charter rates, even though the signs of recovery that made the generation of operating profit possible have continued.
In line with the Group's strategic direction, in January 2019 an agreement with the d'Amico Group was finalized for the sale of both the equity investment in the Irish company and the related financing.

The year 2018 was the second year of the Group's operations in the Industry Division, which operates in the business of designing, manufacturing and marketing of high-technology automatic industrial machineries for the converting, packaging and automotive sectors, after its entry in this area by acquiring the entire share capital of IMS Technologies (formerly IMS Deltamatic).
During the year, the sound strategic and competitive position was further strengthened in key established sectors and related brands. Value of production totaled Euro 77.6 million representing a 7.1% increase over the prior year. Conversely, the significant reduction in profitability, negative EBITDA of Euro 1.1 million and loss for the year (Euro

3.3 million) was mainly due to the negative result of the German subsidiary Goebel and to financial efforts to give an additional boost to the business over the long term by, on the one hand, attempting to target new markets deemed to be particularly attractive in terms of their growth expectations, and on the other hand, by researching and implementing new technologies and construction solutions to adequately address market challenges and meet the Group's growth expectations. The definition and implementation of these strategic lines has involved consulting firms, with a resulting one-off impact on the income statement. In keeping with development plans, the organizational structure of the Division was strengthened with the addition of new managers with the aim of supporting the business and achieving strategic objectives.

Achievements, on the one hand, included the creation of a R&D unit to develop alternative technical solutions to be adopted at machineries, in order to better satisfy or anticipate the needs of our customers. An office was opened at Kilometro Rosso, the Bergamo science and technology park, for this purpose. On the other hand, there was a greater focus on the Group's service activities and the enhancement of the dedicated unit in order to expand relationships with the customer base and generate new business opportunities.

At the same time, the Group decided to leave the vertical press sector (under the Turra brand), whose contribution to turnover was not significant, selling the related business area to free up resources and space to be dedicated to the Division's core business.

Lastly, we should mention the initiative involving the establishment of a new Italian company called Slitters Rewinders Machines Srl. This is a special-purpose company aimed at facilitating the Group's entry into the flexible packaging machinery sector for converting. With this aim, the newly established legal entity signed a business division lease agreement with Laem System Srl, an industrial operator engaged in the design and construction of flexible packaging machineries with an extensive international reputation, especially in the North American market. This new initiative is a significant achievement for completing the Division's product portfolio, which will make it possible to further extend the accessible customer base with possible business and operating synergies.

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 2019

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
Rosa Cipriotti	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 2018.

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 2020.

Independent Auditors

EY SpA

The independent auditing firm has been appointed for the three-year period 2018/2020. The term of office of the independent auditing firm will expire with the approval of the financial statements on 31 December 2020.

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 interrupted due to the war event, becoming an exclusive agent for coal imports from the bigger coal producers and strengthening international relations with the US, England, South Africa, Australia and the Soviet Union (at the end of the 1950s).
In 1958, Coeclerici became the third Italian company opening an office in Moscow.
In 1964, Coeclerici signs an agreement for exclusive right to sell Soviet coal and scrap iron in 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 shipping company belonging to Ferruzzi Group, and Sidermar.
In 1997, in the process of internationalization, 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 specialized 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 transhipper.

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 Technologies Group (formerly IMS Deltamatic Group).

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

2018

Coeclerici enters into the business of manufacturing machinery for the flexible packaging sector, with the aim of completing its product line in the Industry Division, by signing a business division lease of Laem System Srl through Slitters Rewinders Machines Srl.
The Group, after about a half century of operations, decides to put and end to the Logistics Division, following the sale during the first half of 'Bulk Pioneer', which operated in Indonesia, and of the two transhippers, 'Bulk Zambesi' and 'Bulk Limpopo', operating in Mozambique.

BUSINESS AREAS

For over 120 years Coeclerici has been a point of reference in the supply of raw materials – in particular coal – for energy production.

Today, thanks to this consolidated business experience, it is the leading company of a Group present in different business sectors with high added value, with a constant diversification activity and a strategic-financial model aimed at development through acquisitions and organic growth.

Business Areas

Energy

Mining
Extraction of coal in owned mines.

Shipping
Joint venture with the d'Amico Group with whom owns four bulk carriers.

Trading
Supply of coal for steel industries and energy production.

Industry

IMS Technologies
Mechanical excellence for the construction of machines to serve the converting and automotive sectors.







DECEMBER, 31 2018

GROUP STRUCTURE

COECLERICI SpA

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

SHIPPING DIVISION

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

INDUSTRY DIVISION

- **100%** IMS Technologies SpA**
  - **100%** Kasper Machine Co
  - **100%** Slitters Rewinders Machines Srl
  - **100%** Goebel Schneid- und Wickelsysteme GmbH
    - **100%** Goebel Beijing Slitting Technologies Co

Other

- **100%** Coeclerici Far East (Pte) Ltd
- **100%** Elvezia Immobiliare SA
- **100%** Coeclerici Americas Real Estate Inc.
  - **99.98%** Nuevaco Imobiliaria Srl
- **100%** Bulkguasare de Venezuela SA
- **100%** CGU Logistic Ltd

Non operational companies and those in liquidation are excluded

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

*** Formerly IMS Deltamatic SpA (name changed on May 2, 2018)*

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DIRECTORS' REPORT

CONSOLIDATED RESULTS

Some of the main financial indicators and a comparison with the consolidated financial statements of 2017 and 2016 drawn up in accordance with International Accounting Standards / International Financial Reporting Standards are shown below (figures in thousands of Euro).

For a better understanding of the Group's operating performance, the main income statement indicators as of December 31, 2018 were also indicated in the column '2018 adjusted' net of the extraordinary impact deriving from leaving the transhipment sector.

	2018	2018 adjusted	2017	2016
Turnover	942,632	942,632	868,805	621,037
Ebitda	150,797	41,275	46,713	31,175
Ebit	141,227	31,705	28,738	20,650
Net Result	116,972	15,933	19,875	14,568
Group Net Profit	116,972	15,933	20,246	13,491
ROE		23%	27%	22%
ROI		26%	18%	10%

	2018	2017	2016
Fixed Assets	95,148	143,559	158,537
Working Capital	26,518	(20,721)	43,868
Net Capital Employed	121,666	122,838	202,405
Group Equity	67,719	67,371	66,349
Minority Interests	-	4,878	6,986
Net Financial Position	53,947	50,589	129,070
Sources of Finance	121,666	122,838	202,405
Cash flow from operating activities	(12,265)	62,573	38,805
Cash flow from investing activities	118,797	6,039	(12,283)
Cash flow from financing activities	(159,014)	(46,902)	(21,380)
NFP/EQUITY	0.80	0.70	1.76

117 MLN

Euro of Group Net Profit in 2018

The net result for the year includes the extraordinary impact deriving from leaving the transhipment industry. Net of this non-recurring event, EBITDA totaled Euro 41.3 million, down by 5.4 million compared to 2017, EBIT rose by Euro 3 million to Euro 31.7 million and the Group's net profit was down by Euro 4.3 million to Euro 15.9 million. To be noted that comparison figures include the full use and the related profitability generated by the vessels operating in Mozambique and Indonesia.

These results were achieved thanks to the excellent performance of the Trading, Mining and Logistics Divisions: increase in extraction activities at mine owned by the Group, marketing of high-added-value products for the Trading Division in a market environment characterized by prices returning to satisfactory levels and continuing excellent profitability for port logistical services performed until the sale of the vessels.

The net financial position stood at Euro 53.9 million, which was in line with the figure for the previous year.

The uses of financial resources included Euro 21.9 million invested to improve the production efficiency of the mining site, Euro 14.1 million for the Holding company Coeclerici SpA to take over two finance leases, from the previous shareholder of IMS Technologies, for the Calcinate and Seriate plants, where the industrial activity is carried out by the subsidiary IMS Technologies, Euro 0.8 million invested by Coeclerici to purchase a land parcel in Calcinate adjacent to the existing plant and Euro 0.8 million for the purchase of a land parcel by the US subsidiary Kasper Machine in the area of Detroit. The latter land parcel is being analyzed to determine the technical characteristics of the company's new property in line with production requirements.

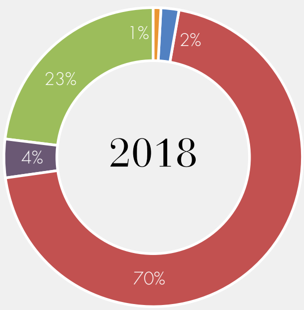
In the presence of a positive net result of Euro 117 million, a number of items with a negative balance were recorded during the year directly under Group shareholders' equity; these, conditions being equal, could be reclassified in the income statement in subsequent years for a total of Euro 1.1 million. Specifically, the equity items that changed were attributable for 2.2 million to the reduction of the translation reserve of the financial statements in currency other than Euro, for Euro 0.1 to the reduction of the reserve relating to the fair value of 'Available-for-sale financial assets', and for 1.2 million to the increase of the reserve relating to the fair value of derivative financial instruments used for hedging.

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

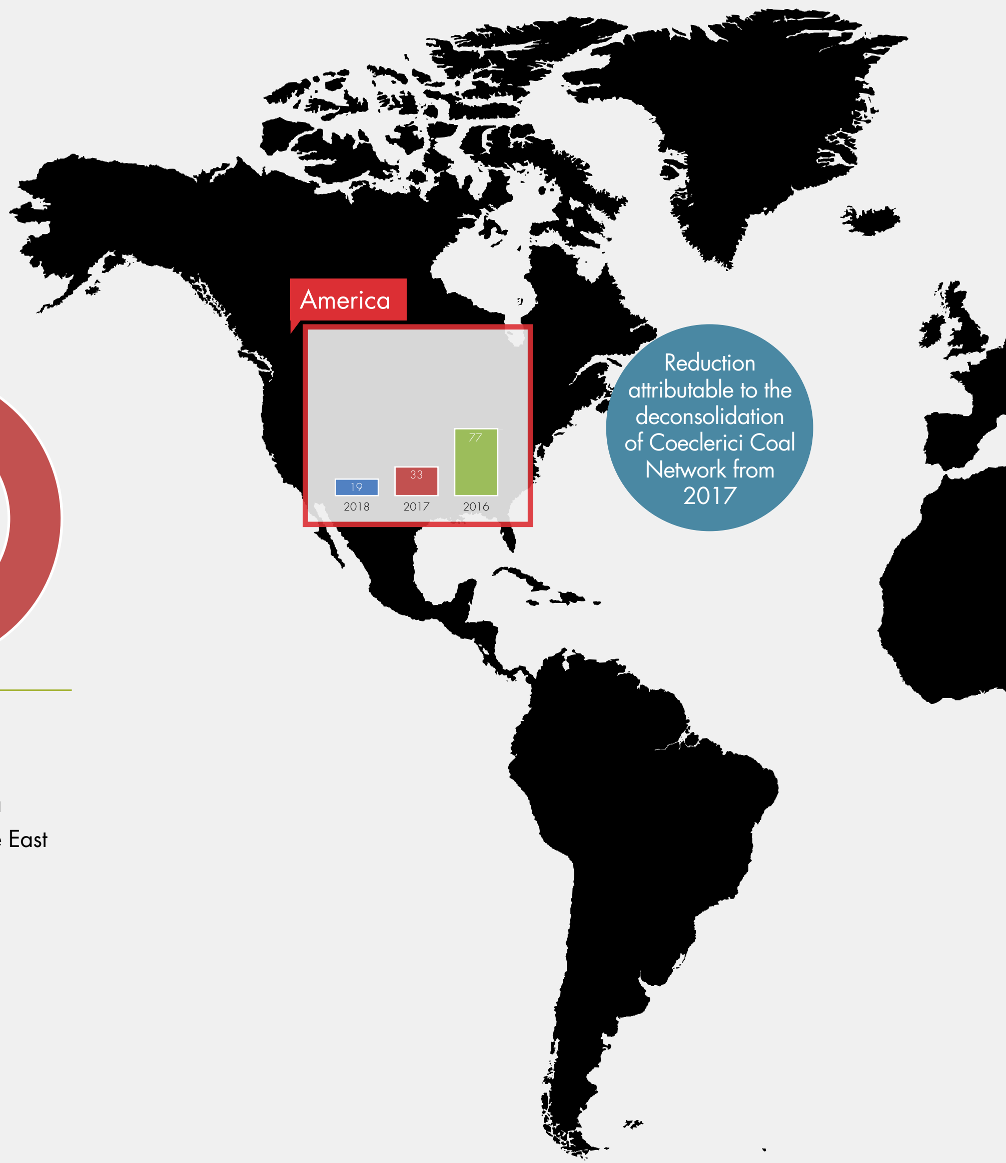
+10%
EBIT ADJUSTED
2018 compared with 2017

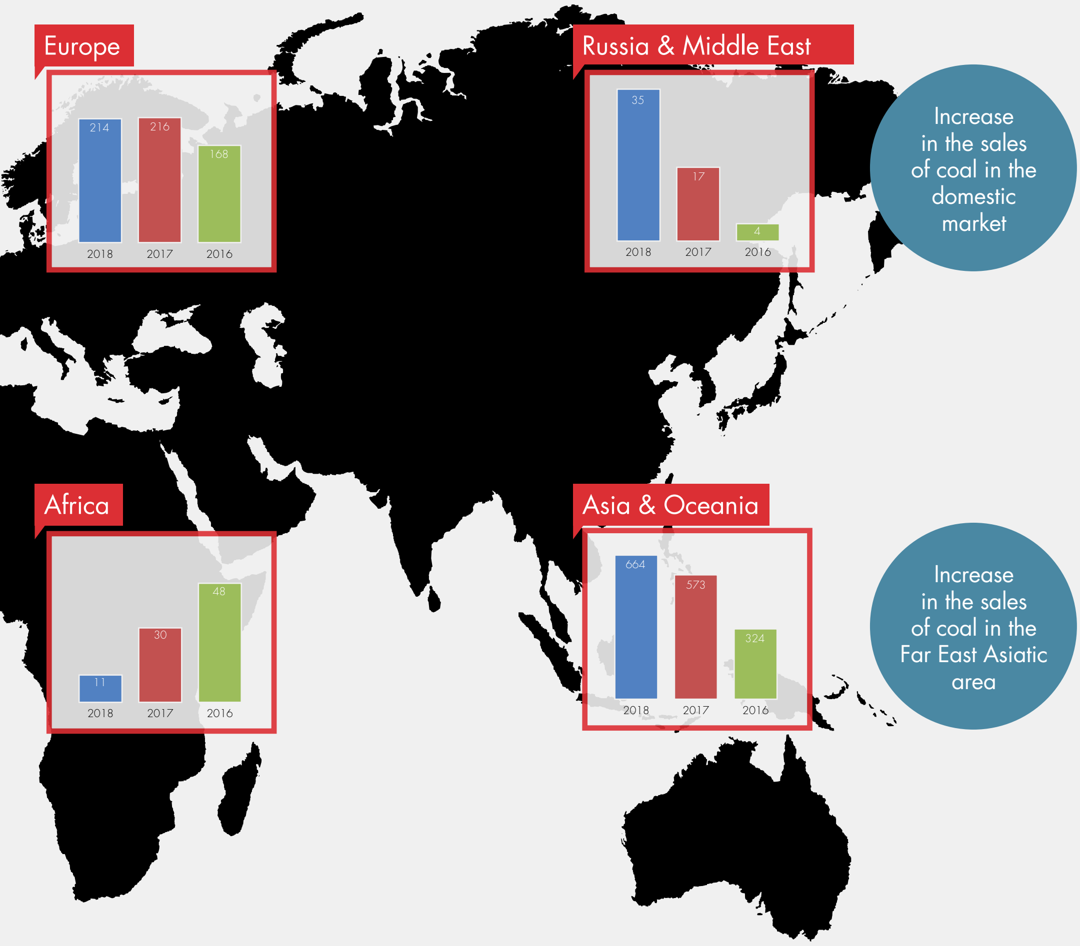
FINANCIAL CAPITAL

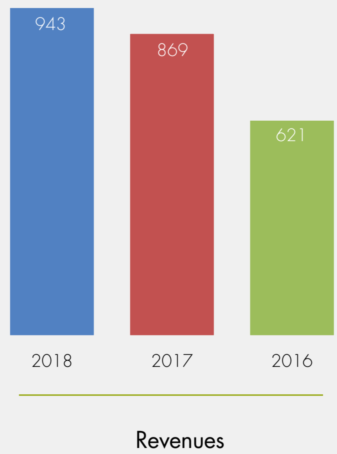
REVENUES BY GEOGRAPHICAL AREA (M/EURO)



- Africa
- America
- Asia and Oceania
- Russia and Middle East
- Europe




Europe
214
216
168
2018
2017
2016
Russia & Middle East
35
17
4
2018
2017
2016
Africa
11
30
48
2018
2017
2016
Asia & Oceania
664
573
324
2018
2017
2016
Increase in the sales of coal in the domestic market
Increase in the sales of coal in the Far East Asiatic area

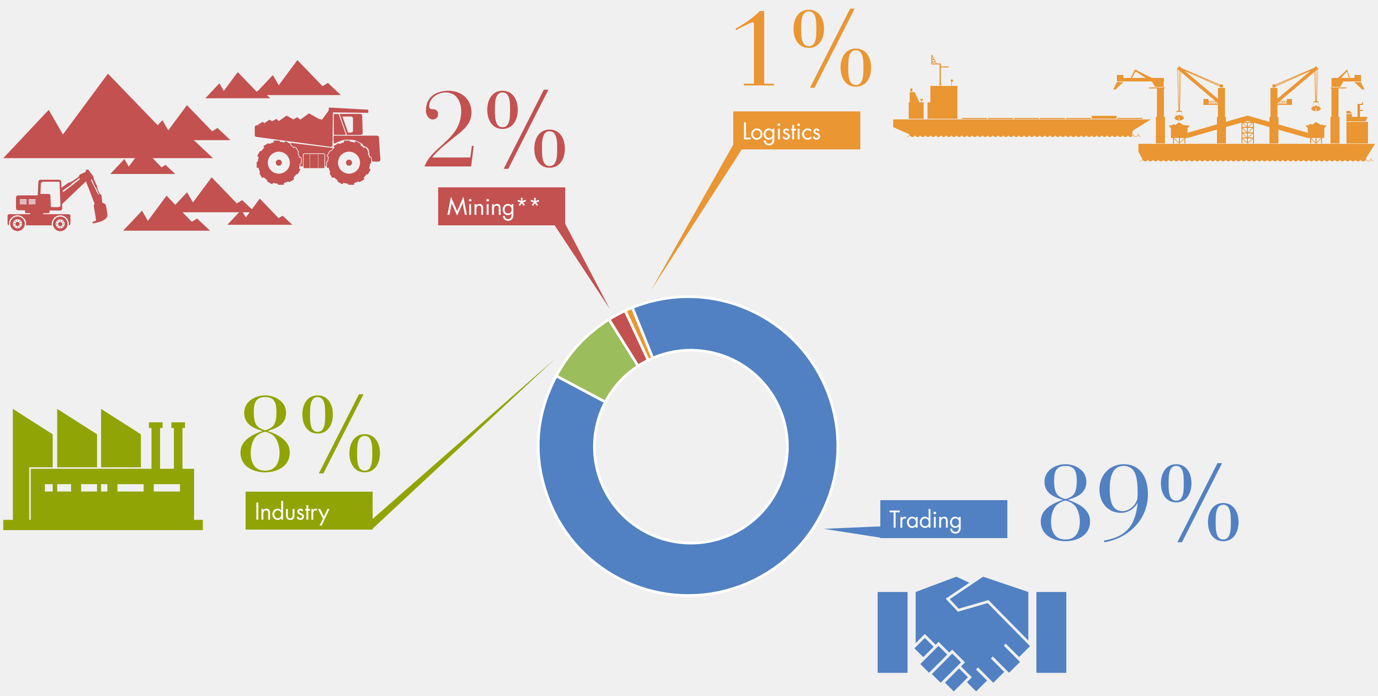

943
869
621
2018
2017
2016
Revenues

TONNES HANDLED (THOUSANDS OF METRIC TONNES - MT)**

2018*	2017	2016
8,087	26,159	31,886

* The decrease was due entirely to the lack of a contribution from the Logistics Division, which was sold in 2018

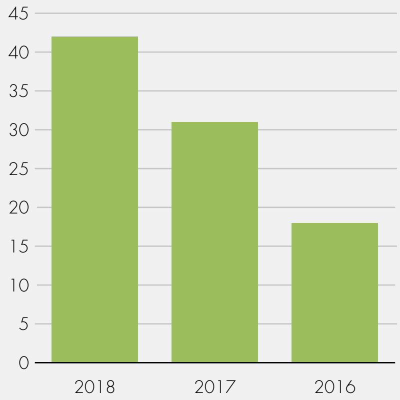
FY 2018 TURNOVER BY DIVISION



** Offset by intercompany transactions

PRODUCTIVE CAPITAL

INVESTMENTS* (M/EURO)



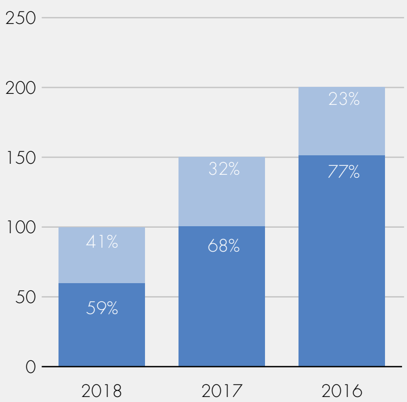
Investments over the last 3 years equal to Euro 91 million

2018	42
2017	31
2016	18

Investments in 2018 reflected early investments made by the Mining Division for the sake of financial expediency

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

FINANCIAL LIABILITIES (M/EURO)

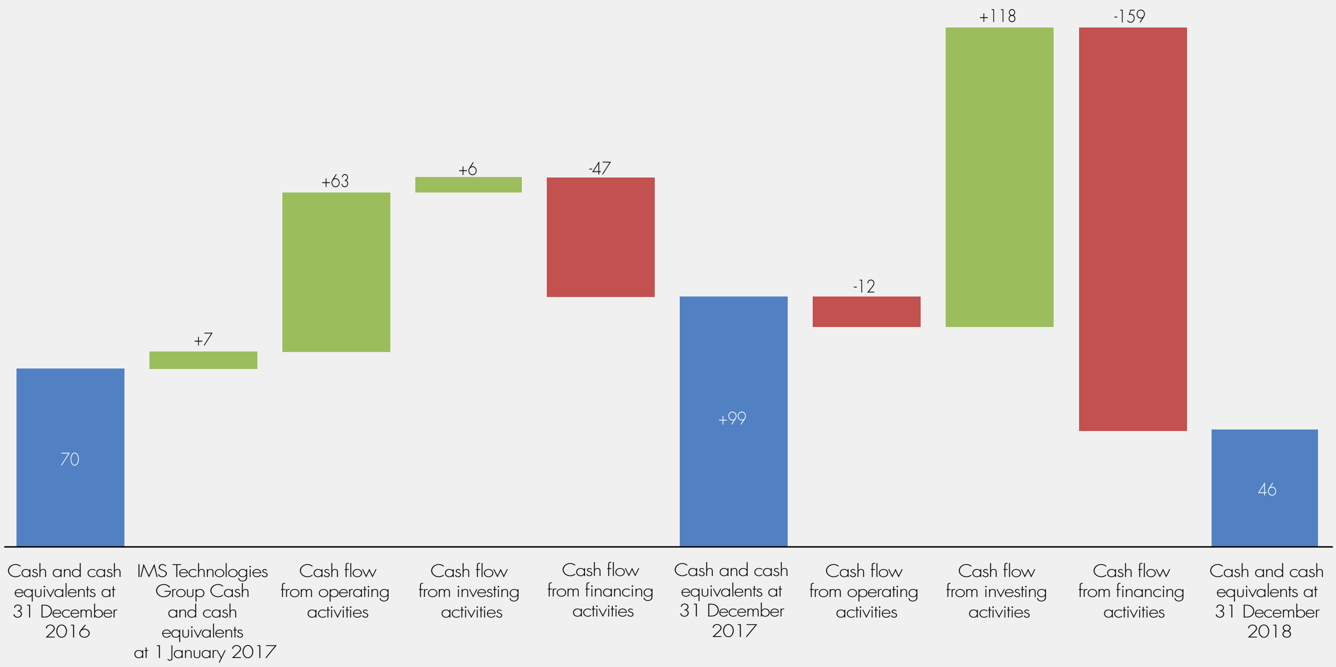


-50% in borrowing with respect to 2016

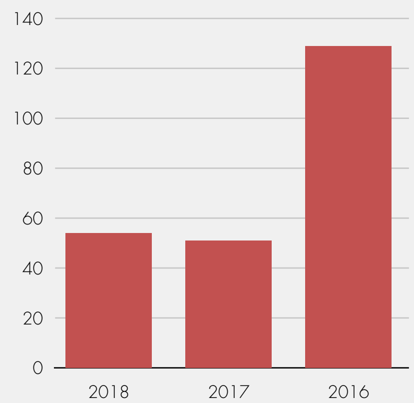
Short term financial liabilities
Medium-long term financial liabilities

2018	100
2017	149
2016	199

CASH FLOW (M/EURO)



NET FINANCIAL POSITION (M/EURO)



Improvement in the NFP for Euro 75 million with respect to 2016

2018	54
2017	51
2016	129

HUMAN CAPITAL

N° OF EMPLOYEES	2018	2017
Africa	-	45
America	17	18
Asia & Oceania	27	60
Russia & Middle East	746	735
Europe	408	379
Total	**1,198**	**1,237**

	2018	2017
Average age of employees	**42**	**43**

	2018	2017
Level of education*	**44%**	**42%**

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

+ 3%

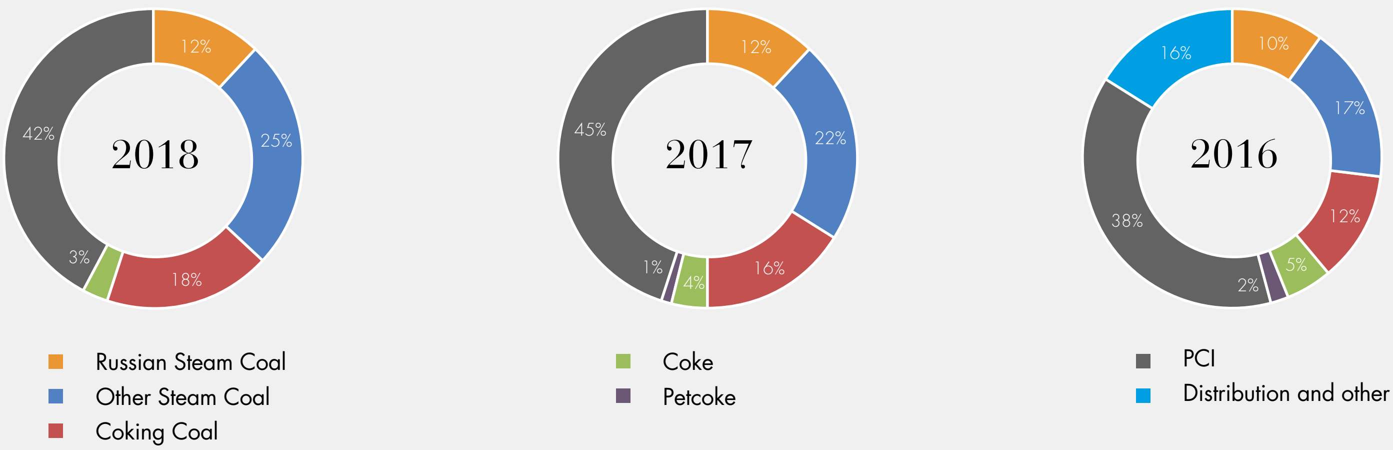
Ebitda 2018 compared to 2017

TRADING DIVISION

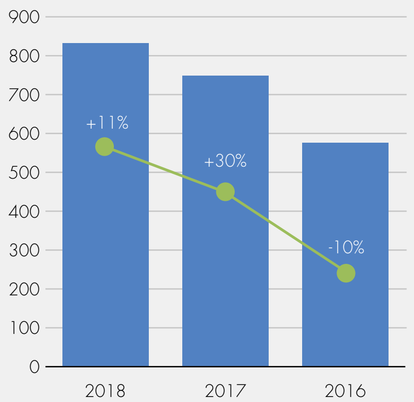
	2018	2017	2016
Tonnes handled	7,811,692	7,339,436	8,230,420
Turnover	833,484	748,710	575,592
Ebitda	25,789	25,078	11,834
Ebit	25,553	24,945	11,417
Net Result	18,370	24,958	7,497

The Division increased sales volume by 6% over the previous year.
Despite the depreciation of the dollar, turnover rose by 11% thanks to a 10% increase in coal prices, using the API2 index as a basis (this index showed an average price of USD 92/T compared to USD 84/T reported in 2017) and higher volumes handled.
EBITDA was up by 3% over 2017 to Euro 25.8 million thanks to a commercial policy that is attentive and resilient to the volatility of the market.
The reduction in net result was mainly affected by realized exchange differences.
Russian coal continued to be the Division's core business, which, together with trading on the Asian market, made it possible to generate a tested mix that reflects the Group's entrepreneurial philosophy of combining trading experience with the monitoring of risk in all forms without abandoning the market's innovative aspects.
Here below follows a comparison of tons handled, by product type:

HANDLED COAL BY PRODUCT TYPE



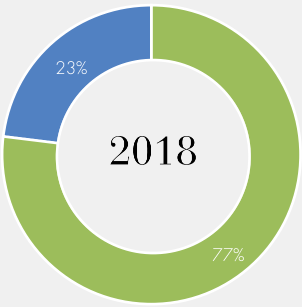
REVENUES TREND (M/EURO)

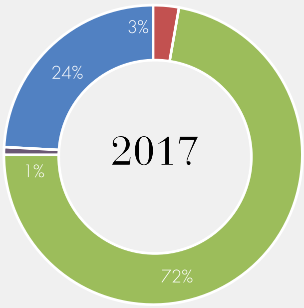


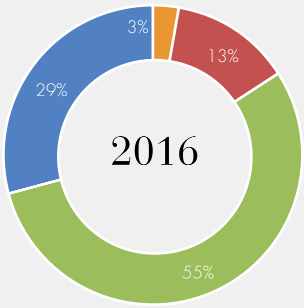
CAGR +13.1%

2018	833
2017	749
2016	576

TURNOVER BY GEOGRAPHICAL AREA



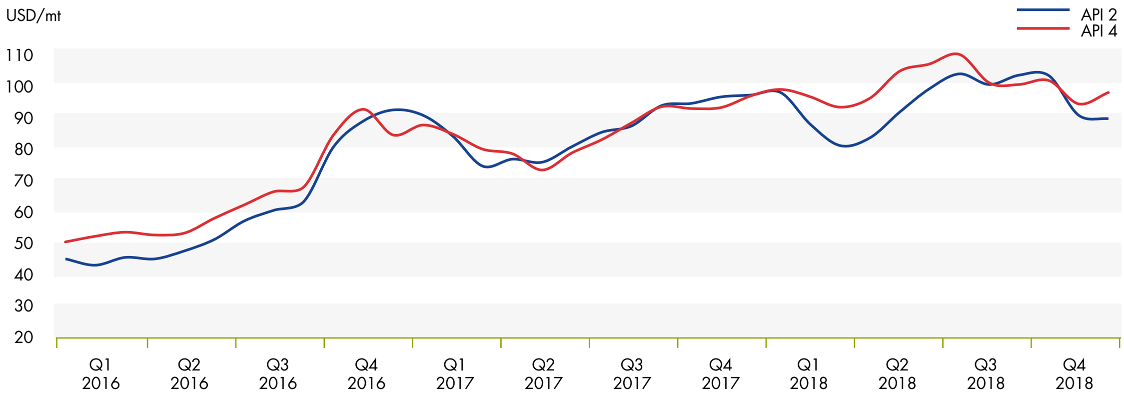




- Africa
- America
- Asia and Australia
- Russia and Middle East
- Europe

During 2018, the API2, the main reference index for the business carried out by the Division, rose by 10% over the same period of the previous year. Despite the good performance of the index, the year 2018 was characterized by high volatility with significant swings making it difficult to set contractual prices.
The API4 index, related to South African coal intended mainly for Asian markets, rose by +17% (nearly twice the percentage increase of the API2 index) over the previous year.

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 $	2018	2017	2016
API#2 INDEX – average	92	84	60
API#4 INDEX – average	98	84	64

MINING DIVISION

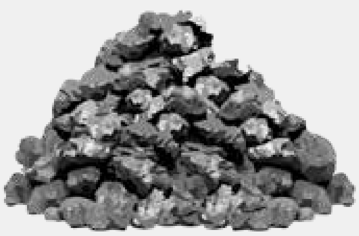
+102%

Ebitda 2018 compared to 2017

	2018	2017	2016
Tonnes handled	1,401,936	1,274,201	1,368,633
Turnover	56,393	51,417	36,441
Ebitda	18,203	8,999	9,236
Ebit	14,289	5,572	6,308
Net Result	8,440	3,580	6,248

Tonnes of coal extracted during 2018 rose by 29% over the same period of the previous year from 1,165 thousand tonnes extracted in 2017 to 1,501 thousand tonnes extracted in 2018.
The increase was due mainly to the geological restoration of the mine, which was completed rapidly at the beginning of the current year.
From the standpoint of sales, there was a 10% increase in tonnes handled compared to the previous year due mainly to the increase in tonnes extracted, which was partially offset by the decision to increase existing stock to bring it up to standard levels.
Thanks especially to the increase in tonnes sold, turnover rose by 10% over 2017. EBITDA essentially doubled from Euro 8,999 thousand to Euro 18,203 thousand, while EBIT was up by 156% to Euro 14,289 thousand. These impressive results were achieved despite the weakening of the ruble (EUR/RUB average exchange rate of 74.03 in 2018 compared with an average value of 65.90 in the comparison period).
The growth in the operating results over the last three years made it possible to achieve an important economic-financial balance of the mining site.
The net result was also affected by unrealized negative exchange differences for loans obtained in a currency other than the ruble, and the weight of the financial expense generated by the medium/long-term borrowing, which made it possible to achieve significant investments at the production site thereby ensuring better-than-average efficiency and an elevated quality standard for the coming years.

TONNES EXTRACTED (THOUSAND OF MT)



2018
1,501

2017
1,165

2016
1,422

LOGISTICS & SHIPPING DIVISION

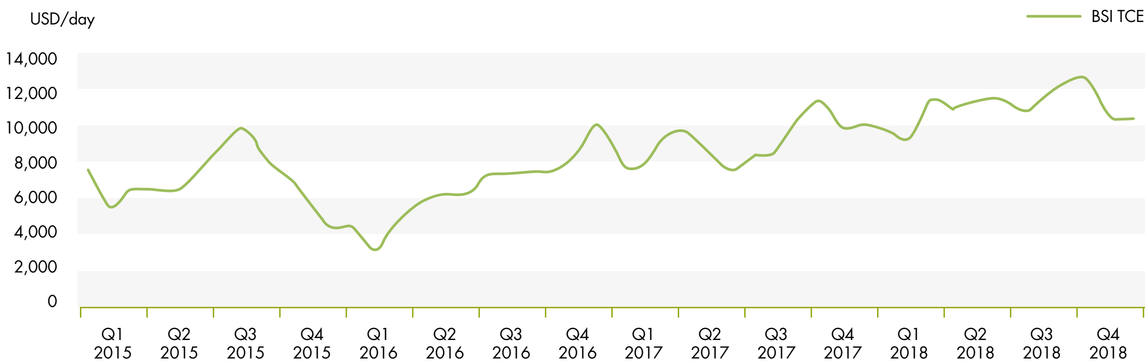
	2018	2017	2016
Metric tonnes handled including JV PT ABL	-	18,642,653	23,552,821
Turnover	10,456	37,505	40,770
Ebitda	116,896	14,760	17,874
Ebit	114,729	6,040	11,148
Net Result	105,469	4,533	8,880

105 MLN

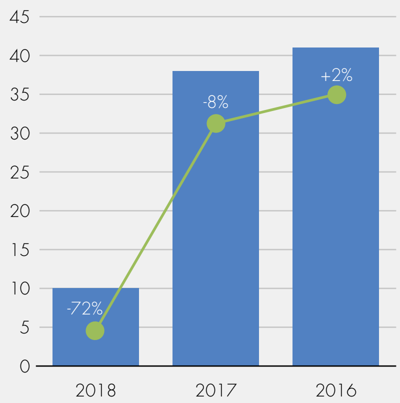
Euro of Net Result in 2018

Profitability for the period was heavily affected by the extraordinary impact of the Group's exit from the transhipment industry.

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 2017, which made it possible to achieve a moderate improvement in operating profit, which rose from USD 0.8 million in 2017 to USD 3.8 million in 2018.



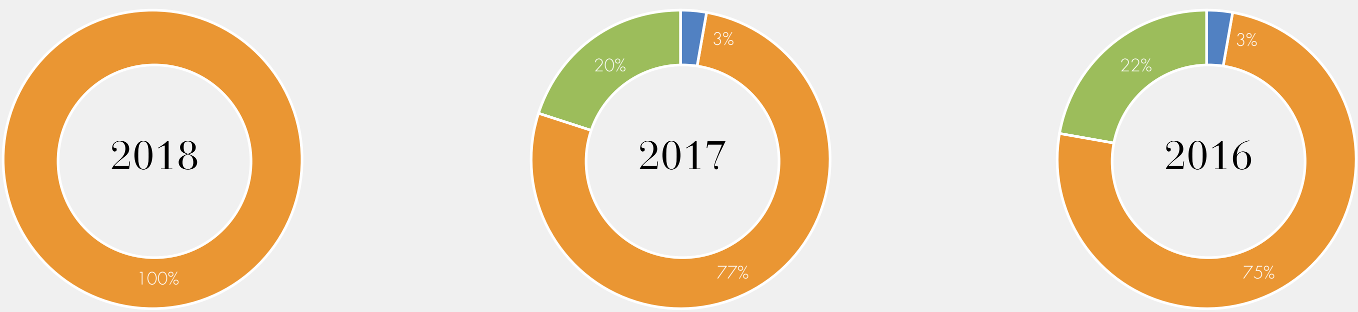
REVENUES TREND (M/EURO)



CAGR -36.5%

2018	10
2017	38
2016	41

REVENUES BY GEOGRAPHICAL AREA



Africa
Asia and Australia
Europe

As of December 31, 2018, the fleet of the Logistics & Shipping Division consisted entirely of vessels of the company dACC Maritime. Note that this entity was consolidated using the equity method until 31 December 2018, and as indicated in 'Note 31 – Subsequent events', the shares were sold to the d'Amico Group on 14 January 2019.

	COMPANY	TPL	YEAR OF CONSTRUCTION
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


14m
8
6
4
2
13m
8
6
4
2
12m
8
6
4
2
11m
8
6
4
2
10m
8
6
4
2
9m
8
6
4
2
8m
8
6
4
2
7m
8
6
4
2
6m

INDUSTRY DIVISION

	2018	2017
Turnover	77,580	72,440
Ebitda	(1,095)	7,264
Ebit	(2,813)	5,667
Net Result	(3,315)	3,418

+7%

Turnover 2018 compared to 2017

The value of production of the Industry Division rose by 7% to Euro 77.6 million. This increase was seen across all major business areas of the IMS Technologies Group.

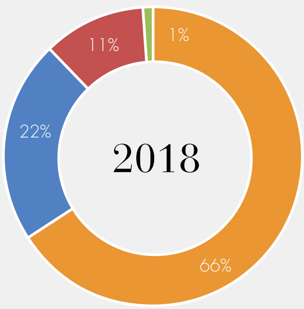
Despite this increase in turnover, profit performances were not as positive with negative figures for EBITDA, EBIT and net result for the period. This was mainly due to the negative result of the German subsidiaries Goebel and to measures taken to ensure that the Division could achieve an appropriate technological, commercial and managerial development in order to further grow the business over the long term. These measures took the form of attempts to target new, especially promising markets, and the implementation of new technologies and construction solutions to properly address market challenges with the aim of achieving growth.

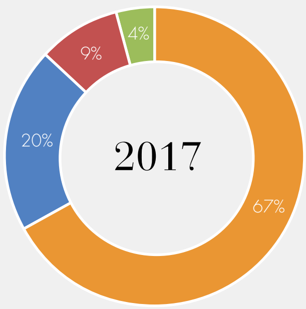
These measures were taken by using external consulting firms that provided high-level professional services aimed at achieving the strategic goals. At the same time, IMS Technologies strengthened its internal business support units under the supervision of the holding company that performs its management function.

The net result was also affected by start-up costs related to the company Slitters Rewinders Machines Srl.

The graphs which follow disclose a breakdown of backlog by Division, showing the preeminence of the Converting Division, the trend in value of production, the trend in overhead and administrative expenses and the breakdown of turnover by geographical area and Division.

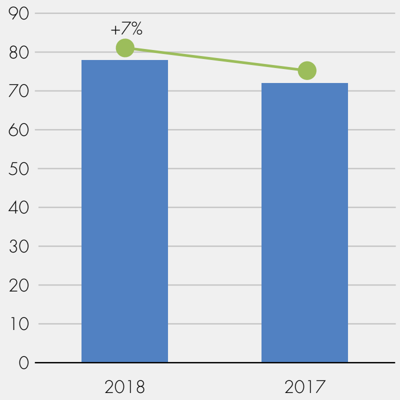
BACKLOG BY DIVISION





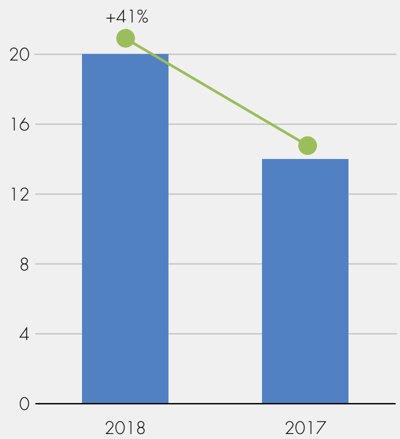
- Converting
- Automotive
- Packaging
- Specials

VALUE OF PRODUCTION TREND (M/ EURO)



2018	78
2017	72

OVERHEAD AND ADMINISTRATIVE EXPENSES TREND (M/EURO)



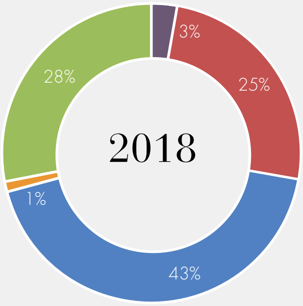
Increase due to:

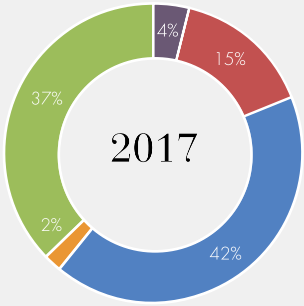
personnel costs +45%

consultancies +83%

2018	20
2017	14

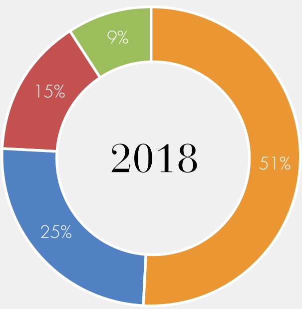
TURNOVER BY GEOGRAPHICAL AREA

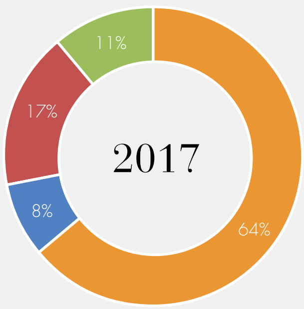




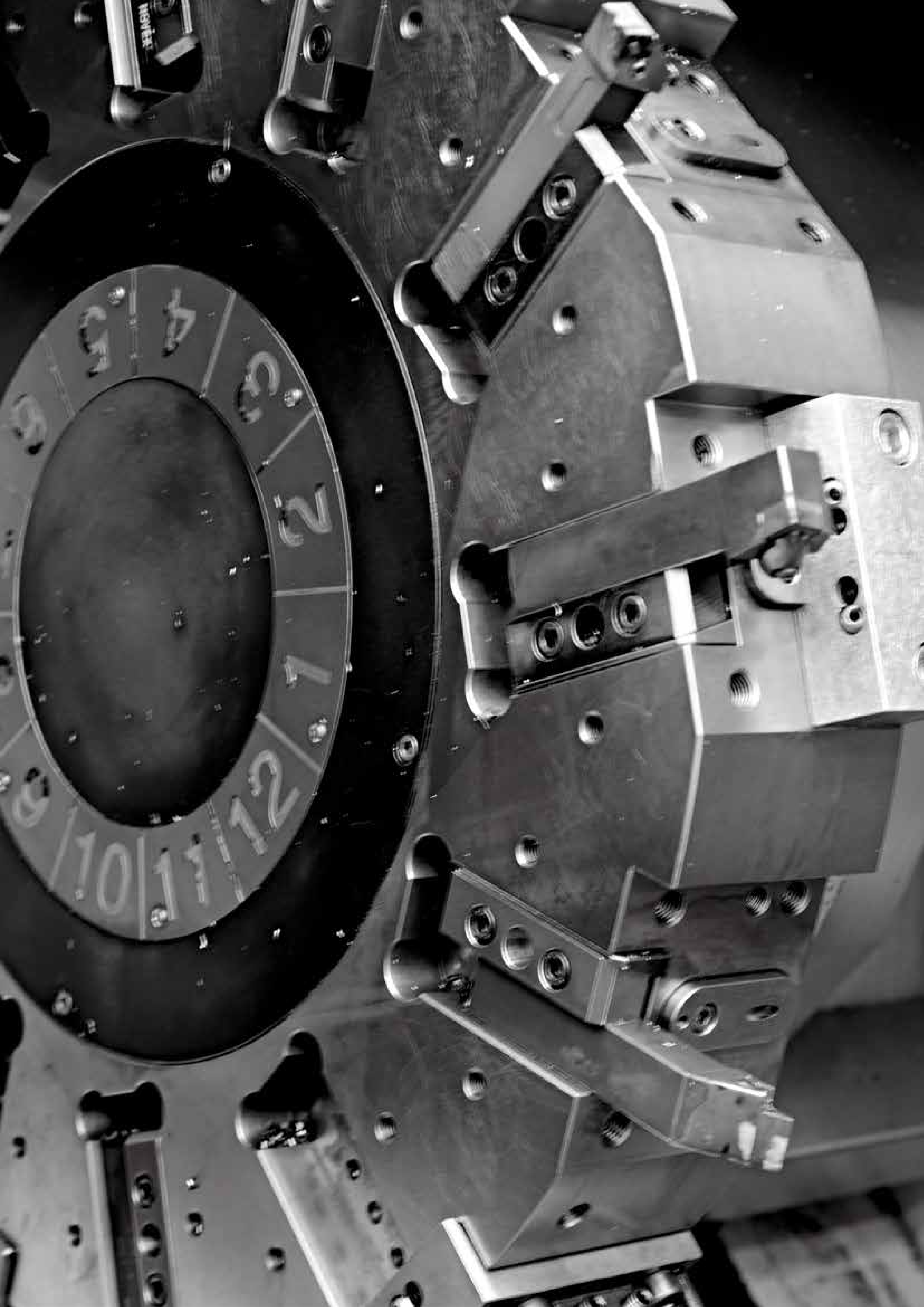
- Russia and Middle East
- Americas
- Europe
- Africa
- Asia and Australia

TURNOVER BY DIVISION





- Converting
- Automotive
- Packaging
- Specials


10
11
12

HOLDING COMPANY

	2018	2017	2016
Turnover	3,596	3,360	3,824
Ebitda	(8,996)	(9,388)	(7,769)
Ebit	(10,531)	(13,486)	(8,223)
Net Result	(11,992)	(16,614)	(8,057)

Following the reorganization 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 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 realization of new machines for automated industrial plants and the technological modernization of existing models. The research activities are booked to the income statement, the development activities are capitalized if the conditions apply, and are amortized 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 2018, health and safety courses required by applicable laws were planned, as well as language courses.

Overall 7,192 hours of training were provided.

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 Italian companies Coeclerici SpA, IMS Technologies SpA and Slitters Rewinders Machines Srl participate in tax consolidation, and Fincler Srl acts as the consolidator. The credit arising from this position at 31 December 2018 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 parent company, Fincler Srl, referring to the offices in Piazza Generale Armando Diaz, 7 – Milan.

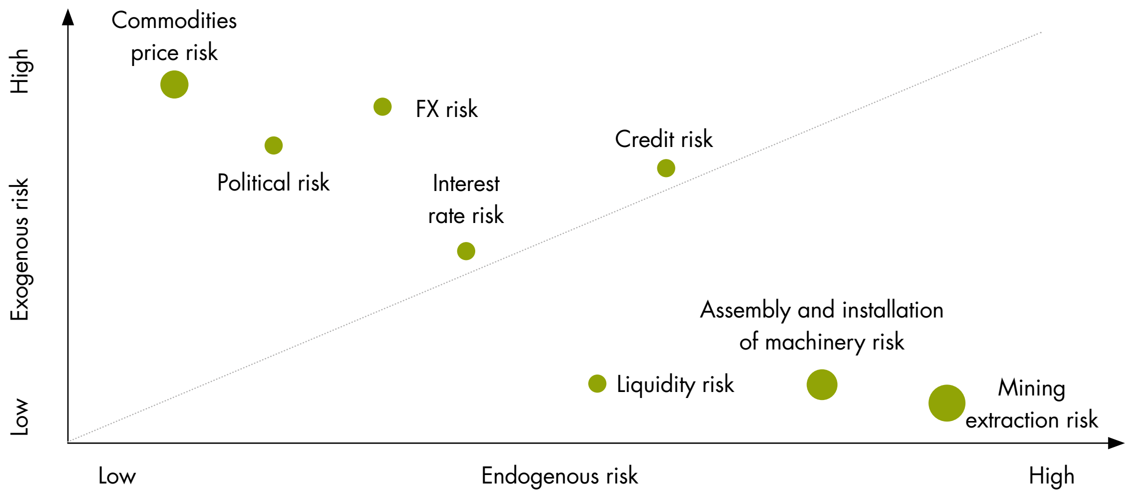
In accordance with clause 5, article 2497 bis of the Italian Civil Code, it is hereby affirmed that relations with Fincler Srl, which conducts activities of direction and coordination of the Group, exclusively concerned the rental contract which was regulated by normal market conditions, as well as the 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 commodities 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 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;
- operational risk, mainly damages 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 characterizing 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 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.

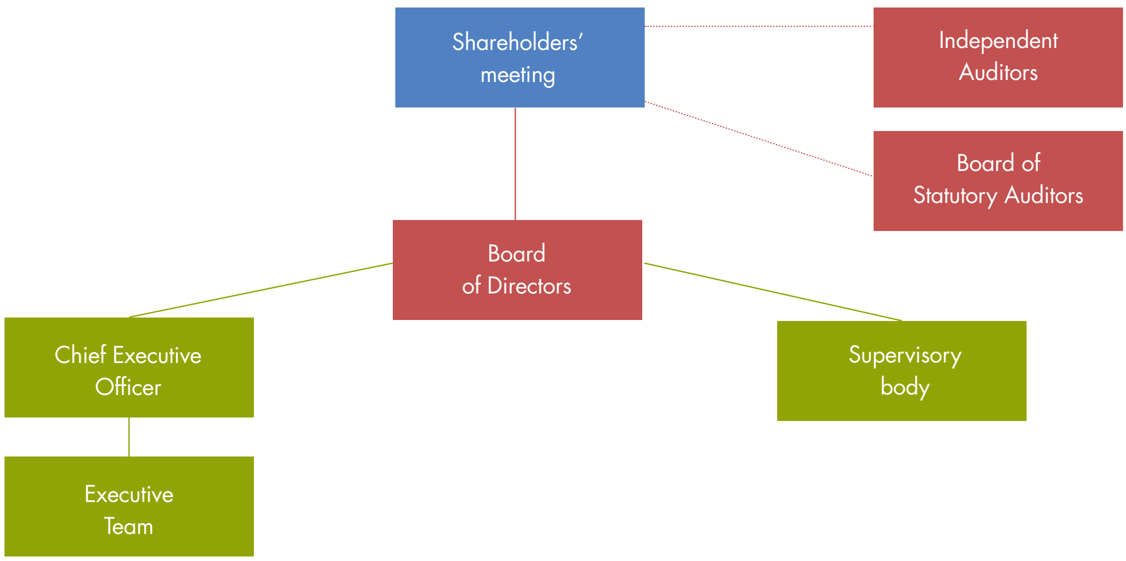
With regard to the Industry Division, there is a constant commitment to improve the health and safety conditions of its workers and to observe the environmental legislation in force in the countries in which the business activities are carried out. In particular, at the time of enforcement of new legislation 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 specialized external resources, with the aim of seeking

and constantly realizing 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 organized in line with the traditional Italian model which delegates: (i) company management to the Board of Directors, the fulcrum of the organizational system which is appointed for the period defined at appointment time, for a maximum of a 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 18 April 2018, was given an annual mandate expiring with the approval of the financial statements for the financial year 2018.

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 organization 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 characterize 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 characterizing 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 organizational 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 organizational 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 Organization, 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 organizations for certain crimes committed in their interest or to their advantage by persons who hold a representative, administrative or managerial role within the organization 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 organizational, 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 organization with autonomous powers of initiative and control.
To this end, on 27 September 2012, the Board of Directors of Coeclerici SpA approved the organization, management and control model established by D.Lgs. 231/2001, revised and updated as a result of organizational 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 three members, of which two are external and one is an internal member. Of these, one external and one internal member were appointed on 28 March 2017, and the third member was appointed on 15 November 2018 following the merger of Coeclerici Logistics SpA; they will remain in office until the approval of the 2018 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 organization, 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

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 'Coal 2018', global coal consumption is expected to be stable until 2023, and the demand for coal has returned to growth driven by higher industrial production and higher electricity consumption with growth of consumption in emerging countries that offsets the drop in demand for coal in OECD countries and China, which has started a program for the reduction of emissions based on a greater fuel diversification.

In the first quarter of 2019, there was a downward trend in coal prices, which, however, are still at a discrete level.

Within this sphere, the Group's strategy is aimed at seizing the best opportunities for development through the consolidation and optimization 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 with a special emphasis on Russia. The trend of coal prices reported in 2016-2017 and settled in 2018 is definitely reassuring; despite this, management cautiously observes the developments of a market which still shows signs of high volatility.
The commitment to look for other forms of non-traditional trading will continue with the involvement of permanent collaboration and / or possible investments. As indicated in the Chairman's message, starting 1 January 2019, international trading activities with the Asian market will be carried out by Coeclerici Far East (Pte) Ltd.

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 Shipping Division, on 14 January 2019 the sale of its 49% stake in the joint venture dACC Maritime d.a.c. to the d'Amico Group was finalized. This event marked the Group's final exit from the shipping sector.

With regard to the Industry Division, in the second half of the year there was a decline in business in the reference market resulting in a slowdown in new orders, but to varying degrees in the various business areas.
However, we believe that thanks to the several initiatives implemented to improve the Division's strategic direction, 2019 will be characterized by an improvement in business penetration and a quick recovery of profits.
The impact of entering into the machinery for flexible packaging market for the converting sector is already showing effects for a major contribution in 2019 despite the limited initial impact in numerical terms, and it represents an important evolution for the Group.
Similarly, the initial concrete developments from intense R&D activities in the year just ended are expected to be felt.
The sale of the Turra (vertical press) business complex in the second half of the year made it possible to further focus on the Division's core businesses.
The strengthening of the unit dedicated to post-sale service will soon make it possible to expand relationships with the customer base and make it easier to identify new business opportunities.
With regard to the US subsidiary Kasper Machine,

following the purchase of a new land parcel in the area of Detroit in 2018, analyses are currently underway, and the technical characteristics of the company's new building will soon be determined relative to the requirements of production activities.

Finally, in the coming months an in-depth analysis of company processes is planned; the current management software is going to be replaced with a new ERP system in order to integrate the entire production and control process in a unique technologically advanced tool designed to meet the company's specific needs.


COECLERICI

CONSOLIDATED FINANCIAL STATEMENTS

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Consolidated income statement

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Consolidated statement of comprehensive income

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Consolidated statement of changes in equity

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Consolidated statement of cash flow

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2018 (thousands of Euro)

ASSETS	(NOTE)	31-Dec-2018	31-Dec-2017	CHANGES
NON-CURRENT ASSETS				
Property, plant and equipment	1	78,786	128,596	(49,810)
Intangible assets	2	13,780	13,922	(142)
Interests in associated entities and jointly controlled entities	3	-	-	-
Other investments	3	5	2	3
Available-for-sale financial assets	3	2,577	1,039	1,538
Deferred tax assets	24	2,027	7,516	(5,489)
Other non-current assets	4	313	23,539	(23,226)
TOTAL NON-CURRENT ASSETS		97,488	174,614	(77,126)
CURRENT ASSETS				
Inventories	5	95,920	74,853	21,067
Trade receivables	6	35,459	30,200	5,259
Prepayments	7	5,881	5,993	(112)
Other receivables and current assets	7	44,547	17,518	27,029
Cash and cash equivalents	8	46,333	98,815	(52,482)
TOTAL CURRENT ASSETS		228,140	227,379	761
TOTAL ASSETS		325,628	401,993	(76,365)

EQUITY AND LIABILITIES	(NOTE)	31-Dec-2018	31-Dec-2017	CHANGES
SHAREHOLDERS' EQUITY				
Group equity	9	67,719	67,371	348
Minority interests	9	-	4,878	(4,878)
TOTAL SHAREHOLDERS' EQUITY		67,719	72,249	(4,530)
NON-CURRENT LIABILITIES				
Interest bearing liabilities and borrowings	10	58,975	101,071	(42,096)
Provision for risks and charges	11	10,503	33,318	(22,815)
Post-employment benefits	12	2,769	3,297	(528)
Deferred tax liabilities	24	3,093	2,724	369
TOTAL NON-CURRENT LIABILITIES		75,340	140,410	(65,070)
CURRENT LIABILITIES				
Interest bearing liabilities and borrowings	10	41,305	48,358	(7,053)
Provision for risks and charges	11	826	359	467
Trade payables	13	46,178	56,679	(10,501)
Other payables and current liabilities	14	94,260	83,938	10,322
TOTAL CURRENT LIABILITIES		182,569	189,334	(6,765)
TOTAL SHAREHOLDERS’ EQUITY AND LIABILITIES		325,628	401,993	(76,365)

CONSOLIDATED INCOME STATEMENT AT 31 DECEMBER 2018 (thousands of Euro)

	(NOTE)	2018	2017	CHANGES
Revenues from sales and services	15	942,632	868,805	73,827
Operating costs	16	(848,418)	(763,402)	(85,016)
GROSS MARGIN		94,214	105,403	(11,189)
Overhead and administrative expenses	17	(51,556)	(48,682)	(2,874)
Capital gains / (losses) on non-current assets	18	91,890	2,011	89,879
Profit / (loss) companies measured using the E.M.	19	(1,275)	2,741	(4,016)
Other net operating income (costs)	20	17,524	(14,760)	32,284
EBITDA		150,797	46,713	104,084
Depreciation, amortization and devaluation	21	(9,570)	(17,975)	8,405
OPERATING PROFIT (EBIT)		141,227	28,738	112,489
Net financial income / (expenses)	22	(10,988)	(6,016)	(4,972)
Profit / (loss) on foreign exchange	23	(5,962)	3,544	(9,506)
RESULT BEFORE TAXES		124,277	26,266	98,011
Taxes	24	(7,305)	(6,391)	(914)
NET PROFIT AFTER TAX FROM CONTINUING OPERATIONS		116,972	19,875	97,097
Net profit from discontinued operations		-	-	-
NET PROFIT		116,972	19,875	97,097
Attributable to the Coeclerici Group		116,972	20,246	96,726
Attributable to minority interests		-	(371)	371

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AT 31 DECEMBER 2018 (thousands of Euro)

	(NOTE)	2018	2017	CHANGES
NET PROFIT		116,972	19,875	97,097
Items that may be reclassified subsequently to the Income Statement:				
- Differences from conversion of financial statements in currencies other than Euro		(2,224)	(5,041)	2,817
- Change in the fair value of available-for-sale financial assets	3	(160)	137	(297)
- Change in the fair value of cash flow hedge financial instruments	26	1,234	(1,090)	2,324
Total items that may be reclassified, net of tax effects		(1,150)	(5,994)	4,844
Items that will NOT be reclassified subsequently to the Income Statement:				
- Actuarial gains / (losses)		7	15	(8)
Total items that will NOT be reclassified, net of tax effects		7	15	(8)
NET INCOME RECORDED DIRECTLY IN EQUITY		(1,143)	(5,979)	4,836
TOTAL COMPREHENSIVE INCOME		115,829	13,896	101,933
ATTRIBUTABLE TO:				
- Attributable to the Coeclerici Group		115,829	14,537	101,292
- Attributable to minority interests		-	(641)	641

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 31 DECEMBER 2018 (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 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**
2017 profit transferred to reserves	-	-	-	-	-	-	-	20,246	(20,246)	**-**	-	**-**
Dividends paid *	-	-	-	(17,689)	-	-	-	(98,311)	-	**(116,000)**	-	**(116,000)**
Net income recorded directly in equity	-	-	(2,224)	-	1,074	7	-	-	-	**(1,143)**	-	**(1,143)**
Effect of change in consolidation area	-	-	(239)	-	-	-	-	758	-	**519**	(4,878)	**(4,359)**
Profit for 2018	-	-	-	-	-	-	-	-	116,972	**116,972**	-	**116,972**
At 31 December 2018	**10,000**	**2,000**	**(5,167)**	**10,232**	**(1,463)**	**(122)**	**49,198**	**(113,931)**	**116,972**	**67,719**	**-**	**67,719**

* It should be noted that Euro 10 million was distributed following the Ordinary Shareholders' Meeting held on 18 April 2018 that approved the 2018 financial statements and Euro 106 million was distributed as an extraordinary dividend following the Ordinary Shareholders' Meeting held on 1 August 2018 that approved the interim financial statements as of 30 June 2018 following the merger of the subsidiaries Coeclerici Logistics and Coeclerici Mozambico.

CONSOLIDATED STATEMENT OF CASH FLOWS AT 31 DECEMBER 2018 (thousands of Euro)

	2018		2017	
CASH AND CASH EQUIVALENTS AS OF 31.12.2016			70,464	
IMS TECHNOLOGIES GROUP CASH AND CASH EQUIVALENTS AS OF 1.1.2017			6,641	
A CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	98,815		77,105	
B CASH FLOW GENERATED (ABSORBED) FROM OPERATING ACTIVITIES				
BEFORE CHANGES IN NET WORKING CAPITAL	8,735		35,036	
Net profit		116,972		20,246
Minority interest profit		-		(371)
Depreciation of property, plant and equipment		8,152		11,511
Amortization of intangible assets		624		3,939
Devaluation of fixed assets		794		2,525
Losses (gains) on non-current assets		(91,890)		(2,011)
Share of profits from equity investments measured using the equity method		1,275		(2,741)
Interest paid		(4,316)		(5,496)
Net change in provisions for liabilities and charges		(22,348)		5,877
Net change in post-employment benefits		(528)		1,557
CHANGES IN NET WORKING CAPITAL	(21,000)		27,537	
Net change in deferred taxes		5,858		2,090
Change in inventories		(21,067)		(57,278)
Change in trade receivables		(5,259)		9,711
Change in trade payables		(10,501)		17,402
Other changes in working capital		9,969		55,612
CASH FLOW GENERATED (ABSORBED) FROM OPERATING ACTIVITIES (B)	(12,265)		62,573	
C CASH FLOW GENERATED (ABSORBED) FROM INVESTING ACTIVITIES				
Investments in property, plant and equipment	(41,079)		(21,300)	
Investments in intangible assets	(1,017)		(9,442)	
Disposal of property, plant and equipment	161,087		2,739	
Disposal of intangible assets	108		308	
Change in other non-current assets	(2)		1,147	
Disposal / (Increase) of investments in subsidiaries / business complex	1,173		(2,446)	
Disposal / (Increase) of investments in associated entities	-		32,702	
Disposal / (Increase) of investments in available-for-sale financial assets	(1,734)		2,317	
Disposal / (Increase) of investments in other companies	(3)		14	
Dividends received from other companies	264		-	
CASH FLOW GENERATED (ABSORBED) FROM INVESTING ACTIVITIES (C)	118,797		6,039	
D CASH FLOW GENERATED (ABSORBED) FROM FINANCING ACTIVITIES				
Change in current and non-current financial receivables	5,117		(323)	
Net change in current and non-current financial payables	(48,131)		(41,349)	
Dividends paid	(116,000)		(5,000)	
Dividends paid to minority interest	-		(230)	
CASH FLOW GENERATED (ABSORBED) FROM FINANCING ACTIVITIES (D)	(159,014)		(46,902)	
E OVERALL CASH FLOW GENERATED (ABSORBED) (E = B + C + D)	(52,482)		21,710	
F CASH AND CASH EQUIVALENTS AT END OF PERIOD (A + E)	46,333		98,815	

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

of the Coeclerici Group as of December 31, 2018

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 include 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 2018 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 realized 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 realization. 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 unrealized 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 realized.
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.

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 amortized 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 recognized in the income statement at the time of acquisition.
Goodwill is not amortized 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 amortized 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 amortized 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 amortized, 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 recognized 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 recognized for that asset. Reversal of an impairment loss is immediately recognized 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.

Gains and losses from changes in fair value are recognized directly in shareholders' equity, and these gains and losses are never reversed in the income statement as specified in 'IFRS 9 – Financial instruments'.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset for one entity and a financial liability or equity instrument for another entity.

Non-current financial assets other than equity investments, current financial assets, and financial liabilities are entered according to 'IFRS 9 – Financial instruments'.

Financial derivatives

Financial derivatives are normally used with the intention of hedging. In line with IFRS 9, financial derivatives may be recorded according to the methods laid down for hedge accounting only when, at the beginning of the hedging, the Group formally designates and documents the hedging relationship, the nature of the risk, its objectives in managing the risk, the strategy followed and methods it will use to assess whether the hedging relationship will continue to meet the requirements of an effective hedge (including an analysis of sources of the hedge's ineffectiveness and how the hedging relationship is determined).

A hedging relationship satisfies qualifying criteria for hedge accounting if all the following conditions are met:

- there is an economic relationship between the hedged item and the hedging instrument;
- the impact of credit risk does not prevail over changes in value resulting from the above economic relationship.

All financial derivatives are measured at their fair value, as laid down in IFRS 9. 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 recognized 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 realized 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 commodities are entered at either the cost price of the inventories on hand, measured according to the FIFO method, or their estimated realizable value on the basis of market price, whichever the lower.

Work in progress are 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 recognized 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 recognized 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 recognized 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 recognized margins (less the recognized losses), exceed the invoicing on a stage of completion basis. The amounts invoiced, but not yet collected from the customers, are included under the caption '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 recognized margins (less the recognized losses). The liabilities are included under the heading 'Other payables and current liabilities'.

Trade receivables

These are recorded at their presumed realizable 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 recognized 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 was 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 deriving from contracts with customers are recognized when control over the goods and services is transferred to the customer in an amount that reflects the consideration the Group expects to receive in exchange for such goods and services.

Revenues are shown net of discounts and allowances.

Revenues from sales are recognized at the end of the service performed or when property is transferred.

Financial revenues and revenues from services are recognized on an accrual basis.

Revenues from time charters are recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 amortized 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 flow;
- reflect the economic substance of transactions;
- are neutral;
- are prepared on a prudent basis;
- are complete in all relevant aspects.

CONSOLIDATION AREA

Included in the notes to the financial statements are lists of companies included in the consolidation and 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 set up of Slitters Rewinders Machines Srl, which is wholly-owned by IMS Technologies;
- on 25 May the purchase of 10% of the Venezuelan subsidiary Bulkguasare de Venezuela was finalized; following this purchase, the shares of the company are fully owned;
- the merger via incorporation of the Italian subsidiaries Coeclerici Logistics and Coeclerici Mozambico into the parent company Coeclerici SpA; the accounting and tax impact of this transaction took effect on 1 June 2018, while the legal impact took effect on 27 June;
- the liquidation of the Venezuelan company Venezuelan Bulk Logistics, the Portuguese company Logconversion and the Russian company LLC Zapadny;
- the deconsolidation of the company PT PLKI.

ACCOUNTING PRINCIPLES RECENTLY ISSUED

IFRS Accounting principles, amendments and interpretations applied starting on 1 January 2018

The following IFRS accounting principles, amendments and interpretations were applied for the first time by the Group starting on 1 January 2018:

- 'IFRS 9 – 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, modifications in the efficacy test).

The new standard, which replace 'IAS 39 – Financial instruments' and the IFRS 9 previous versions, must be applied as of 1 January 2018. The adoption of this standard did not have any significant impact on the Group's consolidated financial statements.

- 'IFRS 15 – Revenue from contracts with customers' (published on 28 May 2014) which replaces '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', as well as the document 'Clarifications to IFRS 15 Revenue from contracts with customers' containing clarifications regarding certains aspects relating to the implementation of the new accounting standard. 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.

The adoption of this standard did not have any significant impact on the Group's consolidated financial statements.

- 'IFRIC Interpretation 22 – Foreign currency transactions and advance consideration' (published on 8 December 2016) 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. The adoption of this interpretation did not have any significant impact on the Group's consolidated financial statements.

- Amendment to 'IAS 40 – Investment property' (published on 8 December 2016) 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 adoption of this amendment did not have any significant impact on the Group's consolidated financial statements.

- The entry into force of the IASB document 'Annual improvements to IFRS Standards 2014-2016 Cycle' (published on 8 December 2016) containing amendments, essentially of a technical and drafting nature, of the international accounting standards.

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:

- 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, 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 recognized in assets with an offsetting financial liability. The model also provides the possibility of not recognizing 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 have estimated that the application of IFRS 16 would have entailed the recording of an asset for the right of use, and the recording of higher liabilities for discounted lease payments totaling Euro 2,972 thousand in the financial statements as of 31 December 2018.

- On 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 adoption of this interpretation did not have any impact on the Group's consolidated financial statements.

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 – Consolidated financial statements' 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 definitely postpone the amendments to IFRS 10 and IAS 28.

- On 12 December 2017, the IASB issued the document 'Annual improvements to IFRS standards 2015-2017 Cycle'; these amendments will affect the following accounting standard:
  - 'IFRS 3 – Business combinations': the amendments clarify that when an entity obtains control of a business that is a joint operation, it must comply with the requirements for a business combination carried out in several phases, including the remeasurement at fair value of the equity interest previously held in the assets and liabilities of the joint operation. In doing so, the purchaser must reassess the entire equity interest previously held in the joint operation. An entity must apply these amendments to business combinations whose acquisition date is on or after the first financial year starting 1 January 2019.
  - 'IAS 23 – Borrowing Costs': the amendments clarify that an entity must treat as non-specific borrowings any loan made, which, from its inception, was aimed at developing an entity in the event all actions necessary to prepare such asset for use or sale have been completed. An entity must apply these amendments to financial expenses incurred starting on the beginning of the financial year in which the entity applies such amendments for the first time. An entity must apply these amendments for financial years beginning on 1 January 2019.
  - 'IFRS 11 – Joint Arrangements': a party that invests in a joint operation without having joint control could obtain joint control of the joint operation in the event its activities constitute a business as defined in IFRS 3. The amendments clarify that equity interests previously held in this joint operation are not remeasured. An entity must apply these amendments for financial years beginning on 1 January 2019.
  - 'IAS 12 – Income Taxes': the amendments clarify that the effects of taxes on dividends are mostly related to past transactions or events that generated distributable profits rather than distributions to shareholders. Thus, an entity must recognize the effects of income taxes from dividends in the profit and loss account for the period, in other components of the statement of comprehensive income or in shareholder's equity in keeping with the way in which the entity previously recognized such past transactions or events. An entity must apply these amendments for financial years beginning on or after 1 January 2019. When an entity applies these amendments for the first time, it must apply them to the effects the tax had on dividends recognized starting at the beginning of the first financial year.

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 2018 are summarized 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 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**
Increases	-	16,462	22,804	1,632	-	34	147	41,079
Decreases	(74,064)	-	-	(32)	-	-	-	(74,096)
Depreciation and devaluation	(2,157)	(334)	(3,491)	(2,351)	(380)	(233)	-	(8,946)
Change in consolidation area	(2,668)	-	-	-	-	-	-	(2,668)
Exchange rate differences	-	(898)	(2,344)	(73)	(520)	(319)	(1,025)	(5,179)
At 31 December 2018	**-**	**31,130**	**33,606**	**7,844**	**3,327**	**2,062**	**817**	**78,786**

The increase in the heading 'Land and buildings', amounting to Euro 16,462 thousand, mainly included Euro 14,051 thousand for the holding company Coeclerici to take over two finance lease agreements from the previous shareholder of IMS Technologies on the Calcinate and Seriate plants where industrial activities is carried out by the subsidiary IMS Technologies, Euro 777 thousand for Coeclerici's purchase of a land plot in Calcinate adjacent to the existing plant, Euro 841 thousand for the purchase of a land plot by the US subsidiary Kasper Machine in the area of Detroit in which analyses are currently underway to define the technical characteristics of the company's new building in keeping with production requirements and Euro 748 thousand for investments incurred by the mining site.

The increases of the captions 'Plant and machinery' (Euro 22,804 thousand), 'Other assets' (Euro 1,632 thousand) and 'Clean-up and restoration costs' (Euro 34 thousand) are mainly attributable to investments incurred by the Russian subsidiaries SC Kisk and LLC Razrez (Euro 21,058 thousand), necessary to improve the production efficiency of the mining site.

The decrease in the item 'Fleet', totaling Euro 74,064 thousand, and the Euro 2,668 thousand reduction in the item 'Change in consolidation area' reflect the Group's exit from the Logistics Division.

Intangible assets (Note 2)

The changes that occurred in intangible assets over the course of 2018 are summarized in the following table:

	GOODWILL	OTHER INTANGIBLE ASSETS	TOTAL
At 31 December 2016	**-**	**4,551**	**4,551**
Increases	8,814	628	9,442
Decreases	-	(308)	(308)
Amortization 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**
Increases	-	1,017	1,017
Decreases	-	(108)	(108)
Amortization and devaluation	-	(624)	(624)
Exchange rate differences	-	(427)	(427)
At 31 December 2018	**8,814**	**4,966**	**13,780**

The balance of the item 'Goodwill', amounting to Euro 8,814 thousand, refers to the recognition of the additional value paid in 2017 for the acquisition of the majority of the IMS Technologies Group (called the IMS Deltamatic Group until 1 May 2018) with respect to the fair value of the identifiable assets acquired.

Increases in other intangible assets, totaling Euro 1,017 thousand, primarily included costs related to the holding company's purchase of software licenses, activities related to the extension of the mining license project of the Russian subsidiary SC Kisk and development projects carried out by the IMS Technologies Group.

At 31 December 2018, the heading 'Other intangible assets' mainly included the residual value of the mining licence held by the Russian subsidiary.

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

This item consists of the following:

	31/12/2018	31/12/2017
Interests in associated entities and jointly controlled entities	-	-
Other investments	5	2
Available-for-sale financial assets	2,577	1,039
Total	**2,582**	**1,041**

The interest in the jointly-controlled entity dACC Maritime d.a.c was recorded at Euro 0 as of 31 December 2018.

Aggregate figures for the company are as follows:

	dACC MARITIME d.a.c.
Assets	91,120
Liabilities	105,674
Shareholders' equity	(14,554)
Turnover	14,042
Operating result	3,196
Net income	(2,602)

Coeclerici SpA has a 49% stake in this company. Its shipping business was related to the transportation of dry bulk, and, as indicated in 'Note 31 – Subsequent events' it was sold on 14 January 2019.

The heading 'Other investments' consisted of the following at 31 December 2018:

	31/12/2018	31/12/2017
Consorzio Maturatori 2000	1	1
Consortiums	1	1
CGTH Srl	3	-
Total other investments	**5**	**2**

The change for the year was due to the recording of the investment in CGTH Srl in the holding company.

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

	31/12/2018	31/12/2017
Hao Capital Fund II L.P.	316	408
Canara Robeco Treasury Advantage Fund	586	631
Life Care Capital SpA	925	-
Ambrosia Investments SpA	750	-
Total available-for-sale financial assets	**2,577**	**1,039**

During 2018 this item rose by a total of Euro 1,538 thousand. This increase was due to the subscription of shares of Life Care Capital SpA, a SPAC that focuses on companies operating in the health and life care sector, and of shares of Ambrosia Investments SpA, a holding company that controls several companies operating in the business of manufacturing and marketing confectionery products partially offset by the reduction in value of the Hao Capital Fund II L.P. and Canara Robeco Treasury Advantage Fund totaling Euro 137 thousand.
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:

	31/12/2018	31/12/2017
Other receivables	95	23,486
Tax receivables	1,398	1,398
Guarantee Deposits	218	216
Provision for other bad debts	(1,398)	(1,561)
Total other non-current assets	**313**	**23,539**

'Other receivables' refer to cash and cash equivalents in a restricted current account held by the subsidiary Elvezia Immobiliare. The balance for the comparison period mainly included the loan to the investee company dACC Maritime d.a.c. (Euro 18,897 thousand at 31 December 2017) and Euro 4,497 thousand for the amount in the reserve account of the subsidiary Coeclerici Mozambico SpA. The restriction is no longer present in view of the prepayment of the bank loan. As indicated in 'Note 7 – Prepayments, other receivables and current assets' at 31 December 2018, the receivable from investee company dACC Maritime d.a.c. totaled Euro 21,834 thousand and is recorded under current assets.

'Tax receivables' for Euro 1,398 thousand include fiscal and tax receivables for which a request for reimbursement was made in previous years; the amounts have not been recovered and have been fully written down.

Inventories (Note 5)

Inventories, equal to Euro 95,920 thousand (Euro 74,853 thousand at 31 December 2017), are made up as follows:

	31/12/2018	31/12/2017
Raw, subsidiary and consumable materials	2,946	2,720
Work in progress and semifinished goods	78,706	58,001
Industry Division goods	67	164
Goods	14,201	13,968
Total inventories	**95,920**	**74,853**

The heading 'Work in progress and semifinished goods' contains the valorization of the contracts underway in relation to the IMS Technologies Group according to the percentage of completion method.

The 36% increase is consistent with the increase in payables for advances from customers recorded by the IMS Technologies Group (+32%) and the increase in revenues (+7%).

As shown in the breakdown of the item 'Goods' indicated below, referring entirely to various types of coal, the unit value of goods in the inventory is lower than the amounts as of 31 December 2017 due to the reduction in the mine's production costs as explained in 'Note 16 – Operating costs'.

	31/12/2018		31/12/2017	
	TONNES	EURO/000	TONNES	EURO/000
Goods	343,164	14,201	237,398	13,968

Trade receivables (Note 6)

This heading amounts to Euro 35,459 thousand (Euro 30,200 thousand at 31 December 2017) 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 19,910 thousand (Euro 17,757 thousand at 31 December 2017).
Trade receivables at 31 December 2018 can be divided between the following expiry periods:

	31/12/2018	31/12/2017
Invoices to be issued	-	6,526
Receivables not yet due	15,428	19,040
Due < 60 days	15,562	2,653
Due < 180 days	2,298	220
Due < 365 days	1,320	194
Due > 1 year	704	672
Debts in litigation previous years	20,057	18,652
Provision for bad debts	(19,910)	(17,757)
Total trade receivables	**35,459**	**30,200**

It should be noted that in the months subsequent to December 2018 a large proportion of the receivables shown in the table at 31 December 2018 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.
The movement in the provision for bad debts during 2018 was as follows:

Provision for bad debts at 31 December 2017	**(17,757)**
Provisions	(1,547)
Uses	23
Exchange rate differences	(629)
Provision for bad debts at 31 December 2018	**(19,910)**

Prepayments, other receivables and current assets (Note 7)

This heading consists of the following:

	31/12/2018	31/12/2017
Payments on account to suppliers	5,881	5,993
Other receivables	1,211	957
Receivables relating to the fair value of financial instruments	979	332
Tax receivables	13,376	11,145
Receivables from the holding company	5,328	3,412
Financial receivables from dACC Maritime d.a.c.	21,834	-
Accrued income and prepaid expenses	1,819	1,672
Total prepayments, other receivables and current assets	**50,428**	**23,511**

'Payments on account to suppliers', amounting to Euro 5,881 thousand (Euro 5,993 thousand at 31 December 2017), refer mainly to advance payments made to suppliers for the purchase of coal delivered in the months immediately following 31 December 2018; the item also includes, for Euro 561 thousand, advances paid by the IMS Technologies Group mainly relating to the supply of goods.

'Receivables relating to the fair value of financial instruments' refer to forward exchange transactions of coal and forward currency purchase transactions 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', amounting to Euro 2,231 thousand, is mainly due to the increase in VAT credits of the holding company Coeclerici. These were mainly due to the VAT paid to take over the finance lease agreements on the Seriate and Calcinate plants as explained in 'Note 1 – Property, plant and equipment'.

'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.

The 'Financial receivable from dACC Maritime d.a.c.' is attributable to the loan made to the investee company in order to finance the construction of four 60,000-ton Supramax vessels. This receivable was recorded under non-current assets in the comparison period and was reclassified and adjusted following the sale of this receivable to the d'Amico Group on 14 January 2019.

Cash and cash equivalents (Note 8)

This heading consists of the following:

	31/12/2018	31/12/2017
Bank and postal deposits	46,264	98,740
Cash in hand	69	75
Total cash and cash equivalents	**46,333**	**98,815**

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 balance of Euro 5,167 thousand and regards the conversion into Euro of the financial statements of foreign Group companies included in the consolidation but held in currencies other than the Euro; it decreased by Euro 2,463 thousand.

The 'Merger surplus reserve', which had a positive balance of Euro 10,232 thousand, was down by Euro 17,689 thousand compared to the amount at 31 December 2017 due to its partial utilization in that amount to distribute a dividend of Euro 116,000 thousand to the parent company Fincler (the remaining quota was drawn from the item 'Retained earnings').

The 'Reserve related to the fair value of financial instruments' with a negative value of Euro 1,463 thousand, improved by Euro 1,074 thousand due to the increase in the fair value of derivative financial instruments (as more fully analyzed in 'Note 26 – Information regarding financial instruments') for Euro 1,234 thousand and the decrease in the fair value of available-for-sale financial assets of Euro 160 thousand.

The heading 'Actuarial gains (losses)' with a negative balance of Euro 122 thousand, rose by Euro 7 thousand and is related to the actuarial evaluation of defined benefit plans (TFR) at 31 December 2018 (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 of Euro 113,931 thousand after recording an increase as the result of the change in the consolidation area for an amount of Euro 758 thousand, after retaining the profit for the previous financial year for Euro 20,246 thousand and the distribution of dividends to the sole shareholder for Euro 116,000 thousand, of which Euro 98,311 thousand drawn from the caption 'Retained earnings' and Euro 17,689 thousand drawn from the item 'Merger surplus reserve'.

With reference to the information envisaged by IAS 1 paragraph 134, 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 capitalization 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:

	31/12/2018	31/12/2017
Net financial position	53,947	50,589
Equity	67,719	72,249
NFP/EQUITY	**0.80**	**0.70**

Interest bearing liabilities and borrowings (Note 10)

This heading consists of the following:

	31/12/2018			31/12/2017		
	CURRENT	NON CURRENT	TOTAL	CURRENT	NON CURRENT	TOTAL
Short term advances	3,247	-	**3,247**	21,966	-	**21,966**
Secured loans from financial institutions	4,899	16,716	**21,615**	6,360	28,035	**34,395**
Unsecured loans from financial institutions	31,397	35,296	**66,693**	19,038	70,070	**89,108**
Leasing	1,762	6,963	**8,725**	994	2,966	**3,960**
Interest bearing liabilities and borrowings	**41,305**	**58,975**	**100,280**	**48,358**	**101,071**	**149,429**

Short-term advances, amounting to Euro 3,247 thousand, refer mainly to loans disbursed by lending institutions to finance outlays related to the realization of industrial contracts of the subsidiaries IMS Technologies SpA and Goebel Schneid GmbH. The balance at 31 December 2017 of short-term advances (Euro 21,966 thousand) was mainly for loans made by lending institutions in order to finance the coal trading activities of the subsidiary Coeclerici Commodities SA. At 31 December 2018 these advances had been repaid.

Secured loans, totaling Euro 21,615 thousand, down compared to 2017 by Euro 12,780 thousand, refer to the loan for the acquisition of the property located in Riva Paradiso, Lugano, headquarters of the Trading Division (Euro 2,503 thousand) and loans for investments made to improve the production efficiency of the mining site obtained by the Russian subsidiaries SC Kisk and LLC Razrez (Euro 19,112 thousand). The decrease was primarily due to the repayment of the loan provided by leading banks to fund the construction of the vessels owned by the subsidiary Coeclerici Mozambico (Euro 31,946 thousand), which was partially offset by the loans obtained by SC Kisk and LLC Razrez.

Unsecured loans, amounting to Euro 66,693 thousand, dropped compared to 2017 by Euro 22,415 thousand, 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 item 'Leasing' includes the payable deriving from the signing of financial lease agreements by the Russian subsidiaries SC Kisk and LLC Razrez to purchase machinery and other assets necessary for mining production, the payable resulting from the take over of the holding company Coeclerici in the two finance lease agreements for the Calcinate and Seriate plants where the operating activities of the subsidiary IMS Technologies are carried out and the payable arising from the signing of financial lease agreements by the IMS Technologies Group for the purchase of machinery and industrial equipment.

'Interest bearing liabilities and borrowings' at 31 December 2018 had the following expiry periods:

	Within 2019	2020 - 2021	2022 - 2023	After 2023	TOTAL
Short term advances	3,247	-	-	-	**3,247**
Secured loans from financial institutions	4,899	9,691	7,025	-	**21,615**
Unsecured loans from financial institutions	31,397	12,378	2,945	19,973	**66,693**
Leasing	1,762	3,105	2,300	1,558	**8,725**
Interest bearing liabilities and borrowings	**41,305**	**25,174**	**12,270**	**21,531**	**100,280**

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

	31/12/2018			31/12/2017		
	CURRENT	NON CURRENT	TOTAL	CURRENT	NON CURRENT	TOTAL
Chf	870	1,633	**2,503**	812	1,637	**2,449**
Eur	30,327	38,647	**68,974**	17,283	63,512	**80,795**
Rub	4,578	16,656	**21,234**	664	2,437	**3,101**
Usd	5,530	2,039	**7,569**	29,599	33,485	**63,084**
Interest bearing liabilities and borrowings by currency	**41,305**	**58,975**	**100,280**	**48,358**	**101,071**	**149,429**

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

At 31 December 2017	**149,429**
(Reimbursements) / Drawdowns	(48,131)
Exchange rate differences	(1,018)
At 31 December 2018	**100,280**

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 2018, this heading consisted of the following:

	31/12/2018	31/12/2017
Current	826	359
Non current	10,503	33,318
Total provisions for risks and charges	**11,329**	**33,677**

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

At 31 December 2017	**33,677**
Change in consolidation area	(186)
Allocation	1,099
Actuarial variation in restoration costs	271
Restoration costs	34
Releases	(19,260)
Uses	(4,445)
Provision for expected losses in work in progress reducing 'Work in progress'	164
Exchange rate differences	(25)
At 31 December 2018	**11,329**

During the financial year, Euro 1.1 million was set aside to meet possible liabilities which could reasonably result from previous judicial relations.

Releases, amounting to Euro 19.3 million, mainly refer to provisions no longer necessary related to the Logistics activity ceased during the year.

Uses amounted to Euro 4.4 million, and were mainly related to the payment of layoff incentives to Logistics Division's employees.

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 disputes concern undue detractions for VAT and tax recoveries for IRES and IRAP purposes. The Company has appealed against the verification notice to the Milan taxation tribunals 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 tribunals 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.
In 2018 a verification notice was received in relation to the mergee Coeclerici Coal and Fuels SpA from the Italian Tax Authority - Regional Administration for Lombardy, for tax year 2013. The dispute concerns tax recoveries for IRES and IRAP purposes.

Post-employment benefits (Note 12)

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

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**
Change in consolidation area	249
Provisions for the period	308
Actuarial (gains) / losses	28
Exchange rate differences	(85)
Uses	(1,028)
At 31 December 2018	**2,769**

The item 'Change in consolidation area' includes the post-employment benefits (TFR) liability at 17 May 2018 included in the consolidation area following the lease of the business complex of Laem System S.r.l. by the subsidiary Slitters Rewinders Machines.
The main assumptions behind the actuarial valuation of the post-employment benefit provisions are as follows:

	31/12/2018	31/12/2017
Discount rate	1.13%	0.88%
Inflation rate	1.50%	1.50%
Annual salary increase rate	2.00%	2.00%
Annual post-employment benefit increase rate	2.63%	2.63%

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 arising in the financial year, amounting to Euro 28 thousand, consisted of 'actuarial gains from experience' for Euro 60 thousand, and 'actuarial losses from change of discount rate' for Euro 32 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 Euro) which would result following reasonably possible variations at that date in determining the liability at 31 December 2018:

	Changes	31/12/2018
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 46,178 thousand (Euro 56,679 thousand at 31 December 2017) includes current payables for supplies linked to the Group's normal operating activities.

The difference for the period was primarily due to the decrease in trade payables reported by the Trading Division.

Other payables and current liabilities (Note 14)

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

	31/12/2018	31/12/2017
Advances from customers	72,880	57,577
Other payables	14,835	13,888
Payables relating to the fair value of financial instruments	333	2,437
Tax payables	4,510	4,593
Payables to Social Security institutions	1,441	1,672
Accrued expenses and deferred income	261	3,771
Total other payables and current liabilities	**94,260**	**83,938**

The item 'Advances from customers' includes Euro 72,497 thousand for advances received by the IMS Technologies Group, whose main activity is the production of industrial machines in relation to which an advance is contractually required and in which additional amounts are subsequently invoiced on achievement of specific stages of completion. In these cases, from an accounting standpoint, the service is completed and the transfer of risks and rewards takes place when the industrial machine is installed and tested at the customer's facilities; until that moment the amounts received are recognized as advances from customers under the balance sheet liabilities and, at the same time, under the assets are recorded gross work in progress.
The increase in the item is consistent with the increase in work in progress and semifinished goods.
The item 'Other payables' amounted to Euro 14,835 thousand (Euro 13,888 thousand at 31 December 2017), and included payables of various types falling due within 12 months.
'Payables relating to the fair value of financial instruments' amounted to Euro 333 thousand (Euro 2,437 thousand at 31 December 2017) and refer to forward currency purchase transactions commented on in 'Note 26 – Information regarding financial instruments', which gives further details.
'Accrued expenses and deferred income' totaled Euro 261 thousand (EUR 3,771 thousand as at 31 December 2017). The decrease of Euro 3,510 thousand compared to the balance at 31 December 2017 was mainly due to the recording of deferred income in the comparison period related to the advance invoicing of charters related to the transhipment activities of the Logistics Division totaling Euro 3,038 thousand.

Revenues from sales and services (Note 15)

The item is composed as follows:

	2018	2017
Raw material sales	853,664	758,750
Charters and shipping transport	10,456	28,892
Transhipment and other logistics services	-	7,405
Industrial machine sales	77,580	72,380
Other services	932	1,378
Total revenues from sales and services	**942,632**	**868,805**

'Raw material sales' amounted to Euro 853,664 thousand and referred to trading activities.
These revenues rose by 13% since, despite an increase in coal prices estimated at 10% using the API2 index as a basis (average price of USD 92/T in 2018 compared to USD 84/T in 2017) and a 7% increase in tonnes handled by the Trading and Mining Division, the dollar weakened by 4% (average exchange rate of EUR/USD 1.18 in 2018 compared to an average figure of 1.13 in the comparison period).
The decrease of Euro 18,436 thousand in the item 'Charters and shipping transport' was due to the partial contribution of vessels operating in Mozambique.
At 31 December 2017 the balance of the item 'Transhipment and other logistics services' was due to revenues generated by the Bulk Pioneer of the company PT PLKI, which was no longer operational during the year.
'Industrial machine sales' amounted to Euro 77,580 thousand, included changes in work in progress and referred to activities carried out by the IMS Technologies Group.
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:

	2018	2017
Purchase of raw materials	753,593	663,161
Mine operating costs	27,048	30,970
Cost of mining personnel	6,007	6,466
Cost of seafaring personnel	1,356	4,346
Technical costs for fleet and plants	774	3,450
Port expenses and other shipping costs	30	685
Lubricants / spare parts	53	727
Bunker	-	217
Industrial machine operating costs	43,519	38,317
Industrial machine personnel costs	16,038	15,063
Total operating costs	**848,418**	**763,402**

Costs related to the 'Purchase of raw materials', amounting to Euro 753,593 thousand, were for trading activities; these costs rose by 14% over the comparison period.
This increase, as already commented for the item 'Raw material sales', was mainly due to the increase in coal prices, estimated at 10%, using the API2 index as a reference, and to an increase of 7% in the volume handled by the Trading and Mining Divisions, which was partially offset by the weakening of the dollar of about 4%.
Despite a coal tonnage extraction being 29% higher than in 2017, the reduction in 'Mine operating costs' (Euro 3,922 thousand) and 'Cost of mining personnel' (Euro

459 thousand) was affected by both the 12% weakening of the ruble (average exchange rate of EUR/RUB 74.03 in 2018 compared to 65.90) and the reduction of the average distance from the coal extraction point to the processing point following the geological restructuring of the mine that occurred rapidly at the beginning of 2018.
The reduction in the 'Cost of seafaring personnel', 'Technical costs for fleet and plants', 'Port expenses and other shipping costs', 'Lubricants / spare parts' and 'Bunker' was due to the partial operation of vessels in Mozambique and Indonesia in 2018 compared to full operations in the comparison period.
The items 'Industrial machine operating costs', Euro 43,519 thousand, and 'Industrial machine personnel costs', Euro 16,038 thousand, refer to the operating costs incurred for the production of industrial machines by the IMS Technologies Group. The increase in these costs is consistent with the increase in the item 'Industrial machine sales'.

Overhead and administrative expenses (Note 17)

The item is composed as follows:

	2018	2017
Personnel costs	26,646	24,433
Consultancies	6,689	6,888
Directors and Statutory Auditors' fees	4,154	4,317
Rents, leases and similar	3,851	4,242
Other costs	3,061	3,601
Travel expenses	1,904	1,262
Entertainment expenses - donations	1,482	1,644
Utilities, Building administration – Representative offices	1,760	1,328
Consumables	265	148
Advertising	1,744	819
Total overhead and administrative expenses	**51,556**	**48,682**

For the heading 'Personnel Costs', Euro 26,646 thousand, further details are provided in 'Note 30 – Other information'.
The item 'Consultancies' included the strategic consultancies provided to the IMS Technologies Group. The increase in costs incurred by the IMS Technologies Group for consultancies, amounting to Euro 1,075 thousand, was offset by lower consulting services used by other Group entities.
'Directors and Statutory Auditors' fees' for Euro 4,154 thousand underwent a decrease of Euro 163 thousand. The item mainly includes fees due to Directors and Statutory Auditors of the Holding, as shown below:

	2018		2017	
	Number	Remuneration	Number	Remuneration
Directors	10	3,897	9	3,673
Statutory Auditors	3	58	3	55
Total fees	**13**	**3,955**	**12**	**3,728**

The item 'Rents, leases and similar' was mainly attributable to lease payments for the offices and plants of the IMS Technologies Group and the rental paid to the parent company Fincler Srl for the Milan offices.

The increase in the heading 'Advertising' was mainly due to the sponsorship of the Coeclerici Hall at the Mu.Ma. Institute (Museums of the Sea and Migration in Genoa).

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

The item is composed as follows:

	2018	2017
Capital gains	91,929	3,097
Capital losses	(39)	(1,086)
Total capital gains (losses) on non-current assets	**91,890**	**2,011**

The item 'Capital gains' mainly includes the positive impact deriving from the exit from the Logistics Division and the positive impact deriving from the sale of the Turra business Division from the subsidiary IMS Technologies.

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

This is comprised of:

	2018	2017
Profit (loss) from companies measured using the equity method	(1,275)	2,741

The above loss is attributable to the loss generated by the company dACC Maritime d.a.c. during the year.
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:

	2018	2017
Other operating income		
Release of provisions and other liabilities	19,260	2,370
Insurance claims	772	86
Release of provisions for write-down of the financial receivables from dACC Maritime d.a.c.	2,414	-
Total other operating income	**22,446**	**2,456**
Other operating costs		
Allocations to provisions for risks and charges	(1,099)	(8,394)
Allocations to provisions for bad debts	(457)	(3,605)
Losses on derivatives	(2,918)	(4,538)
Other net income (costs)	(448)	(679)
Total other operating costs	**(4,922)**	**(17,216)**
Total other net income / (expenses)	**17,524**	**(14,760)**

The item 'Release of provisions for write-down of the financial receivable from dACC Maritime d.a.c.' was attributable to the partial release of the write-down of the financial receivable to bring the amount of this receivable in line with the value of its sale (USD 25 million) to d'Amico Group.
Moreover, 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, amortization and devaluation (Note 21)

The item is composed as follows:

	2018	2017
Depreciation of property, plant and equipment and devaluations	8,946	14,026
Amortization of intangible assets and devaluations	624	3,949
Total depreciations, amortizations, and devaluations	**9,570**	**17,975**

The decrease in the caption 'Depreciation of property, plant and equipment and devaluations', amounting to Euro 5,080 thousand, was mainly due to:

- the partial devaluation (Euro 2,391 thousand) recorded in 2017 of the vessel of PT PLKI to bring it into line with its market value;
- lower depreciations of Euro 4,150 thousand on vessels operating in Indonesia and Mozambico;
- higher depreciations (Euro 467 thousand) reported by the Mining Division attributable to higher investments made to improve efficiency at the mining site;
- the inclusion in the balance as of 31 December 2018 of the devaluation of paintings and works of art donated to the Paolo Clerici Foundation (Euro 794 thousand).

Net financial income / (expenses) (Note 22)

This heading consists of the following financial income (expenses):

	2018	2017
Total net financial income (expenses)	**(10,988)**	**(6,016)**

The category includes the following financial income:

	2018	2017
Interest received	1,800	1,869
Available-for-sale financial asset gains	-	922
Dividends from other investments	264	-
Other income	35	29
Total financial income	**2,099**	**2,820**

The item 'Interest received' amounted to Euro 1,800 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 7 – Prepayments, other receivables and current assets' and to a lesser extent to interest received from banks on current and deposit accounts.
The caption 'Dividends from other investments' included dividends approved and distributed by CGTH Srl.

Financial expenses included the following:

	2018	2017
Bank charges	(2,157)	(2,120)
Interest expenses	(10,930)	(6,700)
Available-for-sale financial asset losses	-	(16)
Total financial expenses	**(13,087)**	**(8,836)**

'Bank charges' refer mainly to use of the syndicated line and the stipulation of new specific funding contracts specific to investments underway.
'Interest expenses' refer mainly to financial charges on bank loans, mentioned in more detail in 'Note 10 – Interest bearing liabilities and borrowings' and interest expenses on invoices sold at a discount following the sale of the vessels that partially entailed the deferred payment and sale without recourse of the deferred amount to a leading credit institution.

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 realized during the financial period. The item also includes the impacts deriving from the currency hedges (Ruble and USD).
Details of exchange rate differences, both realized and not realized in 2018, and their comparison to the previous financial period, are shown in the table below:

	2018			2017		
	REALIZED	NON-REALIZED	TOTAL	REALIZED	NON-REALIZED	TOTAL
Exchange gains	12,940	4,381	**17,321**	19,305	3,033	**22,338**
Exchange losses	(17,572)	(5,711)	**(23,283)**	(16,479)	(2,315)	**(18,794)**
Total exchange gains (losses)	**(4,632)**	**(1,330)**	**(5,962)**	**2,826**	**718**	**3,544**

The balance of the item 'Realized exchange losses' included Euro 5,342 thousand due to exchange differences generated with the repayment of the loan by the subsidiary Coeclerici Mozambico.

Taxes (Note 24)

The amount of the tax burden regarding the period was negative for Euro 7,305 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:

	2018	2017
Current taxes	(2,319)	(3,868)
Deferred taxes	(4,986)	(2,523)
Total taxes	**(7,305)**	**(6,391)**

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.

	2018	2017
Deferred tax assets	2,027	7,516
Deferred tax liabilities	(3,093)	(2,724)
Net balance of deferred tax assets (provision for deferred tax liabilities)	**(1,066)**	**4,792**

'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 decrease in this heading was mainly due to utilizations to cover the generation of profits for tax purposes at subsidiaries that had recorded deferred tax assets on losses recoverable for tax purposes.

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 2018 were as follows:

	RECEIVABLES	PAYABLES	TOTAL
Coeclerici SpA	5,610	-	5,610
IMS Technologies SpA	-	(385)	(385)
Slitters Rewinders Machines Srl	103	-	103
Total receivables (payables) owing to tax consolidation	**5,713**	**(385)**	**5,328**

Information by operating segment and geographical area (Note 25)

The information by operating segment for 2018 period is summarized in the following table:

	TRADING	MINING	LOGISTICS	INDUSTRY	HOLDING ADJUSTMENT	TOTAL
Revenues from sales and services	833,484	56,393	10,456	77,580	(35,281)	**942,632**
Operating profit (EBIT)	25,553	14,289	114,729	(2,813)	(10,531)	**141,227**
Net financial income / (expenses)	(2,064)	(1,739)	(5,362)	(378)	(1,445)	**(10,988)**
Net income	18,370	8,440	105,469	(3,315)	(11,992)	**116,972**

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

	TRADING	MINING	LOGISTICS	INDUSTRY	HOLDING ADJUSTMENT	TOTAL
Africa	-	-	10,456	589	-	**11,045**
Americas	-	-	-	19,406	-	**19,406**
Asia and Australia	641,916	-	-	21,860	-	**663,776**
Russia and Middle East	-	32,370	-	2,173	-	**34,543**
Europe	191,568	24,023	-	33,552	(35,281)	**213,862**
Total revenues from sales and services	**833,484**	**56,393**	**10,456**	**77,580**	**(35,281)**	**942,632**

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 Euro/USD and Rub/USD exchange rates and variation of coal prices.

Fair value hedge

Transactions in existence at 31 December 2018 that had the characteristics of fair value hedge 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 31/12/2018 (EUR/000)
Q1 2019	33,836	USD	1.14	29,681	107
Total sales				**29,681**	**107**

Cash flow hedge

At 31 December 2018 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 (USD/000)	FAIR VALUE AT 31/12/2018 (EUR/000)
Q1 2019	369,000	RUB	68.82	5,362	(92)
Q2 2019	365,000	RUB	69.57	5,247	(89)
Total purchases				**10,609**	**(181)**

EXPIRY	AMOUNT (THOUSAND)	CURRENCY	FORWARD EXCHANGE €/USD CONTRACT RATE	NOTIONAL VALUE (EUR/000)	FAIR VALUE AT 31/12/2018 (EUR/000)
Q1 2019	3,488	USD	1.25	2,790	(232)
Q2 2019	1,022	USD	1.22	838	(40)
Q3 2019	1,333	USD	1.22	1,093	(48)
Q1 2020	302	USD	1.18	256	1
Total sales				**4,977**	**(319)**

EXPIRY	AMOUNT (THOUSAND)	CURRENCY	USD/RUB OPTION STRIKE PRICE	NOTIONAL VALUE (USD/000)	FAIR VALUE AT 31/12/2018 (EUR/000)
Q1 2019	165,000	RUB	63.72	2,589	1
Q3 2019	227,000	RUB	69.16	3,282	75
Q4 2019	739,000	RUB	70.51	10,481	339
Total purchases				**16,352**	**415**

EXPIRY	AMOUNT (THOUSAND)	CURRENCY	USD/RUB COLLAR PRICE		FAIR VALUE AT 31/12/2018 (EUR/000)
			LOWER MARGIN	SUPERIOR MARGIN	
Q1 2019	225,000	RUB	66.50	68.50	(85)
Q2 2019	165,000	RUB	66.50	68.50	(90)
Q3 2019	378,000	RUB	68.00	73.60	(73)
Total purchases / sales					**(248)**

Hedging transactions existed at 31 December 2018 relating to variations in the price of coal. Forward sales transactions at 31 December 2018, 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 31/12/2018 (EUR/000)
Q1 2019	60,000	98.25	5,895	244
Q2 2019	45,000	97.42	4,384	297
Q3 2019	30,000	98.00	2,940	174
Q4 2019	30,000	96.75	2,903	157
Total sales	**165,000**		**16,122**	**872**

Summary of fair value of derivative financial instruments

The values and variations in the fair value of derivative instruments in existence at 31 December 2018 are shown in the table below:

	31/12/2017	CHANGES IN EQUITY	CHANGES IN INCOME STATEMENT	31/12/2018
Receivables				
Foreign exchange market	332	(332)	107	107
Forward coal sales	-	872	-	872
Total receivables	**332**	**540**	**107**	**979**
Payables				
Foreign exchange market	(41)	(306)	14	(333)
Forward coal sales	(2,396)	1,520	876	-
Total payables	**(2,437)**	**1,214**	**890**	**(333)**
Total net value	**(2,105)**	**1,754**	**997**	**646**

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	1,511	-	1,066
Hedging derivatives	-	979	-
Total financial assets	**1,511**	**979**	**1,066**
Financial liabilities			
Hedging derivatives	-	(333)	-
Total financial liabilities	**-**	**(333)**	**-**

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 2018 in closed-end investment funds.

Other financial information

For completeness, some additional financial information is given below:

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

Risks characterizing 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 transhipment 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

Funding by the Coeclerici Group is at both floating and fixed 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 stabilizing 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 2018, would have had a negative effect of Euro 905 thousand on the 2018 income statement and of Euro 897 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;
- 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.

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, earnings, 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.

Industry Division operational risk

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	873	742	392	131
Total financial instruments			**873**	**742**	**392**	**131**

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 873 thousand at 31 December 2018. The financial investment was recorded to its market value of Euro 316 thousand, as indicated under the heading 'Available-for-sale financial assets'.

Guarantees issued

At 31 December 2018, guarantees given to third parties stood at Euro 11,692 thousand, and are illustrated below:

	31/12/2018	31/12/2017
Bank guarantees	9,030	13,632
Other	2,662	2,564
Total guarantees issued	**11,692**	**16,196**

Guarantees received

At 31 December 2018, guarantees received by third parties stood at Euro 4,432 thousand, and are illustrated below:

	31/12/2018	31/12/2017
Bank guarantees	4,432	6,085
Total guarantees received	**4,432**	**6,085**

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 a Group's shareholder and Chairman of the Board of Directors of the subsidiary IMS Technologies.

Other information (Note 30)

Staff costs

Personnel costs for 2018 totalled Euro 50,047 thousand (Euro 50,308 thousand in 2017), of which Euro 1,356 thousand related to seafaring staff (Euro 4,346 thousand in 2017), Euro 6,007 thousand related to personnel at the Russian mine (Euro 6,466 thousand in 2017), Euro 16,038 thousand related to personnel involved in the design and production of industrial machines (Euro 15.063 thousand in 2017) and Euro 26,646 thousand related to staff personnel (Euro 24,433 thousand in 2017).
The average composition of employees was as follows:

	2018	2017
Executives	26	30
White Collars	362	361
Seafaring staff	16	87
Blue Collars	206	176
Miners	552	579
Total employees	**1,162**	**1,233**

The reduction in employees was mainly due to the Group's exit from the transhipment sector in the first half of the year.

Information required by Law 124/2017

Starting with the financial statements for 2018, Law No. 124 of 4 August 2017 introduced certain transparency requirements for entities that receive 'subsidies, contributions, paid jobs, and economic benefits of any kind' from public administrations or from a number of entities similar to them, with whom they have an economic relationship.
Based on the fact that this law raised interpretation and application questions that are still unresolved, the Group performed the necessary investigations, and, in addition, based on the most recent guidelines, it believes that the following do not need to be published:

- amounts received as compensation for public works, services and supplies;
- paid jobs considered to be the typical business activities;
- general measures that can be taken by all entities falling under the overall structure of the reference system determined by the state (for instance ACE);
- selective economic benefits, received pursuant to an aid mechanism available to all businesses that meet certain conditions on the basis of general predetermined criteria (for example subsidies for research and development projects and tax relief);
- public resources attributable to government entities in other (EU or non-EU) states and European institutions;
- training subsidies received from interprofessional funds (for example Fondimpresa and Fondirigenti) since they are funds in the form of an association and are of the same legal nature as entities under private law that are funded by contributions paid by such companies.

During the financial year, the Italian entities did not receive any contribution that fall into the category of gifts or other ad hoc public aid, or any donations that are not provided on the basis of a certain mechanism.

Subsequent events (Note 31)

On 14 January 2019 the equity interest in the jointly-controlled company dACC Maritime d.a.c. was sold to the d'Amico Group.

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	90,696,000	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%
IMS Technologies SpA	Italy	Eur	4,470,000	100.00%
Slitters Rewinders Machines Srl	Italy	Eur	50,000	100.00%
Capo Noli Transportes Maritimos Lda	Portugal	Eur	5,000	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	40,000,000	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	5,000,000	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	100.00%

LIST OF COMPANIES CONSOLIDATED USING EQUITY METHOD

NAME	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL	EQUITY SHARE
dACC Maritime d.a.c.	Irlanda	Usd	100,000	49.00%

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

	NET PROFIT	EQUITY
Coeclerici SpA at 31 December 2018	**2,956**	**76,605**
Net profit and equity for the period recorded by consolidated companies	107,080	110,790
Consolidation adjustments:		
- elimination of transactions between consolidated companies with exception of intercompany dividends and holdings in subsidiaries	17,868	(124,232)
- application of IAS/IFRS international accounting principles	42	4,556
- elimination of intercompany dividends	(10,974)	-
Coeclerici Group at 31 December 2018	**116,972**	**67,719**

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 transhipping activities from one vessel to another.

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

Floating cranes: Floating cranes used in transhipping 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: Pulverized Coal Injection. Coal used in steelworks, whose main characteristics are a low ashes content and a high heatproducing 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.

Transhipment 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.


XTRASLIT

AUDITORS' REPORT

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Independent Auditors' Report

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Board of Statutory 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, 2018, 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, 2018, 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.

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, 2018, 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, 2018 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, 2018 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 18, 2019

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, 2018, 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, 2018 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 31/12/2018, 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, 2018, 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, 2018, as prepared by the directors.

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

Milan, 18 April 2019

The Board of Statutory Auditors

Guglielmo Calderari di Palazzolo

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Maurizio Dragoni

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