COECLERICI

ANNUAL REPORT 2019

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

869 ml
Turnover**

186 ml
Investments over last 5 years*

11
Countries

1,266
Employees**

** Includes entities accounted for using the equity method*
Investments adjusted to exchange rates at 31 December 2019
*** Figures at 31 December 2019*

DEAR SHAREHOLDERS,

the global economy experienced a gradual slowdown in 2019. Although the economy was expanding, the slowdown seen in the second half of 2018 continued with a weak outlook for world trade, mainly due to the worsening of trade tensions and the resulting rise in tariffs.

Most economies felt the impact of the slowdown, but to varying degrees. The main impact of ambiguous economic policies and related tariffs was heightened uncertainty forcing multinational companies to postpone investments awaiting the final structure of international trade rules.

In this geopolitical environment, the recent publication of the traditional energy report issued by the IEA (International Energy Agency), World Energy Outlook – 2019, contained a forecast in its reference scenario entitled 'stated policies' which provides an analysis over a time horizon to 2040. The forecast projected constant world coal demand due to the greater use of the fossil fuel in the industrial sector (mainly steel companies and cement plants) rising from 30.8% in 2018 to an estimated 35.3% in 2040 offsetting the prediction of a lower contribution of coal for the production of electricity. India, Indonesia and the South East Asian countries are the main areas driving coal demand.

In this context, it should be noted that the low ash coal of our mine, located in the Siberian region of Kemerovo in Russia, is used in the steel and chemical industries.

During the year coal prices trended downward with API2 dropping 34% from an average price of 92 USD/T in 2018 to an average price of 61 USD/T in 2019, while API4 was down by 27% from an average price of 98 USD/T in 2018 to an average price of 72 USD/T in 2019.

I am pleased to inform you that during the year your Group achieved important operating results. EBITDA and Group net result amounted to Euro 32 million and Euro 7,1 million. The slight decrease in profitability compared to 2018, net of the contribution of the Logistics & Shipping Division (EBITDA -5.5% and Group net result -38%) was largely due to the negative performance of the German company Goebel, which is a subsidiary of IMS Technologies SpA, and the resulting reporting of an impairment of Euro 7 million as a reduction to the amount of goodwill deriving from the acquisition of the Industry Division. Despite this event, the period was characterized by the excellent performance of the Energy Division which generated a significant operating profit in spite of the reduction in coal prices, due in part to a prudent sales policy.

The net financial position was Euro 55 million and included the Euro 6.5 million impact deriving from the application of the new accounting standard 'IFRS 16 – Leasing', which went into effect on 1 January 2019 and requested the posting of existing operating leases under financial liabilities. Net of this impact, the net financial position improved by Euro 5.4 million compared to 31 December 2018. This reduction was mainly the result of the Energy Division's strong generation of operating cash and efficient working capital management.

In spite of the drop in reference market indices, in 2019 the Energy Division confirmed the excellent results seen in previous years. The positive performance was mainly due to the strategic market vision that management developed during the year. Despite the reduction of average prices of API2 and API4 of 34% and 27% respectively compared to prices in 2018, the ability to forecast in advance the reduction in coal prices together with the 10% increase in tonnes extracted and handled generated results in line with the previous year when coal prices were higher.
The ongoing, sizable investments over the years in the production activities of the Kuzbass mining site led to a gradual increase in production, which was reflected in a 10% increase in tonnes extracted in 2019, due mainly to new means of production placed in service at the beginning of the current year. There was a positive contribution from trading activities, which, in the context of a volatile market, involved the entrance into new markets (Colombia) and new products (South African steam coal) and confirmed the contribution in relatively new markets such as the sale of metcoke to Vietnam. This proactive approach generated a growth in sales volumes with profits in line with the comparison period despite the downward trend of benchmarks.
As a result of these policies, EBITDA stood at Euro 42.6 million, which was largely in line with the previous year and showed an improvement as a percentage of revenues. EBIT and net result totaled Euro 35 million and Euro 24.3 million respectively, which were largely in line with 2018 levels.
It should be noted that in the second half of 2019 the mining license was expanded resulting in an increase in its surface area as well as greater mining depth. These changes increased the coal reserves of our mining site by 57.1 million tonnes.

With regard to the Industry Division, the significant geopolitical uncertainty had the effect of postponing our customers' investment plans with a resulting negative impact on orders, which, together with the initial low backlog, led to a 17.7% drop in value of production to Euro 63.9 million compared to the previous year.
The contribution of the Service business unit, launched on January 1, 2019, and the implementation of a centralized material supply management system that generates savings in the purchase of materials, significantly contributed to the improvement in gross margin to 28% (+5% over the comparison figure). Nonetheless, this improvement was not enough to offset lower volumes, and especially the negative performance of the German subsidiary Goebel, which was the main reason for the loss generated during the period under review as reflected in a negative EBITDA of Euro 0.7 million and a net loss of Euro 5.9 million.
In order to ensure the Division's sustainable development, management intends to increase its presence in new promising markets and develop new technologies and constructive solutions aimed at meeting the needs of the reference market. In order to pursue these strategic goals, in 2019 the Division established a new company operating in the US to better serve the US converting market. It also opened a representative office in Russia and is further strengthening its internal business support network.
During the year, a process was started to implement a new ERP system that will make it possible to improve the efficiency of organizational processes and provide a better analysis of events affecting the Division's orders. The determination of the logics and functionality of the new ERP involved all levels of the organization. The Finance module has been operational since January 1, 2020, and by the end of the first half of 2020, the migration of operating modules will be completed.
Furthermore, this year guidelines have been established for the streamlining and re-engineering project for the entire product portfolio, using a 'design to cost' approach, with the aim of improving the cost basis of machineries, and thus, increasing its profitability.

The R&D unit, which was created in 2018 and operating through the offices located at Bergamo's Kilometro Rosso technology park, continued its operations focused on developing new alternative technical solutions to be adopted at machineries in order to better satisfy or anticipate our customers' needs.

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 dACC Maritime d.a.c. and the related financing.

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, 26 March 2020

Chairman and CEO
Paolo Clerici

COMPANY OFFICERS

Board of Directors

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

The term of office of the Board of Directors will expire with the approval of the financial statements on 31 December 2019.

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, a Scottish shareholder, 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 becomes 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 SpA 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 tonnes.
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.

2002-2005

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 tonnes 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.

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 (mainly PCI) mine located in Siberia in the vicinity of the city of Novokuznetsk, becoming the first and only Western company to have acquired a 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 tonnes.

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).

By doing so, it has started to implement its business diversification strategy with the creation of the Industry Division alongside the Energy Division.

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.

IMS Deltamatic is renamed IMS Technologies.

In October, the 10th anniversary of the acquisition of the Korchakol mine is celebrated.

The Group, after about a half century of operations, decides to put an 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.

2019

Coeclerici obtains an expansion of the mining license increasing its coal reserves by 57 million tonnes.

With the aim of long-term business development and targeting new particularly promising markets, the Industry Division establishes the US company IMS Technologies Inc and opens a representative office in Russia.

BUSINESS AREAS

For over 120 years Coeclerici has been a point of reference in the supply of raw materials, in particular coal.

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

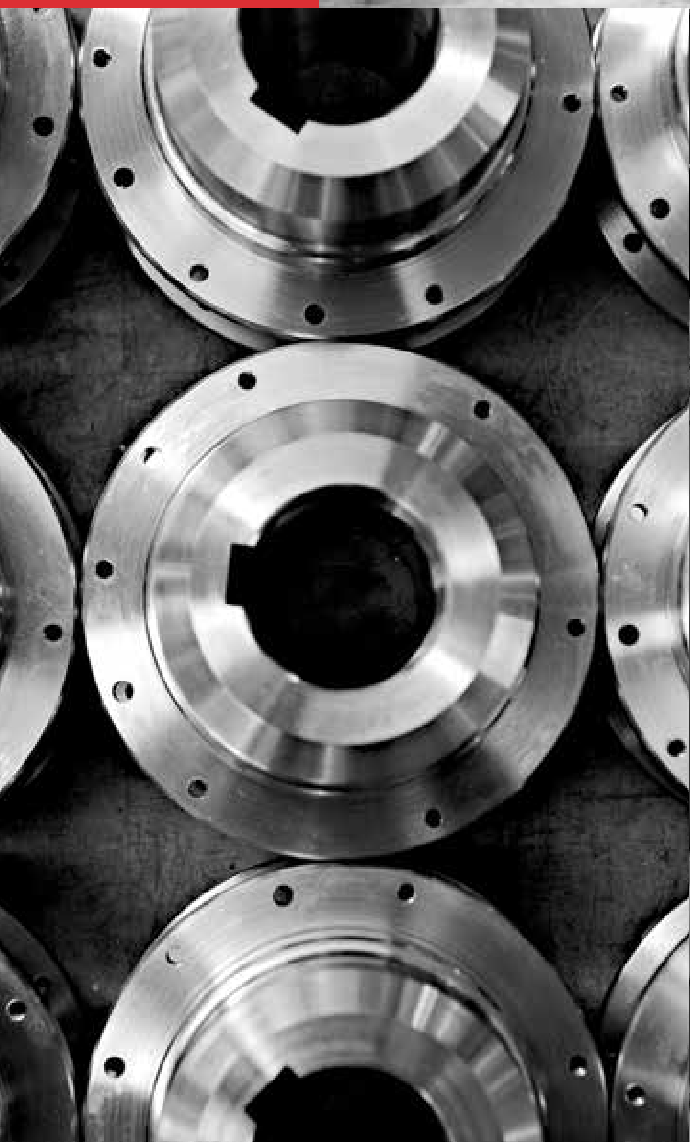
Mining
Extraction of coal in the owned mine.

Trading
Supply of coal for the steel industry and the chemistry industry.

Industry

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


ENERGY



INDUSTRY

DECEMBER, 31 2019

GROUP STRUCTURE

COECLERICI SpA

ENERGY

TRADING DIVISION

- **100%** Coeclerici Far East (Pte) Ltd

MINING DIVISION

- **100%** Coeclerici Commodities SA
  - **100%** LLC Scc-Rozco
  - **99%** LLC Coeclerici Russia*
  - **100%** SC Kisk
    - **100%** LLC UK PTU
    - **100%** Sel Pre Taylepskoe
    - **100%** LLC Razrez

INDUSTRY

IMS TECHNOLOGIES

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

- **100%** Elvezia Immobiliare SA
- **99,98%** Nuevaco Imobiliaria Srl
- **100%** Bulkguasare de Venezuela SA
- **100%** CGU Logistic Ltd

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


2480
2480
ОПАСНАЯ ЗОНА 10

DIRECTORS' REPORT

DIRECTORS' REPORT

CONSOLIDATED RESULTS

To provide a better understanding of the Group's operating performance, we have indicated below the main income statement indicators for the last three years (figures in thousands of Euro). To ensure a better analysis of income statement indicators over time, the adjusted results for 2018 and 2017 do not include the results of the Logistics & Shipping Division, net result totaling Euro 105.5 million in 2018 and 4.5 million in 2017, following the Group's exit from the transhipment sector.

	2019	2018 adjusted*	2017 adjusted*	2018	2017
Turnover	869,327	932,176	831,300	942,632	868,805
Ebitda	32,028	33,901	31,953	150,797	46,713
Ebit	13,133	26,498	22,698	141,227	28,738
Net Result	7,095	11,503	15,342	116,972	19,875
Group Net Result	7,095	11,503	15,342	116,972	20,246
ROE	10%	16%	21%		
ROI	11%	22%	14%		

* These figures are net of the results of the Logistics & Shipping Division

The Group's financial structure with the comparison with the figures for 2018 and 2017 is indicated below:

	2019	2018	2017
Fixed Assets	101,568	95,148	143,559
Working Capital	22,508	26,518	(20,721)
Net Capital Employed	124,076	121,666	122,838
Group Equity	69,063	67,719	67,371
Minority Interests	-	-	4,878
Net Financial Position **	55,013	53,947	50,589
Sources of Finance	124,076	121,666	122,838
Cash flow from operating activities			
before changes in net working capital	23,573	8,735	35,036
changes in net working capital	(6,974)	(21,000)	27,537
Cash flow from investing activities	(13,988)	118,797	6,039
Cash flow from financing activities	10,268	(159,014)	(46,902)
Total cash flow	12,879	(52,482)	21,710
NFP/EQUITY	0.80	0.80	0.70

** The application of IFRS 16 – Leases resulted in a Euro 6.5 million increase in this item

7.1 MLN

Euro of Group Net Result in 2019

In 2019 the Group generated good operating margins that were slightly lower than adjusted comparison figures. The reduction was mainly due to the negative performance of the German company Goebel and the resulting posting of the impairment to goodwill amounting to Euro 7 million. EBITDA and net result were Euro 32 million (-5.5%) and Euro 7.1 million (-38%).

These results were mainly achieved thanks to the excellent performance of the Energy Division resulting from a 10%

increase in the extraction activities of the Group-owned mine, a 10% increase in tonnes handled and the marketing of high value-added products.

The uses of financial resources included Euro 10.8 million invested to improve the production efficiency of the mining site.

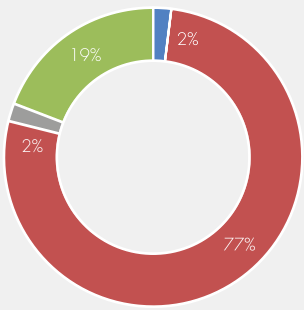
Net financial position stood at Euro 55 million; net of the Euro 6.5 million impact deriving from the application of IFRS 16, which went into effect on 1 January 2019, there was a Euro 5.4 million improvement over the previous year.

In the presence of a positive net result of Euro 7.1 million, a number of items with a positive 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 4.3 million. Specifically, the equity items that changed were attributable for 4.5 million to the increase of the translation reserve of the financial statements in currency other than Euro, mainly due to the revaluation of the Russian ruble (exchange rate of EUR/RUB 69.96 as of 31 December 2019 compared to an exchange rate of 79.72 as of 31 December 2018), and to the reserve related to the fair value of derivative financial instruments used for hedging for a negative amount of Euro 0.2 million.

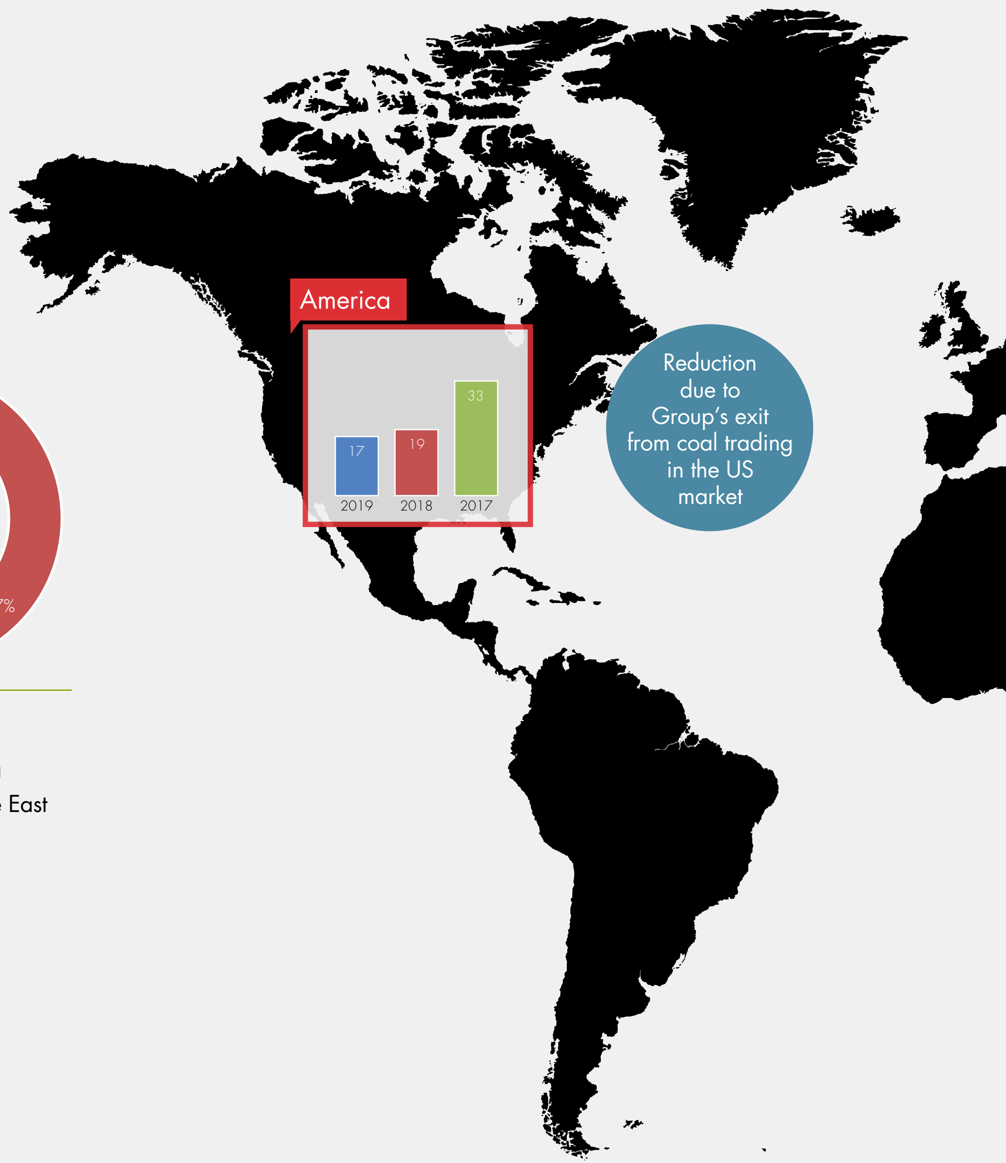
The graphs below illustrate the main financial and management information of the Coeclerici Group.

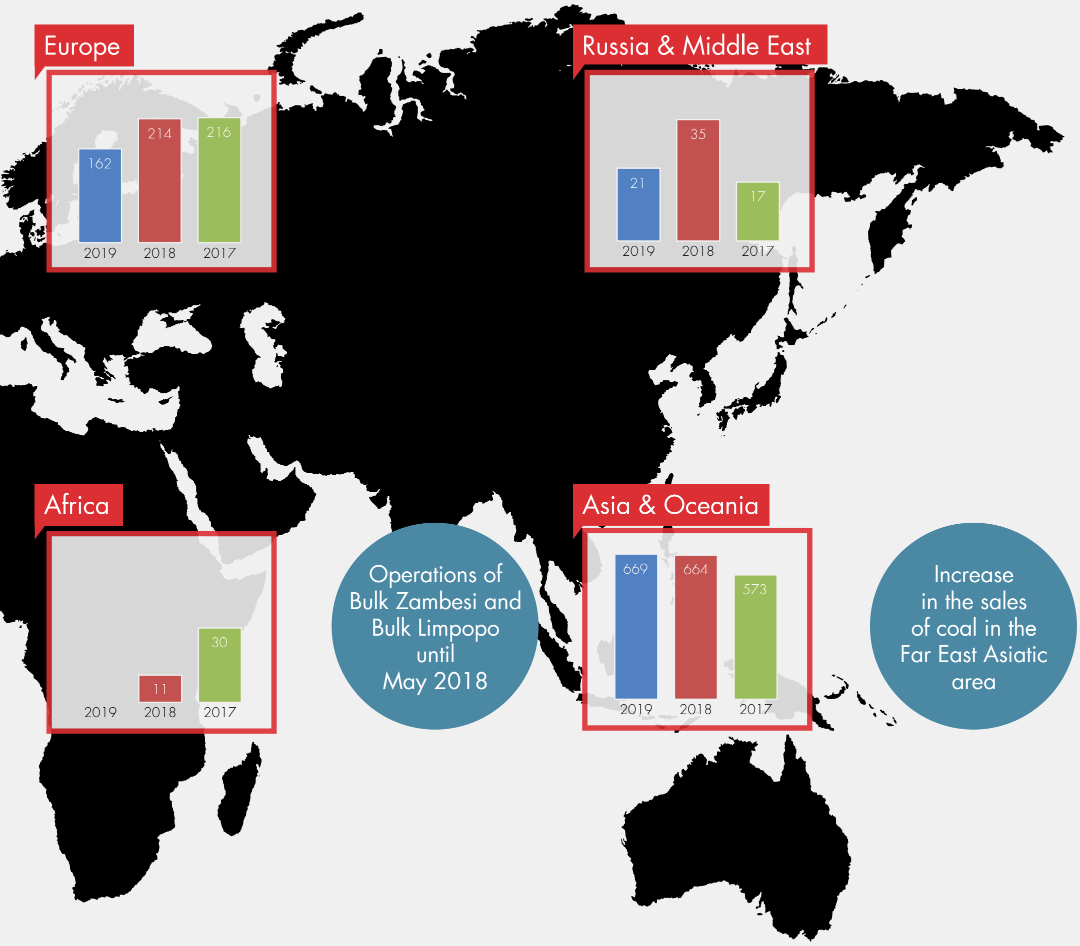
FINANCIAL CAPITAL

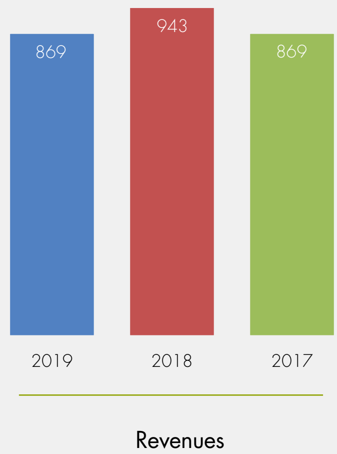
REVENUES BY GEOGRAPHICAL AREA (M/EURO)



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




Europe
162
214
216
2019
2018
2017
Russia & Middle East
21
35
17
2019
2018
2017
Africa
11
30
2019
2018
2017
Operations of Bulk Zambesi and Bulk Limpopo until May 2018
Asia & Oceania
669
664
573
2019
2018
2017
Increase in the sales of coal in the Far East Asiatic area


869
943
869
2019
2018
2017
Revenues

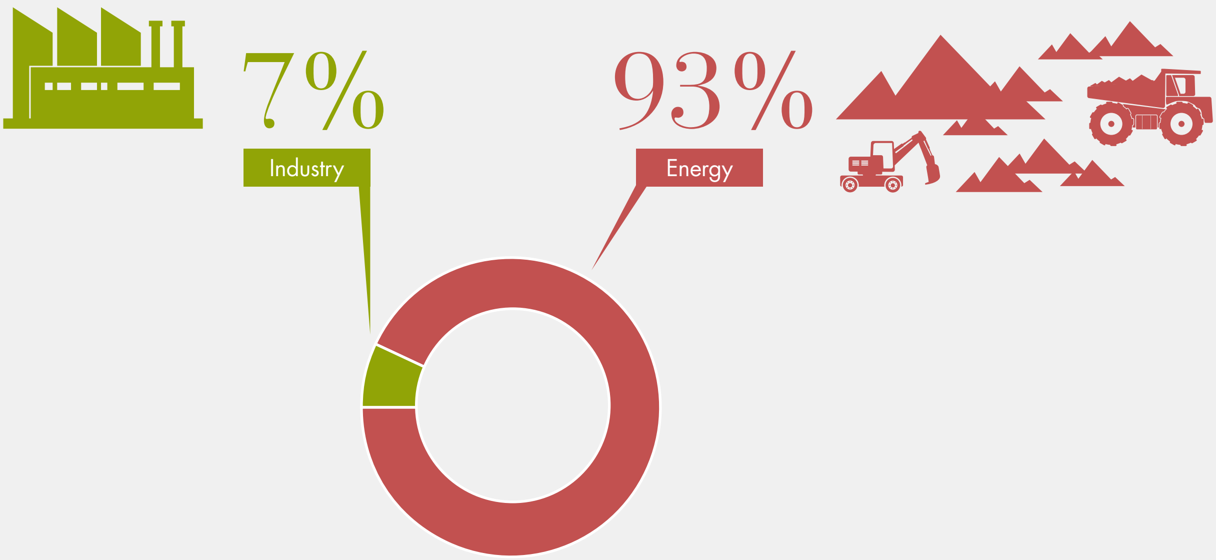
TONNES HANDLED (THOUSANDS OF METRIC TONNES - MT) ENERGY DIVISION

2019
8,922

2018
8,087

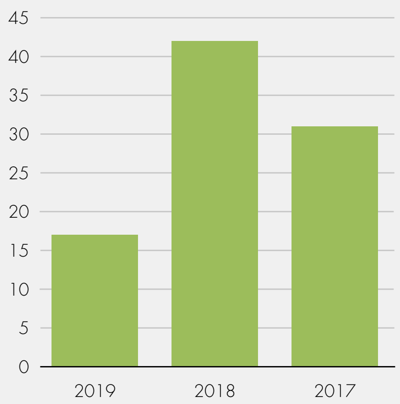
2017
7,516

2019 TURNOVER BY DIVISION



PRODUCTIVE CAPITAL

INVESTMENTS* (M/EURO)



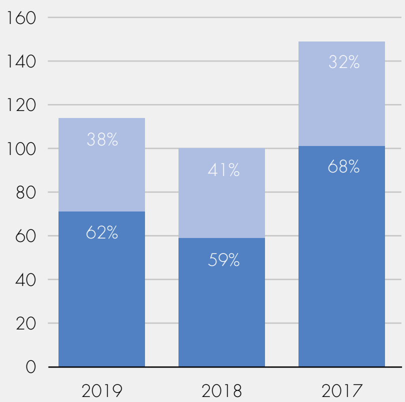
Investments over the last 3 years equal to Euro 90 million

2019	17
2018	42
2017	31

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

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

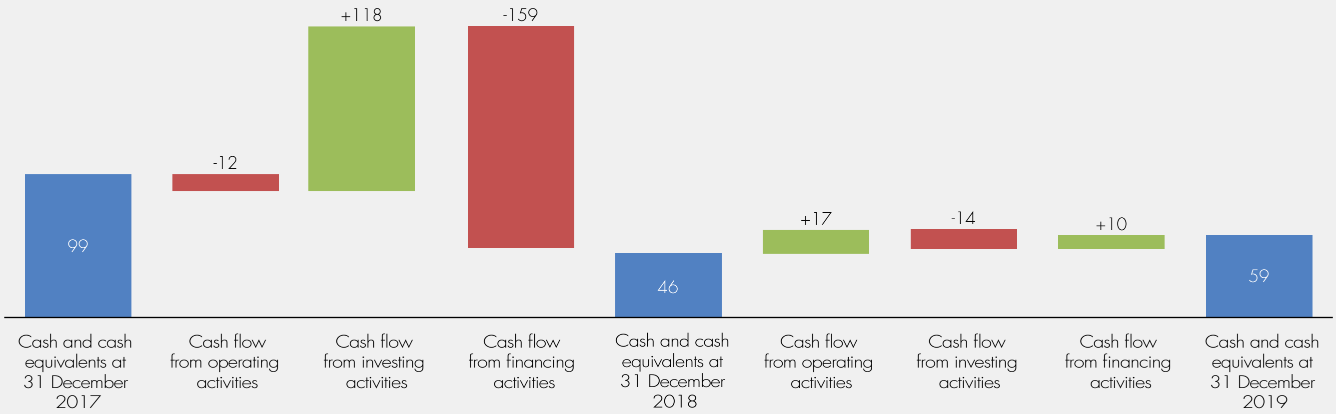
FINANCIAL LIABILITIES (M/EURO)



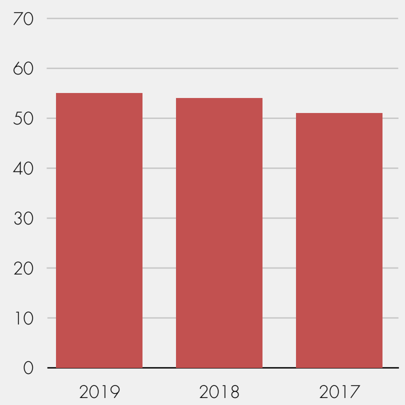
- Short term financial liabilities
- Medium-long term financial liabilities

2019	114
2018	100
2017	149

CASH FLOW (M/EURO)



NET FINANCIAL POSITION (M/EURO)



2019	55
2018	54
2017	51

HUMAN CAPITAL

N° OF EMPLOYEES	2019	2018
America	13	17
Asia & Oceania	29	27
Russia & Middle East	814	746
Europe	410	408
Total	**1,266**	**1,198**

	2019	2018
Average age of employees	**42**	**42**

	2019	2018
Level of education*	**55%**	**44%**

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

ENERGY DIVISION

	2019	2018	2017
Tonnes handled	8,921,655	8,087,154	7,515,611
Turnover	805,456	854,666	758,938
Ebitda	42,604	43,992	34,077
Ebit	35,043	39,842	30,517
Net Result	24,276	26,810	28,538

+ 10%

Tonnes handled in 2019 compared to 2018

Thanks to investments made in prior years and the current year, there was a 10% increase in the volume of extraction activities of the owned mine in Kuzbass, in the Kemerovo region, as compared to 2018, from 1,501 thousand tonnes to 1,652 thousand tonnes extracted.

During the year the reference coal market indexes reflected a sharp reduction in prices. The API2 index showed an average price of 61 USD/T for the year, which was 34% lower than the average 2018 price of 92 USD/T. Sales volumes rose by 10% over the previous year and the dollar strengthened by 5% (average exchange rate of EUR/USD 1.12 in 2019 compared to an average exchange rate in the comparison period of 1.18). However, turnover dropped by 6% due to the strong reduction in coal prices.

Despite the reduction in coal prices, the excellent results of previous years were confirmed in 2019. The positive performance was mainly due to the strategic market vision that the management developed during the year as prices were falling. The foresight of falling coal prices and the resulting appropriate market action, along with the 10% increase in tonnes extracted and handled ensured that results would be in line with the previous year when coal prices were higher.

There was a positive contribution from trading activities, which, in the context of a volatile market, involved the entrance into new markets (Colombia) and new products (South African steam coal), and confirmed the contribution in relatively new markets such as the marketing of metcoke to Vietnam. This proactive approach generated a sales volume growth with profits in line with the comparison period despite the downward trend of benchmarks.

As a result of these policies, EBITDA totaled Euro 42.6 million, which was largely in line with the previous year and showing an improvement as a percentage of turnover.

In order to mitigate forex risk (especially with respect to the ruble: EUR/RUB 72.44 average exchange rate in 2019 compared to an average level of EUR/RUB 74.03 in the comparison period), hedging transactions were carried out that generated positive exchange rate differences.

Here below follows quantities of tonnes extracted, revenues trend and a breakdown of turnover by geographical area:

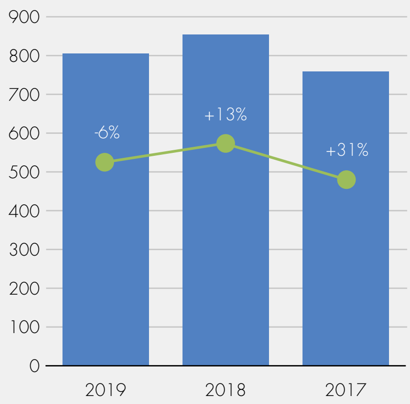
TONNES EXTRACTED (THOUSAND OF MT)

2019
1,652

2018
1,501

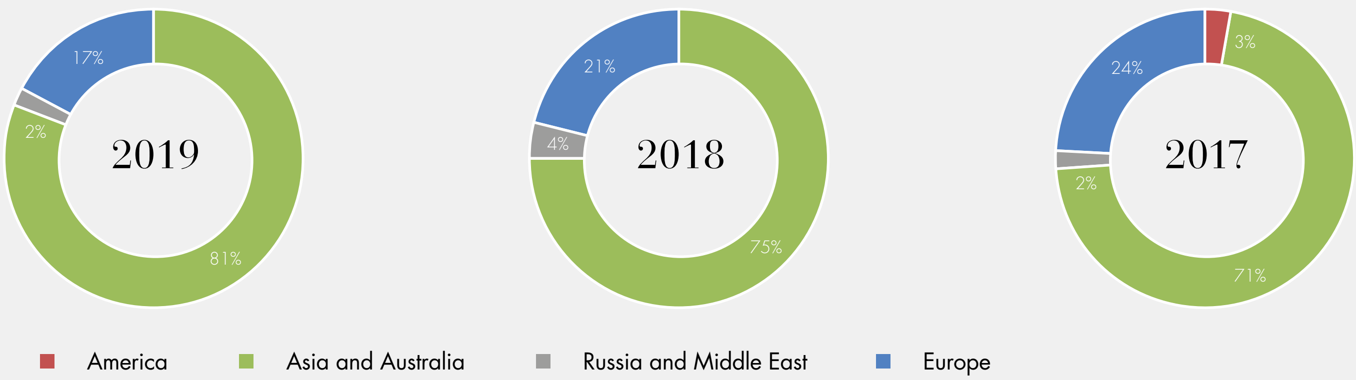
2017
1,165

REVENUES TREND (M/EURO)



2019	805
2018	855
2017	759

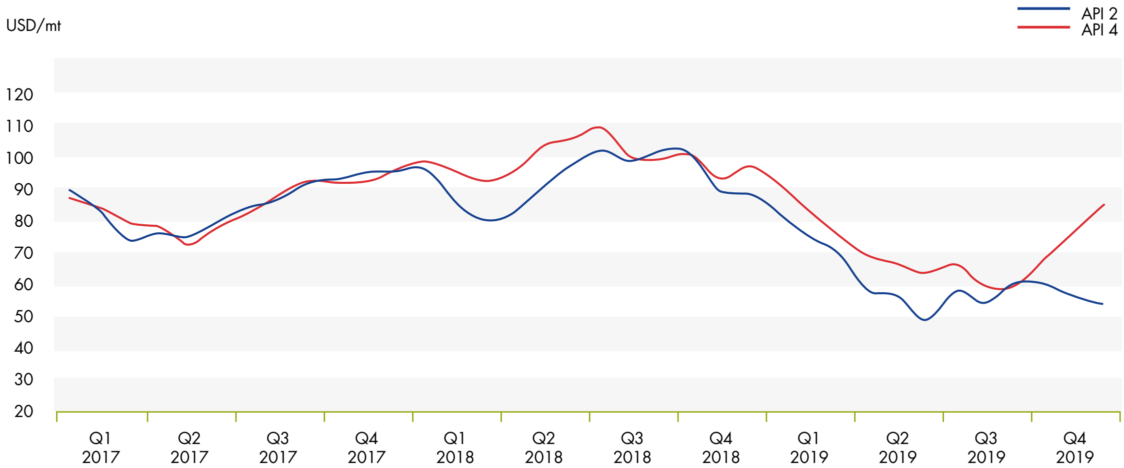
TURNOVER BY GEOGRAPHICAL AREA



During 2019, the API2, the main reference index for the business carried out by the Division, was down by 34% over the same period of the previous year. Nonetheless, the Division was able to take advantage of the volatility peak at the end of 2018 managing to successfully conclude sales for 2019.

The API4 index, related to South African coal intended mainly for Asian markets, was down by 27% over the same period of the previous year. However, Asian trading activity was able to absorb the erosion in margins in historical markets with profitable sales in new geographic areas, such as Colombia in terms of purchases and Vietnam in terms of sales.

The evolution of the two main coal market indicators in the previous three years appears below, showing the volatility of the raw material price 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 $	2019	2018	2017
API#2 INDEX – average	61	92	84
API#4 INDEX – average	72	98	84

+28%

Gross Margin

INDUSTRY DIVISION

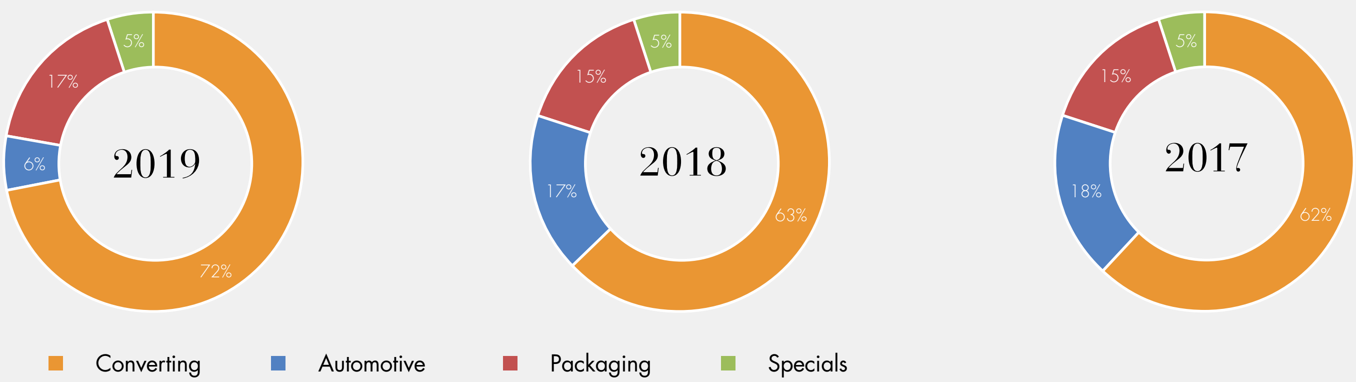
	2019	2018	2017
Turnover (Value of production)	63,871	77,580	72,440
Ebitda	(709)	(1,095)	7,264
Ebit	(3,953)	(2,813)	5,667
Net Result	(5,856)	(3,315)	3,418

The reduction in orders resulting from adverse market conditions that started at the end of 2018 continued in 2019 generating a 17.7% decrease in value of production.
Nonetheless, the Division reported an improvement in gross margin, which stood at 28% (+5% over the comparison period) mainly due to the positive contribution of the Service business unit (launched on 1 January 2019) and the implementation of a centralized supply management system with resulting savings on the purchase of materials.
Despite efforts to improve productivity, the Division reported a negative performance affected by lower volumes and a very negative performance reported by the German subsidiary Goebel (its loss for the year amounted to Euro 4,649 thousand). As a result, the Division's profitability, a negative EBITDA of Euro 709 thousand and negative net result of Euro 5,856 thousand, was worse than comparison figures.

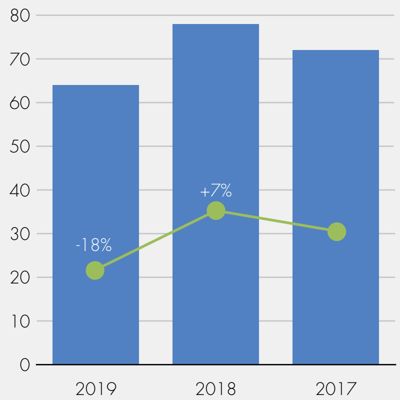
During the year, Slitters Rewinders Machines Srl continued to produce machinery for the flexible packaging with a backlog in keeping with expectations.
In order to ensure the Division's sustainable development, management intends to increase its presence in new promising markets and develop new technologies and constructive solutions aimed at meeting the needs of the reference market.
In order to pursue these strategic goals, in 2019 the Division established a new company operating in the US to develop the US converting market. It also opened a representative office in Russia and is further strengthening its business support internal units.

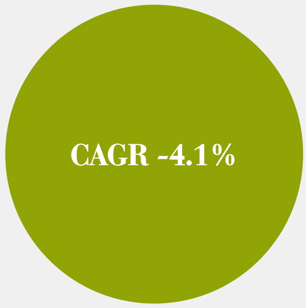
The graphs which follow disclose a breakdown of orders intake by Division, showing the preeminence of the Converting Division, the trend in value of production and the breakdown of turnover by geographical area and by Division.

ORDERS INTAKE BY DIVISION



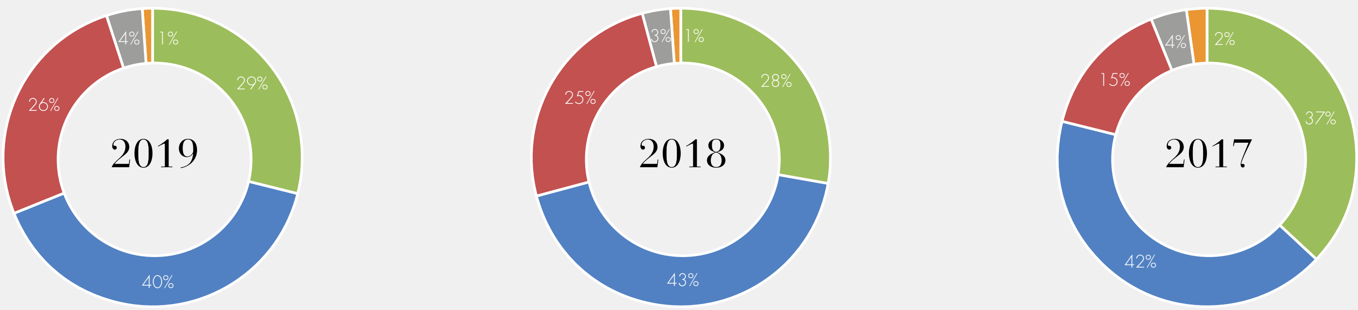
VALUE OF PRODUCTION TREND (M/EURO)





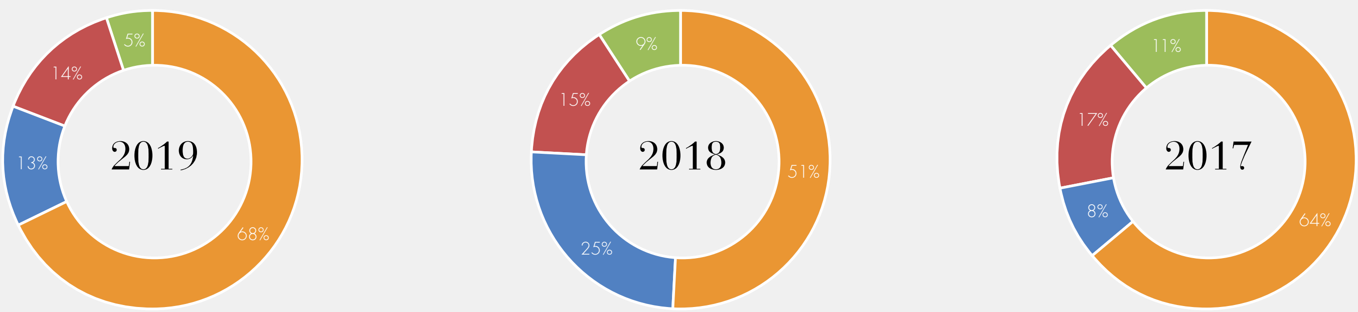
2019	64
2018	78
2017	72

TURNOVER BY GEOGRAPHICAL AREA



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

TURNOVER BY DIVISION



- Converting
- Automotive
- Packaging
- Specials

LOGISTICS & SHIPPING DIVISION

The Division is no longer operational due to the Group's exit from the transhipment sector in the first half of 2018 and the sale of the equity interest in the jointly-controlled entity dACC Maritime d.a.c. to the d'Amico Group on January 14, 2019.

HOLDING COMPANY

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.
See the statutory financial statements of Coeclerici SpA for the Holding Company's financial results.

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 2019, health and safety courses required by applicable laws were planned, as well as language courses.

Overall 10,392 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. 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 2019 towards Fincler Srl is mentioned in the Notes to the consolidated financial statements. Furthermore, a rental contract exists between the Group and its direct parent company, Fincler Srl, referring to archives and parking places in Piazza Generale Armando Diaz, 7 – Milan.

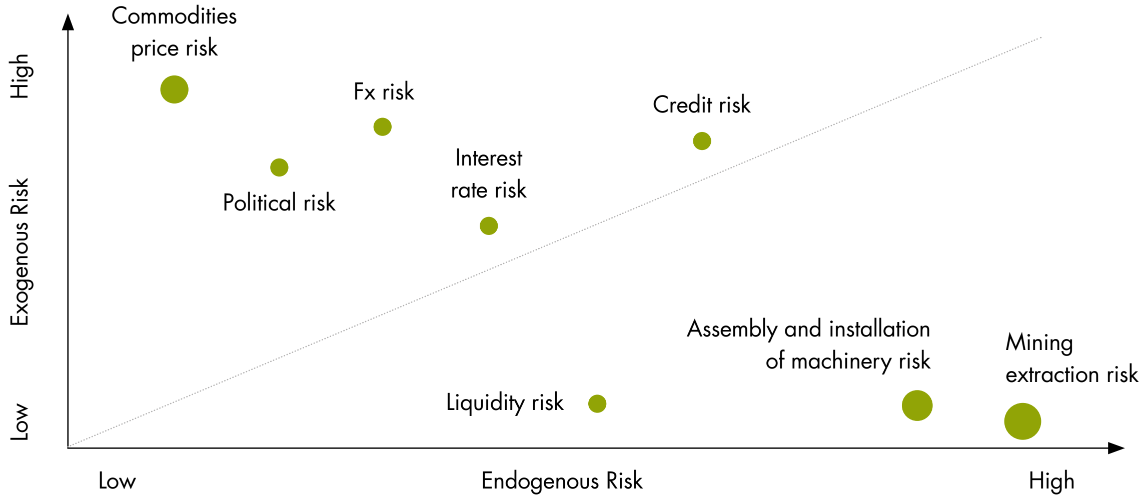
In accordance with clause 5, article 2497 bis of the Italian Civil Code, it is hereby affirmed that relations with Fincler Srl, which conducts activities of direction and coordination of the Group, exclusively concerned the rental contract which was regulated by normal market conditions, as well as the tax consolidation, as described in the Notes to the consolidated financial statements.
Finally, the Holding Company's articles of incorporation specify that 1% of the consolidated result for the previous year must be transferred to the Paolo Clerici Foundation.

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 or failure to comply with machinery performance, associated with the construction, assembly, installation and testing 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 29 – 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.

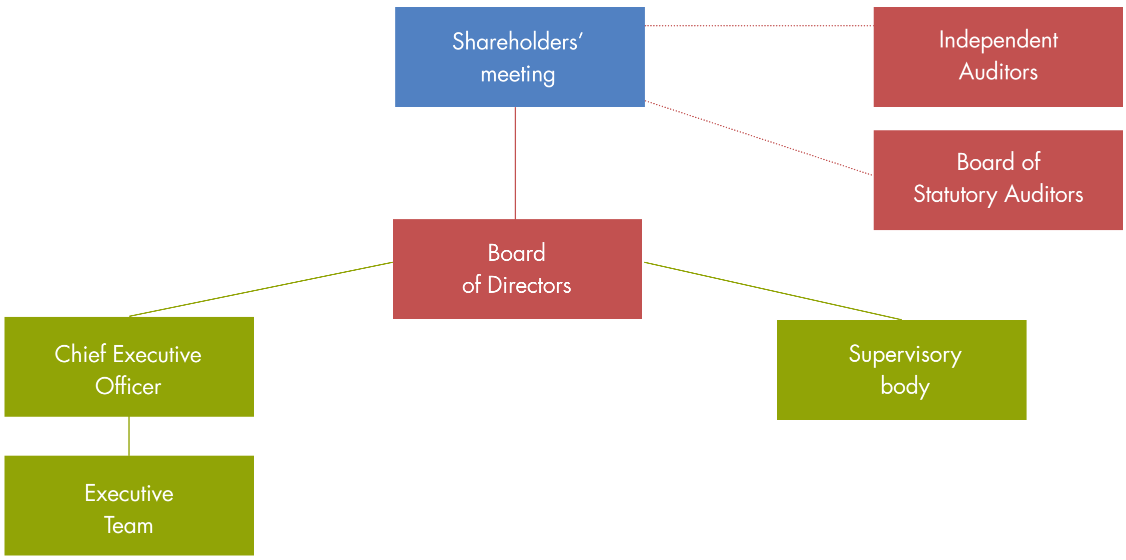
With regard to the Industry Division, there is a constant commitment to improve the health and safety conditions of its workers and to observe the environmental legislation in force in the countries in which the business activities are carried out. In particular, at the time of enforcement of new legislation 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 these limits. The Board of Directors, appointed by the ordinary shareholders' meeting on 8 May 2019, was given an annual mandate expiring with the approval of the financial statements for the financial year 2019.

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 that by law are specifically reserved 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 29 – 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 favor 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 one external and one internal member who were appointed by the Board of Directors on 21 March 2019; it will remain in office until the approval of the 2019 financial statements.

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

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

Activity of Management and Coordination

Coeclerici SpA is subject to management and coordination by Fincler Srl. For the purposes of article 2497 bis of the Italian civil code, the Italian subsidiary IMS Technologies SpA has 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

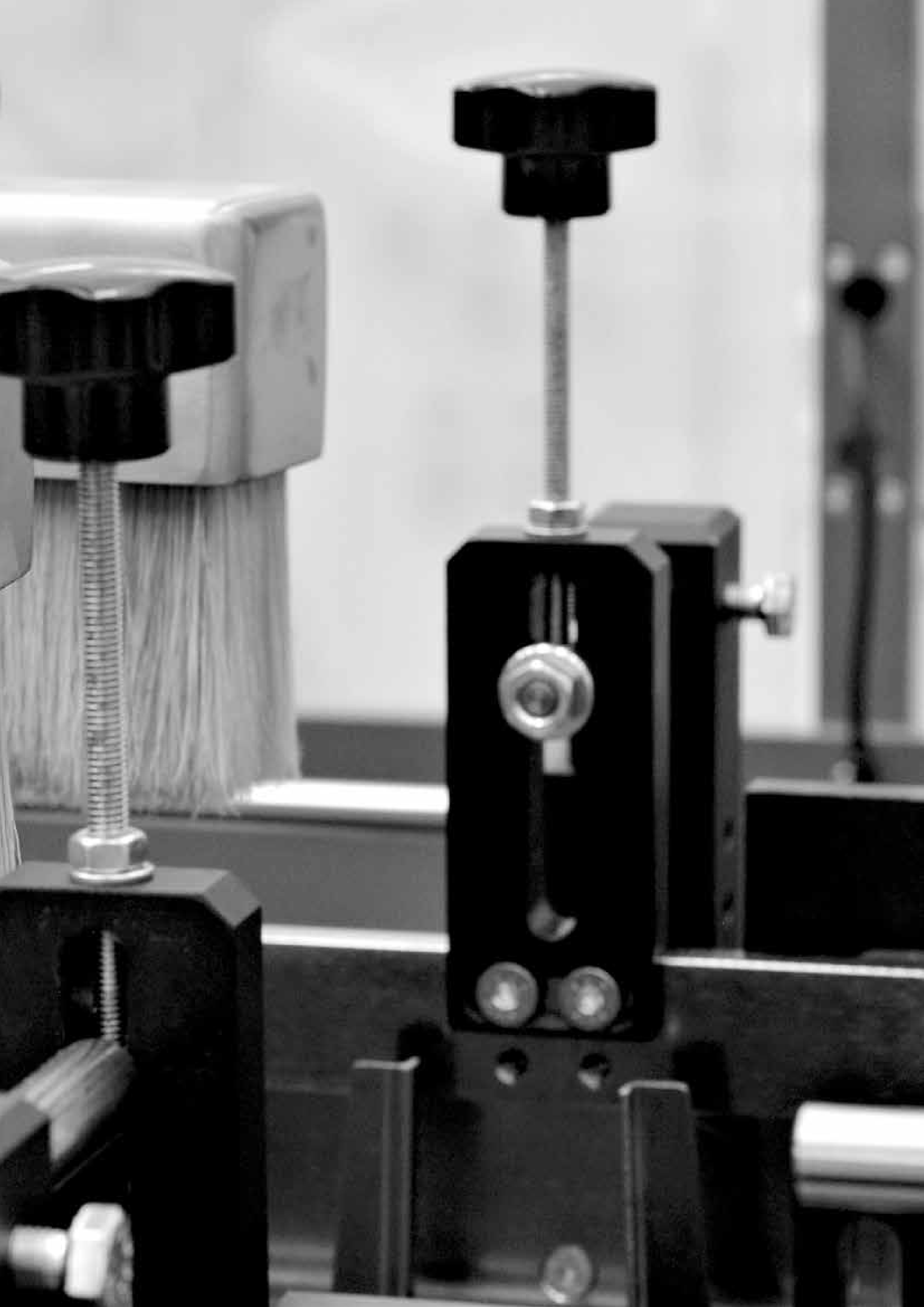
The global economy had two years of modest growth in which most economies experienced a slowdown leading key central banks, faced with the prospect of a deceleration that could result in a recession, to push monetary policy in a more expansionary direction.
Initially, the consensus of international institutions was that 2020 would see growth rates that do not differ greatly from those in 2019 with modest growth in the global economy.
Since the beginning of 2020, the evolution of the Covid-19 epidemic has continued to dominate events. The epidemic during the first weeks of 2020 initially affected China, but later spread to other countries. As a result of this spread, at the end of January the World Health Organization declared an international emergency and on 11 March declared that the coronavirus was a pandemic. The governments of affected countries have imposed travel and traffic bans, quarantines and other public emergency measures causing interruptions in logistics that have also had an impact on sales and production at certain Group companies. Although these measures are temporary, they could later be extended or become more severe depending on how the contagion evolves. Thus, it is possible that there may be lengthy business interruptions at several Group companies caused by the delayed or suspended supply of products due in part to the interruption of transportation or new restrictions imposed by law. Although the Group is taking all measures necessary to reduce this impact, the above circumstances could result in the risk that certain subsidiaries may not be able to promptly fill customers' orders and carry out their business resulting in a substantial negative outcome. The final impact of the spread of Covid-19 is unforeseeable at this time, and as a result, it is not possible to assess the impact it will have on end markets and the Group's operating and financial position. There is a risk that if the epidemic persists, Covid-19 could trigger a global recession. There are still no reliable assessments of its duration, and its impact on the global economy will depend on the ability to isolate the contagion and on decisions made by government authorities to contain the spread of the epidemic.
However, although there is still considerable uncertainty regarding the possible effects of Covid-19, at present we are not aware of any factors that could threaten the company's going concern, and thus we can confirm the principles on which the financial statements were prepared.
Global coal consumption rose for the second consecutive year driven by higher industrial production and higher electricity consumption in emerging countries, especially China, India and Indonesia, which offset the drop in coal demand in OECD countries.
According to projections of the International Energy Agency in its reference publication, 'World Energy Outlook 2019', the 'Stated Policies' scenario reports that projected coal consumption will remain stable until 2040.

In the first quarter of 2020, coal prices remained largely in line with the trend in the second half of 2019.

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 places on creating the conditions for long-term success; likewise focus will be placed on short-term results and maintenance of a fundamental balance within the company.

The Energy Division's focus continues to be on coal extracted from the owned mine in Russia with the aim of continually improving the efficiency of mining operations to optimize the cost and logistics structure, also considering the current market cycle. To this end, the Division is continuing to make investments and to determine, with the assistance of consultants with an international standing, a new production and development plan for the mining site with the aim of increasing the Division's ability to generate sales margins and gradually increase extracted coal volume. The strengthening of relations with business partners is also continuing with the signing of multi-year agreements to take advantage of synergies with the Trading area.
With regard to the Trading activities, the new market segments targeted in 2019 will continue to be developed, with a special emphasis on the management of business risk through a careful use of trade finance tools and/or credit insurance.
In view of the high volatility of coal prices, the commitment to search for other non-traditional forms of trading will be intensified in order to diversify risk from the standpoint of both business partnerships and the products traded.

The Industry Division will face many challenges in 2020. The current geopolitical and health situation will inevitably affect the ability to bring in new orders. Thus, the Division is exploring new business opportunities in new reference markets. From the second week of March, production activities at the Italian plants of the IMS Technologies Group slowed considerably due to the health-related situation.
Furthermore, in 2020 the Industry Division will revise the product portfolio in order to offer products that are more in line with customers' needs. In this regard, R&D activities will be especially helpful in adding significant functionality to existing products. The full re-engineering of certain models could also make it possible to achieve significant cost savings.
The strengthening of Service business unit, which is still being completed, made it possible to achieve excellent results in terms of orders with a positive impact on margins in 2019. Growth rates in this activity are significant, as a result of the large number of machines installed at the customers' production sites.
Finally, during the year, the migration to the new ERP system should be completed, which will provide a new more efficient approach to managing operations for the Division's orders.



CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2019 (thousands of Euro)

ASSETS	(NOTE)	31-Dec-2019	31-Dec-2018	CHANGES
NON-CURRENT ASSETS				
Property, plant and equipment	1	70,167	78,786	(8,619)
Right of use assets	2	22,700	-	22,700
Intangible assets	3	8,407	13,780	(5,373)
Other investments	4	5	5	-
Available-for-sale financial assets	4	289	2,577	(2,288)
Deferred tax assets	26	1,057	2,027	(970)
Other non-current assets	5	1,376	313	1,063
TOTAL NON-CURRENT ASSETS		104,001	97,488	6,513
CURRENT ASSETS				
Inventories	6	89,876	95,920	(6,044)
Trade receivables	7	30,040	35,459	(5,419)
Prepayments	8	2,865	5,881	(3,016)
Other receivables and current assets	9	38,012	44,547	(6,535)
Cash and cash equivalents	10	59,212	46,333	12,879
TOTAL CURRENT ASSETS		220,005	228,140	(8,135)
TOTAL ASSETS		324,006	325,628	(1,622)

EQUITY AND LIABILITIES	(NOTE)	31-Dec-2019	31-Dec-2018	CHANGES
SHAREHOLDERS' EQUITY				
Group equity	11	69,063	67,719	1,344
Minority interests	11	-	-	-
TOTAL SHAREHOLDERS' EQUITY		69,063	67,719	1,344
NON-CURRENT LIABILITIES				
Interest bearing liabilities and borrowings	12	70,578	58,975	11,603
Provision for risks and charges	13	11,263	10,503	760
Post-employment benefits	14	3,160	2,769	391
Deferred tax liabilities	26	2,907	3,093	(186)
TOTAL NON-CURRENT LIABILITIES		87,908	75,340	12,568
CURRENT LIABILITIES				
Interest bearing liabilities and borrowings	12	43,647	41,305	2,342
Provision for risks and charges	13	803	826	(23)
Trade payables	15	57,581	46,178	11,403
Other payables and current liabilities	16	65,004	94,260	(29,256)
TOTAL CURRENT LIABILITIES		167,035	182,569	(15,534)
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		324,006	325,628	(1,622)

CONSOLIDATED INCOME STATEMENT AT 31 DECEMBER 2019 (thousands of Euro)

	(NOTE)	2019	2018	CHANGES
Revenues from sales and services	17	869,327	942,632	(73,305)
Operating costs	18	(790,884)	(848,418)	57,534
GROSS MARGIN		78,443	94,214	(15,771)
Overhead and administrative expenses	19	(50,376)	(51,556)	1,180
Capital gains / (losses) on non-current assets	20	(246)	91,890	(92,136)
Profit / (loss) companies measured using the E.M.	21	-	(1,275)	1,275
Other net operating income (costs)	22	4,207	17,524	(13,317)
EBITDA		32,028	150,797	(118,769)
Depreciation, amortization and devaluation	23	(18,895)	(9,570)	(9,325)
EBIT		13,133	141,227	(128,094)
Net financial income / (expenses)	24	(6,869)	(10,988)	4,119
Profit / (loss) on foreign exchange	25	1,614	(5,962)	7,576
RESULT BEFORE TAXES		7,878	124,277	(116,399)
Taxes	26	(783)	(7,305)	6,522
NET RESULT AFTER TAX FROM CONTINUING OPERATIONS		7,095	116,972	(109,877)
Net result from discontinued operations		-	-	-
NET RESULT		7,095	116,972	(109,877)
Attributable to the Coeclerici Group		7,095	116,972	(109,877)
Attributable to minority interests		-	-	-

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AT 31 DECEMBER 2019 (thousands of Euro)

	(NOTE)	2019	2018	CHANGES
NET RESULT		7,095	116,972	(109,877)
Items that may be reclassified subsequently to the Income Statement:				
- Differences from conversion of financial statements in currencies other than Euro		4,483	(2,224)	6,707
- Change in the fair value of cash flow hedge financial instruments	28	(147)	1,234	(1,381)
Total items that may be reclassified, net of tax effects		4,336	(990)	5,326
Items that will NOT be reclassified subsequently to the Income Statement:				
- Change in the fair value of available-for-sale financial assets	4	18	(160)	178
- Actuarial gains / (losses)		(133)	7	(140)
Total items that will NOT be reclassified, net of tax effects		(115)	(153)	38
NET INCOME RECORDED DIRECTLY IN EQUITY		4,221	(1,143)	5,364
TOTAL COMPREHENSIVE INCOME		11,316	115,829	(104,513)
ATTRIBUTABLE TO:				
- Attributable to the Coeclerici Group		11,316	115,829	(104,513)
- Attributable to minority interests		-	-	-

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 31 DECEMBER 2019 (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 RESULT	TOTAL CC GROUP EQUITY	TOTAL MINORITY EQUITY	TOTAL EQUITY
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 net result 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)**
Net result 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**
2018 net result transferred to reserves	-	-	-	-	-	-	-	116,972	(116,972)	**-**	-	**-**
Dividends paid	-	-	-	(7,336)	-	-	-	(2,664)	-	**(10,000)**	-	**(10,000)**
Net income recorded directly in equity	-	-	4,483	-	(129)	(133)	-	-	-	**4,221**	-	**4,221**
Effect of change in consolidation area	-	-	(937)	-	-	-	-	965	-	**28**	-	**28**
Net result for 2019	-	-	-	-	-	-	-	-	7,095	**7,095**	-	**7,095**
At 31 December 2019	**10,000**	**2,000**	**(1,621)**	**2,896**	**(1,592)**	**(255)**	**49,198**	**1,342**	**7,095**	**69,063**	**-**	**69,063**

CONSOLIDATED STATEMENT OF CASH FLOWS AT 31 DECEMBER 2019 (thousands of Euro)

	2019		2018	
A CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	46,333		98,815	
B CASH FLOW GENERATED (ABSORBED) FROM OPERATING ACTIVITIES				
BEFORE CHANGES IN NET WORKING CAPITAL	23,573		8,735	
Net result		7,095		116,972
Depreciation of property, plant and equipment		7,250		8,152
Amortization of intangible assets		732		624
Depreciation of right of use assets		3,180		-
Devaluation of fixed assets		7,733		794
Losses (gains) on non-current assets		246		(91,890)
Share of profits from equity investments measured using the equity method		-		1,275
Interest paid		(3,791)		(4,316)
Net change in provisions for liabilities and charges		737		(22,348)
Net change in post-employment benefits		391		(528)
CHANGES IN NET WORKING CAPITAL	(6,974)		(21,000)	
Net change in deferred taxes		784		5,858
Change in inventories		6,044		(21,067)
Change in trade receivables		5,419		(5,259)
Change in trade payables		11,403		(10,501)
Other changes in working capital		(30,624)		9,969
CASH FLOW GENERATED (ABSORBED) FROM OPERATING ACTIVITIES (B)	16,599		(12,265)	
C CASH FLOW GENERATED (ABSORBED) FROM INVESTING ACTIVITIES				
Investments in property, plant and equipment	(12,146)		(41,079)	
Investments in right of use assets	(2,940)		-	
Investments in intangible assets	(2,017)		(1,017)	
Disposal of property, plant and equipment	1,741		161,087	
Disposal of intangible assets	80		108	
Change in other non-current assets	(1,063)		(2)	
Disposal / (Increase) of investments in subsidiaries / business complex	-		1,173	
Disposal / (Increase) of investments in available-for-sale financial assets	2,357		(1,734)	
Disposal / (Increase) of investments in other companies	-		(3)	
Dividends received from other companies	-		264	
CASH FLOW GENERATED (ABSORBED) FROM INVESTING ACTIVITIES (C)	(13,988)		118,797	
D CASH FLOW GENERATED (ABSORBED) FROM FINANCING ACTIVITIES				
Change in current and non-current financial receivables	14,686		5,117	
Net change in current and non-current financial payables	5,582		(48,131)	
Dividends paid	(10,000)		(116,000)	
CASH FLOW GENERATED (ABSORBED) FROM FINANCING ACTIVITIES (D)	10,268		(159,014)	
E OVERALL CASH FLOW GENERATED (ABSORBED) (E = B + C + D)	12,879		(52,482)	
F CASH AND CASH EQUIVALENTS AT END OF PERIOD (A + E)	59,212		46,333	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

of the Coeclerici Group as of December 31, 2019

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 euro, and unless otherwise indicated, figures are in thousands of euro.

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 2019 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 results 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 and joint ventures'.
The consolidated financial statements include the share of the results 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; the variations in the fair value shown in the equity are never reversed in the income statement as specified in 'IFRS 9 – Financial Instruments'. 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 EURO 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 EURO 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 the 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.
'Coal 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' and this item takes into account amounts paid for subsequent extensions. 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 coal 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 the 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 the 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

'IFRS 16 – Leasing' which replaced 'IAS 17 – Leasing' went into effect on 1 January 2019.
The new standard provides a new definition of lease and introduces a new criterion based on the control (right of use) of an asset to distinguish lease agreements from service agreements. The discriminating factors are the identification of the asset, the right to replace it, the right to obtain substantially all economic rewards deriving from the use of the asset and the right to control the use of the asset underlying the contract.
The standard establishes a single model for recognizing and measuring lease agreements for the lessee; it calls for recording the asset covered by a lease, including an operating lease, under assets with a financial payable as a balancing entry.
The standard does not include significant changes for lessors. An agreement is classified as a finance lease or a operating lease when entered into by examining the contract requirements and/or the kind of asset being leased.
In the balance sheet, the application of the new standard to lease agreement entails initially recording a right-of-use asset pursuant to IFRS 16 (equal to the present value of the minimum future mandatory payments that the tenant will have to pay starting 1 January 2019) that will be amortized over the lesser of the economic-technical life of the asset and the remaining term of the agreement, and recording a financial payable equal to the present value of the minimum future mandatory payments the tenant will have to pay starting 1 January 2019. The payable will later be reduced gradually as the rent payments are made. Starting in 2019, rent payments will no longer be recorded in the income statement. The depreciation of the right of use will instead be recorded as well as financial expense on the payable recorded.
The Group has applied 'IFRS 16 – Leasing' for the first time with the adoption of the retrospective modified application of the model that did not require the redetermination of comparison figures for the previous period and which had no impact on the initial shareholders' equity as of 1 January 2019.
When adopting IFRS 16, the Group took advantage of the exemption provided in Paragraph 5 a) in relation to short-term leases and the exemption granted in Paragraph 5 b) concerning lease agreements in which the underlying asset is a low-value asset. For these leases, IFRS 16 does not require the recognition of the financial lease liability and the related right of use, but lease payments can be recognized in the income statement on a straight-line basis over the life of the respective leases.

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

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

If the result of a work in progress cannot be reliably estimated, the job revenue is 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 on hand, 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 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 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 taxes 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. 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 available-for-sale financial assets, 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, net 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

Lists of companies included in the consolidation are attached to the notes to the financial statements.
Some transactions brought about variations in the Group area of consolidation when compared to the previous financial year:

- the set up of IMS Technologies Inc., which is wholly-owned by IMS Technologies;
- the sale of the equity interest in the jointly-controlled company dACC Maritime d.a.c. to the d'Amico Group on 14 January 2019;
- the liquidation of the Singaporean company Coeclerici Asia (Pte) Ltd, the Portuguese company Capo Noli Transportes Maritimos Lda and the US company Coeclerici Americas Real Estate Inc.

ACCOUNTING PRINCIPLES RECENTLY ISSUED

IFRS Accounting principles, amendments and interpretations applied starting on 1 January 2019

The following IFRS accounting principles, amendments and interpretations were applied for the first time by the Group starting on 1 January 2019:

- 'IFRS 16 – Leases' published on 13 January 2016, which replaced 'IAS 17 – Leases' as well as interpretations 'IFRIC 4 – Determining whether an arrangement contains a lease', 'SIC 15 – Operating Leases – Incentives' and 'SIC 27 – Evaluating the substance of transactions involving the legal form of a lease'. The new standard provides a new definition of lease and introduces a criterion on the basis of the control (right of use) of an asset to distinguish leases from service contracts, the differences lying in: the identification of the asset, the right to replace the asset, the right to essentially receive all the financial benefits arising from the use of the asset and the right to control the use of the asset underlying the contract. The standard introduces a single lessee accounting model, by which an asset under a lease, including an operating lease, is 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. With regard to operating leases, the adoption of this standard involved the recording of the following as of 31 December 2019:
  - right-of-use assets totaling Euro 6,381 thousand;
  - financial payables amounting to Euro 6,479 thousand;
  - depreciation of right-of-use assets totaling Euro 1,763 thousand;
  - financial expenses amounting to Euro 239 thousand.

- 'IFRIC 23 – Uncertainty over income tax treatment' (published on June 2017) 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. The adoption of this interpretation did not have any impact on the Group's consolidated financial statements.
- The entry into force of the IASB document 'Annual improvements to IFRS standards 2015-2017 cycle' (published on 12 December 2017); these improvements will affect the following 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.
  - '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.
  - '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.
  - '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 income statement, in the other comprehensive income or in the shareholder's equity in keeping with the way in which the entity previously recognized such past transactions or events.

The adoption of these improvements did not have any impact on the Group's consolidated financial statements.

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

The Group did not apply the following amendment, which was issued but is still not in effect:

- On 31 October 2018, the IASB issued 'Amendment to IAS 1 and IAS 8: Definition of material' to standardize the definition of 'material' in the standards and to clarify certain aspects of the definition. The new definition indicates that information is considered material if, as a result of its omission, or following its inaccurate or incomprehensible presentation, it could reasonably be expected to affect the decisions that the main users of the financial statements would make on the basis of financial information contained therein. This standard shall apply to financial years beginning on or after 1 January 2020. The adoption of this amendment has no 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 principle and the amendment described below.

- On 18 May 2017, the IASB issued 'IFRS 17 – Insurance Contracts', a new standard related to insurance contracts that covers recognition, measurement, presentation and disclosures. When it goes into effect, this standard will replace 'IFRS 4 – Insurance Contracts' which was issued in 2005. It will apply to all types of insurance contracts (for example life, non-life, direct insurance, re-insurance), regardless of the kind of entity that issues them, and to some guarantees and financial instruments with discretionary participation features. The general aim of IFRS 17 is to introduce an accounting model for insurance contracts that is more useful and uniform for insurers. IFRS 17 will apply to financial years beginning on or after 1 January 2021.
- On 22 October 2018, the IASB issued 'Amendment to IFRS 3 – Business Combinations' with the aim of determining rules whereby a transaction must be recorded as an acquisition of assets or as a business combination. This amendment will apply to financial years beginning on 1 January 2020.

The Directors do not expect any impact from the application of such principle and such amendment.

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 during 2019 are summarized in the following table:

	FLEET	LAND AND BUILDINGS	PLANT AND MACHINERY	OTHER ASSETS	COAL RESERVES	CLEAN-UP AND RESTORATION COSTS	TANGIBLE ASSETS UNDER CONSTRUCTION	TOTAL
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**
Transfer to right-of-use assets as of 1 January 2019	-	(14,001)	(3,576)	(86)	-	-	-	(17,663)
Increases	-	1,018	3,660	1,636	4,616	552	664	12,146
Decreases	-	(1,341)	(38)	(190)	-	-	(172)	(1,741)
Depreciation and devaluation	-	(318)	(5,265)	(1,708)	(427)	(265)	-	(7,983)
Exchange rate differences	-	1,361	3,423	809	613	298	118	6,622
At 31 December 2019	-	**17,849**	**31,810**	**8,305**	**8,129**	**2,647**	**1,427**	**70,167**

The item 'Transfer to right-of-use assets as of 1 January 2019' resulted from the transfer of the net book value of tangible assets acquired under finance leases which were, until 31 December 2018, recognized in the heading 'Property, plant and equipment' and reclassified following the entry into force of 'IFRS 16 – Leases' into the caption 'Right-of-use assets'. The item mainly includes the Calcinate and Seriate plants where industrial activity is carried out by the subsidiary IMS Technologies, as well as machinery and other assets used for mining, and plant, machinery and equipment used by the Industry Division.

The increases in the item 'Land and buildings' (Euro 1,018 thousand), 'Plant and machinery' (Euro 3,660 thousand), 'Other assets' (Euro 1,636 thousand), 'Coal reserves' (Euro 4,616 thousand), 'Clean-up and restoration costs' (Euro 552 thousand) and 'Tangible assets under construction' (Euro 664 thousand) are mainly attributable to investments made by the Russian subsidiaries SC Kisk and LLC Razrez (Euro 8,363 thousand) necessary to improve the production efficiency of the mining site and expand it.

The decrease in the item 'Land and buildings', totaling Euro 1,341 thousand, was mainly due to the sale of a property by the US company Coeclerici Americas Real Estate. As indicated in 'Note 20 – Capital gains / (losses) on non-current assets' this sale resulted in a capital loss of Euro 258 thousand.

Right of use assets (Note 2)

The changes that occurred in right of use assets during 2019 are summarized in the following table:

	VEHICLES	PLANT AND MACHINERY, TOOLS	LAND, OFFICES AND INDUSTRIAL PLANTS	OTHER TANGIBLE ASSETS	TOTAL
At 31 December 2018	**-**	**-**	**-**	**-**	**-**
Gross book value at 1 January 2019	645	-	4,433	40	5,118
Transfer from property, plant and equipment as of 1 January 2019	-	3,662	14,001	-	17,663
Increases	155	52	2,733	-	2,940
Depreciation	(297)	(1,123)	(1,752)	(8)	(3,180)
Exchange rate differences	6	25	128	-	159
At 31 December 2019	**509**	**2,616**	**19,543**	**32**	**22,700**

Right-of-use assets deriving from leases, rental agreements and agreements to use third-party assets were recognized separately and, as of 1 January 2019, the date of the first-time application of IFRS 16, they totaled Euro 5,118 thousand.

The item 'Transfer from property, plant and equipment as of 1 January 2019' is attributable to the transfer of the net book value of tangible assets acquired under finance leases recognized until 31 December 2018 in the caption 'Property, plant and equipment' and reclassified following the entry into force of 'IFRS 16 – Leases'. The item mainly includes the Calcinate and Seriate plants where industrial activity is carried out by the subsidiary IMS Technologies, as well as machinery and other assets used for mining and plant, machinery and equipment used by the Industry Division.

Increases were mainly for the renewal of operating leases for offices.

Intangible assets (Note 3)

The changes that occurred in intangible assets during 2019 are summarized in the following table:

	GOODWILL	OTHER INTANGIBLE ASSETS	TOTAL
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**
Increases	-	2,017	2,017
Decreases	-	(80)	(80)
Amortization and devaluation	(7,000)	(732)	(7,732)
Exchange rate differences	-	422	422
At 31 December 2019	**1,814**	**6,593**	**8,407**

The balance of the item 'Goodwill', amounting to Euro 8,814 thousand as of 31 December 2018, 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) in excess of the fair value of the identifiable assets purchased.
As of 31 December 2019, the Directors determined the recoverable value of goodwill (through an impairment test) with respect to value in use based on a projection of cash flow deriving from budgets that were revised to reflect the negative results generated by the German company Goebel, which is a subsidiary of IMS Technologies SpA. Based on the results obtained, part of the goodwill recorded in the financial statements was written down for an amount equal to Euro 7,000 thousand.
Increases in other intangible assets, totaling Euro 2,017 thousand, primarily included the purchase of an extension in the mining license by the Russian subsidiary SC Kisk, development projects carried out by the IMS Technologies Group and the purchase of software licenses by the Holding Company.
At 31 December 2019, the heading 'Other intangible assets' mainly included the residual value of the mining license held by the Russian subsidiary SC Kisk.

Other investments and available-for-sale financial assets (Note 4)

This item consists of the following:

	31/12/2019	31/12/2018
Other investments	5	5
Available-for-sale financial assets	289	2,577
Total	**294**	**2,582**

The heading 'Other investments' consisted of the following at 31 December 2019:

	31/12/2019	31/12/2018
Consorzio Maturatori 2000	1	1
Consortiums	1	1
CGTH Srl	3	3
Total other investments	**5**	**5**

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

	31/12/2019	31/12/2018
Hao Capital Fund II L.P.	289	316
Canara Robeco Treasury Advantage Fund	-	586
Life Care Capital SpA	-	925
Ambrosia Investments SpA	-	750
Total available-for-sale financial assets	**289**	**2,577**

During 2019 this item decreased by Euro 2,288 thousand.
This reduction was mainly due to the sale of shares of Life Care Capital SpA and Ambrosia Investments SpA and the selling of the Canara Robeco Treasury Advantage Fund. The sale of these assets produced a gain of Euro 22 thousand recorded directly in shareholders' equity as required by 'IFRS 9 – Financial instruments".
Further information regarding the closed investment fund Hao Capital Fund II L.P. is given under 'Note 30 – Obligations and guarantees'.

Other non-current assets (Note 5)

This heading consists of the following:

	31/12/2019	31/12/2018
Other receivables	98	95
Tax receivables	2,457	1,398
Guarantee deposits	219	218
Provision for bad debts on other non-current assets	(1,398)	(1,398)
Total other non-current assets	**1,376**	**313**

'Other receivables' refer to cash and cash equivalents in an escrow account held by the subsidiary Elvezia Immobiliare.

'Tax receivables', amounting to Euro 2,457 thousand, include Euro 1,398 thousand related to fiscal and tax receivables, recorded by the Holding Company, for which a request for reimbursement was made in previous years; the amounts have not been recovered and have been fully written down. This item also includes Euro 1,059 thousand related to fiscal and tax receivables recorded by the Energy Division.

Inventories (Note 6)

Inventories, equal to Euro 89,876 thousand (Euro 95,920 thousand at 31 December 2018), are made up as follows:

	31/12/2019	31/12/2018
Raw, subsidiary and consumable materials	3,390	2,946
Work in progress and semifinished goods	56,479	78,706
Industry Division goods	62	67
Goods	29,945	14,201
Total inventories	**89,876**	**95,920**

The heading 'Work in progress and semifinished goods' contains the valorization of the contracts underway in relation to the Industry Division according to the percentage of completion method. The 28% reduction is consistent with the decrease of the Industry Division's revenues (-18%) and the decline in payables for advance payments recorded by the IMS Technologies Group (-40%).

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 greater than the amounts reported as of 31 December 2018 mainly due to the higher percentage of inventories that also reflect transportation costs and the 12% revaluation of the ruble (exchange rate of EUR/RUB 69.96 as of 31 December 2019 compared to 79.72 as of 31 December 2018).

	31/12/2019		31/12/2018	
	TONNES	EURO/000	TONNES	EURO/000
Goods	514,291	29,945	343,164	14,201

Trade receivables (Note 7)

This heading amounts to Euro 30,040 thousand (Euro 35,459 thousand at 31 December 2018) 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 14,468 thousand (Euro 19,910 thousand at 31 December 2018).

Trade receivables at 31 December 2019 can be divided between the following expiry periods:

	31/12/2019	31/12/2018
Receivables not yet due	19,584	15,428
Due < 60 days	5,007	15,562
Due < 180 days	1,915	2,298
Due < 365 days	896	1,320
Due > 1 year	17,106	20,761
Provision for bad debts	(14,468)	(19,910)
Total trade receivables	**30,040**	**35,459**

It should be noted that in the months subsequent to December 2019, a large proportion of the receivables shown in the table at 31 December 2019 with an expiry of less than 60 days was actually collected.

The movement in the provision for bad debts during 2019 was as follows:

Provision for bad debts at 31 December 2018	**(19,910)**
Provisions	(170)
Uses	5,948
Exchange rate differences	(336)
Provision for bad debts at 31 December 2019	**(14,468)**

Uses were related to the closing of a receivable that had been fully written down in previous years.

Prepayments (Note 8)

The caption, amounting to Euro 2,865 thousand (Euro 5,881 thousand at 31 December 2018), refers mainly to advance payments made to suppliers for the purchase of coal delivered in the months immediately following 31 December 2019; the item also includes, for Euro 868 thousand, advances paid by the IMS Technologies Group mainly relating to the supply of goods.

Other receivables and current assets (Note 9)

This heading consists of the following:

	31/12/2019	31/12/2018
Other receivables	1,105	1,211
Receivables relating to the fair value of financial instruments	334	979
Tax receivables	16,128	13,376
Receivables from holding company for tax consolidation	11,958	5,328
Financial receivables from dACC Maritime d.a.c. / d'Amico	7,148	21,834
Accrued income and prepaid expenses	1,339	1,819
Total other receivables and current assets	**38,012**	**44,547**

'Receivables relating to the fair value of financial instruments' refer to forward currency purchases made by the Group, as more fully described in 'Note 28 – Information regarding financial instruments', which gives further details.

'Tax receivables' refer mainly to VAT receivables.

'Receivables from holding company for tax consolidation' refer to receivables arising from the tax consolidation for IRES purposes. For further details regarding the composition of this amount, refer to 'Note 26 – Taxes'. These receivables, which arose as a result of the transfer of Group tax losses to the parent company shall be liquidated, pursuant to the tax consolidation agreement, upon the Consolidator's use of the aforementioned tax losses.

The 'Financial receivables from dACC Maritime d.a.c.' recorded as of 31 December 2018 was attributable to the loan made to the investee company in order to finance the construction of four 60,000 tonnes Supramax ships. This receivable was sold at the same time the equity interest was sold to the d'Amico Group on 14 January 2019. The balance of this item as of 31 December 2019 reflects collections received during the year.

Cash and cash equivalents (Note 10)

This heading consists of the following:

	31/12/2019	31/12/2018
Bank and postal deposits	59,160	46,264
Cash in hand	52	69
Total cash and cash equivalents	**59,212**	**46,333**

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 11)

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' had a negative balance of Euro 1,621 thousand, related to the conversion into Euro of the financial statements of consolidated foreign subsidiaries that prepare financial statements in currencies other than the Euro; it increased by Euro 3,546 thousand.

The 'Merger surplus reserve', which had a positive balance of Euro 2,896 thousand, was down by Euro 7,336 thousand compared to the amount at 31 December 2018 due to its partial utilization in that amount to distribute a dividend of Euro 10,000 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 1,592 thousand, showed a drop of Euro 129 thousand due to the decrease in the fair value of derivative financial instruments (as more fully analyzed in 'Note 28 – Information regarding financial instruments') for Euro 147 thousand, and the increase in the fair value of available-for-sale financial assets of Euro 18 thousand.

The heading 'Actuarial gains / (losses)' with a negative balance of Euro 255 thousand, decreased by Euro 133 thousand and is related to the actuarial evaluation of defined benefit plans (TFR) at 31 December 2019 (as more fully detailed in 'Note 14 – Post-employment benefits').

The item 'Other reserves', with a positive balance of Euro 49,198 thousand, remained unchanged compared to its value at the end of the previous financial year.

The item 'Retained earnings' showed a positive balance of Euro 1,342 thousand after reflecting an increase as a result of the change in the consolidation area for an amount of Euro 965 thousand, after retaining the profit for the previous financial year for Euro 116,972 thousand and the distribution of dividends to the sole shareholder for Euro 10,000 thousand, of which Euro 2,664 thousand drawn from the caption 'Retained earnings' and Euro 7,336 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:

	31/12/2019	31/12/2018
Net financial position	55,013	53,947
Equity	69,063	67,719
NFP/EQUITY	**0.80**	**0.80**

Interest bearing liabilities and borrowings (Note 12)

This heading consists of the following:

	31/12/2019			31/12/2018		
	CURRENT	NON CURRENT	TOTAL	CURRENT	NON CURRENT	TOTAL
Short term advances	17,490	-	**17,490**	3,247	-	**3,247**
Secured loans from financial institutions	7,663	18,838	**26,501**	4,899	16,716	**21,615**
Unsecured loans from financial institutions	14,792	41,789	**56,581**	31,397	35,296	**66,693**
Finance leases	1,797	5,377	**7,174**	1,762	6,963	**8,725**
Operating leases	1,905	4,574	**6,479**	-	-	**-**
Interest bearing liabilities and borrowings	**43,647**	**70,578**	**114,225**	**41,305**	**58,975**	**100,280**

Short-term advances, amounting to Euro 17,490 thousand (Euro 3,247 thousand at 31 December 2018) refer mainly to loans disbursed by lending institutions to finance coal trading. The increase in this item was mainly due to the repayment of these advances at 31 December 2018 following significant collections received in the final days of 2018.

Secured loans, totaling Euro 26,501 thousand, up compared to 2018 by Euro 4,886 thousand, refer to the loan for the acquisition of the property located in Riva Paradiso, Lugano, headquarters of the Mining Division (Euro 2,556 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 23,945 thousand). The increase was mainly due to the 12% strengthening of the ruble (exchange rate of EUR/RUB 69.96 at 31 December 2019 compared to 79.72 at 31 December 2018).

Unsecured loans, amounting to Euro 56,581 thousand, dropped compared to 2018 by Euro 10,112 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 'Finance leases' includes the payable deriving from the signing of finance 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 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 finance lease agreements by the IMS Technologies Group for the purchase of machinery and industrial equipment.

The item 'Operating leases' includes the payable deriving from the signing of operating lease agreements as required by 'IFRS 16 – Leasing' which entered into force for financial statements for years starting on or after 1 January 2019. This payable is mainly attributable to the Holding Company's new offices in Milan, land and offices for the Energy Division, offices and plants for the Industry Division and cars.

'Interest bearing liabilities and borrowings' at 31 December 2019 had the following expiry periods:

	Within 2020	2021 - 2022	2023 - 2024	After 2024	TOTAL
Short term advances	17,490	-	-	-	**17,490**
Secured loans from financial institutions	7,663	14,982	3,856	-	**26,501**
Unsecured loans from financial institutions	14,792	33,600	8,189	-	**56,581**
Finance leases	1,797	3,624	394	1,359	**7,174**
Operating leases	1,905	2,311	1,268	995	**6,479**
Interest bearing liabilities and borrowings	**43,647**	**54,517**	**13,707**	**2,354**	**114,225**

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

	31/12/2019			31/12/2018		
	CURRENT	NON CURRENT	TOTAL	CURRENT	NON CURRENT	TOTAL
Eur	12,955	48,504	**61,459**	30,327	38,647	**68,974**
Rub	7,767	19,143	**26,910**	4,578	16,656	**21,234**
Usd	21,524	891	**22,415**	5,530	2,039	**7,569**
Chf	960	1,752	**2,712**	870	1,633	**2,503**
Sgd	221	37	**258**	-	-	**-**
Inr	89	167	**256**	-	-	**-**
Cny	115	67	**182**	-	-	**-**
Idr	16	17	**33**	-	-	**-**
Interest bearing liabilities and borrowings by currency	**43,647**	**70,578**	**114,225**	**41,305**	**58,975**	**100,280**

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

At 31 December 2018	**100,280**
Recording as of 1 January 2019 of the financial debt resulting from the application of IFRS 16	5,118
(Reimbursements) / Drawdowns	5,582
Exchange rate differences	3,245
At 31 December 2019	**114,225**

Provisions for risks and charges (Note 13)

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 2019, this heading consisted of the following:

	31/12/2019	31/12/2018
Current	803	826
Non current	11,263	10,503
Total provisions for risks and charges	**12,066**	**11,329**

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

At 31 December 2018	**11,329**
Provisions	866
Actuarial variation in restoration costs	344
Restoration costs	552
Releases	(647)
Uses	(905)
Exchange rate differences	527
At 31 December 2019	**12,066**

During the financial year, Euro 0.9 million was set aside to meet possible liabilities which could reasonably result from previous judicial relations.

It should be noted that, in previous financial years, the Holding Company received verification notices related to Coeclerici Logistics SpA from the Italian Tax Authority - Provincial Division I - Milan for the years 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 2013, the Company was the subject of a check regarding IRES and IRAP for 2010. In 2015, 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 all of the decisions of the tax commissions issued to date have had a positive outcome with acceptance of the appeals submitted by the Group.

Post-employment benefits (Note 14)

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

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**
Provisions for the period	376
Actuarial (gains) / losses	139
Exchange rate differences	75
Uses	(199)
At 31 December 2019	**3,160**

The main assumptions behind the actuarial valuation of the post-employment benefit provisions are as follows:

	31/12/2019	31/12/2018
Discount rate	0.37%	1.13%
Inflation rate	1.20%	1.50%
Annual salary increase rate	2.00%	2.00%
Annual post-employment benefit increase rate	2.40%	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 losses arising in the financial year, amounting to Euro 139 thousand, consisted of 'actuarial losses from experience' for Euro 73 thousand, 'actuarial losses from change of discount rate' for Euro 69 thousand and 'actuarial gains from change of demographic hypothesis' for Euro 3 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 2019:

	Changes	31/12/2019
Inflation rate	+0.25%	26
Inflation rate	-0.25%	(25)
Discount rate	+0.25%	(35)
Discount rate	-0.25%	36

Trade payables (Note 15)

The balance of Euro 57,581 thousand (Euro 46,178 thousand at 31 December 2018) includes current payables for supplies linked to the Group's normal operating activities.

The difference for the period was due mainly to the increase in trade payables generated by the Trading Division's normal activities.

Other payables and current liabilities (Note 16)

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

	31/12/2019	31/12/2018
Advances from customers	44,672	72,880
Other payables	10,963	14,835
Payables relating to the fair value of financial instruments	20	333
Tax payables	7,789	4,510
Payables to social security institutions	1,433	1,441
Accrued expenses and deferred income	127	261
Total other payables and current liabilities	**65,004**	**94,260**

The item 'Advances from customers' includes Euro 43,780 thousand for advance payments received by the IMS Technologies Group, whose main business is the production of industrial machineries under contracts, in relation to which customers normally make an advance that may be followed by other payments on account upon the achievement of certain events specified from time to time in the contracts. In these cases, from an accounting standpoint, the service is completed and the related transfer of risks and rewards takes place when the industrial machine is installed and tested at the customer's facilities. Until such time, collections 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 39% decrease in this item is consistent with the reduction in the Industry Division's revenues (-18%) and the drop in work in progress and semifinished goods (-28%).

The item 'Other payables' amounted to Euro 10,963 thousand (Euro 14,835 thousand at 31 December 2018), and included payables of various types falling due within 12 months. The decrease was mainly attributable to the payment of the residual payable owed to the previous shareholder of IMS Technologies, equal to Euro 4,000 thousand, for the purchase of the remaining stake of the company.
'Payables relating to the fair value of financial instruments' amounted to Euro 20 thousand (Euro 333 thousand at 31 December 2018) and refer mainly to forward transactions of coal as described in 'Note 28 – Information regarding financial instruments', which gives further details.

Revenues from sales and services (Note 17)

The item is composed as follows:

	2019	2018
Raw material sales	805,456	853,664
Charters and shipping transport	-	10,456
Industrial machine sales	63,871	77,580
Other services	-	932
Total revenues from sales and services	**869,327**	**942,632**

'Raw material sales' amounted to Euro 805,456 thousand and referred to the Energy Division's activity relating to the sale of coal.
These revenues dropped by 6% due to the sharp reduction in coal benchmarks (the API2 index reflected an average price of 61 USD/T for the year, which was 34% lower than the average 2018 price of 92 USD/T). This was partially offset by a 10% increase in sales volume over the previous year and a 5% appreciation of the dollar (average exchange of EUR/USD 1.12 in 2019 compared to 1.18 in the comparison period).
The balance of 'Charters and shipping transport' as of 31 December 2018 was due to the contribution provided at the beginning of 2018 by vessels operating in Mozambique before the Group's exit from the Logistics Division.
'Industrial machine sales' amounted to Euro 63,871 thousand, included changes in work in progress, and referred to activities carried out by the IMS Technologies Group. The decrease was due to the reduction in orders at the end of 2018 that continued into 2019.
Information by division is shown in 'Note 27 – Information by operating segment and geographical area'.

Operating costs (Note 18)

The item is composed as follows:

	2019	2018
Purchase of raw materials	702,309	753,593
Mine operating costs	35,055	27,048
Cost of mining personnel	7,611	6,007
Cost of seafaring personnel	-	1,356
Technical costs for fleet and plants	-	774
Port expenses and other shipping costs	-	30
Lubricants / spare parts	-	53
Industrial machine operating costs	30,929	43,519
Industrial machine personnel costs	14,980	16,038
Total operating costs	**790,884**	**848,418**

Costs related to the 'Purchase of raw materials', amounting to Euro 702,309 thousand, refer to the Energy Division's activities; these costs decreased by 7% over the comparison period.

This decrease is in line with the reduction seen in the item 'Raw material sales' and as already commented for that caption, the decrease was mainly due to the sharp reduction in coal prices that was partially offset by the increase in sales volume and the strengthening of the dollar.
The increase in 'Mine operating costs', totaling Euro 8,007 thousand, and 'Cost of mining personnel', amounting to Euro 1,604 thousand, was mainly attributable to the 10% increase in tonnes of coal extracted as compared to 2018, the 2% strengthening of the ruble (average exchange rate of EUR/RUB 72.44 in 2019 compared with 74.03 in the comparison period) and a slight increase in the stripping ratio.
The Group's exit from the Logistics Division resulted in the elimination of the 'Cost of seafaring personnel', 'Technical costs for fleet and plants', 'Port expenses and other shipping costs' and 'Lubricants / spare parts'. The amounts recorded in the comparison period were due to partial operations of vessels operating in Mozambique and Indonesia in the first half of 2018.
The items 'Industrial machine operating costs', amounting to Euro 30,929 thousand, and 'Industrial machine personnel costs', totaling Euro 14,980 thousand, refer to the operating costs incurred for the production of industrial machines by the IMS Technologies Group. As already noted for the item 'Industrial machine sales' the decrease in these items was due to lower production levels owing to the reduction in orders in the final months of 2018 that continued into 2019.

Overhead and administrative expenses (Note 19)

The item is composed as follows:

	2019	2018
Personnel costs	28,837	26,646
Consultancies	5,797	6,689
Directors and Statutory Auditors' fees	3,632	4,154
Rents, leases and similar	1,579	3,851
Other costs	3,936	3,061
Travel expenses	1,944	1,904
Entertainment expenses – donations	1,473	1,482
Utilities – Building administration – Representative offices	1,779	1,760
Consumables	209	265
Advertising	1,190	1,744
Total overhead and administrative expenses	**50,376**	**51,556**

For the heading 'Personnel costs', amounting to Euro 28,837 thousand, further details are provided in 'Note 32 – Other information'.
The reduction in the item 'Consultancies' was due to the recording of higher costs incurred by the Industry Division in the comparison period for strategic consultancies in preparation for entering new promising markets and for consultancies pertaining to the Logistics Division.
'Directors and Statutory Auditors' fees', totaling Euro 3,632 thousand, underwent a decrease of Euro 522 thousand. The item mainly includes fees due to Directors and Statutory Auditors of the Holding, as shown below:

	2019		2018	
	Number	Remuneration	Number	Remuneration
Directors	10	3,480	10	3,897
Statutory Auditors	3	58	3	58
Total fees	**13**	**3,538**	**13**	**3,955**

The reduction in the item 'Rents, leases and similar' was mainly due to the entry into force of 'IFRS 16 – Leasing' and the recording of rents paid by the subsidiary IMS Technologies in the balance for the comparison period for offices and plants in Calcinate and Seriate where the subsidiary IMS Technologies carries out its industrial activities. In 2019 this rent was not recorded since in the fourth quarter of 2018 the parent company Coeclerici took over the two finance leases for these plants.

The reduction in the item 'Advertising' was mainly due to the recording of the sponsorship of the Coeclerici Hall at the Mu.Ma. Institute (Museums of the Sea and Migration in Genoa) in the comparison period.

Capital gains / (losses) on non-current assets (Note 20)

The item is composed as follows:

	2019	2018
Capital gains	129	91,929
Capital losses	(375)	(39)
Total capital gains (losses) on non-current assets	**(246)**	**91,890**

The caption 'Capital losses' mainly reflected the negative impact deriving from the sale of the property of the US company Coeclerici Americas Real Estate, amounting to Euro 258 thousand.

Profit (loss) from companies measured using the equity method (Note 21)

The heading is composed as follows:

	2019	2018
Profit (loss) from companies measured using the equity method	-	(1,275)

The loss recorded in 2018 was attributable to the loss generated by the company dACC Maritime d.a.c. during the year.

Other net operating income / (costs) (Note 22)

The item is composed as follows:

	2019	2018
Other operating income		
Release of provisions and other liabilities	647	19,260
Insurance claims	54	772
Release of provisions for write-down of the receivables from dACC Maritime d.a.c.	-	2,414
Gains on derivatives	3,519	-
Other net income (costs)	1,064	-
Total other operating income	**5,284**	**22,446**
Other operating costs		
Allocations to provisions for risks and charges	(866)	(1,099)
Allocations to provisions for bad debts	(211)	(457)
Losses on derivatives	-	(2,918)
Other net income (costs)	-	(448)
Total other operating costs	**(1,077)**	**(4,922)**
Total other net operating income / (costs)	**4,207**	**17,524**

This item mainly included gains on derivatives and changes in the heading 'Provisions for risks and charges' already described in 'Note 13 – Provisions for risks and charges'.

Depreciation, amortization and devaluation (Note 23)

The heading is composed as follows:

	2019	2018
Depreciation of property, plant and equipment and devaluations	7,983	8,946
Depreciation of right-of-use assets	3,180	-
Amortization of intangible assets	732	624
Devaluations of intangible assets	7,000	-
Total depreciations, amortizations, and devaluations	**18,895**	**9,570**

The decrease in the item 'Depreciation of property, plant and equipment and devaluations' totaled Euro 963 thousand and was mainly due to the recording in 2018 of Euro 2,159 thousand in depreciation on vessels operating in Mozambique which was partially offset by higher depreciation reported by the Energy Division resulting from larger investments made to improve the production efficiency of the mining site.

The caption 'Devaluations of intangible assets', amounting to Euro 7,000 thousand, was due to the write-down of the goodwill relating to the recognition of the additional value paid for the acquisition of the majority of the IMS Technologies Group in 2017, due to the negative performance of the German subsidiary Goebel.

Net financial income / (expenses) (Note 24)

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

	2019	2018
Total net financial income (expenses)	**(6,869)**	**(10,988)**

The category includes the following financial income:

	2019	2018
Interest received	857	1,800
Dividends from other investments	-	264
Other income	19	35
Total financial income	**876**	**2,099**

The item 'Interest received' amounted to Euro 857 thousand and mainly included financial income on the receivable from the d'Amico Group as described in 'Note 9 – Other receivables and current assets' and, to a lesser extent, to interest received from banks on current and deposit accounts.

Financial expenses included the following:

	2019	2018
Bank charges	(2,602)	(2,157)
Interest expenses	(5,143)	(10,930)
Total financial expenses	**(7,745)**	**(13,087)**

'Bank charges' refer mainly to the utilization of the syndicated line and the stipulation of new specific loan agreements related specifically to investments underway.
'Interest expenses' refer mainly to financial charges on bank loans, mentioned in more detail in 'Note 12 – Interest bearing liabilities and borrowings'. The reduction in the item was due to the recording of interest expenses in the comparison period related to bank loans and interest expenses on invoices sold at a discount related to the Logistics Division.

Profit / (loss) on foreign exchange (Note 25)

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 2019, and their comparison to the previous financial period, are shown in the table below:

	2019			2018		
	REALIZED	NON REALIZED	TOTAL	REALIZED	NON REALIZED	TOTAL
Exchange gains	5,600	788	**6,388**	12,940	4,381	**17,321**
Exchange losses	(4,612)	(162)	**(4,774)**	(17,572)	(5,711)	**(23,283)**
Total exchange gains (losses)	**988**	**626**	**1,614**	**(4,632)**	**(1,330)**	**(5,962)**

Taxes (Note 26)

The amount of the tax burden regarding the period was negative for Euro 783 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:

	2019	2018
Current taxes	113	(2,319)
Deferred taxes	(896)	(4,986)
Total taxes	**(783)**	**(7,305)**

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

	2019	2018
Deferred tax assets	1,057	2,027
Deferred tax liabilities	(2,907)	(3,093)
Net balance of deferred tax assets (provision for deferred tax liabilities)	**(1,850)**	**(1,066)**

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

The tax assets and liabilities of Group companies, related to direct taxes, included in the taxation consolidation at 31 December 2019 were as follows:

	RECEIVABLES	PAYABLES	TOTAL
Coeclerici SpA	11,822	-	**11,822**
IMS Technologies SpA	81	-	**81**
Slitters Rewinders Machines Srl	55	-	**55**
Total receivables (payables) owing to tax consolidation	**11,958**	**-**	**11,958**

Information by operating segment and geographical area (Note 27)

The information by operating segment for 2019 period is summarized in the following table:

	ENERGY	INDUSTRY	HOLDING ADJUSTMENT	TOTAL
Revenues from sales and services	805,456	63,871	-	**869,327**
Operating profit (EBIT)	35,043	(3,953)	(17,957)	**13,133**
Net financial income / (expenses)	(5,810)	(712)	(347)	**(6,869)**
Net result	24,276	(5,856)	(11,325)	**7,095**

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

	ENERGY	INDUSTRY	TOTAL
Africa	-	861	**861**
Americas	-	16,832	**16,832**
Asia and Australia	649,989	18,175	**668,164**
Russia and Middle East	18,483	2,639	**21,122**
Europe	136,984	25,364	**162,348**
Total revenues from sales and services	**805,456**	**63,871**	**869,327**

Information regarding financial instruments (Note 28)

Financial derivative instruments

The Group has used hedging transactions (fair value hedges and cash flow hedges) to cover the risks of oscillations in the EUR/USD and RUB/USD exchange rates, the risk of fluctuating interest rates and the risk of changes in coal prices.

Fair value hedge

Transactions in existence at 31 December 2019 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	€/USD FORWARD EXCHANGE CONTRACT RATE	NOTIONAL VALUE (EUR/000)	FAIR VALUE AT 31/12/2019 (EUR/000)
Q1 2020	1,500	USD	1.12	1,339	8
Q2 2020	1,500	USD	1.13	1,327	8
Q3 2020	500	USD	1.13	442	3
Total sales				**3,108**	**19**

Cash flow hedge

At 31 December 2019 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 tax effects in equity under the heading 'Reserve related to the fair value of financial instruments', shown in detail below:

EXPIRY	AMOUNT (THOUSAND)	CURRENCY	USD/RUB FORWARD EXCHANGE CONTRACT RATE	NOTIONAL VALUE (USD/000)	FAIR VALUE AT 31/12/2019 (EUR/000)
Q1 2020	273,000	RUB	64.90	4,206	128
Total purchases				**4,206**	**128**

EXPIRY	AMOUNT (THOUSAND)	CURRENCY	USD/RUB OPTION STRIKE PRICE	NOTIONAL VALUE (USD/000)	FAIR VALUE AT 31/12/2019 (EUR/000)
Q1 2020	273,000	RUB	62.86	4,343	56
Total purchases				**4,343**	**56**

EXPIRY	AMOUNT (THOUSAND)	CURRENCY	USD/RUB COLLAR PRICE		FAIR VALUE AT 31/12/2019 (EUR/000)
			LOWER MARGIN	SUPERIOR MARGIN	
Q1 2020	309,000	RUB	63.77	66.73	106
Q2 2020	37,000	RUB	64.50	65.75	13
Q3 2020	36,000	RUB	64.50	65.75	8
Q4 2020	37,000	RUB	64.50	65.75	4
Total purchases / sales					**131**

Hedging transactions existed at 31 December 2019 relating to variations in the price of coal. Forward sales transactions at 31 December 2019, which displayed the characteristics of cash flow hedges, and whose variations in their fair value have been shown net of their tax effect in equity under the heading 'Reserve related to the fair value of financial instruments', are shown below:

EXPIRY	AMOUNT (TONNES)	CONTRACT PRICE PER MT IN USD	NOTIONAL VALUE (USD/000)	FAIR VALUE AT 31/12/2019 (EUR/000)
Q1 2020	5,000	75.60	378	(18)
Total sales	**5,000**		**378**	**(18)**

An interest rate swap (IRS) with the following characteristics was entered into to hedge the risk of fluctuating interest rates on a loan to IMS Technologies:

EXPIRY	AMOUNT (THOUSAND)	CURRENCY	FIXED CONTRACT RATE	NOTIONAL VALUE (EUR/000)	FAIR VALUE AT 31/12/2019 (EUR/000)
Q4 2021	1,000	EUR	1.75	1,000	(2)
Total IRS				**1,000**	**(2)**

Summary of fair value of derivative financial instruments

The values and variations in the fair value of derivative instruments in existence at 31 December 2019 are shown in the table below:

	31/12/2018	CHANGES IN EQUITY	CHANGES IN INCOME STATEMENT	31/12/2019
Receivables				
Foreign exchange market	107	315	(88)	334
Forward coal sales	872	(872)	-	-
Total receivables	**979**	**(557)**	**(88)**	**334**
Payables				
IRS and foreign exchange market	(333)	331	-	(2)
Forward coal sales	-	(18)	-	(18)
Total payables	**(333)**	**313**	**-**	**(20)**
Total net value	**646**	**(244)**	**(88)**	**314**

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	-	-	289
Hedging derivatives	-	334	-
Total financial assets	**-**	**334**	**289**
Financial liabilities			
Hedging derivatives	-	(20)	-
Total financial liabilities	**-**	**(20)**	**-**

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
Interest rate derivatives	IRS	Discounted cash flow	- Spot rate - Reference rate curve	Bank of reference	Level 2

Instruments classified as level 3 refer to shares held at 31 December 2019 in closed-end investment funds.

Other financial information

For completeness, some additional financial information is given below:

- 'Note 12 – Interest bearing liabilities and borrowings' summarizes the characteristics of the bank loans and gives their due dates;
- 'Note 24 – Net financial income / (expenses)' gives information about interest received and interest expenses relating to financial item.

Risks characterizing the Group's business (Note 29)

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 Energy Division. Volatile coal prices and freight rates generally lead to volatile operating profits and sales margins. The risks connected with the coal trading may be limited by:

- Back-to-Back transactions;
- undertaking 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.

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 variable 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 Group does not consider it wise to engage in hedging transactions with the aim of stabilizing interest rates over time, with the exception of the execution of the interest rate swap contract described in 'Note 28 – Information regarding financial instruments'. In a risk sensitivity assessment, it was estimated that a 10% increase in market interest rates compared to those actually applied during 2019, would have had a negative effect of Euro 434 thousand on the 2019 income statement and of Euro 443 thousand on equity.

Credit risk

Credit risk is the Group'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 collection 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 Energy Division;
- commercial credit insurance by leading insurance agencies (SACE B.T. SpA and Credendo), in the Energy 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 Energy 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 and also, 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 optimization 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, assembly and testing of the machines (normally certain levels of performance are guaranteed), 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 30)

Obligations relating to derivatives

The existing derivatives are shown in 'Note 28 – Information regarding financial instruments' and concern forward transactions on the foreign exchange, on API#4 coal market quotation and on interest rate markets.

Obligations relating to financial instruments

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

	YEAR OF SUBSCRIPTION	OVERALL COMMITMENT	SUBSCRIBED AMOUNT	DISTRIBUTIONS	RESIDUAL COMMITMENT
Hao Capital Fund II L.P.	2008	890	757	430	134
Total financial instruments		**890**	**757**	**430**	**134**

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 890 thousand at 31 December 2019. The financial investment was recorded to its market value of Euro 289 thousand, as indicated under the heading 'Available-for-sale financial assets'.

Guarantees issued

At 31 December 2019, guarantees given to third parties stood at Euro 24,237 thousand, and are illustrated below:

	31/12/2019	31/12/2018
Bank guarantees	24,237	26,497
Other	-	2,662
Total guarantees issued	**24,237**	**29,159**

Guarantees received

At 31 December 2019, guarantees received by third parties stood at Euro 3,000 thousand, and are illustrated below:

	31/12/2019	31/12/2018
Bank guarantees	3,000	4,432
Total guarantees received	**3,000**	**4,432**

Related party transactions (Note 31)

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 9 – Other receivables and current assets'. Furthermore, a property lease is in effect between the Company and its direct holding company, Fincler Srl, referring to archives and parking places at 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.

In accordance with provisions of the parent company's articles of incorporation, 1% of the consolidated result for the previous year must be transferred to the Paolo Clerici Foundation. Furthermore, the consolidated income statement includes Foundation-related costs concerning the donation of paintings and other donations totaling Euro 482 thousand.

Other information (Note 32)

Staff costs

Personnel costs for 2019 totalled Euro 51,428 thousand (Euro 50,047 thousand in 2018), of which Euro 0 thousand related to seafaring staff (Euro 1,356 thousand in 2018), Euro 7,611 thousand related to personnel at the Russian mine (Euro 6,007 thousand in 2018), Euro 14,980 thousand related to personnel involved in the design and production of industrial machines (Euro 16,038 thousand in 2018) and Euro 28,837 thousand related to staff personnel (Euro 26,646 thousand in 2018). The average composition of employees was as follows:

	2019	2018
Executives	23	26
White Collars	392	362
Seafaring staff	-	16
Blue Collars	192	206
Miners	625	552
Total employees	**1,232**	**1,162**

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 33)

From 31 December 2019 until the date these financial statements were approved, there was no company event that had a material impact on the financial results reported, as required by Paragraph 8 of 'IAS 10 – Events after the reporting period'.

With regard to the events and situations indicated in the 'Outlook' paragraph of the Directors' Report concerning the Covid-19 emergency, any possible impact on the Group's financial situation should be considered events that will not result in any changes to financial statement balances pursuant to IAS 10 – Paragraph 21. Even though the Coronavirus appeared in China near the reporting date, it was only at the end of January that the phenomenon of an international emergency took shape.

As indicated in the Directors' Report, at present, given the uncertain final impact that the spread of Covid-19 may have on the economy, it is impossible to forecast its possible impact on the Group's business, and thus, the future impact on the Group's operating and financial position.

However, although there is still considerable uncertainty regarding the possible effects of Covid-19, at present we are not aware of any factors that could threaten the company's going concern, and thus we can confirm the principles on which the financial statements were prepared.


FORTE

APPENDIX 1
LIST OF COMPANIES CONSOLIDATED USING FULL CONSOLIDATION METHOD

NAME	REGISTERED OFFICES	CURRENCY	SHARE CAPITAL	EQUITY SHARE
Beijing GOEBEL Slitting Technologies Co., Ltd	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%
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 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%
IMS Technologies Inc.	United States	Usd	10	100.00%
Kasper Machine Co	United States	Usd	399,000	100.00%
Bulkguasare de Venezuela SA	Venezuela	Vef	2,408,000	100.00%

The consolidated income statement also includes the income statements of the subsidiaries Coeclerici Asia (Pte) Ltd, Capo Noli Transportes Maritimos Lda and Coeclerici Americas Real Estate Inc. until the liquidation date.

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

	NET RESULT	EQUITY
Coeclerici SpA at 31 December 2019	**9,154**	**75,759**
Net result and equity recorded by consolidated companies	6,882	104,331
Consolidation adjustments:		
- elimination of transactions between consolidated companies with exception of intercompany dividends	35,191	(112,310)
- application of IAS/IFRS international accounting principles	922	1,283
- elimination of intercompany dividends	(45,054)	-
Coeclerici Group at 31 December 2019	**7,095**	**69,063**

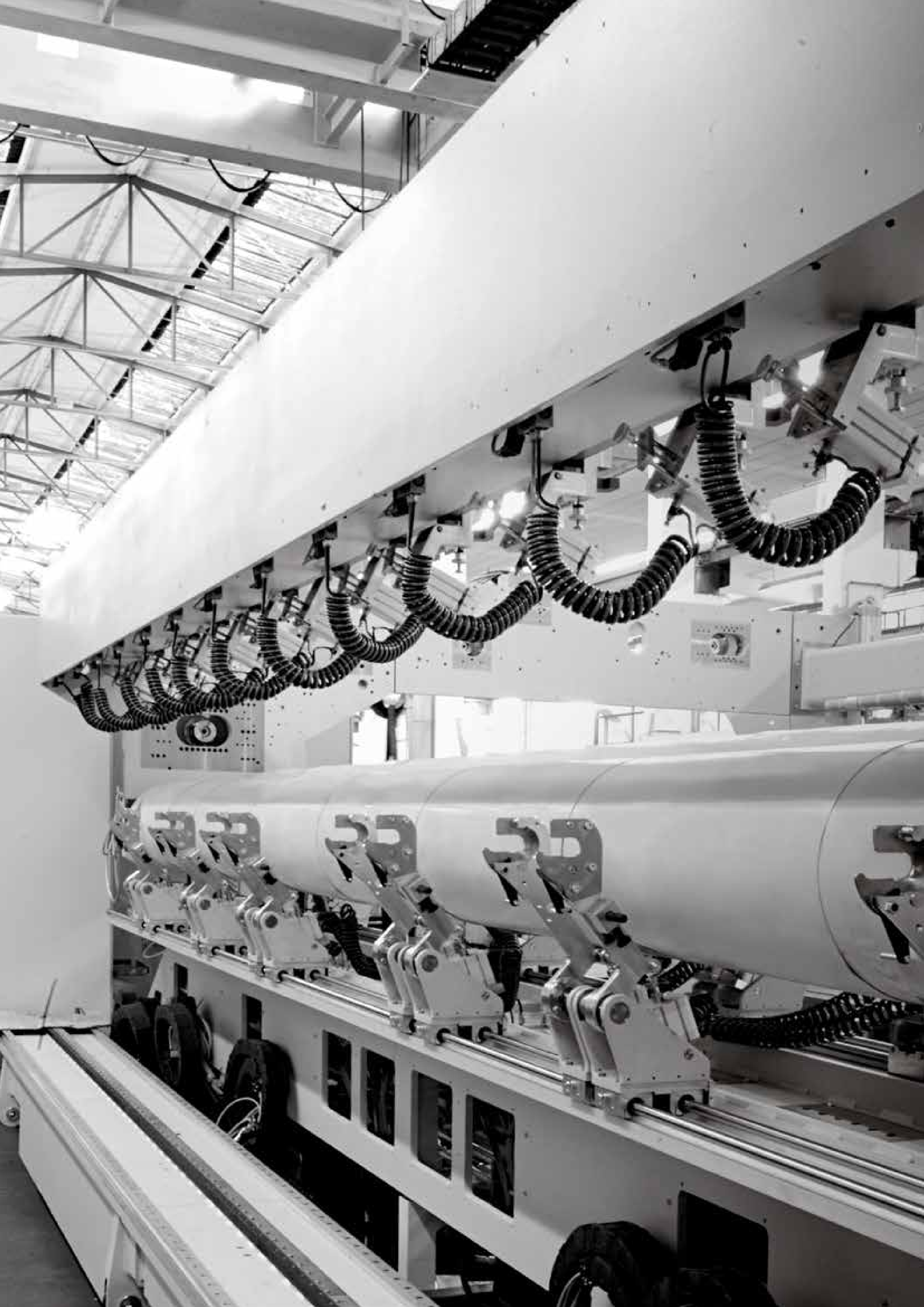
TECHNICAL GLOSSARY

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).

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.

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



AUDITORS' REPORT

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010
(Translation from the original Italian text)

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, 2019, 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 then 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, 2019, 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.

Other Matters

The audit activity has been partially affected by the spreading of COVID 19 and all related measures imposed by the Italian government to protect the public health, including restrictions to all travel initiatives. Consequently, due to an objective situation of force majeure, certain audit procedures performed in accordance with the applicable auditing standards have been carried out considering (i) a revised organization of our employees and audit teams, based on a wide use of smart working models, and (ii) different means to connect with client management personnel and gather audit evidence, that primarily involved the use of electronic support provided through remote communication networks.

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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.

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, 2019, 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, 2019 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, 2019 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, May 6, 2020

EY S.p.A.
Signed by: Renato Macchi, Auditor

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, 2019, 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, 2019 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 "organismo di vigilanza" 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.

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 31/12/2019, 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 Cocclerici Group, of the economic result and of the cash flows for the year ended December 31, 2019, 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, 2019, 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, 6 May 2020

The Board of Statutory Auditors

Guglielmo Calderari di Palazzolo

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Maurizio Dragoni

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