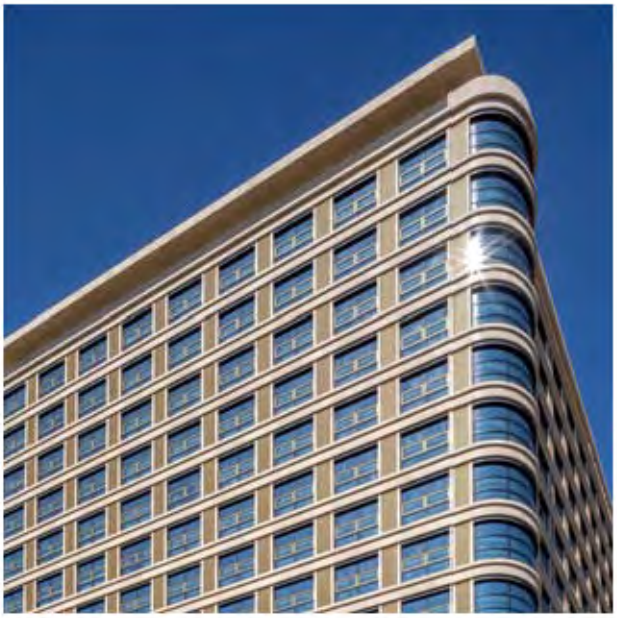

RIZZANI
DE ECCHER S.P.A.

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Joint Stock Company
Share Capital
Euro 20,000,000 fully paid up
Member, Chamber of Commerce of Udine
R.E.A. n° 115684
Dept. of Foreign Trade UD 002577
Companies Registry Udine
Tax I.D. and VAT Number
IT00167700301

Annual Report and Consolidated Financial Statements for the Financial Year 2017
(1st January – 31st December)

During the Financial Year under review no material changes have occurred requiring corrections or adjustments to the 2016 Annual Report.
The 2017 Annual Report was approved by the Shareholders' Annual General Meeting held on May 22, 2018.

This Annual Report was printed in 1000 copies in June and circulated to shareholders and the public, including the financial community, employees of the company, main customers and suppliers.

For more information:
annualreport@rde.it

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Dear Shareholders

2017 was a year of further growth for the Group which, for the first time in its history, exceeded the threshold of one billion euros in revenues, largely achieved abroad, confirming its position among the major operators in the sector and its international vocation.

The significant growth of the last five years has brought with it an increase in the organisational and economic-financial complexity of the projects managed and has led to some critical situations whose effects were however largely exhausted in the year. The Group's operating profit rose compared with the previous year reaching more than 62 million euros, while net profit totalled 21 million euros.

It should be noted that the entry into the consolidation perimeter of the Group of companies involved in Portopiccolo - the major tourism-residential project carried out by the parent company in Sistiana, in the Gulf of Trieste - has had a significant impact on the Group's equity structure and its financial position.

During the year some important new orders were acquired which should enable the Group to maintain its dimensional levels and contribute to improving its financial indicators.

Thus, the biggest challenge for 2018 will, therefore, be to develop the work acquired with a view to economic and financial equilibrium and to increase its presence in new markets such as North Europe and South America as well as relaunch its presence in the North American market.

This Annual Report and the enclosed Consolidated Financial Statements have been drawn according to principles of transparency, independence, clarity, completeness and reliability, with the customary aim to provide the reader and all stakeholders with a fair and accurate representation of the results achieved and to convey the perception of our vision and commitment for the future.

The progressive 'raising of the bar' pushes us to trust even more than in the past in the professionalism and dedication of all our collaborators and in support of our commercial and financial partners, to whom we must extend our heartfelt thanks for the contribution made so far.

The Chairman
Marco de Eccher

IN 2017 AT A GLANCE

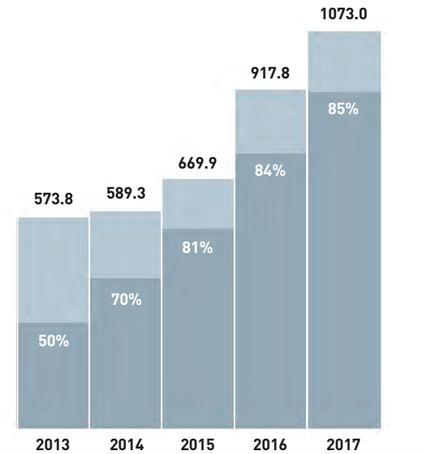
Economic and financial indicators [in Euro thousand]	2013	2014	2015	2016	2017
Revenues	573,761	589,343	669,988	917,815	1,073,003
Operating costs	(555,761)	(559,846)	(619,952)	(871,482)	(1,010,814)
Gross operating profit (EBITDA) *	18,000	29,497	50,036	46,333	62,189
% EBIDTA	3.1%	5.0%	7.5%	5.0%	5.8%
Depreciation and amortization	(8,228)	(9,301)	(9,806)	(12,847)	(13,568)
Operating profit (EBIT)	9,772	20,196	40,230	33,486	48,621
% EBIT	1.7%	3.4%	6.0%	3.6%	4.5%
Financial income (charges) + valuation adjustment of investments	(2,775)	1,788	(10,536)	9,230	(13,424)
Earnings before taxes (EBT)	6,997	21,984	29,694	42,716	35,197
Income taxes	(4,474)	(9,198)	(11,852)	(18,015)	(16,442)
Net profit (loss) before minority interests	2,523	12,786	17,842	24,701	18,755
Minority interests	(3,847)	(868)	1,887	485	(2,470)
Net profit (loss) pertaining to the Group	6,370	13,654	15,955	24,216	21,225
Share of revenue from overseas operations	50%	70%	81%	84%	85%

* EBITDA is conventionally calculated as earnings before depreciation and amortization, financial income (charges), valuation adjustment of investments and income taxes. Since the definition of EBITDA is not governed by any accounting standards, the criteria used by the Group may not be consistent with those used by others and therefore EBITDA figures may not be comparable

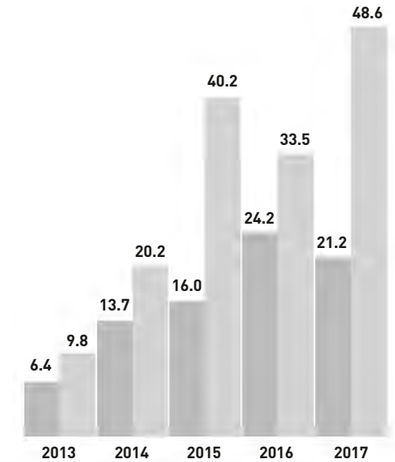
Total non-current assets	74,722	96,648	119,982	114,747	114,395
Inventory and work in progress	186,820	225,011	264,799	358,548	525,887
Receivables	331,617	355,038	377,346	420,100	449,250
Total current assets	518,437	580,049	642,145	778,648	975,137
Payables	307,009	278,035	279,149	373,008	493,111
Advance payments from customers	150,886	200,907	311,322	249,761	180,313
Total current liabilities	457,895	478,942	590,471	622,769	673,424
Net working capital (NWC)	60,542	101,107	51,674	155,879	301,713
Employees' severance indemnity	6,201	5,549	5,260	5,448	5,271
Provisions for contingencies and other liabilities	10,382	13,315	12,065	17,044	14,185
Total medium and long term liabilities	16,583	18,864	17,325	22,492	19,456
Net invested capital	118,681	178,891	154,331	248,134	396,653
Shareholders' equity	113,228	130,510	150,361	173,909	179,654
Medium and long term financial debt **	74,113	79,980	42,266	84,106	75,628
Net short term financial position ***	(68,660)	(31,599)	(38,296)	(9,881)	141,371
Shareholders' equity + net financial position	118,681	178,891	154,331	248,134	396,653
NWC + Net short term financial position	129,202	132,706	89,970	165,760	160,342
Net financial position (NFP)	(5,453)	(48,381)	(3,970)	(74,225)	(216,999)
Current ratio (current assets + NFP short term / current liabilities)	1.28	1.28	1.15	1.27	1.24
ROI (EBIT / Total Assets net of Cash and cash equivalents)	1.6%	3.0%	5.3%	3.7%	4.5%
ROE (Profit (loss) / Shareholders' equity net of the year's profit/loss)	2.3%	10.9%	13.5%	16.6%	11.7%

** Medium and long term bank loans + medium and long term other lenders debts
*** Cash & cash equivalents net of short term bank loans and short term other lenders debts; if negative = net short term financial position is positive / if positive = net short term financial position is negative

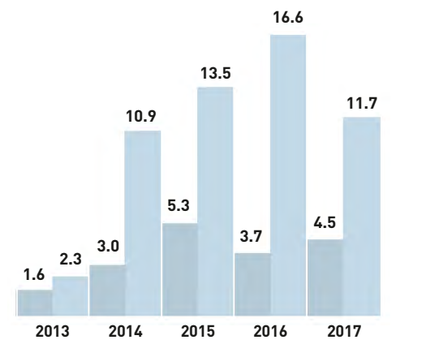
In 2017 the Group achieved a 17% increase in its revenues - from 918 million euros to 1,073 million euros - and a decrease in net profit (21.2 million euros compared to 24.2 million euros in 2016). Despite the slight contraction of the net result, the intermediate margins EBITDA and EBIT show improvement, both in absolute and percentage terms. The reduction in absolute and percentage terms of the net profit is essentially due to financial result, which had a negative impact of over 13 million euros, of which 10.7 million euros related to foreign exchange losses and 7.6 million euros to interest expense (the latter related to the performance of the Group's net financial position, including the incorporation



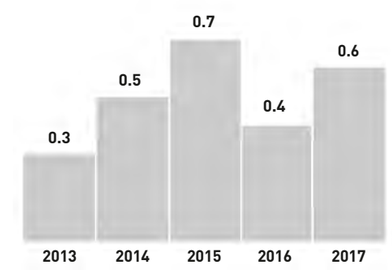
Revenues (millions of Euro) = revenues = percentage generated abroad



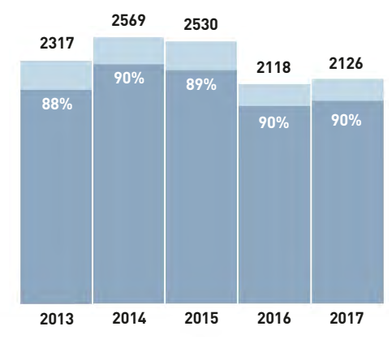
Income from operations (millions of Euro) = net profit = EBIT



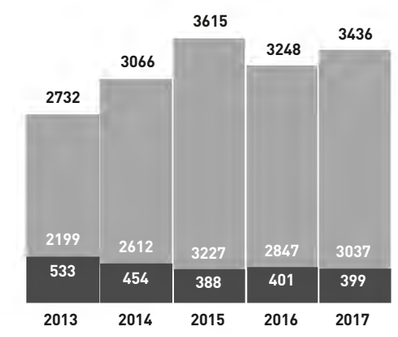
Profitability [%] = ROI = ROE



Percentage (%) of financial charges on revenues



Group's order backlog (millions of Euro) = order backlog = percentage abroad



Number of employees = employees abroad = employees in Italy

of Rilke in the consolidation scope), only partially offset by interest income of 4.1 million euros, including 2.3 million euros arising from Rilke for the first half of 2017. It should also be noted that in the previous year the Group earned one-off interest on late payments of 9.4 million euros (resulting from favourable rulings).
With regard to net foreign exchange losses of 10.7 million euros, it should be noted that most of the foreign exchange losses realised in 2017 were not strictly attributable to 'currency management' but rather related to the accounting method used to translate year-end balances of transactions with foreign branches and, in particular, to the performance of the Euro/Algerian Dinar and Euro/Russian Rouble exchange rates, as will be further explained in the notes to the financial statements. Finally, there was a significant impact of income taxes (46.7% of consolidated pre-tax profit), which was affected by the non-deductibility of the write-downs of consolidated equity investments made by the parent company in its statutory financial statements.

As already mentioned, from the point of view of its net assets and financial structure, the Group has a negative short and long-term net financial position (76 million euros and 141 million euros, respectively). The worsening of the overall NFP compared to the previous year (from 74 million euro to 217 million euro) was due to the inclusion in the consolidation scope of Rilke, which contributed a negative NFP of 58 million euros, and to the considerable increase in Net Working Capital (NWC) of 146 million euros, linked to the combined effect of the increase in the value of production and the lengthening of collection times in some countries as well as the reduction in advances received from customers. In addition to these effects, there were also the critical issues already highlighted last year on the M4 contract in Australia and the JANS contract in Kuwait, which also produced significant losses in 2017 and related financial outlays.It is however highlighted that the M4 job order came to an end in 2017, and the JANS job order will hopefully be the subject of recognition of significant claims in future years. The sum of NWC and net short term financial position (treasury margin) was 160 million euros (166 million euros in 2016), and the current ratio was 1.24 (1.27 in 2016): both ratios, therefore, confirm the solidity of the Group's structure. It should be remembered, however, that according to consolidated Group practice, the treasury margin is calculated considering as part of the NWC the work inventories as well as the advances received from customers and those paid to suppliers and sub-contractors, although these cannot properly be considered all short-term as they are recovered on a pro-rata basis during the long-term period of construction of the works. Finally, the ROI index improved (4.5% compared to 3.7%), while the ROE index worsened (11.7% compared to 16.6%), in relation to the reduction in the consolidated net result of the year.

THE GROUP PARENT AND ITS PRINCIPAL CONSOLIDATED SUBSIDIARIES: IN 2017 AT A GLANCE

These tables provide a breakdown of the main economic and financial data of the parent company and the most significant consolidated companies.

(in Euro thousand)

Rizzani de Eccher	2013	2014	2015	2016	2017
Revenues	361,697	325,123	310,309	419,600	515,215
Shareholders' equity	76,817	81,014	79,445	83,058	75,574
EBIT	3,900	(2,344)	12,663	16,331	45,621
Net profit (loss)	7,261	3,621	1,380	1,951	5,326

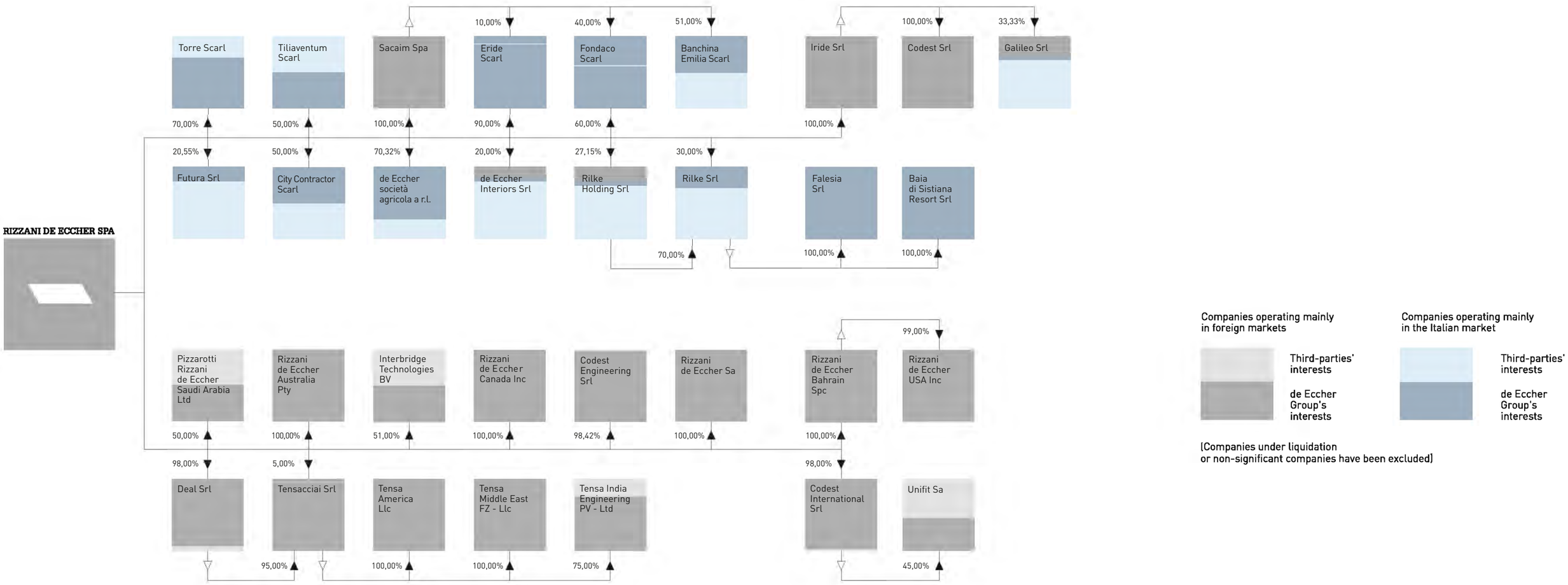
Codest International	2013	2014	2015	2016	2017
Revenues	55,493	118,624	184,135	302,685	346,962
Shareholders' equity	14,762	24,198	31,937	58,533	57,499
EBIT	5,116	11,008	6,216	29,464	23,829
Net profit (loss)	4,587	9,436	7,739	24,919	19,858

Deal	2013	2014	2015	2016	2017
Revenues	30,570	30,37	68,021	40,565	51,173
Shareholders' equity	11,595	12,178	16,974	16,499	21,712
EBIT	4,409	1,369	8,622	6,512	7,569
Net profit (loss)	2,716	583	4,796	4,627	5,213

Tensacciai	2013	2014	2015	2016	2017
Revenues	13,915	22,135	21,412	24,174	31,300
Shareholders' equity	2,255	3,003	4,175	4,221	3,136
EBIT	(567)	1,454	1,792	296	(663)
Net profit (loss)	(520)	749	1,172	10	(1,097)

Sacaim	2013	2014	2015	2016	2017
Revenues	42,987	41,532	27,073	32,743	34,638
Shareholders' equity	6,668	8,793	5,574	6,837	8,787
EBIT	2,293	2,559	2,385	1,441	3,088
Net profit (loss)	1,602	2,126	1,676	878	1,950

THE GROUP'S COMPANIES



HISTORY

1831 Rizzani is established in Udine, as a general contracting and construction company. Within a few years, it earns a prestigious reputation for carrying out large engineering projects in Italy and in several countries in Africa, Asia and Latin America. **1948** Riccardo de Eccher establishes construction and real estate development company bearing his name, in the North Eastern Italian region of Trentino Alto Adige. **1970** Riccardo de Eccher takes over Rizzani, combining the track records and capabilities of the two firms into a new company, Rizzani de Eccher, managed by the de Eccher family. The merger and integration process of these two companies is completed in the early 1970s, laying the foundations for today's corporate structure. **1976** The second generation of the de Eccher family joins the management, and the Company expands its focus and market share in infrastructure projects and public works. Following the earthquake in Friuli, the Rizzani de Eccher commits a large part of its resources to the reconstruction work, carrying out, among other things, the recovery of the medieval village of Venzone, for years an icon of the destruction and later an example of reconstruction not only of individual monuments but of an entire historical urban fabric that in 2017 was recognized as Borgo dei borghi (Village of villages). **1980** The construction of two large sections of the Carnia-Tarvisio highway provides the Company with the opportunity to develop innovative construction technologies for the prefabrication and erection of pre-cast concrete segments. The pre-cast segmental technology is further developed in the following years and is eventually consolidated into the establishment of Deal, a company dedicated to vanguard technologies for the construction of elevated bridges and viaducts, utilising mass-production industrialised systems. **1982** Towards the end of this year, Rizzani de Eccher wins its first large international tender for the construction of five school complexes in Algeria. In the following **1984,** five important orders (two tanneries and three shoe factories) will be acquired in the former Soviet Union, giving rise to a presence on the Russian market and, more generally, in the countries of Eastern Europe and Central Asia, which continues to this day. **1986** In the second half of the 80s, thanks to the courage and commitment of the de Eccher family, aided by a bright and talented management team, the Group posts an extraordinary growth in turnover, topping revenues of 228 billion Italian liras in 1990, up from 37 billion liras in 1986. **1994** The impulse given to the acquisition of jobs abroad, also following the crisis of public works in Italy due to the period of the so-called 'clean hands' investigations, leads - for the first time - the foreign turnover to exceed 50% of the total. **2004** Rizzani de Eccher becomes one of the ten leading construction companies in Italy and is also listed among the Top 100 *International Contractors by Engineering New Record Magazine* solely on the basis of the share of turnover generated abroad. **2005** Thanks to its consolidated presence in many foreign countries (Russia and other CIS countries in Central Asia, the Middle East and the Mediterranean basin, and Central and North America), the Group's share of products produced abroad exceeds 70%. **2010** With the acquisition of the South Road Superway in Adelaide, Australia, the Group extends its operations to Oceania and the Pacific. **2011** The first member of the family's third generation begins to work within the Group. **2013** After a meticulous and thorough due diligence review, the Group acquires Sacaim Spa, a Venice-based construction company with a long and prestigious track record in marine works and restoration works, specifically in the historical city centre of Venice. **2015** With the acquisition of the Gran Viaducto Manglar in Cartagena, Colombia, the Group enters the South American market. **2017** For the first time, Group revenues exceeded one billion euros. Today, the Group is one of the world's premier construction businesses and a market leader in its field, operating in four areas of activity with specialised and innovative know-how: general building, infrastructure, engineering services and equipment for bridges and viaducts and real estate development.

The Group pursues expansion into new geographic areas with high potential and consolidates its position in those areas where it already operates thanks to the relentless pursuit of efficiency and productivity gains, so as to guarantee quality and reliability in delivering products to its customers. To attain such gains, the Group places great emphasis on its organisation, that is to say, its people and its processes, as the key driver. In an industry such as general contracting, which is characterized by markedly tangible aspects, the Group chooses instead to leverage itself on intangible aspects, such as the skills of its human resources and the efficiency of its processes, in order to provide customers with fast response times and quality standards significantly higher than the industry average. In particular, the Group places a strong emphasis on two critical aspects:
Human Resources Development, which focuses on the organic development of resources from the inside, with the aim of developing the specific skill-sets necessary for these resources to deal with the particular areas or markets where

the Group operates. This is done through careful selection, targeted training, also through the Master course organised with the Universities of Udine and Trieste, and constant investment in in-house training. Over the past few years, the Group has actively hired in the countries where it operates, so as to integrate more effectively with the local environment thus improving efficiency and effectiveness.
Process Optimisation, aimed at securing better coordination within project teams as well as between project teams and head office.

ORGANISATION STRUCTURE

The Group's Organisation Structure is articulated in four cores or 'General Divisions', which are *Business Development*, *Corporate Services*, *Operations* and *Subsidiaries*. The respective Heads of Divisions are members of the Executive Management Committee.

Board of Directors

Marco de Eccher Chairman

Franco Alzetta

Marina Bonazza de Eccher

Riccardo de Eccher

Umberto de Eccher

Internal Board of Auditors

Ferruccio di Lenardo Chairman

Franco Asquini

Mauro Cremonini

The Executive Committee has a chief coordination role and ensures strong core competencies and a swift decision-making process, which provides the Group with a strong advantage in its business environment. This is also facilitated by the standardisation of the processes and operating standards of all Group companies and in all sectors and countries in which it operates.

Executive Committee

General Division: Businnes Development

Strategic business development and commercial promotion

Report to this division:

— Business development units along geographic lines
— Marketing and external communications

General Division: Corporate Services

Head Office Support Services

Report to this division:

— Administration and Finance
— Human Resources, Organization and QHSE
— Legal Services
— Technical Services (Tenders and Design)
— Procurement, Logistics and Equipment
— Business Transformation and IT

General Division: Operations

Management of all production operations

Report to this division:

— Operational Departments / Divisions along geographic lines
— Cost Control

General Division: Subsidiaries

Supervision and coordination of all Group

Report to this division:

— Sacaim
— Deal and Tensa (specialist contracting)
— Iride (real estate development)

One of the Group's main objectives is to enhance human capital. The planning, selection, organisation and development of resources are key processes for the success of a company. Responsible, competent and loyal people, capable of interacting with different realities and adapting to the needs of customers and the market are one of the main factors of competitiveness of the company.

The sector in which the Group operates, as well as the dynamism and internationalisation of the company, requires organised people capable of creating synergies and integration between managerial, technical and commercial skills that meet Customer needs and generate added value even in highly complex contexts.

These objectives are achieved through a management policy strongly oriented towards the enhancement of resources and their potential, through the selection of the best talents, the definition of training and career paths aimed at development, motivation and creation of a sense of belonging, as well as the assessment and recognition of merit and results.

As at 31 December 2017, the total workforce was 3,436 people of 70 different nationalities, with an average age of about 42 years. The diversity of the Group's race, religion, customs and habits enriches its experience and skills, contributing to the constant improvement of its position in the sector. In particular, 3,037 employees work abroad. There are 644 Italian employees, 38% of whom work abroad.

The company strongly believes that all workers should have the same opportunities and enjoy the same regulatory treatment and protection, regardless of ethnic origin, skin colour, gender, religion, political views, nationality, social background or other characteristics that might distinguish them.

Health and Safety

The complexity of recent projects carried out by Group companies has introduced new approaches to the management of staff health and safety. The concepts of planning, coordination and control are now extended by offering a global and continuous vision of all the critical issues that could be associated with current and planned actions.

The organisational aspects introduced above merge all the company's business processes in a perspective and with an approach driven by integration, awareness, knowledge and control.

The parent company anticipated the project to update its health and safety at work management system, first by analysing and integrating its system and operating documentation according to the requirements of the *Draft International Standards* and then according to the recently issued new ISO 45001:2018 - Health and Safety Management Systems. The project will be completed within the three-year period granted by the aforementioned ISO and will involve significant actions on all Group organisations, also and above all of a training nature, in order to raise the culture of Group personnel on health and safety issues, so as to strengthen the awareness and management capacity of our resources.
In the first half of 2018, the system will be audited in accordance with the new 9001:2015 and 14001:2015 standards, with a view to obtaining certification in accordance with the new *standards* by mid-2018.

During 2017, the construction projects did not reveal any significant critical issues, no important emergency conditions were recorded and the number of accidents occurred was lower.
The table on the next page summarises the accident data for the past three years.

	2017	2016	2015
Italy-based employees			
Management	57	49	46
Staff	206	215	193
Workers	136	137	149
Total Italy	**399**	**401**	**388**
Overseas-based employees			
Management	56	44	40
Staff	975	1,121	1,161
Workers	2,006	1,681	2,026
Total overseas	**3,037**	**2,846**	**3,227**
Total Group's employees	**3,436**	**3,248**	**3,615**
Total employees' costs [in Euro thousand]	**114,111**	**123,001**	**104,727**

2017		2016		2015	
IF	IG	IF	IG	IF	IG
0.35	0.07	0.41	0.08	0.30	0.07

Group consolidated data
Calculation based on the following algorithms:

Accident Frequency Index (AFI):
AFI = (Ay x 100,000) / Mh

Accident Severity Index (ASI):
ASI = (DLA x 1,000) / Mh

Where:

Ay = number of accidents in the year under review
DLA = days lost to accident
Mh = cumulative man-hours during the year under review

Training and career development

Over the course of 2017, the Group has continued to implement its knowledge-based programmes and training courses, both internal and external, which are specifically aimed at younger employees.
Specific training programmes have been set up with internal staff and external bodies in the administrative, accounting, purchasing, legal, real estate, management IT fields, specific software for design, updates on fiscal/contractual matters, safety in the workplace and the environment, and courses in English, Spanish and French.
To these, specific *'on the job'* programs were added to train operators of launching girders trusses in the transport infrastructure division.
Great efforts have been placed upon career development from within the organisation, and dedicated training programmes have been put in place with the following objectives:
— develop advanced and transversal skills and stimulate the skills and potential of their employees, so that they can fully achieve their career objectives
— enhance key technical, professional, organisational and managerial skills and competencies in the various company areas
— develop an attitude geared towards achieving results and making the most of resources
— support the team working process
To assess the requirements and to design the appropriate training programs, role analyses have been carried out by using appropriate tools that compare perceived requirements and critical skills actually required in the current enterprise environment.
These have proved particularly useful. This process, with a view to increasing staff motivation, also highlighted the possibility of undertaking organisational changes to ensure improvements in efficiency and complete response to growing market demands.
The Master, organised with the Universities of Udine and Trieste now in its eleventh edition, can count on heterogeneous and international teaching staff, consisting of university teachers and professionals in the construction sector. 50% of these are Group executives, who provided valuable testimonials in Italian and English.
The Master, aimed at training professionals with specific skills and ready to take part in the construction of major works at international level, in addition to classroom teaching, provides an on-site internship experience. Interns are involved in all the different stages of a construction project and become immersed in the work environment working side by side with the best industry practitioners. These internships also ensure the involvement in all phases of projects underway and allow students to mix with the work environment and absorb the vision and values of the Group. With the last edition of the Master, the number of former students who are employed by the Group has risen to over 68.
In collaboration with prestigious universities, we also promote specialised programs related to key activities of our business. The collaboration with Academia is extended to agreements with outside faculties for personnel training and to senior managers of the Group holding lectures at various universities.

To compete in the field of complex constructions certain key factors are essential, such as the meticulous planning and the careful optimisation and training of human resources.

The emphasis and sensitivity placed on quality control management have allowed the Group to improve consistently on its qualitative benchmarks fulfilling stringent engineering and architectural specifications, constantly ensures high-quality standards and achieving optimal levels of **clients' satisfaction**. On many an occasion, this commitment to performance has won the Group commendations, accolades as well as the award of performance fees (*success fee*).

In 2017, the Group implemented a *Human Capital Management* (HCM) portal to manage all information relating to personnel, improve resource management efficiency and personal development, and share expertise.

The Group's constant **focus on innovation** and its rich pool of technical knowledge in the infrastructure sector has allowed to become a world leader in the design and engineering of special equipment for the construction of bridges and viaducts. The continuous research and development activities of the design team of Deal and Tensacciai have allowed the Group to expand its range of products, which find application in other industrial sectors where tailor-made solutions and customised equipment are particularly appreciated.

A wide range of successful partnerships and affiliations with other major international contractors (e.g. OHL Obrascon Huarte Lain, Besix, Lotte, Acciona, Bechtel, Salini Impregilo, Larsen&Tubro, Kiewit, SNC Lavalin, CPB Contractors, York Civil) testifies to the status of the Group as a robust and reliable partner and represents a solid stepping stone towards the future growth of the Group.

In another noteworthy development of 2017, the Group continued to work on significant restoration and rehabilitation projects together with affiliate Sacaim, a company that is highly specialised in this field.

The quality policy pursued by the Group in total openness with its client base has led to the following certifications and attestations:

Rizzani de Eccher Spa

ISO 9001:2008 Certification (quality management system), certified 12 February 1999, attested by Bureau Veritas *Italia Spa in relation to General Contracting Business as per Section 1876 of Legislative Decree 163 of 12 April 2006 as amended in respect of Design and Construction of civil engineering works, industrial buildings, bridges, viaducts and transportation infrastructure*

SOA Certification issued by SOA Nord Alpi

Accreditation as pre-qualified General Contractor with the Italian Ministry of Transportation and Infrastructure

BS OHSAS 18001:2007 Certification (health and workplace safety management system) of 5 July 2011 by Bureau Veritas Italia Spa in respect of *Design and construction of civil and industrial engineering works, bridges, viaducts and other transportation infrastructure*

ISO 14001:2004 Certification (environmental management system) of 28 September 2011 by Bureau Veritas Italia Spa in respect of *Design and construction of civil and industrial engineering works, bridges, viaducts and other transportation infrastructure*

Deal Srl

Certification ISO 9001:2008 (quality management system) by Bureau Veritas Italia Spa from 30 May 2005 for the activities of *Design and engineering services for civil works such as bridges and viaducts. Design, construction and assistance for the installation and use of launching equipment, formworks and special equipment for the construction of bridges and viaducts*

Tensacciai Srl

ISO 9001:2015 Certification (quality management system) by Bureau Veritas Italia Spa in respect of *Design, construction and installation of cable-stay systems, post-tensioning systems, rock anchors, ground anchors and associated equipment and accessories; special structure devices (bearings, joints, anti-seismic devices), steelworks also in the field of structural refurbishments*

BS OHSAS 18001:2007 Certification (health and workplace safety management system) of 18 November 2016 from Bureau Veritas Italia Spa in respect of *Design, fabrication and installation of cable-stay systems, post-tensioning systems, rock anchors, ground anchors and associated equipment and accessories; special structure devices (bearings, joints, anti-seismic devices), steelworks also in the field of structural refurbishments*

ISO 14001:2015 Certification (environmental management system) of 30 November 2016 from Bureau Veritas Italia Spa in respect of *Design, fabrication and installation of cable-stay systems, post-tensioning systems, rock anchors, ground anchors and associated equipment and accessories; special structure devices (bearings, joints, anti-seismic devices), steelworks also in the field of structural refurbishments*

SOA Certification attested by SOA Nord Alpi

Codest International Srl

GOST ISO 9001:2011 certification (ISO 9001:2008, quality management system) by GlavStandardCert for the activities of *Preparation of project documentation, for the construction, renovation and integral repair of the construction works, which have an influence on the safety of the construction works*

GOST ISO 14001:2015 certification (ISO 14001, environmental management system) by GlavStandardCert for the activities of *Preparation of project documentation, for the construction, renovation and integral repair of the construction works, which influence the safety of the construction works*

GOST R 54934:2012 (OHSAS 18001:2007, health and safety management system) by GlavStandardCert for the activities of *Preparation of project documentation, for the construction, renovation and integral repair of the construction works, which influence the safety of the construction works*

Sacaim Spa

ISO 9001:2015 Certification (quality management system) attested by SGS Italia Spa, in respect of *Design, construction, maintenance, rehabilitation of civil, industrial, and infrastructure works. Restoration and recovery of protected historical buildings. Installation and maintenance of mechanical and electrical equipment for civil and industrial applications*

OHSAS 18001:2007 Certification (health and workplace safety management system) attested by SGS Italia Spa, covering *Design, construction, maintenance, rehabilitation of civil, industrial, and infrastructure works. Restoration and recovery of protected historical buildings. Installation and maintenance of mechanical and electrical equipment for civil and industrial applications*

ISO 14001:2004 Certification (environmental management system) attested by SGS Italia Spa, in respect of *Design, construction, maintenance, rehabilitation of civil, industrial, and infrastructure works. Restoration and recovery of protected historical buildings. Installation and maintenance of mechanical and electrical equipment for civil and industrial applications*

SOA Certification attested by SOA Nord Alpi

The environment

Environmental protection and the promotion of sustainable development have become some of the key factors in the design, construction and management of projects coordinated by Group companies.
The importance of the projects carried out as well as the professionalism and performance requirements of customers and their representatives are bringing an important added value and an equal specialisation of the technicians involved in the management of these processes as well as specific environmental disciplines.
During 2017, the projects did not reveal any significant critical issues, and all the audit carried out were positive.
The updating process, in line with the requirements of the new international standards for management systems, is in progress and the parent company is about to carry out audit to renew these certifications with the certification body appointed by Bureau Veritas Italia.

Organisation, Management and Compliance

With effect from December 2008 the parent company has implemented its own organisation and compliance manual, thereby complying with the provisions of Legislative Decree 231/2001 which introduced the liability of juridical persons as a result of acts or omissions carried out by agents and employees. To this end, it has enacted, among the various documents such manual that make up the so-called *231 Model*, with the various preventive and specific protocols, as well as the Code of Ethics (reported on the website www.rde.it).
Since 2012, based on the parent company's Code of Ethics, *Models 231* of Deal, Iride, Tensacciai, Torre and Sacaim have also been progressively defined and implemented. All of the companies mentioned above have established a Supervisory Board, which is responsible for overseeing the implementation of and compliance with the provisions of *Model 231* and ensuring that it is kept up to date.
As is well known, the *231 Model* is designed to prevent the commission of the offences referred to in the Legislative Decree. 231/2001 and subsequent amendments and additions by all individuals who have an employment relationship with Group companies, even if not subordinate, or a relationship of mere collaboration, through a working process that leads to the preparation of preventive protocols containing the organisational, physical and/or logical measures provided for by the *231 Model* itself, starting from the mapping of company areas at risk. By preventing the commission of the relevant offences, the *231 Model* ultimately aims to avoid the various types of liability of companies, whether of a financial nature or as a result of fines or disqualification measures.

In this context, it should also be noted that the parent company and Sacaim (the main Group companies operating on the Italian construction market) have voluntarily adhered (from 2015 and 2016 respectively) to the **Legality Protocol** signed between the Ministry of the Interior and Confindustria which, thanks to collaboration with the Prefectures, represents an effective prevention and fight against criminal phenomena.

Finally, as far as the Group's organisational evolution is concerned, it should be noted that a *digital transformation* process was launched in 2016 that includes many company areas. A new ERP is currently being implemented and will be extended globally to all Group companies in 2018 and 2019, together with various additional vertical solutions. This project will allow greater control over processes and activities, through better accuracy and timeliness of the data provided, as well as on approval flows, in addition to ensuring overall operational efficiency. The set of application solutions currently being implemented, which may in the future be modulated as necessary, will contribute significantly to risk mitigation and to a global management system that is more appropriate to the size of the Group.

General Data Protection Regulation

The Group has brought its organisational measures into line with the General Data Protection Regulation (GDPR, EU Regulation 2016/679), which applies to all EU member states with regard to privacy, processing and the protection of personal data.

Value creation and distribution

The integration between the traditional business values - economic values expressed by production and profitability - and the system of socio-political values - the centrality of the individual, integrity, quality of life – which are at once present inside and outside the organisation, poses new problems of consensus and legitimacy. The progressive emergence in

Value added calculation (in Euro thousand)	**amount 2017**	**amount 2016**
Revenues	1,070,811	915,071
Costs of production	890,561	742,240
Operating value added	180,250	172,831
Extraordinary and additional income / (charges)	(7,396)	12,248
Gross value added	172,854	185,079
Amortisation and depreciation	(13,569)	(12,847)
Net value added	159,285	172,232

Value added calculation (in Euro thousand)	**amount 2017**	**%**	**amount 2016**	**%**
Human resources remuneration	115,932	72.8%	125,117	72.6%
Public administration remuneration	18,401	11.6%	19,312	11.2%
Debt capital remuneration	6,107	3.8%	3,004	1.7%
Equity capital remuneration	-	0.0%	-	0.0%
Enterprise remuneration	18,755	11.8%	24,701	14.3%
Charitable donations	90	0.1%	99	0.1%
Net value added	159,285	100%	172,232	100%

these past few years of the so-called 'stakeholder's view' has raised the urgency to have systems in place that are capable of measuring and evaluating the ability of the firm to balance the disclosure requirements of business partners, whether internal or external (staff, shareholders, lenders, customers, suppliers, public administration and the community at large). To this end, the parameter of 'value added', which is derived by reclassifying the items in the income statement of this Annual Report, measures the wealth produced by the firm for the benefit of the surrounding territory and its stakeholders, thus expressing the relationship between the firm and the socio-economic system with which it interacts.

The value added is presented in two different dimensions:

— calculation of value added, which emerges from comparing income and costs at each intermediate level;
— distribution of value-added comprising of the sum of the remunerations received by stakeholders.

Different stakeholders are remunerated in the following ways:

— remuneration of human resources: it includes direct and indirect remunerations of all those who have a working relationship with the Group;
— remuneration of the public administration: it includes direct and indirect taxes paid by the Group;
— remuneration of debt capital: this includes net interest payables received by the banking system;
— remuneration of equity capital: it includes the number of dividends or gains received by the owner;
— remuneration of enterprise: this is represented by the income components allocated to reserves that guarantee the growth of the company, thus managing to distribute value to its stakeholders also in future years;
— acts of liberality: they include and distributions of benefits for charity purposes.

Thus, it emerges that the most substantial portions of value added go towards the remuneration of human resources, whether directly or indirectly employed - which underscores the Group's contribution to social welfare - and to the society at large through taxation.
It is worth to underscore the Group's ever-present commitment to supporting humanitarian and cultural projects, as witnessed by contributions and donations to various non-profit organisations engaged in humanitarian and research activities.

The value added was determined by reclassifying the items in the income statement of this Annual Report, using the methodology proposed by 'Gruppo Bilancio Sociale' (GBS), an association which promotes ethical standards and principles of social responsibility in accounting practices.

AREAS OF BUSINESS ACTIVITY

Over the years, the Group has consolidated its leading position in four main areas: **Construction, Infrastructure, Engineering and Equipment for Bridges and Viaducts and Real Estate Development.** *Apart from the specific circumstances of certain individual markets, the Group is generally involved in all of the preceding business areas, in every country where it is active. Its presence and constant presence on the Russian market and in CIS countries, Central Asia and the Middle East, Europe and the American and Australian continents, as well as the experience gained with a vast clientele, ensure the Group's solid and stable positioning, also with a view to prospects.*
The table on the side illustrates the main projects underway during the period under review in each of the four areas outlined.

Project	Business area	Country	Euros	Share%
Railway Line Oued Tlèlat - Tlemcen	Infrastructure	Algeria	1,464,000,000	25.00
Penetrating highway RN77 Porto Djen Djen - El Eulma	Infrastructure / Special equipment / Engineering services	Algeria	1,334,600,000	48.00
VTB Arena Park Moscow	General building	Russia	703,000,000	100.00
Jamal Abdul Nasser Street Kuwait City	Infrastructure	Kuwait	670,000,000	48.90
Metro Red Line North Doha	Infrastructure / Special equipment / Engineering services	Qatar	554,200,000	60.00
VTB Arena Dynamo Central Stadium Moscow	General building	Russia	470,000,000	100.00
Highway A4 Widering Latisana-Palmanova	Infrastructure / Special equipment / Engineering services	Italy	297,500,000	50.00
Westconnex M4 Widering Sydney	Infrastrutture	Australia	274,000,000	50.00
Metro station HIA Doha	Infrastructure	Qatar	212,000,000	50.00
Complex ILOT C Luxembourg	General building	Luxembourg Grand Duchy	194,000,000	50.00
Dubai Metro Rail Dubai	Infrastructure / Special equipment / Engineering services	UAE	140,000,000	100.00
Roskilde Fjord Link Fraderikssund	Infrastructure	Denmark	130,000,000	34.00
Requalification of Spedali Civili Brescia	General building / Project financing	Italy	107,000,000	60.00
Gran Viaducto Manglar Cartagena	Infrastructure / Special equipment / Engineering services	Colombia	92,100,000	100.00
Swan River Bridge Perth	Infrastructure	Australia	88,000,000	50.00
Complex Polyanka Moscow	General building	Russia	62,000,000	100.00
New Orbital Highway Doha	Infrastructure / Special equipment / Engineering services	Qatar	45,200,000	100.00
Complex Living Gries Bolzano	General building	Italy	25,000,000	100.00
Vecchie Procuratie Venice	General building	Italy	14,400,000	100.00
Light Transit Rail Honolulu	Special equipment	USA	6,800,000	100.00
Viaduct Mitre Buenos Aires	Special equipment / Engineering services	Argentina	5,600,000	100.00

The main sectors of intervention in this area are residential buildings, office buildings, industrial and commercial buildings, hospitals, schools, luxury hotels, large building restorations and military infrastructure. The Group is well positioned in market segments which demand increasingly high standards of technology and quality. Since each building is unique and construction site conditions differ greatly, each project requires specific technical skills. In recent years, the fundamental theme of each project has become the pursuit of energy saving through a wide range of design choices that range from the identification of volumes designed specifically for buildings, to the adoption of materials and technologies that optimize the exchange of heat between the building and the environment, to the installation of winter and summer air conditioning systems that minimize the consumption of fuel and electricity.

Residential buildings

The Group has always performed well in this area, leveraging off the market knowledge of its real estate development unit and the track record in high-quality construction projects. In this segment, the Group focuses on large and complex projects with high-quality standards.

Construction activities are proceeding at full speed at the **VTB Arena Park** project in **Moscow**, a contract worth an estimated over 700 million euros and awarded to Codest International, for the construction of the commercial buildings surrounding the **Dynamo – Petrovskiy Park** in **Moscow**; as at 31 December 2017 works there had reached a progress of 497 million euros.

In 2017 Codest continued regularly works for the realisation of a luxury residential project in one of the most exclusive areas of the Russian capital: the project, worth 62 million euros, calls for the restoration of two historical buildings in **Bolshaya Polyanka** and the construction of 5 new buildings for a total area of 53,394 sqm. As at 31 December 2017 works there had reached progress of 44 million euros.

In 2017 the Group was awarded the contract for the turnkey construction of the new **residential complex** within the recovery area of the historic centre of **Bolzano**, called **Kellerei Gries**; the amount of works amounts to 25 million euros.
Also in 2017, the Group completed a series of **residential buildings** in **Luxembourg** for a total of 7 million euros.

Office buildings

The construction of modern office centres, which is rapidly developing in many markets, is a key focus area for the Group, characterised by a high level of sophistication. Every management project requires synergy with highly qualified designers to converge technical and functional requirements effectively.
Building on the experience gained in this sector, in 2017 the Group, through Codest International, signed a 430 million euros contract with OAO Gazprom Transgaz Belarus for the construction of a **multi-purpose centre** in **Minsk**, which will house Gazprom's new headquarters in Belarus, including a 180-metre tower, for a total surface area of approximately 264,000 sqm.

School buildings

The Group has been operating in the school and university building sector since the 1980s. Just think of the group of schools built by the Group in Algeria, the university campus in Udine and the professional school for crafts and industry in Bolzano.
In 2017 the construction of the new headquarters of the **international high school Differdange** in **Luxembourg** was completed, for a total value of the work of 11 million euros.
Also in 2017, the parent company acquired the contract for the construction of the **multi-purpose centre** in **Lugano**, Switzerland, for a value of 30 million euros. The building will be built in 38 months on behalf of the City of Lugano and will also house a nursery school.

Retail and Commercial buildings

Work on the new **shopping centre** of **Auchan**, in **Luxembourg**, continued at full capacity in 2017. The project includes the construction of two residential towers of 22,000 sqm and has a total value of approximately 194 million euros. As at 31 December 2017 works there had reached progress of 48 million euros.

Industrial buildings

The Group's experience in this sector, which dates back to the important achievements in Italy and abroad of Rizzani as early as the second half of the 1800s, has found many opportunities to be exploited in recent decades. In the recent past, in fact, factories have been built both in Italy and abroad in various industrial sectors such as steel, textiles, engineering, leather, footwear, food and agriculture and many others.
In 2017, work was completed on completing the construction of a Tier IV **Datacenter** on behalf of the American multinational SuperNap.
Also, in 2017 Codest was awarded the project for the construction of a **satellite assembly and test centre** of Gazprom Space Systems, in the city of **Shchelkovo** (Moscow Region), worth 150 million euros. The project will be carried out in collaboration with Thales Alenia Space.

Entertainment and Sports Complexes

The construction of sports infrastructure is among the most challenging types of construction activities because it requires the builder to create synergies between the work of renowned architects and designers and complex structures capable of hosting tens of thousands of spectators.
The Group has always demonstrated to be able to successfully deal with these challenges as demonstrated by the award to Codest International in 2014 of the contract for the reconstruction of the **Dynamo Central Stadium** in **Moscow**. The project is worth approximately 470 million euros consists of two arenas with an aggregate capacity of 40,000 spectators and a large adjacent retail area with shops, restaurants and a cineplex, complete of underground carparks for over 700 cars and directly linked to the metro station.
As at 31 December 2017 works there had reached progress of 333 million euros.

Luxury Hotels

The experience gained in large-scale industrial buildings combined with the proficiency in traditional construction methods has allowed the Group to expand successfully into the segment of high-end hospitality.
In 2017, as part of the VTB Arena Park project, the Group completed and delivered the prestigious **Hyatt Regency**

Mosca Petrovsky Park, the new five-star hotel in **Moscow** by the well-known hotel chain.

Large-scale building renovations and recovery of heritage sites

More than a hundred years' track record in the construction industry and the specific skills gained from the experience of the extensive post-earthquake reconstruction of the Friuli region in 1976 provide Rizzani de Eccher with the knowledge capital to undertake complex restorations on monumental buildings adopting the most innovative technologies. Among the restorations carried out in 2017 by Sacaim, of particular interest both for the amount of work carried out and for its complexity, is the restoration of the **Basilica of San Bernardino** in **L'Aquila**. The project involved the restoration of polychrome and gilded stuccoes, stone works, wooden works, frescoes, the restoration of the Resurrection of Della Robbia and the restoration of two canvases, including the Crucifixion canvas painted by the Flemish painter Aert Mytens between 1599 and 1600, measuring 52 square metres. The total amount of works was 2.2 million euros. Also in 2017, the parent company was awarded the important restoration work of the **Vecchie Procuratie** in Piazza San Marco in **Venice**. The restoration of the Procuratie, by the archistar David Chipperfield, is part of a wide-ranging project for the entire Marcian area, which includes the redevelopment of the **Royal Gardens**, creating a continuity between the lagoon, the gardens and Piazza San Marco. The restoration work includes commercial use on the ground floor, directional use for part of the first floor and the mezzanine, currently used directly by the Generali Group, and residential use for part of the second floor and the second mezzanine. The total amount of works is 14 million euros.

The Group excels at infrastructure building and transport engineering in particular, thanks to more than one hundred years' experience in this field. In the past few years, most of the Group's infrastructure projects have been outside Italy, as the Italian market is experiencing a period of recession due to funding shortages and competitive pressures on costs.

Highways, railways and metropolitan rail networks

Works for the dual track **Oued Tlélat - Tlemcen** railway line in **Algeria**, a joint project with Italian contractor Società Italiana per Condotte d'Acqua have reached at year-end in 2017 a progress of 312 million euros (progress pertaining to the share of Rizzani de Eccher) against a total contract value of 365 million euros.
Still, in **Algeria**, works related to the highway **RN77**, linking the harbour of Djen-Djen to the East-West Highway in the proximity of El Eulma, have continued. The project calls for the realisation of a 6-lane highway (3 lanes each way) crossing a hilly area, characterised by excavations and landfills totalling 43 million cubic metres, viaducts for 15km and tunnels for 2km. The contract, for an amount of Euro 1.33 billion, was awarded to Rizzani de Eccher acting as a leader of a joint venture with Algerian contractors ETRHB and Sapta. As at 31 December 2017 a progress of 209 million euro (share of Rizzani de Eccher) had been reached.

In 2017 works for the enlargement to three lanes (in each direction) of the **A4 Highway** have continued at full capacity. These comprise of a first stretch of 25km from the **Bridge over the Tagliamento River to Gonars** and the **Palmanova interchange** for a total contract value of Euro 300 million, which Rizzani de Eccher executes together with partner Pizzarotti & C. Spa. As at 31 December 2017 a progress of 33 million euros (share of Rizzani de Eccher) had been reached.
In 2017, Sacaim and the parent company, in a temporary business association with Pizzarotti, signed the contract with the managing commissioner for sub-lot I relating to **segment II** of the extension to the **A4 Highway**. The net amount of the works amounts to 87 million euros. The works involve the extension of the A4 motorway for about 8.8km, with the third lane in the municipalities of Portogruaro, Teglio Veneto and Fossalta di Portogruaro.

In 2017, construction work was completed on the expansion of the **M4** (one of the main arteries in **Sydney,** Australia), acquired in a joint venture with the Australian company CPB Contractors for a total value of 274 million euros.
Also in Australia, work continued on the construction of the **pedestrian bridge** over the Swan River in **Perth** by the parent company, a joint venture with the Australian company York Civil, for a total amount of approximately 88 million euros. As at 31 December 2017 progress was approximately 50 million euros.

In **Colombia**, work continued at full capacity on the 3.7km **viaduct** on the Cienaga de Tesca lagoon (**Cartagena**), for a total of 55,000 sqm of decks, for a total of 90 million euros. As at 31 December 2017 works had reached progress of 71 million euros.

In the Middle East, the infrastructure sector continues to represent the Group's strong point.
In **Qatar**, work continued on the completion of the **north**

segment, elevated and at grade, of the **Doha Red Line Subway**, worth a total of 554 million euros, acquired in a joint venture with the Qatar company Redco. The completion of this metro line is scheduled for the second half of 2018. As at 31 December 2017 works had reached progress of 212 million euros (Rizzani de Eccher share).
Construction works are coming to an end on the massive two-level upgrade of **Jamal Abdul Nasser Street** at **Kuwait City**. This project, worth more than Euro 670 million, covers a length of 14km length and involves 395,000 sqm of prefabricated concrete segments. Progress as at 31 December 2017 is roughly 597 million euros.
In **Dubai** work continued in connection with the **extension of the Dubai Metro** to the site where the 2020 International Expo will take place, for a contract value of approximately 140 million euros. As at 31 December 2017 the overall progress of the works reached an amount of 66 million euros.
Finally, construction work continued on the **Frederikssund Link** in **Denmark**, including an 8km dual carriageway motorway, a 1.4km bridge over the Roskilde fjord, an access road to the new infrastructure of about 1km and several minor civil works (overpasses to protect the natural environment and cycle paths) acquired in 2016 by Rizzani de Eccher, leader of the joint venture formed by the Belgian company Besix and the Spanish company Acciona Infraestructuras. The *Design & Build* contract, for a total value of 130 million euros, as at 31 December 2017 reached total progress of approximately 36 million euros.

Group's wealth of experience in infrastructure has allowed to develop a specific area of expertise in the engineering, design and construction of special equipment for the construction of bridges, as well as the provision of all such associated specialised services and equipment as post-tensioning systems, bearings, joints and anti-seismic devices. In 1992, these activities were consolidated into a new, wholly-owned subsidiary called Deal Srl. In a few years, Deal has become a world leader in this highly specialised market, serving large international contractors. Deal provides the Group and large international contractors with integrated design services, the supply of machinery and special equipment such as formwork, gantry cranes, wheeled trolleys, launching carts, floating ribs, as well as the ability to develop special equipment for solving specific construction problems in the construction of large infrastructure. The acquisition by Deal of Tensa, a company with a strong track record in design, fabrication and installation of stay-cables and post-tensioning systems as well as joints, bearings and anti-seismic devices, has strengthened the position of Deal also in this area. The Group is now able to offer its customers an absolutely complete package of specialised services and products: starting from all design and construction engineering services, passing from the development and implementation of construction technologies to the supply of all specialised products. Deal also provides clients with full technical assistance on site and can support clients in all phases, which, besides the installation and start-up of the equipment, include the execution of the works.
More recently, the Group's wealth of experience in the infrastructure sector has allowed Deal to apply its specific know-how to different and very promising areas, such as special equipment for the offshore Oil & Gas industry, special gantry equipment for shipping and port operations, in addition to special equipment for the excavation of wells.

Engineering

The Group's technical personnel have gained invaluable experience from working with and for the parent company and established international contractors on large and prestigious infrastructure projects. This has enabled our engineers to develop a wealth of knowledge in bridge engineering and particularly in the field of metro-rails and mass rapid transit systems.
The complete integration of the technical staff dedicated to the design and optimisation of the work, the identification of the best construction technologies and the design of specialist equipment allows, in addition to an organic use of the Group's human resources, to position itself on the market for large infrastructures with one of the widest services available today. Turnover in this business area grew strongly, confirming the market's appreciation for the service provided.

Equipment

Deal can design and custom-build equipment for any kind of construction system - be it prefabricated or cast in-situ - as well as any kind of transportation and lifting equipment suited for every building site. The experience gained in the direct realisation of the works has allowed developing

equipment of particular efficiency and reliability unmatched on the market. Significant productivity results have been achieved in the precast segmental technology, adopting the *'span by span'* method for the construction of elevated metro-rails and mass rapid transit systems and adopting the *'full span'* method for the construction of high-speed railways and other important infrastructure works.
There are now numerous cases in which large international *contractors* entrust Deal with the design and supply of the entire special equipment package, from prefabrication to launch, so as to secure the strongest guarantees over the full production cycle.

This is confirmed by the supply of the entire package of specialist equipment for the construction of the railway viaduct **Mitre** in **Buenos Aires**. The General Contractor entrusted Deal for the realisation of 8 sets of mobile formworks, two gantry cranes dedicated to the prefabrication yard and two launching girders, besides all construction engineering services and the supply of post-tensioning equipment and materials.
Special equipment was also supplied for the **Caulfield Dandenong Rail Upgrade Project** in **Melbourne**, where the prefabricated ashlar technology was associated for the first time with the *'full span'* laying system: exploiting the extreme manoeuvrability and flexibility of the precast segment together with the great speed of assembly that the *'full span'* system offers, it was possible to solve the complex logistical problems of the project, in particular the need to operate over an operating railway line.

Specialised construction solutions

The range of specialised services and products that the Group can provide to large international contractors is completed by the product and services offering by Tensa. Operating in this sector since the early 50s, Tensa has designed and developed over the years the entire range of systems for the implementation of pre-stressing by post-tensioning, stays and anchoring systems in rock and alluvial soil. Furthermore, Tensa can supply a full range of bearings and joints (including spherical bearings and pot bearings, metal and/or rubber expansion joints), anti-seismic devices, oleo-dynamic supports, friction pendulums and seismic isolators, etc.
Tensa devotes considerable resources to research and development, investing in the identification and application of new materials, which are then brought to market after trials and certifications, also in consideration of technical standards and regulations that are continuously evolving.
Besides supplying these products, in line with the approach common to all companies of the Group and thanks to the continuous dialogue with its clients, Tensa is capable of developing customised technical solutions for specific project requirements, besides providing all the technical support required during installation, erection and testing.
As proof of the quality and diversification of its products, as well as the professionalism of its technical assistance services, Tensa is involved in important international projects: remarkable, for the supply and installation of the stays, the **New Ross Bypass** in **Ireland**, an 'extradosed' viaduct that has won numerous international prizes; the **Sheikh Jaber Al-Ahmad Al-Sabah Causeway Project** in **Kuwait**, a 36km viaduct, one of the longest in the world, for the supply and laying of pre-stressing cables, and the **Dubai Metro 2020**, in **Dubai**, a metro line that will connect the current network to the new area for the 2020 International Expo, where Tensa supplies and installs all pre-stressing materials and anti-seismic isolators.

The Group has always been actively engaged in prestigious real estate development projects acting as a principal, or on behalf of select customers, from the public and private sector. Capitalising on its successful track record in real estate development, the Group positions itself on the market as the reliable partner to large developers as well as real estate investors and financial institutions. The Group has further strengthened organisation and resources in the dedicated Real Estate Development Division, with emphasis on project management and value-enhancement of property portfolios, with a view to obtaining a stronger accreditation with market players and partners. To this effect, as from 2011 all real estate development assets and initiatives of the Group have been consolidated into Iride Srl.

In 2017 the Group took control of Rilke Srl, the transferee company of the residential and tourist property complex called **Portopiccolo**, in **Sistiana**, built by the parent company. This is one of the most important environmental and urbanistic requalification projects of the past few years, with a tremendous impact on the surroundings as it transforms the site of a disused quarry into a charming and fully eco-sustainable seaside village in one of the most impressive stretches of the Adriatic. The initiative includes 450 residential units, 1500 underground car parks, a marina with 120 berths, a 5-star hotel under the Starwood Luxury Collection brand, a Spa and another Beauty Spa, a convention centre, a fitness area and a beach club, besides retail and exposition spaces, shops, restaurants and bars. During 2017 the development underwent an intense campaign of commercial promotion, valorisation and sale of the residences.

Meanwhile works continued in 2017 on the restructuring and recovery of **Ciasa Nivalis**, a project involving the faithful restoration to past appearances of a substantial traditional valley house complete of a barn in **Cortina d' Ampezzo**. The renovation is to yield ten luxury apartments conjugating modern comforts with respect for nature and the local architectural style. The building is situated in a prime location, next to the pedestrian/bicycle track of the former railway line, and provides a striking example of the traditional architecture of the Valley of Ampezzo.

As part of the real estate development activities of the building complex called **Palazzo Eden** (formerly Palazzo UPIM) of about 25,000 m^3 above ground, located in the historic centre of **Udine**, during the year 2017 the Building Permit was obtained and in September began the partial demolition works. The property will be subject to a complex building renovation with the construction of 32 prestigious residential units, 40 garage cars and 5,100 sqm of commercial space in the basement, ground floor and first floor.

In 2017, following the soil's cleaning up activities of **Acciaieria Safau**, a certificate of environmental remediation was obtained from the Region Friuli Venezia Giulia. The site is situated immediately to the south of the **Udine** city centre, next to the railway station. The 75,000 sqm area will become the object of a radical functional and urbanistic requalification.

Finally, among the most important prospective real estate development is the rehabilitation of a vast industrial area near to **Udine**'s historical city centre, released by **ENEL** at the end of 2016. This disused industrial area, currently incongruous with the surrounding urban context, will be transformed into a new residential neighbourhood with aggregate volumes of 43,000 m^3. The project is designed to meet eco-sustainability principles and will make vast use of renewable energy sources, with a view to obtaining the LEED certification.

Focus

1 Dubai 2020 New Metro Line
Dubai - UAE

2 Westconnex M4 Widering
Sydney - Australia

3 SuperNap Datacenter
Siziano (Pavia) - Italy

Deal. Focus 1

Dubai 2020
New Metro Line

Dubai (UAE)

Client:
Rizzani de Eccher Spa – Dubai Branch

The project consists of the construction of a section of metro line that will connect the current line called 'Red Line' to the area dedicated to the International Expo in 2020.
Expolink, a joint venture formed by Alstom, Acciona and Gulemark, was entrusted with the construction of the project. Expolink assigned the execution of the precast and launching of the concrete segments of the elevated part to Rizzani de Eccher for about 11km and including six new stations.
In addition to being a real showcase for the Deal technological product (launching girders and formworks first of all), the order represented an opportunity for the company to demonstrate to the market an added value that is now the prerogative of the European and especially Italian suppliers: flexibility.
The very tight construction schedule, the architectural and structural changes required during the course of construction and the consequent plans to accelerate activities have generated a wide range of variables and technical challenges that have involved Deal in a context of extreme variability, proposing and confirming the company not only as a reliable technological and engineering supplier but as a true technical partner, able to make available, together with know-how, specialist technical staff and additional equipment to support Expolink in maintaining its objectives.
It is sufficient to think that from the initial supply of 11 million euros, in various additions, it has increased to over 17 million within a few months, mainly due to the introduction of 3 new types of structure during the course of construction. All this required, in addition to an effort regarding additional hours of engineering in very short time, also the partial redesign of formworks and launching equipment to adapt them to new needs.

Deal has thus set up a task force to follow the engineering activities directly on site, in order to make the communication with the designer more effective. It has kept permanently its supervisors on site to take care of assembly and maintenance and, in some cases, even modification, of the vast fleet of machines supplied.

The effort made will make it possible to mitigate the impact generated by the numerous design changes, allowing the delivery of the relevant civil works by 2018.

amount of supplies and services 17,200,000 euros

formwork and precast equipment

2 long line formworks for casting typical U-shaped section double track segments

12 short line formworks for casting pier head U-section double track segments

2 short line formworks for casting typical and pier head U-section single track segments

4 short line formworks for casting typical and pier head U-section stations segments

3 short line formworks for casting balance cantilever station span segments

5 short line formworks for casting balance cantilever typical span

5 gantry cranes for handling precast elements at the precast yard

launching equipment

2 launching girders for span by span erection

2 reconditioned second-hand launching girders

2 lifting frames for balance cantilever erection

6 stressing platforms for erection with cranes

6 lifting beams for launching with cranes

3 collars for pier head erection

1 side shifter for lateral moving the closing span

1 longitudinal shifter for joining segments under high voltage lines

1 lowering system for erection of the closing spans

2 adjustable arms for lifting jacks for cable tensioning

engineering

shop drawings of segments and geometry control

launching sequences and design of temporary structures

detailed design of the precast yard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Westconnex M4 Widering

Sydney (Australia)

Client:
Sydney Motorway Corporation
(Roads and Maritime Services NSW)

The project, which was awarded a 50% joint venture with CPB Contractors, is a 33km-long major transformational motorway project in the largest city in Australia, Sydney. Stage 1A of this project comprised widening the existing M4 motorway to 4 lanes in each direction for 7.5km between Church St, Parramatta and Homebush Bay Dr. The M4 Widening was largely constructed within the existing road reserve under heavy live traffic of about 140,000 vehicles per day. It included bridges over live rail and road, multiple interfaces with utility providers and significant community works.

This includes the D&C of a bridge-over-rail near James Ruse Dr and a new 1.8km viaduct and bridges over Duck River and Deniehy St. The deck structures are multiple T-bulb beams, 2.1m deep for a total of 236 post-tensioned beams over 50 spans (each 25-50 m long) erected via launching gantry, while subsequent 200mm cast in-situ reinforced concrete top slab and diaphragms complete the deck superstructure. The M4 widening also involved ramp upgrades, including new direct access from the southbound Homebush Bay Drive to the M4 westbound through a G-ramp: removing the need for a right turn at the traffic lights, a traffic pinch point was eliminated and this will support the growth around Sydney Olympic Park.

contract amount	274,000,000 euros
start of work	December 2014
end of the work	June 2017
project length	7.5km
lanes per direction	4
deck structures	multiple T-bulb beams
superstructure top slab type	cast-in-situ reinforced concrete
superstructure top slab thickness	200mm
number of post-tensioned beams	236
beam depth	2.1m
number of spans	over 50
span length (various)	25-50m long
methodology	launching gantry

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SuperNap Datacenter

Siziano – Pavia (Italy)

Client:
SuperNap International

SuperNap International, born from a partnership between the American Switch Ltd, world leader in the Information Technology and Datacenter sector, and ACDC Fund, a fund between Sawiris's Orascom TMT Investments (OTMTI) and Accelero Capital, has set up SuperNap Italia to create the first data processing centre outside the United States.
The construction works were entrusted to Rizzani de Eccher, and the datacenter was built in Siziano, in the province of Pavia, on the outskirts of Milan.
The project replicated the SuperNap Datacenter built in Las Vegas, USA: Tier IV certified super technology server farm, where technology companies store some of their digital content and secrets.
The construction for this first phase involved the construction of a building of about 13,000 sqm, preparing the bases and infrastructures for the doubling of the Datacenter: in its final configuration, in fact, it will be possible to have four data halls for a total of 42,000 sqm with a power of 40MVA distributed through two 132kW transmission circuits.
The tri-run power supply system can easily accommodate hosting solutions for high-density hardware systems (up to 40kW per rack). Other features include 200 pairs of multicarrier fibre on separate circuits, a patented SHIELD Switch with double independent approved roof to withstand winds up to 322km/h, more than 260 patents (registered and pending patents), a facility audit and a Network Operations Center (NOC) available 24 hours a day, 7 days a week.

start of work	September 2015
end of work	December 2016
total area of intervention	60,000 sqm
above-ground area	16,000 sqm
UPS installed power	3x1400 kW
installed power generators	3x2000 kW


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Economic and financial position

The financial statements for the year ended 31 December 2017 show total revenues of 1,073 million euros (918 million euros in 2016) and EBITDA of 62.2 million euros (46.3 million euros in 2016). Net profit attributable to the Group amounts to 21.2 million euros (24.2 million euros in 2016).

General macro-economic situation

In 2017, high rates of growth were recorded almost everywhere in the world economy. The Eurozone closes 2017 with the highest annual growth of the last decade, in the USA unemployment is the lowest since 2000, in Japan the recovery has consolidated and extended to all demand components. In the BRICs, exports and rising commodity prices are driving growth. In Italy, 2017 ended with a variation in GDP of 1.5%, definitely better than the initial forecasts (0.8%).
The global economy also made a good start in 2018. Confidence and orders indicate that growth is still accelerating. All the main countries are taking part, with a very strong pace in the Eurozone, where all the demand components are expanding further. In the United States, with the political tug-of-war on the public budget pending, growth will be fuelled by exports, favoured by the weakening of the dollar, and above all by the stimulus deriving from fiscal reform. Exports are also driving growth in emerging economies. Global activity is driven by manufacturing and (rapidly increasing) investment, both of which are major enablers of global trade. However, some tensions that are materialising on the horizon (weaknesses in the international financial sector, increased US protectionism, diplomatic crisis between the West and Russia triggered by the Skripal case, the escalation of tensions on Syria and the desire to bring Ukraine into NATO) could lead to a slowdown in growth. The Russian rouble is already suffering, losing 6.4% in a few days on the dollar as well as the Moscow Stock Exchange (-5.6%), the US Stock Exchange (peaks and troughs) and the price of oil (rising).

In this unstable context, Italy seems to maintain investor confidence and participates in the renewed momentum of the global economy through the excellent performance of exports (confirmed by orders) and investments. The prospects for employment also remain positive, according to the intentions of companies, but there are conflicting signs of stronger consumption. To consolidate the Italian upturn, which is still much lower than the European one, the economic policy choices after the elections will be decisive.

Group operating performance

During 2017, the Group continued its growth path, achieving a further increase in revenues (+155 million euros, +17% compared to the previous year). The revenues in 2017 was achieved 85% abroad and 15% on the Italian market (in 2016 the proportion was 84% abroad and 16% in Italy).

The work portfolio at year-end amounted to 2,126 million euros (2,118 million euros in 2016), with foreign job orders accounting for more than 90%.

The main job orders acquired during the year were as follows:

— the construction in Minsk (Belarus) of a multifunctional complex including the construction of a tower 180 meters high. The project was commissioned by Gazprom, a major Russian company in the *Oil&Gas* sector, and has a value of 430 million euros;
— the construction, also for Gazprom, in Russia, of a major installation for the aerospace industry worth 150 million euros;
— the construction of a further lot of the extension of the A4 motorway for the section between Alvisopoli and Portogruaro junction (which is included in the project) for a total of 90 million euros. The project will be carried out through a consortium company in which the Group holds a 49% stake with the remaining stake controlled by the shareholder Impresa Pizzarotti e C. Spa;
— the construction in Lugano of a multi-purpose centre for the elderly, worth a total of 30 million euros. The project was acquired in a joint venture with a major Swiss general contractor with a 50% stake.

As far as the Group's manufacturing activities are concerned, the companies Deal and Tensacciai acquired orders worth a total of 62 million euros during the year.

The great effort made to advance the *VTB* projects (Park and Arena) in Russia has led to a further increase in the value of production in that area (347 million euros, or 33% of the total Group's revenues). Both projects are expected to be substantially completed in 2018.

Work continued regularly in Qatar on completing the two works commissioned by Qatar Rail as part of the overall Doha Underground project. The *Red Line* section is expected to be completed in the first half of 2018, while the *HIA Station* project will be completed by the end of 2018. The total revenues in the country was more than 147 million euros or 14% of the Group's production.

Also in Dubai, subcontracting works for the construction of elevated structures relating to the extension of the city metro, as part of the *'Dubai 2020'* project relating to the expansion of the city's infrastructure for Expo 2020, have progressed according to plan, achieving a production of 70 million euros (6% of Group production) during the year. The works are expected to be completed in 2018.

The revenues in Algeria continued to be significant, although below expectations, accounting for 11% of Group production with a total of 114 million euros between the two ongoing projects.

During the year, on the other hand, work was completed on the widening of a section of the *M4* highway in Sydney (Australia), acquired in a 50% joint venture with CPB Contractors, one of the Australian construction market leaders who managed the project. As already highlighted in the previous year's report, the contract produced markedly negative economic results for the Group and therefore, with its conclusion, the effects on future financial statements will cease. Conversely, construction work continued on a regular basis, in a 50% joint venture with the Australian general contractor York Civil, on the construction of the *Swan River Bridge* at Perth, which will be completed in 2018.

Finally, it should be noted that there was a significant increase in production on the American continent (69 million euros, equal to 6.4% of the Group's production), mainly thanks to the project for the construction of the *Gran Viaducto Manglar* in Cartagena (Colombia), which progressed rapidly during the year and is expected to be completed in the first half of 2018.

In Italy, the expansion of the A4 motorway from Ponte sul Tagliamento to Gonars to 3 lanes and the Palmanova junction continued on a regular basis, contributing around 33 million euros to the value of Group's production (carried out through the consortium company Tiliaventum, in which the parent company holds a 50% stake).

Finally, the inclusion in the consolidation area of the company Rilke Holding Spa and its subsidiaries, among which Rilke Srl, the real estate company that manages the Portopiccolo tourist and residential complex (Bay of Sistiana), built by the parent company Rizzani de Eccher, is of particular importance for the Group's net assets structure. The reasons for the line-by-line consolidation of companies from July 2017 and the relative effects on the balance sheet are given at the beginning of the notes to the consolidated financial statements, as well as details concerning specific items, where significant.

As regards the financial year 2018, on the basis of the projections of the existing portfolio at the end of the financial year and the concrete expectations for the acquisition of new projects, a further slight increase in revenues is expected, with a prevalence of development, as already occurred in the two previous financial years, of Russia, Algeria and the Middle East as well as North America, whose market is once again offering the Group commercial opportunities after a few years of stagnation.

For further comments and summary data on the Group's performance, reference should be made to paragraph 'In 2017 at a glance'.

Treasury shares and shares or quotas of parent companies

Rizzani de Eccher Spa, neither directly nor through its subsidiaries or affiliates, trustees or nominees, holds its shares or shares of ultimate parent companies.

Research and development activities

For the 2017 financial year, some development costs incurred by Tensacciai were capitalised, which presented the assumptions by the reference accounting standards. Research and technological development activities carried out by the project team of Deal also continued, whose costs were entirely expensed in the income statement.

Financial instruments: objectives and policies of the Group and description of risks

Concerning the requirements of art. 40, paragraphs 1 and 2, letter d) bis of Legislative Decree 127/1991, we point out the main risks and uncertainties to which the Group is exposed, as well as the main financial instruments used by the companies of the Group, which are represented by trade receivables and payables, cash and cash equivalents, bank debt and leasing and factoring liabilities.

Market risk, operational risk and price risk

The Group operates mainly in the construction sector and, more specifically, in the construction of residential complexes, office buildings, industrial buildings, sports facilities, hospital

complexes, hotels, military works and major building restorations, as well as in the area of major infrastructure works with the construction of road, motorway, railway and metro networks. Normally, Group companies act as main contractors, even in temporary associations of companies or joint ventures. Furthermore, through the companies Deal and Tensacciai, the Group provides engineering services, design and construction of machinery, special equipment, post-tensioning systems, anchoring and stays as well as supports and joints for the construction of bridges and viaducts.
The Group operated in the following countries during the year: Italy, Denmark, Luxembourg, United States, Canada, Colombia, United Arab Emirates, Qatar, Kuwait, Bahrain, Saudi Arabia, Russia, Algeria, Australia, India, Vietnam and Switzerland.
During the year, the following new branches in Peru, Mexico and Argentina were established with the aim of starting up some operating activities and, in some cases, some production and/or supply orders for the companies of the group's manufacturing division.
As a result, the Group is affected by the macroeconomic performance of the various countries in which it operates. The real estate and/or infrastructural investment choices of potential clients are in fact influenced by the trend of the economic cycle, the main variables of which can be identified in the growth of the gross domestic product (GDP), in the variation of the inflation rate, in the trend of interest and exchange rates. It is also possible that the conditions of the economic systems of the countries in which the Group operates may lead to the slowing down, suspension and, in extreme cases, cancellation of contracts acquired. Also, the type of works carried out involves an operational risk that cannot be eliminated, connected to the need to manage the technical complexities of the works within the framework of contracts stipulated and developed in various environmental and regulatory contexts.
Group companies are required to issue adequate guarantees about existing contracts, normally sureties for the proper execution of works and the release of withholding guarantees. The risk of enforcement of the guarantees given may arise if the clients challenge the works carried out. If the contracts acquired involve the purchase of raw materials subject to price fluctuations, appropriate hedging strategies are designed and implemented, where possible, to minimise this risk.

Credit risk

Credit risk is represented by the Group's exposure to potential losses deriving from the non-fulfilment of its obligations by customers.
Although the Group develops its activities also in areas that may require country risk management, its counterparts are sovereign states, government bodies or in any case primary customers operating on international markets and entrusted by primary credit institutions.
The credit risk management strategy is divided into various phases starting from the preliminary assessment made during the offer submission phase up to the negotiation of the contract and its timely management. In particular, the structure of existing contracts, which provide for the payment of advances and progress reports normally on a monthly basis, enables the company to monitor this risk by carefully managing the cash flows of each project, thereby limiting the concentration of risk.

Liquidity risk

Liquidity risk is the risk that the Group may not have access to sufficient resources to meet its obligations under the terms and conditions agreed.
During the year, due to the evolutionary trends of the Group outlined in the paragraphs 'Group operating performance' and 'In 2017 at a glance', the Group's net short-term financial position - determined as in previous years by assimilating advances received from customers to payables for services and, likewise, not including advances paid to suppliers and sub-contractors - worsened and as at 31 December 2017 was negative for 141.4 million euros, also due to the inclusion of the consolidation area of Rilke Srl. Moreover, the short-term NFP also includes 17.8 million euros in medium/long-term residual debt to a credit institution classified as short-term due to failure to comply with a financial covenant on a consolidated basis (the latter also essentially due to changes in the scope of consolidation including Rilke, its direct parent company and its subsidiaries). Parent company has in any case taken steps to obtain a specific waiver from the credit institution.
In light of the evolution of the Group's short-term net financial position and the consequent need to make the time profile of the Group's loans and sources of financing consistent, the directors already implemented a series of preparatory activities in the last months of 2017 aimed at redefining the duration of their debt with the banking system. All this is consistent with the prospective logic of ensuring that the liquidity generated by operations always remains adequate to cover the Group's needs and is consistent with repayment plans for existing loans

Interest rate risk

Bank credit facilities are used in various technical forms with a fair distribution, at the end of the year, between the short and medium term. Interest rates were on average around 2.4%.
At December 31, 2017, were in place both the IRS derivative contract (*Interest Rate Swap*) on a loan of the parent company and two IRS derivative contracts entered by the newly consolidated Rilke in relation to the loan granted by Unicredit and Intesa Sanpaolo. it should be noted that the Group's policy is to use these instruments within the limits defined by the needs of its core business and not to take on positions relating to speculative purposes.
Moreover, in a general perspective of risk containment, Group companies concentrate their financial operations exclusively on primary banking counterparties and easily cashable instruments.

Foreign exchange risk

The Group's strong international vocation makes it exposed to exchange rate risk, which is closely related to the forecasts made on the cash inflow linked to the progressive completion of the contracts in progress, taking into account the contractual advances received, as well as on the payment of purchases in currencies other than the functional currency. Exposure to exchange rates may have the following impacts:
— economic risk, deriving from the mismatch of costs and revenues expressed in foreign currencies in different time periods;
— transaction risk, arising from the conversion of trade and/or financial receivables and payables denominated in foreign currencies.
Analysing the development of projects that have reference currencies other than the Euro, the Group operates with the objective of matching, for each project and then globally, the outgoing currency flows with those of the collections envisaged by the contracts. If this balance cannot be achieved, the Group examines the most appropriate exchange rate risk hedging transactions on a case-by-case basis, which in any case are never intended to be speculative. In this regard, it should be noted that as at 31 December 2017 there was no contract in place to hedge the exchange rate risk. It should also be noted that, despite the aforementioned 'natural' hedging of cash flows and payments in foreign currencies, the continuing negative trend in the exchange rate of the Algerian dinar against the Euro, together with the size of the existing relationships with the branch, may nevertheless entail possible risks of exchange rate losses.

Information relating to staff, the environment and organisation

About the information requested on personnel, the environment and the organisation, reference should be made to the paragraphs 'Human resources', 'Health and safety' and 'Sustainable development'.

Business outlook

Revenues in the first quarter of the year are 200 million euros (210 million euros in the previous year), in line with the forecasts of substantially maintaining revenues achieved in 2017 during the year.
The main focus in 2018, from a production point of view, will be the conclusion of the Moscow job orders (VTB Park and Arena), the continuation of the RN77 project in Algeria with the achievement of the contractual changes currently being negotiated and the start of the Minsk job order, which has a rather short construction time with reference to the complexity of the project.
In Italy, the main operational front will concern the management of the contract for the widening of the A4 motorway from Ponte sul Tagliamento to Gonars and the Palmanova junction to three lanes, as well as the start of the new lot, adjacent to the previous one but on the Venetian section, between Ponte sul Tagliamento and Portogruaro.
From a commercial point of view, the Group will be strongly focused on the acquisition of some important contracts in the traditional areas of operations (Russia and the Middle East), on the relaunch of some mature markets that had recorded a downturn in recent years (North America), as well as on the start of commercial relations in new markets (in particular, South America).
Group management remains determined to preserve the know-how acquired and develop it through synergies with international partners and acquisitions.

NOTES TO THE ANNUAL REPORT

Contents of the consolidated financial statements

The consolidated financial statements as at 31 December 2017 represent the balance sheet, financial position, economic result and cash flows of all the companies:
— Rizzani de Eccher Spa
— Subsidiaries (Annexes 'A' and 'B').
The consolidated financial statements have been prepared in accordance with the provisions of Legislative Decree 39/2015, which amended the regulations governing consolidated financial statements pursuant to Legislative Decree 127/91 and subsequent amendments and additions. It should be noted that the company has not availed itself of the right to exonerate itself from the preparation of the consolidated financial statements provided for in paragraph 3 of Art. 27 of Legislative Decree 127/91, even though the parent company, de Eccher Holding Srl, in turn, prepares the consolidated financial statements.
The statutory financial statements as at 31 December 2017 of the subsidiaries and associated companies, prepared by the respective Boards of Directors for approval by the Shareholders' Meetings or already approved by them, were used for consolidation purposes. These financial statements, which correspond to the accounting records duly kept and comply with the provisions of Articles 2423 et seq. of the Italian Civil Code, have been suitably adjusted to make them uniform throughout the Group.

Scope of consolidation

Includes the companies described in:
— Annex A: companies consolidated using the line-by-line consolidation method;
— Annex B: companies consolidated using the proportional method.
Subsidiaries and associated companies listed in Annex C have been excluded from the scope of consolidation, pursuant to art. 28, paragraph 2, letters a) and c) of Legislative Decree 127/91.
Compared to the consolidated financial statements at December 31, 2016, the companies Rilke Holding Spa, Rilke Srl, Falesia Srl and Baia di Sistiana Resort Srl were consolidated on a line-by-line basis in 2017, while the associated company Treviso Maggiore Srl, which was liquidated, and the subsidiary Cortelicini Srl, which was merged into Immobiliare Rizzani de Eccher Srl (Iride), were no longer consolidated. The effects on the consolidated financial statements of Rilke Holding Spa, Rilke Srl, Falesia Srl and Baia di Sistiana Resort Srl were acquired for only six months, since the parent company, Rizzani de Eccher, took control of the companies mentioned above in July 2017. This control derives from the acquisition of additional shares in Rilke Holding Spa (70% parent company of Rilke Srl) for a value of 9,349 thousand euros which, although remaining at a nominal share of 27.15%, guarantee sufficient votes to exercise a dominant influence at the regular shareholders' meeting of the same as a result of agreements with other shareholders.
The economic effect of the line-by-line consolidation of these companies, overall, is not significantly different from the negative economic results reflected in the devaluation of the investments in Rilke Srl and Rilke Holding Spa in the statutory financial statements of the parent company, while in the balance sheet the line-by-line consolidation, against the value of the equity investments and receivables/debts existing versus the two companies, led to the recording of the following main balance sheet values:

Assets	euro thousand
B I) Intangible assets	8,005
B II) Fixed assets	16,115
C I) Inventory	197,411

Liabilities	euro thousand
A Minorities' equity	13,651
D 4) Bank loans	63,585

As a consequence of these values, the following equity investments and receivables existing as at 31 December 2016, as well as the further equity investment in Rilke Holding Spa acquired during the year (9,349 thousand euros), are no longer included:

	euro thousand
B III) 1b. Equity investments in associated companies	15,402
C II) 3. Receivables from associated companies	126,592

Currency		Exchange rates 31.12.2017	Average exchange rates	Exchange rates 31.12.2016	Average exchange rates
US Dollar	USD	1.20	1.13	1.05	1.11
Canadian Dollar	CAD	1.50	1.46	1.42	1.47
Australian Dollar	AUD	1.53	1.47	1.46	1.49
Russian Ruble	RUB	69.39	65.89	65.38	65.38
Arab Emirates Dirham	AED	4.40	4.15	3.87	4.06
Kazakhstan Tenghe	KZT	397.96	368.63	351.52	378.38
Riyal Qatar	QAR	4.37	4.11	3.84	3.84
Tagjkistan Somoni	TJS	10.58	9.67	8.30	8.30
Azerbaïdjan Manat	AZN	2.04	1.94	1.84	1.84
Algerian Dinar	DZD	137.83	125.31	116.88	116.88
Lebanese Lira	LBP	1,807.94	1,702.39	1,589.06	1,668.66
Saudi Arabian Riyal	SAR	4.50	4.24	3.95	4.15
Vietnamese Dong	VND	27,233	25,652	23,950	23,950
Kuwait Dinar	KWD	0.36	0.34	0.32	0.32
Bahrain Dinar	BHD	0.45	0.42	0.40	0.42
Colombian Peso	COP	3,580.19	3,333.84	3,172.45	3,172.45

Further comments on the economic and financial effects on the consolidated financial statements of these companies, if significant, will be provided in these notes concerning the specific items of the financial statements to which they refer.

Consolidation principles and criteria

The financial statements of foreign companies and foreign branches have been converted into Euro using year-end exchange rates for balance sheet items and average exchange rates for income statement items in the currencies in which the balances are expressed. The exchange rates used to translate items in foreign currencies are highlighted in the above table.

The following procedure has been followed for companies consolidated on a line-by-line basis:

a. substitution of the book value of the equity investments held by the parent company and by the other companies included in the area, with the relative book net assets at the date of consolidation and the concomitant assumption of the assets and liabilities of the subsidiaries. If the elimination of the investment results in a positive difference between the book value of the investment and the portion of net assets acquired, this is allocated, where applicable, to the subsidiary's assets; any surplus is allocated to goodwill, unless it must be allocated in whole or in part to the income statement. If, on the other hand, the difference is negative, it is added to the Group's net assets and allocated to the 'consolidation reserve' or, if it is due to the expectation of unfavourable economic results, to an item called 'consolidation reserve for future risks and charges';

b. elimination of items that give rise to payables and receivables, costs and revenues between consolidated companies;

c. elimination of unrealised gains and losses relating to transactions between the consolidated companies;

d. exposure of net equity and profit or loss attributable to minority interests of subsidiaries consolidated in specific items in the financial statements;

e. elimination of dividends recorded in the financial statements of the consolidated companies concerning the other companies included in the consolidation area.

Joint ventures and companies over which control is exercised jointly with other shareholders included in the scope of consolidation are consolidated using the proportional method, assuming the assets, liabilities, revenues and expenses in proportion to the percentage of ownership.

Accounting principles and valuation criteria

The consolidated financial statements have been prepared to provide a true and fair view of the financial position, results of operations and cash flows of all the companies included in the scope of consolidation.
The principles of preparation, valuation and the mandatory schemes used to draw up the financial statements for the year ended 31 December 2017 are those set out in the Legislative Decree 139/2015 and provided for by the Italian Civil Code, also taking into account the accounting principles prepared by the National Councils of Chartered Accountants, as amended by the OIC 'Organismo Italiano di Contabilità' on 22 December 2016 and updated with the amendments published in December 2017 and in force for financial statements starting on 1st January 2017.

The items in the financial statements have been valued in accordance with general criteria of prudence and accrual based on the going concern assumption, as well as taking into account the economic function of the asset and liability item considered and the substance of the transaction or contract. Assets and liabilities belonging to more than one item of the balance sheet are specifically mentioned.

The valuation principles and criteria are consistent with those adopted in the parent company's financial statements, except the accounting for leasing contracts, which are recorded in the consolidated financial statements using the financial method.

The main valuation criteria adopted in the preparation of the consolidated financial statements are set out below.

Intangible assets
These are recorded at historical purchase cost and shown net of accumulated amortisation and are amortised in proportion to their residual useful life.
Start-up and expansion costs are entered under assets with the consent of the Board of Statutory Auditors and are amortised over five financial years.
Development costs are capitalised with the consent of the Board of Statutory Auditors, where present, when i) they relate to a clearly defined, identifiable and measurable product or process; ii) they refer to a feasible project, i.e. one that is technically feasible, for which the company has or can have the necessary resources; iii) they are recoverable through the income prospects of the relevant projects. Amortisation of the asset begins when development is completed, and the asset is available for use.
Development costs are amortised over their useful life or, where this cannot be reliably estimated, over a period of 5 years.
As long as the amortisation of development costs and the amortisation of start-up and expansion costs has not been completed, dividends may be distributed only if there are sufficient reserves left to cover the amount of the costs not amortised.
Industrial patents and intellectual property rights are entered in the financial statements on the basis of the cost incurred and are amortised on a straight-line basis over a period of 5 years.
Trademarks, which are also recognised at cost, are amortised over a period of 18 years.
Goodwill for consideration relating to the purchase of business branches is recorded in the financial statements, with the consent of the Board of Statutory Auditors, on the basis of the cost incurred and is amortised on a straight-line basis over a period of 10 years, considered adequate about the useful life of the business.
Also, the consolidation difference, arising from the difference between the consideration paid for the acquisition of a subsidiary and the current value of the assets and liabilities of the investee company proportional to the share acquired, recorded under goodwill on the basis of the indications contained in art. 31 of Legislative Decree 127/1991, as amended by Legislative Decree 39/2015, is amortised over a period of 10 years.
The charges incurred on state assets under concession, recorded among other intangible assets, are amortised over the duration of the concession, for an amount that takes into account the reimbursement value recognised by the state property in the event of non-renewal of the concession at its expiry date.
If regardless of depreciation already accounted for, there is a permanent loss of value, the asset is written down accordingly; if in future years, the reasons for the write-down no longer apply, the original value is restored, adjusted only for depreciation, with the exception of goodwill, start-up and expansion costs and development costs, whose value cannot be restored.
If there are indications that an asset may be impaired, they are measured by an impairment test, as required by the new accounting principle, OIC 9.

Tangible assets

These are entered in the balance sheet at cost of purchase or internal construction.

Tangible fixed assets are systematically depreciated each year on the basis of the economic-technical rates indicated below, for each category, determined in relation to the residual possibility of use of each individual asset and its economic-technical duration, reduced to 50% for the first year of operation of the asset in consideration of the average level of use in the period.

Category	Rates
Buildings	3%
Operating machinery and specific equipment	15%
Excavators and mechanical shovels	20%
Generic systems	10%
Photovoltaic systems	3%-4%
Formwork and sheet pilings	25%
Light vehicles	25%
Trucks	20%
Various equipment	40%
Light constructions	12,5%
Furniture and ordinary office machinery	12%
Electronic and electromechanical office machines	20%

The depreciation of tangible assets of Rizzani de Eccher USA Inc and Pride SA Ltd is based on economic-technical rates that differ from those listed above as they take into account the specificity of the use of machinery in production.

Assets with a unit cost of up to 516.46 euros that can be evaluated independently were expensed in the year of purchase if their usefulness is limited to a single financial year.

If regardless of depreciation already accounted for, there is a permanent loss of value, the fixed asset is written down accordingly; if in future years, the reasons for the write-down no longer apply, the original value is restored, adjusted only for depreciation.

As already indicated for intangible assets, if there are indications that an asset may be impaired, they are measured by an *impairment* test, as required by the new accounting principle OIC 9.

Ordinary maintenance costs are charged in full to the income statement, while incremental costs are attributed to the assets to which they refer and depreciated on the basis of their residual useful life.

Leased assets

Assets acquired under finance leases are recorded according to the finance *lease* method, making the appropriate adjustments where the consolidated companies have recorded the assets under finance leases in their financial statements according to the capital lease method. Therefore:

- the assets are recorded under tangible assets at the value of the leased asset at the date of commencement of the contract and are systematically depreciated at rates representing the estimated useful life of the assets;
- the residual principal payable included in the lease instalments not yet expired at the balance sheet date and the redemption price is recorded under the item 'Payables to other financial institutions';
- the interest share included in the lease instalments is recorded in the income statement to reflect a constant interest rate on the residual balance of the debt.

Investments

Investments in subsidiaries and associated companies not consolidated on a line-by-line basis are valued using the equity method. Investments in minor subsidiaries and associated companies and investments in other companies are valued at cost, determined on the basis of purchase or subscription prices.

The cost attributed to equity investments is adjusted, if necessary, for permanent losses in value if the investee companies have incurred losses that cannot be absorbed in the immediate future.

Investment securities are recorded at cost, adjusted for permanent losses in value.

The original value of the equity investments recorded at cost and of investment securities is reinstated in subsequent years if the reasons for the write-down no longer apply, up to the maximum limit consisting of the historical cost before devaluation.

Inventories

Raw materials are valued at the lower of purchase cost and estimated realisable value, based on market trends.

Work in progress on behalf of third parties with a contractual term of more than 12 months includes works that have been completed and not yet tested and is valued on the basis of the amounts agreed applying the physical progress method, with the exception of work on behalf of third parties relating to infrastructure works (roads, bridges, viaducts, railways, etc.) for which the stage of completion is determined using the *cost-to-cost* method, as this best represents the distribution of the results of the job order over time.

The determination of the value is based on the budget of revenues and costs over the entire life of the projects, the appreciation of which is influenced, due to its nature, by significant evaluation elements. Assumptions on which the valuations are based are updated periodically. Any economic effects are recorded in the financial year in which the updates are made.

The valuation of construction contracts considers requests for additional fees, compared with those agreed contractually, if their receipt is considered more than probable and reasonably quantifiable. Any contractual reserves on existing job orders are prudently considered only following favourable sentences and/or arbitration awards, provided that all the other objective and legal elements supporting the claim also exist.

If it is expected that completion of a job order will result in a loss at the level of the operating margin, this is recognised in its entirety in the financial year in which it becomes reasonably foreseeable and allocated up to the capacity of the reference job order among inventory, while any surplus, as well as any provisions for charges allocated on completed job orders, are classified in the balance sheet under 'Provisions for liabilities and charges'.

Work in progress on contracts relating to contracts with consideration denominated in foreign currency and exceeding advance payments received is influenced by the exchange rate at the end of the reporting period, which contributes to determining total contract revenue to which the percentage of progress is applied.

Work in progress is shown net of advances paid by customers, relating to amounts ascertained by them through the progress of work.

Work in progress for third parties with a contractual duration of less than 12 months is valued based on costs incurred.

Own account works are valued considering all costs that can be directly charged, considering their realisable value.

Finished portions of real estate are valued at the lower of specific production cost and estimated realisable value.

Receivables

Receivables arising from revenues from sales of goods or services are recorded under current assets on an accruals basis when the conditions for recognition of the related revenues are met. Receivables arising for different reasons are recorded if there is eligibility for the receivable and therefore when they represent an obligation of third parties towards the company; if of a financial nature they are classified among financial fixed assets, with an indication of the amount due within the next financial year.

Receivables are valued at amortised cost, considering the time factor, and within the limits of their presumed realisation value; therefore, they are shown in the balance sheet net of the related write-down provision considered adequate to cover losses due to reasonably foreseeable uncollectibility.

If the interest rate of the transaction is not significantly different from the market rate, the receivable is initially recorded at a value equal to the nominal value net of all premiums, discounts and allowances and inclusive of any costs directly attributable to the transaction that generated the receivable. These transaction costs, any commission income and expenses and any difference between the initial value and the nominal value at maturity are allocated over the duration of the credit using the effective interest method.

When, on the other hand, it appears that the interest rate of the operation that can be inferred from the contractual conditions is significantly different from the market rate, the receivable (and the corresponding revenue in the case of commercial operations) is initially entered at a value equal to the current value of the future financial flows plus any transaction costs. The rate used to streamline future flows is the market rate.

In the case of receivables arising from commercial transactions, the difference between the initial recognition value of the receivable determined in this way and the forward value is recognised in the income statement as financial income over the duration of the receivable using the effective interest rate method. In the case of financial receivables, the difference between the cash and cash equivalents disbursed and the present value of future cash flows, determined using the market interest rate, is recorded under financial income or expenses in the income statement at the time of initial recognition, unless the substance of the transaction or contract leads to the attribution of a different nature to this component. Subsequently, the interest income accruing on the transaction is calculated at the effective interest rate and recorded in the income statement against the value of the receivable. The value of receivables is reduced subsequently by the amounts received, both regarding principal and interest, as well as any devaluation to bring the receivables back to their estimated realizable value or losses.

The effects deriving from the application of amortised cost and discounting are presumed not to be significant when the receivables mature within 12 months, also considering all contractual and substantial considerations existing at the time of recognition of the receivable and if the transaction

costs and any difference between the initial value and the nominal value at maturity are of an insignificant amount. In such cases, discounting is omitted, interest is calculated at nominal value, and any transaction costs are recorded under prepaid expenses and amortised on a straight-line basis over the duration of the receivable, as an adjustment to the nominal interest income.
It has been exercised the option not to apply the amortised cost measurement criterion retrospectively for receivables arising before the year ended 31 December 2016, so that these receivables are recognised at their nominal value, within the limits of their presumed realisation value.
Default interest is booked on an accruals basis against favourable sentences and shown at net realizable value.
Regarding receivables subject to non-recourse transactions, it should be noted that, in accordance with the provisions of the new accounting standard OIC 15, they are removed from the balance sheet only if all the risks relating to the receivable subject to disposal have been transferred.
Assignments of receivables with recourse are accounted for by keeping the receivable from the customer in the balance sheet and booking the payable from the factor as a contra entry against the advance received.

Payables
Payables arising from the acquisition of assets are entered in the Balance Sheet when significant risks, charges and benefits connected with ownership have been transferred in a substantial manner. Payables related to services are recognised when the services have been rendered, i.e. the service has been performed.
Financial debts arising from financing transactions and payables arising for reasons other than the acquisition of goods and services are recognised when the company's obligation to the counterparty exists, identified on the basis of legal and contractual provisions.
Advances received from customers for supplies of goods or services not yet carried out are included in the 'Advances' item.
Payables, excluding advances, are valued at the amortised cost, taking the time factor into account.
If the interest rate of the transaction is not significantly different from the market rate, the debt is initially recorded at a nominal value net of all transaction costs and all premiums, discounts and rebates directly derived from the transaction that generated the debt. These transaction costs, such as ancillary costs for obtaining loans, any commission income and expenses and any difference between the initial value and the nominal value at maturity are spread over the term of the debt using the effective interest criterion. On the other hand, when it appears that the interest rate of the transaction based on contractual conditions is significantly different from the market rate, the debt (and the corresponding cost in the case of commercial transactions) is initially recognised at an amount equal to the present value of future cash flows, taking into account any transaction costs. The rate used to streamline future flows is the market rate.
In the case of debts arising from commercial transactions, the difference between the initial recognition value of the debt thus determined and the forward value is recorded in the income statement as a financial charge over the term of the debt using the effective interest rate criterion.
In the case of financial payables, the difference between the cash and cash equivalents provided and the present value of future cash flows, determined using the market interest rate, is recorded as income or financial charges in the income statement at the time of initial recognition, except for that the substance of the transaction or of the contract does not lead to attribute a different nature to this component. Subsequently, the accrued interest expense on the transaction is calculated at the effective interest rate and charged to the income statement with a contra-entry to the value of the debt.
The value of payables is subsequently reduced for the amounts paid, both as principal and interest.
It has been exercised the option not to apply retrospectively the criterion of valuation of the amortised cost for payables arising prior to the financial year ended December 31, 2016, whereby these payables are recorded at their nominal value.
Furthermore, the effects deriving from the application of amortised cost and discounting are assumed to be not relevant when the maturity of the payables is within 12 months, also considering all the contractual and substantial considerations in relation to the recognition of the debt and the costs of transaction and any difference between the initial value and the nominal value at maturity is not significant. In such cases, discounting is omitted, interest is calculated at nominal value, and transaction costs are recorded as deferred income and amortised on a straight-line basis over the term of the debt, adjusting nominal interest expense

Provisions for risks and charges
They are allocated to cover losses or debts whose existence is certain or probable, but whose amount or date of contingency could not be determined at the end of the financial year. The allocations reflect the best possible estimate based on the elements available.
No generic risk funds were set up without economic justification.
The potential liabilities, if existing, are recorded in the financial statements and recorded in the funds only if deemed probable and if the amount of the related charge is reasonably estimated. Therefore, the risks of a remote nature were not considered, while in the case of potential liabilities deemed possible, even if not probable, information was provided in the explanatory notes regarding the uncertainty, where relevant, that would cause the loss, the estimated amount or an indication that the same cannot be determined, indication of the opinion of the management of the company and its legal advisors and other experts, where available.
Regarding classification, provisions for risks and charges are recorded primarily in the cost items of the relevant classes (B, C or D) according to their nature. In cases where the correlation between the nature of the provision and one of the items in the classes above is not immediately applicable, provisions for risks and charges are recorded under items B12 and B13 of the Income Statement.

Employees' severance indemnity
It corresponds to the actual debt accrued towards employees at the end of the financial year calculated on the basis of the provisions of the law and current labour contracts.
For the Italian companies, following the changes made to the Employee Severance Indemnity from the Law of 27 December 2006, No. 296 - Financial Law 2007 - and subsequent decrees and regulations issued in the first few months of 2007, the Employees' Severance Indemnity (TFR) accrued from 1 January 2007 or from the date of choice of the option, it is destined to the Treasury Fund at INPS or to the supplementary pension, depending on the choice made by the employee. However, the revaluations of the provision existing at December 31, 2006, carried out according to the official cost of living and legal interest rate, are still recorded in TFR.

Accruals and prepayments
They are determined on the basis of temporal economic competence.
From 2014, pre-operating contract costs are also classified as prepayments, which include the costs of planning and those for specific studies referring to a contract, as well as mobilisation costs: these costs are charged to the income statement in relation to the progress of the contract to which they refer.

Revenue and cost accounting
Revenues from the sale of goods and finished products are recognised at the time the risks and benefits are transferred, which normally is identified with the delivery or shipment of the same or, for real estate, with the notarial deed. Revenues for services are recognised when they are defined.
Revenues from work on behalf of third parties with a contractual duration of more than 12 months are recorded as revenues from sales when they have been ascertained by the client through a progress certificate; those with a contractual duration of less than 12 months are recorded at the time of delivery to the client of the completed works.
The revenues prudently include the contractual reserves only following favourable judgments and / or arbitration awards, provided that all the other objective and legal elements that support the claim also exist.
Costs for the purchase of goods are recognised on the basis of the accrual principle that coincides with the substantial transfer of ownership, understood as the transfer of risks and benefits, coinciding with the delivery or shipment of the same.
Costs for the purchase of services are recognised on an accrual basis when the service is completed, or the service has been received.

Income taxes
They are set aside according to the principle of competence. The charge for current taxes was determined in accordance with current tax legislation and is accounted for under tax payables, net of advances paid.
Deferred tax assets and liabilities have been calculated on the basis of the temporary deductible and taxable differences between the value of an asset or liability according to statutory criteria and the value attributed to that asset or liability for tax purposes, applying the expected tax rate in force at the time when these differences will reverse. Credits for deferred tax assets are recorded in the reasonable certainty of their recoverability. Deferred tax liabilities are accounted for in relation to all temporary taxable differences, except where there is little possibility that the debt will arise. In this sense, deferred taxes have not been set aside for capital reserves in suspension of tax, as no transactions are foreseen that determine their taxation.
The balances of deferred tax assets and deferred tax liabilities are offset where permitted and with reference to individual taxes.

Commitments and guarantees
In the explanatory notes, not only were the guarantees given on behalf of subsidiaries not consolidated on a line-by-line basis, as well as those of third parties, but also the guarantees given by credit institutions and insurance companies in the interest of Group companies for their good execution of the works, for the release of retentions money, for the participation in tenders and for other

operations. In order to avoid duplication, which would be detrimental to clarity, the guarantees issued by credit and insurance institutions to refentions guarantee advances have not been included in the commitments but highlighted in the explanatory notes to comment on the corresponding item in the financial statements.

Derivative financial instruments

Derivative financial instruments are recognised on the date the contract is signed, starting from when the company is subject to the related rights and obligations.
Pursuant to the provisions of article 2426, paragraph 1, number 11-bis, of the Italian Civil Code and of the OIC 32, derivative financial instruments, even if incorporated into other financial instruments, are valued at fair value on the date of recognition at the next closing date of the financial statements. The recognition and the change in fair value compared to the previous year are recorded in the financial statements using different methods depending on whether the transaction in derivative financial instruments is qualified (and effectively designated) as a transaction to hedge financial risks or not.

Operations that cannot be qualified (or designated) as hedging

If the transaction cannot be classified (or is not designated) as a hedge, the changes in fair value, as well as the results relating to the termination of the contracts, are recorded in the income statement in section D) Valuation adjustments of financial assets and liabilities. As foreseen by article 2426, paragraph 1, number 11-bis, of the Italian Civil Code, the profits deriving from the valuation of derivative financial instruments not designated as hedging are set aside, in the distribution of the result, in equity reserves not distributable.

Operations qualified (and designated) as hedging

An operation in financial derivative instruments is designated as hedging when:
a. the hedging relationship consists only of eligible hedging instruments and eligible hedged items pursuant to the OIC 32;
b. there is a close and documented correlation between the characteristics of the instrument or transaction covered and those of the hedging instrument, pursuant to Article 2426 paragraph 1, number 11-bis, of the Italian Civil Code; the documentation concerns the formalization of the hedging relationship, the company's objectives in managing the risk and the strategy in carrying out the hedge;
c. the hedging relationship meets all the following hedge effectiveness requirements:
— there is an economic relationship between the hedged item and the hedging instrument;
— the effect of the credit risk of the counterparty to the derivative financial instrument and the hedged item, where the credit risk is not the risk being hedged, does not prevail over the changes in value resulting from the economic relationship;
— the hedging ratio is determined as the ratio between the quantities of derivative financial instruments used and the quantities of elements hedged (to the extent that this does not result in the ineffectiveness of the hedge *ex-ante*).
The verification of the economic relationship is carried out qualitatively, verifying that the bearing elements of the covering instrument and the covered element are corresponding or closely aligned and in a quantitative manner. When hedging transactions involve derivative financial instruments having characteristics similar to those of the hedged item (defined as 'simple hedging relationships'), and the derivative financial instrument is stipulated at market conditions, the hedging relationship is considered effective simply by verifying that the supporting elements (such as the nominal amount, the settlement date of the cash flows, the maturity and the underlying variable) of the hedging instrument and the hedged item correspond or are closely aligned and the credit risk of the counterparty is not such to significantly affect the fair value of both the hedging instrument and the hedged instrument. The verification of the existence of the eligibility criteria is made on an ongoing basis, and at each balance sheet date, the company assesses whether the hedging relationship still meets the effectiveness requirements.

The company prospectively ceases to recognise the hedge when:
a. the hedging instrument expires, is sold or terminated (without replacement already envisaged in the original hedging strategy);
b. the hedge no longer meets the conditions for hedge accounting.
If the change in the economic relationship between the hedged item and the hedging instrument is such as to lead to a termination of the hedging relationship and the risk management objective for the designated hedging relationship remains the same, the company assesses the possibility of review of the coverage ratio.

Cash flow hedging

Cash flow hedging is activated when the hedging objective is to limit the exposure to the risk of variability in the cash flows attributable to an asset or liability recorded in the financial statements, to irrevocable commitments, or to highly probable scheduled transactions. The company recognizes in the balance sheet at fair value the cash flow hedging instrument, linked to an asset or liability recorded in the financial statements, an irrevocable commitment or a highly probable forecast transaction, and the item A) VII Reserve for hedging contracts, for the hedging component deemed effective, while for the ineffective component, calculated for hedges that cannot be classified as simple, section D) of the income statement.
In a cash flow hedge related to an asset or liability recorded in the financial statements or a highly probable scheduled transaction or irrevocable commitment, the amount of the reserve is recognised in the income statement in the same financial years in which the hedged cash flows have an effect on the profit (loss) for the year and in the same item affected by the financial flows themselves.
In line with the first application provisions contained in the OIC 32, the methods for the recognition of hedging derivative contracts have been applied prospectively, starting from 1 January 2016, date of entry into force of the new standards.

Conversion of foreign currency transactions

Conversion into accounting currency of accounting items originally expressed in a currency other than that used for the preparation of the financial statements is made on the basis of the exchange rate of the transaction date.
At the end of the year, assets and liabilities in currencies other than the reference currency are recorded at the exchange rate at the end of the year; the related exchange gains and losses are recognised in the income statement.

Additional information

The information required by art. 38 of Legislative Decree no. 127/91 are provided by commenting, in the order indicated in the financial statement format, the items concerned.
It is specified that no exceptions have been made pursuant to paragraph 4 of art. 29 of Legislative Decree no. 127/91.

Audit of the consolidated financial statements

Pursuant to art. 2409 bis of the Italian Civil Code and to art. 13 c. 1) of Legislative Decree no. 39 of 27.01.2010, the consolidated financial statements have been audited by EY Spa.

Assets

B. Non-current assets

I. Intangible assets: these amount to 11,162,898 euros (2,581,912 euros as at December 31, 2016). The breakdown and changes for the year are detailed in Annex 'D'.

1. Formation and start-up expenses: amount to 7,372 euros and consist mainly of notary public costs incurred in setting up Group companies, net of amortisation. The reduction in the item compared to last year (118,666 euros as at December 31, 2016) is related to the completion of the amortisation of the costs incurred in 2013 for the acquisition of a businnes unit of Sacaim Spa in Extraordinary Administration.

2. Development costs: amount to 717,612 euros and refer to the costs incurred by Tensacciai on projects related to obtaining EEC markings, certifications in non-European countries and development of new materials. These costs are amortised over five years.

4. Concessions, licenses, trademarks and similar rights: amount to 35,556 euros and are represented by the residual value of the trademarks acquired by Deal as part of the acquisition of a controlling interest in Tensacciai in 2011.

5. Goodwill: amounts to 259,422 euros and consists of 120,000 euros in goodwill deriving from the acquisition of a business unit by Tensacciai in previous years (amortisation is spread over ten years, as it is believed that the positive effects will be felt over this period), and 83,422 euros from the consolidation difference relating to the subsidiary Riflessi (amount not amortised as it relates to the higher value of the real estate inventories, it will be reversed to the income statement at the time of sale of the above) and 56,000 euros in goodwill recognised by Baia di Sistiana Resort following the acquisition of the Rorimar business unit.

6. Intangible assets under formation and prepayments: the item amounts to 1,963,746 euros and includes 887,479 euros in costs incurred by the parent company for the implementation of the new ERP and 1,076,267 euros in development costs incurred by Tensacciai on projects not yet completed relating to the activities already highlighted in point 2. Development costs.

7. Other intangible assets: amount to 8,179,190 euros with an increase of 7,915,905 euros compared to last year. This increase is related for 7,537,769 euros to the inclusion of the Baia di Sistiana Resort in the consolidation area and relates to the costs incurred for the construction of the beach club and the dock of the Portopiccolo tourist and residential complex in the State-owned area under concession overlooking the complex itself. The amortisation of these charges takes into account the residual duration of the concession at the date when the investments became operational and the reimbursement value recognised by the State in the event of non-renewal of the concession at maturity (the said reimbursement value is recognised on a pro-rata basis each year in item 2.d-bis) Receivables from other companies).

II. Fixed assets: this item includes land and buildings, plant and machinery, equipment and other assets with a total net value of 80,031,007 euros, subdivided into historical cost and accumulated depreciation as shown in the table at the top right.

Details of changes during the year are shown in attached schedule 'E'.
The increase in the item is mainly related to the inclusion in the consolidation area of the company Rilke, which as at December 31, 2017 recorded a net value of assets of 15,764,360 euros, of which 9,547,359 euros under 'Land and buildings' (public car parks of the Portopiccolo residential complex) and 5,880,564 euros under 'Other assets' (furnishings of the hotel, SPA, restaurants and apartments included in the rental programme).

	31.12.2017	31.12.2016
Land and buildings	33,983,309	23,451,748
Depreciation fund	(6,270,969)	(4,862,430)
Land and buildings	27,712,340	18,589,318
Plant and machinery	68,007,607	75,613,324
Depreciation fund	(36,245,622)	(36,782,086)
Plant and machinery	31,761,985	38,831,238
Industrial and commercial equipment	24,616,278	24,703,528
Depreciation fund	(15,658,027)	(14,340,053)
Industrial and commercial equipment	8,958,251	10,363,475
Other fixed assets	13,670,290	5,505,313
Depreciation fund	(5,513,466)	(3,264,695)
Other fixed assets	8,156,824	2,240,618
Fixed assets under formation and prepayment	3,441,607	3,145,939
Total tangible assets	**80,031,007**	**73,170,588**

III. Investments: amount to a total of 23,201,576 euros (38,994,329 euros as at December 31, 2016) and included equity investments, financial receivables, long-term receivables and securities.

1. Equity investments: these amount to 3,547,507 euros (18,328,234 euros as at December 31, 2016). A breakdown of investments in unconsolidated subsidiaries and affiliated companies, amounting to 697,064 euros and 2,302,495 euros respectively, is provided in the following table. The significant reduction in the value of equity investments is essentially related to the inclusion in the consolidation area of the companies Rilke Srl and Rilke Holding Spa, which as at December 31, 2016 had values of 12,395,170 euros and 3,007,287 euros respectively.
Finally, it should be noted that the valuation of the investments in associated companies under the equity method led to the accounting in the income statement of revaluations for 1,629,567 euros (1,526,363 euros Unifit SA and 101,367 euros Futura Srl) and devaluations for 351,670 euros.

Subsidiary companies	Share % 2017 (*)	Net book value at 31.12.2017	Net book value at 31.12.2016
Tensa India Engineering PV Ltd	75.00%	101,848	101,848
Codruss Mosca	98.42%	1,608	1,608
Eures Srl (1)	100.00%	1	-
Peloritani Scarl under liquidation	64.15%	6,549	6,549
Rizzani de Eccher DOO	90.00%	485	485
Palazzo del Cinema Scarl under liquidation	74.00%	5,600	5,600
Mugnone Scarl under liquidation	100.00%	3,901	3,901
Roncoduro Scarl	57.14%	5,714	5,714
Crociferi Scarl	75.00%	7,500	7,500
PPMS Srl (1)	100.00%	50,000	-
Rorimar Srl (1)	100.00%	511,227	-
Other subsidiaries		2,631	1,630
Total		**697,064**	**134,835**

(*) The ownership percentages shown refer to the interests held directly by the parent company or its subsidiaries

(1) Investments deriving from the consolidation of Rilke Srl (Eures Srl and PPMS Srl) and Baia di Sistiana Resort Srl (Rorimar Srl)

Associated companies	Share % 2017 (*)	Net book value at 31.12.2017	Net book value at 31.12.2016
Associated company through Deal Srl (2)	31.20%	638,139	989,809
Unifit SA (2)	45.00%	1,463,264	139,401
de Eccher Interiors Srl (2)	20.00%	20,465	18,628
Futura Srl (2)	20.55%	115,119	1
Store 26 Scarl under liquidation	50.00%	5,000	5,000
Portocittà Srl	25.00%	2,018	2,018
Redco Rizzani de Eccher Wll	49.00%	20,720	20,720
Consorzio Mantegna	28.00%	14,000	14,000
Rilke Srl (3)	30.00%	-	12,395,170
Silvia Srl	37.50%	-	281,796
Gallerie dell'Accademia Scarl under liquidation	30.00%	1	1
Ecofusina Scarl	35.00%	3,500	3,500
Se.Pa.Ve. Scarl under liquidation	43.82%	4,840	4,840
Vallenari Scarl	48.25%	4,825	4,825
Immobiliare Biancade Srl	50.00%	1	1
Jona Scarl	50.00%	5,000	5,000
Consorzio No.Mar	26.60%	665	665
Other associated companies		4,938	4,938
Total		**2,302,495**	**13,890,313**

(2) Investment valued using the equity method. The value of the equity investment in Futura Srl must be identified together with the accounting of the pertinent share of the negative value of a derivative contract entered into by the investee company, accounted in the consolidated financial statements in the (negative) reserve for hedging contracts

(3) Investment consolidated on a line-by-line basis in 2017: The Group holds a direct stake of 30.00% in Rilke Srl and an indirect stake of 22.09%, for a total of 52.09%

(*) The ownership percentages shown refer to the interests held directly by the parent company or its subsidiaries

2. Loans and receivables: these amount to 19,628,779 euros (20,643,063 euros as at December 31, 2016). These consist of loans (granted to non-consolidated subsidiaries, associated companies, parent companies and third parties) and receivables due beyond one year. The loans are interest bearing and, therefore, the receivable has not been discounted as provided for by art. 2426 n. 8 paragraph 1 of the Italian Civil Code.

a. To subsidiaries companies	31.12.2017	31.12.2016
Peloritani Scarl under liquidation	258,630	257,629
Eures Srl	4,031,000	-
Total	**4,289,630**	**257,629**

b. To affiliated companies	31.12.2017	31.12.2016
Futura Srl	3,133,876	3.133,875
de Eccher Interiors Srl	15,000	15,000
Rilke Srl	-	4,250,000
Consorzio No.Mar	3,990	3,990
Silvia Srl	-	840,053
Ecofusina Scarl	668,838	668,838
Total	**3,821,704**	**8,911,756**

d.bis Receivables from other companies: amount to 11,517,445 euro (10,599,757 euro as at December 31, 2016). Receivables include loans to other companies for 5,414,751 euros (1,745,154 euros relating to the loan granted by Codest Srl to its associate as part of the management of Cogolo arrangement procedures and 3,467,694 euros relating to the interest-bearing loan granted to a sub-contractor by Codest Engineering), a receivable of 2,936,941 euros related to the payable assumed in relation to the STS arrangement procedures (commented on in the paragraph on provisions for risks), against payment of which the parent company will acquire some assets, various guarantee deposits for 1,965,137 euros and, finally, a receivable from the State-owned of 1,178,617 euros, representing the annual provision of the repayment quota in the event of non-renewal of the State-owned concession referred to above in relation to item B 7) Other intangible assets.

3. Other investments: amount to 25,290 euros (23,032 euros as at December 31, 2016) and are represented by equity interests in some banks, net of a total write-down of 250,000 euros already accounted in previous years.

C. Current assets

I. Inventory: amounts to 525,886,604 euros (358,547,635 euros as at December 31, 2016).

	31.12.2017	31.12.2016
Raw materials and consumables	23,166,918	18,599,733
Works in progress and semi-finished products	54,420,585	51,044,141
Contracted works in progress	167,217,098	186,811,807
Finished products and goods	204,705,209	10,832,237
Advances to suppliers	76,376,794	91,259,717
Total	**525,886,604**	**358,547,635**

The item 'Raw materials and consumables' mainly includes inventory and materials at work sites (15.7 million euros) and, for the remainder, the inventory values of the Group's industrial companies (Deal and Tensacciai): the overall increase compared to last year is essentially related to the increase in stocks of materials relating to new contracts in progress in Dubai and Italy.
The item 'Works in progress' represents the value of real estate initiatives developed on our account: it consists of the value of Palazzo Eden building, located in the historic centre of Udine, and the value of a building located in Cortina d'Ampezzo, on which renovation work is in progress. The item also includes the value of the area Enel in via Uccellis, Udine, for which there is a preliminary project for the development of a new real estate complex.
In relation to 'Contracted works in progress', in accordance with the valuation criteria and revenue recognition methods illustrated in the introductory part of the explanatory notes, it should be noted that the advances received for works carried out and certified as progress payments amounting to 2,359 million euros (1,975 million euros as at December 31, 2016) have been deducted from the value of works.
The residual amount of 167 million euros is therefore represented by works not yet covered by certificates as at December 31, 2017 and mainly derives from the valuation using the *'cost to cost'* method carried out on infrastructure contracts in progress abroad: these are works in progress in Kuwait (23.1 million euros), Algeria (77.9 million euros), Qatar (22.2 million euros) and Dubai (14 million euros). It should be noted that the works in progress are represented net of an 'Expected loss fund' of 6.8 million euros, valued on the basis of the budget forecasts for the job order in Kuwait.
The item 'Finished products and goods' of 204.7 million euros includes the value of real estate initiatives developed on our own account and completed: the significant increase in the item compared to the previous year refers to the inclusion in the consolidation area of the company Rilke, owner of the Portopiccolo tourist and residential complex (net value as at December 31, 2017 of 195.9 million euros).
'Advances to suppliers', amounting to 76.4 million euros, refers to advances paid to suppliers, sub-contractors and professionals for the execution of works and refers mainly to advances paid for contracts in progress in Russia, in line with market practice.

II. Accounts receivable: amount to 440,343,892 euros (407,593,082 euros as at December 31, 2016).

1. Trade receivables: amount to 410,243,960 euros (264,199,062 euros as at December 31, 2016), net of an allowance for doubtful accounts of 3,833,426 euros and an allowance for doubtful accounts for interest on arrears of 142,250 euros. This balance includes 29,479,738 euros in receivables for retention money on work in progress and/or not yet tested. The significant increase in the overall balance is partly related to the increase in revenues and partly to some delays in collections (specifically, receivables from

customers in Qatar, Dubai and Russia, mostly recovered in the first months of 2018). The amount of receivables recorded as collectable after the year, equal to 23,579,000 euros, corresponds to the value of receivables recognised following positive sentences, for which, in any case, the legal procedure is expected to continue and, therefore, the collection beyond the year.

The breakdown by geographical area is as follows (in thousands of euros):

Italy	89,011
Europe	10,004
Russia and CIS	137,868
Middle East	97,012
Africa	57,501
Americas	9,263
Far East	1,204
Australia	8,381
Total	**410,243**

The allowance for doubtful accounts has undergone the following changes during the year:

Initial balance	5,923,714
Accruals	603,201
Uses	(2,693,489)
Final balance	**3,833,426**

The total amounts set aside at year-end in the allowance for doubtful accounts take into account the assessment, based on all available information, of the collection risk on receivables shown in the financial statements.

The uses of the allowance for doubtful accounts of 2,693,489 euros was made to directly offset receivables due from insolvent parties/companies - for which specific provisions had been made in previous years - following the definitive conclusion of the procedure.

The provision for losses on default interest amounts to a total of 142,250 euros and did not change during 2017.

2. Receivables from subsidiary companies: these amount to 386,321 euros (311,782 euros at December 31, 2016), all due within 12 months and refer to receivables from non-consolidated subsidiaries.

	31.12.2017	31.12.2016
Peloritani Scarl under liquidation	60,786	60,786
Palazzo del Cinema Scarl	183,828	181,548
Roncoduro Scarl	61,584	67,477
Rorimar Srl	61,999	-
Tensa India Eng. PV Ltd	15,305	-
Others	2,819	1,971
Total	**386,321**	**311,782**

3. Receivables from associated companies: these amount to 1,905,859 euros (127,621,043 euros as at December 31, 2016) and refer to receivables from associated companies that do not fall within the scope of consolidation. As can be seen from the table below, the significant reduction in the value of receivables from associated companies relates to the inclusion of the company Rilke within the scope of consolidation.

	31.12.2017	31.12.2016
Rilke Srl	-	126,592,206
de Eccher Interiors Srl	84,600	60,450
Consorzio Mantegna	37,595	50,032
Portocittà Srl	119,323	119,323
Futura Srl	190,866	-
Gallerie dell'Accademia Scarl under liquidation	18,037	18,037
Jona Scarl	169,507	173,987
Ecofusina Scarl	79,515	202,797
Vallenari Scarl	65,367	67,914
Se.Pa.Ve. Scarl	92,378	110,243
Unifit SA	1,046,970	203,474
Others	1,701	10,524
Total	**1,905,859**	**127,621,043**

4. Receivables from parent companies: amount to 3,739 euros and refer to the receivable of the parent company Rizzani de Eccher from its ultimate parent company de Eccher Holding.

5. Receivables from subsidiary companies of the parent company: amount to 330,297 euros and refer to receivables from subsidiaries of de Eccher Holding, the ultimate parent company.

5.bis Tax receivables: amount to 20,475,506 euros (6,685,129 euros as at December 31, 2016), divided as follows:

	31.12.2017	31.12.2016
Treasury for direct taxes and withholding taxes	3,720,786	5,296,890
Treasury for VAT	16,754,720	1,388,239
Total	**20,475,506**	**6,685,129**

The increase in VAT receivables is related for an amount of 6,298,125 euros to the application of the new VAT regulations concerning the split payment on invoices issued to the customer of consortium Tiliaventum. Of this amount, 3,690,269 euros have already been requested for reimbursement on the basis of the regulations above, as they refer to the third quarter of 2017.

5.ter Deferred tax assets: the net balance of the item of 1,252,548 euros consists of deferred tax assets of 9,273,107 euros (4.952.729 euros as at December 31, 2016) and deferred tax liabilities of 8,020,559 euros (10.428.352 euros as at December 31, 2016).

Deferred tax assets	Tax rate	Balance 2016	(Decreases) 2017	Increases 2017	Balance 2017
Provision for contingencies	27.9%	1,887,722	-	-	1,887,722
Tax losses	24%	212,155	(16,920)	1,707,321	1,902,556
Foreign exchange losses	24%	2,246,748	(1,092,774)	783,246	1,937,220
Goodwill amortization	27.9%	66,960	(15,500)	-	51,460
Others	24% - 27.9%	539,144	(317,749)	3,272,754	3,494,149
Total deferred tax assets		**4,952,729**	**(1,442,943)**	**5,763,321**	**9,273,107**
Deferred tax liabilities					
Capital gains	27.9%	50,448	(17,257)	-	33,191
Default interest	24%	2,019,616	(2,005,347)	-	14,269
Foreign exchange gains	24%	1,778,362	(1,517,092)	975,932	1,237,202
Consolidation adjustments	27.9%	6,579,926	(915,047)	1,071,018	6,735,897
Total deferred tax liabilities		**10,428,352**	**(4,454,743)**	**2,046,950**	**8,020,559**
Net deferred tax assets / (liabilities)		**(5,475,623)**	**3,011,800**	**3,716,371**	**1,252,548**

5.quater Other receivables: these amount to 5,745,662 euros (8,762,958 euros as at December 31, 2016) and are made up as follows:

	31.12.2017	31.12.2016
Receivables from employees	229,477	177,076
Receivables from social security institutions	154,133	63,183
Others	5,362,052	8,522,699
Total	**5,745,662**	**8,762,958**

The item 'Others' includes receivables for 1,043 thousand euros against payments made in relation of two arrangements with creditors assumption (they will be recovered with the related payables on the date of expiry of the respective arrangements with creditors), receivables for 1.471 thousand euros against deposits and payments on arbitration procedures still in progress, from which positive results are expected, receivables for 543 thousand euros from the third shareholder of a consolidated consortium company, receivables for 297 thousand euros against reserves (claims) sold by a de-consolidated company and receivables for 397 thousand euros against various interests and contractual recognitions.

IV. Cash and cash equivalents: these amount to 63,991,068 euros and are made up as follows:

	31.12.2017	31.12.2016
Bank deposits	63,808,954	89,266,530
Cash equivalents	182,144	138,232
Total	**63,991,068**	**89,404,762**

The Group's net financial position (NFP), taking into account cash and cash equivalents and net of amounts due to banks and other lenders, was a net debt of 217 million euros (a net debt of 74.2 million euros at 31 December 2016).

The main reasons for the NFP's performance have already been discussed in detail in the Management report, to which reference should be made.
However, it should be noted that some of the cash and cash equivalents consist of bank deposits in local currency held at the foreign branches which, due to the specific currency regulations of the countries in which the Group operates, cannot be converted and transferred. They will, therefore, be used for payments to local suppliers adn sub-contractors.

D. Accrued income and prepaid expenses

These amount to a total of 8,906,540 euros (12,507,922 euros as at December 31, 2016).
Accrued income amounts to 710,666 euros and mainly refers to the accrual accounting of interest on loans granted to third parties.
A breakdown of prepaid expenses, which totalled 8,195,874 euros, is provided below:

	31.12.2017	31.12.2016
Pre-operating costs and mobilisation site costs	1,555,327	4,187,539
Insurance premiums and sureties	3,455,911	4,677,842
Rentals	1,342,614	924,229
Others	1,842,022	2,070,418
Total	**8,195,874**	**11,860,028**

Pre-operating contract costs, which include design costs and costs for specific studies relating to a contract, as well as mobilisation costs, are charged to the income statement under costs for services in relation to the progress of the contract to which they refer.

Liabilities

A. Consolidated shareholders' equity

	31.12.2017	31.12.2016
I. Share capital	20,000,000	20,000,000
IV. Legal reserve	4,000,000	3,936,792
VI. Other reserves:		
Extraordinary reserve	120,406,861	118,706,070
Reserve for foreign currency translation gains (losses)	2,084,415	6,324,751
Consolidation reserve	580,011	580,011
VII. Reserve for hedging contracts	(2,290,390)	(2,764,769)
IX. Group profit (loss) for the year	21,225,116	24,215,783
Total Group shareholders' equity	**166,006,013**	**170,998,638**
Minorities' share of equity	16,118,259	2,425,209
Minorities' share of profit (loss) for the year	(2,469,787)	485,157
Total minorities' equity	**13,648,472**	**2,910,366**
Total consolidated shareholders' equity	**179,654,485**	**173,909,004**

The share capital consists of 4,000,000 preference shares with priority given to the distribution of dividends with a par value of Euro 1 each and 16,000,000 ordinary shares with a par value of Euro 1 each.
The 'Reserve for foreign currency translation' shows the difference between the average exchange rate and the year-end exchange rate used to translate the net income of consolidated foreign companies and branches, as well as the difference between the exchange rates at the end of the previous year and at the end of the year for net assets of consolidated foreign companies.
The 'Extraordinary reserve' includes, among others, the currency translation deficit of the branches, for a total value of 10,852,810 euros. This amount is essentially related to the dynamics of the Euro/ Algerian Dinar exchange rate (exchange rate as at December 31, 2016: 116.85, exchange rate as at December 31, 2017: 137.83).
The 'Reserve for hedging contracts' refers to the recording of its share equal to 20.55% of the same reserve entered in the Shareholders' Equity of the associated company Futura Srl (consolidated using the equity method).
Group shareholders' equity includes the following reserves, which in the event of distribution form part of the taxable income of the parent company, regardless of the period of formation:
— surcharge fund 6% L. 64/86 for 10.466 euros
— provision for capital grants L. 64/86 for 417.896 euros
— reserve for contributions L. 904/77 for 2.644.521 euros
— revaluation reserve L. 72/83 for 11.092 euros
Changes in the Group shareholders' equity are shown in attachment 'F'.
The reconciliation between the parent company's shareholders' equity and net income for the year and the Group shareholders' equity and net income for the year is detailed in Annex 'G'.

B. Provisions for contingencies and other liabilities

1. Provision for pensions and similar obligations: amounts to 225.516 euros (194.529 euros as at December 31, 2016). This is made up of the severance indemnity at the end of the mandate of the directors of the Deal.

2. Provision for taxation, including deferred tax liabilities: the balance of the item, equal to 912,071 euros, refers to the tax provision set aside for current tax disputes. The amount of deferred taxes, equal to 8,020,559 euros, has been deducted from deferred tax assets, as previously illustrated.
It should be noted that in previous years the parent company was subject to tax audit for the years 2007-2008-2009, extended to 2010, 2011 and 2012 for some specific items: in relation to these audits, disputes with the tax authorities are still ongoing against the appeals made by the company and, while convinced of the correctness of its conduct - also supported by the opinion of tax consultants - it was decided to allocate a provision for risks of 912,071 euros to cover any negative developments in these disputes. For the tax audit of the parent company in 2016 on the financial year 2013, mentioned in the explanatory notes of last year, the relative assessment notice has not yet been received.

There are also some minor tax disputes in relation to some Group companies for which it was decided not to set up any provision, also following favourable legal judgements at first instance already issued.

3. Derivative contracts: amount to 389,668 euros and represent the fair value of three IRS (interest rate swaps) entered by the parent company and Rilke to hedge the variable interest rate on the loans obtained. Since the particular method of repayment of the underlying loans does not allow these IRS to be considered as hedges according to the accounting standards adopted, the negative market value was recorded under this item while, in the income statement, a revaluation of derivative financial instruments of 110,428 euros (in relation to the IRS subscribed in 2016 by the parent company) and a write-down of derivative financial instruments of 140,132 euros (in relation to the two IRS subscribed by Rilke during 2017) was recorded under the item 'Adjustments to the value of financial assets and liabilities'. Pursuant to Article 38, letter o-ter) of Legislative Decree 127/1991, the table at the bottom of the page shows the main characteristics of the derivative instruments subscribed.

4. Other provisions: these amount to a total of 12,657,760 euros. The movements during the year are shown below.

Initial balance	10,013,666
Accruals	1,248
Uses	(2,185,238)
Other movements	2,366,084
Change in consolidation area	2,462,000
Final balance	**12,657,760**

The final provision for risks essentially refers to the risks connected with the arrangement with creditors of Sacaim Spa in Extraordinary Administration (5,023,636 euros), with the write-down of a shareholding owned by Rilke and not included in the consolidation area (2,462,000 euros), with the value relating to the recording in Shareholders' Equity of the 'Reserve for hedging contracts' of the share pertaining to the fair value of an hedging derivative contract related to Futura Srl (1,275,764 euros), with the effects on the consolidated financial statements deriving from the equity investments in Rilke Holding indirectly held by Rilke through its subsidiaries (3,144,044 euros).

C. Employees' severance indemnities

The provision for employees' severance indemnities, calculated on the basis of the employment contract in force (in Italy or abroad), has undergone the following changes:

	31.12.2017	Variation	31.12.2016
Rizzani de Eccher Spa	2,061,910	(525,596)	2,587,506
Deal Srl	700,059	(26,639)	726,698
Codest International Srl	1,016,238	456,758	559,480
de Eccher soc. agricola a r.l.	16,697	(28,243)	44,940
Rizzani de Eccher USA Inc	142,319	(27,527)	169,846
Tensacciai Srl	322,601	(13,411)	336,012
Sacaim Spa	823,946	(59,037)	882,983
Iride Srl	21,011	3,989	17,022
Others	165,735	41,851	123,884
Total	**5,270,516**	**(177,855)**	**5,448,371**

The accrued debt has been recorded net of any advances already paid to employees. It should be noted that for Italian companies the Employees' severance indemnities (TFR) accrued from January 1, 2007 or from the date of choice of the option, it is allocated to the Treasury Fund at the INPS or complementary social security, depending on the choice made by the employee.

Type of contract	Notional Amount	Intrest rate	Market value	Start date	Date of expiry
Interest Rate Swap	€ 24,950,000	Euribor 6 m	€ 140,224 (neg.)	30/06/2017	30/06/2021
Interest Rate Swap	€ 24,950,000	Euribor 6 m	€ 140,039 (neg.)	30/06/2017	30/06/2021
Interest Rate Swap Protected Payer	€ 32,142,857	Euribor 3 m with floor rate -1.75%	€ 109,404 (neg.)	31/05/2016	28/02/2020

D. Debts and other payables

3. Amounts owed to shareholders for loans: amounted to 6,699,269 euros (5,254,177 euros as at December 31, 2016) and referred for 3,854,177 euros to the loans granted by the third party shareholders of Torre Scarl, for 1,745,000 euros to the loan granted by Consulit, the parent company's minority shareholder, and for 1,100,000 euros to the loans granted by the ultimate parent company de Eccher Holding to Iride (600,000 euros) and to the Luxembourg company Rizzani de Eccher SA (500,000 euros).

4. Bank loans: indebtedness to banks amounts to 254,062,398 euros (155,454,204 euros as at December 31, 2016). This item is made up of payables due within 12 months for 181,592,321 euros and over 12 months but within five years for 72,470,077 euros. The increase in indebtedness is largely due to the inclusion in the scope of consolidation of the company Rilke, which contributed a debt of 63.6 million euros.

It should be noted that with regard to the parent company's financial exposure with a bank, the loan agreement in place require for compliance with financial covenants at the balance sheet date, calculated at the level of the Group's consolidated financial statements.

These financial covenants require compliance with two pre-defined ratio (ratio between net financial position and EBITDA and ratio between net financial position and shareholders' equity). In light of the evolution of the net financial position, substantially influenced by the change in the consolidation scope with the inclusion of the companies Rilke, Rilke Holding and subsidiaries, the second parameter was not met.

The parent company has therefore classified the entire outstanding debt as at December 31, 2017 (29.3 million euros) as short-term, also including the amount of 17.8 million euros, whose original repayment terms were medium/long-term. Also, in line with the terms of the contract, it has taken steps to obtain a specific waiver from the bank.

At year-end, the average *all-in* cost of money was 2.4%, slightly higher than in the previous year (2%). The credit lines granted by the banking system as at December 31, 2017 amounted to a total of 1,245 million euros, of which 251 million euros were granted in cash and 865 million euros were granted for guarantees; at the end of the year, the credit lines for guarantees were used for a total value of 690 million euros.

5. Amounts owed to other lenders: indebtedness to other lenders of 26,927,232 euros (8,176,003 euros at December 31, 2016) includes 23,457,160 euros in payables for factoring transactions carried out during the year and the balance of the payable to a leasing company for fees to be paid and the final redemption price of a real estate lease relating to Sacaim.

6. Advance payments from customers: these amount to a total of 180,313,083 euros (249,760,516 euros as at 31 December 2016). These refer to contractual advances and payments on account received for work in progress (172,338,773 euros) or deposits and payments on account for real estate sales (7,974,310 euros), the latter mainly relating to Rilke. The corresponding guarantees were issued to cover the advances received. The breakdown by geographical area is shown below (in thousands of euros):

Italy	15,003
Europe	1,495
Russia and CSI	76,544
Middle East	16,541
Africa	63,646
Americas	6,986
Far East	46
Australia	52
Total	**180,313**

7. Trade payables: amounted to 408,675,053 euros (315,292,715 euros as at December 31, 2016). The breakdown by geographical area is given below (in thousands of euros):

Italy	118,758
Europe	15,374
Russia and CSI	118,438
Middle East	94,915
Africa	33,535
Americas	2,731
Far East	4,228
Australia	20,697
Total	**408,675**

9. Payables to subsidiary companies: amount to 1,130,732 euro (477,855 euro as at December 31, 2016) and refer to payables to subsidiaries not included in the scope of consolidation.

	31.12.2017	31.12.2016
Peloritani Scarl under liquidation	10,114	9,365
Roncoduro Scarl	42,440	22,053
Crociferi Scarl	101,045	171,097
Mugnone Scarl under liquidation	198,413	196,811
Palazzo del Cinema Scarl	375,942	78,529
Eures Srl	323,505	-
Rorimar Srl	79,273	-
Total	**1,130,732**	**477,855**

10. Payables to associated companies: amount to 6,855,656 euros (1,453,500 euros at 31 December 2016) and consist mainly of payables for services rendered by associated companies that do not fall within the scope of consolidation.

	31.12.2017	31.12.2016
Unifit SA	6,613,572	1,304,711
de Eccher Interiors Srl	74,127	42,527
Se.Pa.Ve. Scarl under liquidation	103,379	58,295
Jona Scarl	7,796	7,422
Vallenari Scarl	5,854	8,205
Ecofusina Scarl	4,118	32,340
Others	46,810	-
Total	**6,855,656**	**1,453,500**

11. Payables to parent companies: amount to 884,910 euros (161,214 euros as at December 31, 2016) and refer to payables of some Group companies toward the ultimate parent company de Eccher Holding.

11bis. Payables to subsidiary companies of parent companies: amount to 2,378,502 euros and refer to payables toward subsidiaries of de Eccher Holding, the ultimate parent company.

12. Payables to tax authority: these amount to 14,599,209 euros (12,253,851 euros as at December 31, 2016).

	31.12.2017	31.12.2016
Treasury for IRPEF	1,564,444	1,855,118
Treasury for IRES	5,012,319	1,895,097
Treasury for IRAP	529,367	17,082
Treasury for Italian VAT	66,238	107,180
Treasury for overseas VAT	273,308	586,510
Overseas taxes and duties	5,902,379	6,891,621
Others	1,251,154	901,243
Total	**14,599,209**	**12,253,851**

IRES and IRAP taxes are recorded net of the relative receivables/payments on account and include the receivables/payables for taxes transferred to the parent company within the 'national tax consolidation rule' by the Group companies as well as the tax receivables transferred by the branches. The balance relating to the item 'Overseas taxes and duties' refers to the payable to the tax authorities of the State in which the branch and/or the foreign company has its registered office: the balance for 2017 consists in particular of the payable to the Colombian tax authorities against the significant results achieved by the branch of the parent company in Colombia. The balance also includes the debt to the Russian Treasury of Codest International which, although it is an Italian company, in 2016 joined the so-called 'branch exemption' pursuant to art. 168 ter of Presidential Decree 917/86 as introduced by art. 14 paragraph 3 of Legislative Decree 147/2015.

13. Payables to social security institutions: amount to 1,571,987 euros (1,765,945 euros as at December 31, 2016) and consist mainly of amounts due to social security institutions for social security contributions on December wages and salaries, payment of which was made in January 2018.

	31.12.2017	31.12.2016
Payables to INPS and other social security institutions	1,064,572	1,153,078
Payables to INAIL	17,270	42,984
Payables to other authorities	490,145	569,883
Total	**1,571,987**	**1,765,945**

14. Other payables: these amount to 44,458,909 euros (33,129,472 euros as at December 31, 2016) and are made up as follows:

	31.12.2017	31.12.2016
Payables to employees	9,034,210	9,697,651
Payables to principals	1,628,038	1,984,514
Payables to others	33,796,661	21,447,307
Totale	**44,458,909**	**33,129,472**

'Payables to employees' refer to December wages and salaries, paid in January 2018, and deferred staff remuneration, while 'Payables to principals' refer to payables for amounts collected from clients as mandatory on behalf of associated companies.
'Payables to others' consist of 5,952 thousand euros in payables related to the take charge of two arrangements with creditors (Sacaim Spa in Extraordinary Administration and Cogolo Spa in Extraordinary Administration); 10,162 thousand euros in payables to the client of the VTB contract in Moscow, in turn credited to a sub-contractor of the same project; 4,401 thousand euros in payables to the joint venturer in Australia; 1,816 thousand euros of payables for application of contractual penalties in relation to works of Sacaim (the application of which has been contested); 1,647 thousand euros in payables for the commitment for the purchase of the assets of the arrangement with Servizi Turistici Sistiana Srl under liquidation (within the framework of the reorganisation of the activities inherent in Portopiccolo); 1,385 thousand euros in payables to professionals for the support provided during the acquisition of new contracts; 1,530 thousand euros in debts for condominium expenses related to the tourist-residential complex of Portopiccolo; 578 thousand euros in residual debt for the purchase of the shares of Rilke Holding (formerly Fondo Rilke) from a shareholder.

E. Accrued expenses and prepaid income

These amount to 5,856,629 euros (3,219,322 euros at 31 December 2016) and include items adjusting costs and revenues for the year in order to ensure the accrual basis of accounting. More specifically, they consist of accrued expenses of 5,505,686 euros and prepaid income of 350,939 euros.
Accrued expenses refer mainly to commissions on sureties and insurance costs (relating mainly to job orders in Algeria and Kuwait), not yet paid but referring to the financial year or previous financial years.
Prepaid income includes 252,533 euros in revenues pertaining to the following financial years related to the sale of *gold cards* (multiservice card for homeowners in Portopiccolo), which have a multiannual duration.

Commitments and guarantees

These amount to 422,055,189 euros, a decrease of 16,361,054 euros compared with December 31, 2016. The breakdown of this item by type of guarantee provided and by issuer is shown below.

A. Guarantees given to banks and insurance companies in the interest of third parties

	31.12.2017	31.12.2016
In favour of associated companies	2,734,632	5,573,421
Total A	**2,734,632**	**5,573,421**

B. Guarantees provided by banks and insurance companies in the interest of the Group, in favour of third parties

	31.12.2017	31.12.2016
B1. by banks for works:		
Performance bonds	251,717,833	261,608,022
Bid bonds	15,271,256	33,218,807
For release of retention money	92,025,715	70,641,232
Other Guarantees	26,101,807	27,168,617
Total B1	**385,116,612**	**392,636,678**
B2. by insurance companies for works:		
Performance bonds	32,384,906	37,065,432
Bid bonds	22,316	2,306,575
For release of retention money	1,001,430	584,421
Other Guarantees	795,293	249,716
Total B2	**34,203,945**	**40,206,144**
Total B	**419,320,557**	**432,842,821**
Total commitments and guarantees	**422,055,189**	**438,416,243**

Income Statement

A. Value of production (Revenues)

The Group's total production amounted to 1,073,002,656 euros (917,815,450 euros in 2016) and is broken down by geographical area as follows (amounts in thousands of euros):

	Year 2017		Year 2016	
Italy	158,992	14.8%	149,325	16.3%
Europe	73,476	6.8%	11,953	1.3%
Russia and CIS	347,228	32.4%	303,189	33.0%
Middle East	255,004	23.8%	196,836	21.4%
North Africa	118,799	11.1%	129,353	14.1%
Americas	68,074	6.3%	28,820	3.2%
Far East	5,501	0.5%	6,669	0.7%
Australia	45,929	4.3%	91,670	10.0%
Total	**1,073,003**	**100%**	**917,815**	**100%**

1. Revenues from sales and services: amount to 1,047,110,280 euros (830,039,177 euros in 2016) and consist of remittances recognised by clients during work and attested by progress certificates, revenues from the sale of real estate units, fees for services rendered and fees for the sale of equipment.

2. Change in finished products, semi-finished products and work in progress: this was a negative 3,064,066 euros (a positive value for 8,185,411 euros in 2016). This item represents the difference between the final and initial inventory values of real estate initiatives developed for own account (properties under construction and finished properties).
The negative variation is mainly due to the sale of building units of the Portopiccolo real estate complex, carried out starting from the full consolidation of Rilke in the second half of 2017.

3. Change of contracted work in progress: is a positive value and amounts to 5,031,682 euros (62,501,651 euros in 2016). The item represents the difference between the values of the final and initial inventories of work in progress not yet certified by progress certificates (recorded in item 1) Revenues from sales and services) and work valued according to the completed contract criterion (essentially the works of Deal Srl).

4. Capitalised costs for internal work: amount to 640,110 euros (2,431,382 euros in 2016) and refer to the capitalisation of the internal development costs of the new ERP system for 166,369 euros and for 309,837 euros to the capitalisation of the costs of setting up the worksite of the Italian job orders started during the year (Procuratie in Venice and Living Gries in Bolzano).

5. Other revenues and income: amount to 23.284.650 euros (14.657.829 euros in 2016). Details are shown below.

	Year 2017	Year 2016
Sale of materials	2,028,030	1,345,710
Rentals and ancillary revenues	1,232,927	1,473,658
Insurance compensation	267,220	117,383
Capital gains on the sale of assets	356,281	567,081
Contributions	133,108	113,882
Other income	18,766,533	9,101,674
Use of funds for redundancies	500,550	1,938,441
Total	**23,284,650**	**14,657,829**

'Other income' includes, among other things, 6 million euros in recognition of damages caused by a sub-contractor due to late delivery, 2.2 million euros in income deriving from the take charge of the Safau 'arrangement with creditors', 1 million euros in recognition of the phase premium on the Spedali Civili di Brescia job order and 1.9 million euros in non-existent payables accounted in previous years and no longer due for lapsing or transactions carried out during the year. The remainder is represented by the recharging of services costs provided to suppliers and sub-contractors as part of construction activities.

B. Costs of production

These amount to a total of 1,024,381,881 euros (884,330,141 euros in 2016).

6. Cost of raw materials, consumables and goods for resale: amount to 181,464,212 euros (159,291,464 euros in 2016) and represent the costs for the purchase of raw materials, semi-finished products, finished products and consumables intended for production. This category also includes the costs of purchasing buildings to be renovated for own real estate initiatives. The increase for the year is related to the increase in production.

	Year 2017	Year 2016
Raw materials	62,750,010	66,462,039
Semi-finished products	25,925,598	16,404,642
Ancillary and consumable materials	36,168,907	14,155,620
Finished products	56,619,697	56,107,206
Purchase of buildings to be renovated	-	6,161,957
Total	**181,464,212**	**159,291,464**

7. Costs for services: amount to 698,225,033 euros (568,564,925 euros in 2016), detailed in the table in the upper right. The increase in the year is related to the increase in production.

8. Costs for rental and lease of assets: amount to a total of 6,486,742 euros (8,794,976 euros in 2016) and refer to rental costs, of which 5,667,155 euros in rents payable - mainly relating to foreign rentals in Russia, Qatar and Dubai - and 819,587 euros in leasing costs.

	Year 2017	Year 2016
Subcontracts	549,884,148	444,018,241
Design and technical services	52,032,320	36,836,857
Rental of machinery with operator	43,422,636	51,457,506
Transportation, motive power and utilities	9,081,793	5,853,536
Professional consulting	1,646,142	1,304,923
Insurance	4,790,294	4,530,362
Directors fees	1,668,188	1,970,499
Statutory auditors fees	153,209	145,080
Representation expenses	576,795	515,605
Telecommunications	1,284,942	911,291
Maintenances on tangible assets	2,736,542	2,489,801
Other services	30,948,025	18,531,224
Total	**698,225,033**	**568,564,925**

9. Costs for employees: amount to a total of 114,110,706 euros (123,000,868 euros in 2016). The reduction in personnel costs is due to a reduction in the average number of employees during 2017, in particular of employees of construction sites in Kuwait, Colombia and Algeria due to slow down and/or completion of activities. Below is a breakdown of the number of employees at the end of the year and the average for the year.

	31.12.2017	31.12.2016	Average 2017	Average 2016
Employees working in Italy:				
Management	57	49	55	51
Staff	206	215	213	204
Workers	136	137	150	143
Totale Italy	**399**	**401**	**418**	**398**
Employees working abroad:				
Management	56	44	58	45
Staff	975	1,121	830	1,178
Workers	2,006	1,681	2,024	1,908
Total Overseas	**3,037**	**2,847**	**2,912**	**3,131**
Total	**3,436**	**3,248**	**3,330**	**3,529**

10. Amortization, depreciation and write-downs: amount to 14,171,428 euros (13,550,861 euros in 2016), of which 890,612 euros related to amortisation of intangible assets and 12,677,615 euros to depreciation of tangible assets.

It should also be noted that an allowance of 603,201 euros has been made for the write-down of receivables (703,301 euros in 2016), as already detailed in the movement table of the provision included in the comment on 'Trade receivables'. For specific details of amortisation and depreciation, reference should be made to Annexes 'D' and 'E'.

11. Change in raw, ancillary and consumable materials: the variation in raw material inventories was positive for 5.871.311 euros (reduction of production costs). The change has already been commented in relation to item I) 'Inventory'.

12. Contingency provisions: are equal to zero (1,577,059 euros in 2016).

14. Other operating charges: amount to 15.795.071 euros (18.049.250 euros in 2016), a breakdown is provided below.

	Year 2017	Year 2016
Capital losses from sale of assets	627,206	112,996
Sundry taxes and fees	1,959,468	1,308,184
Credit losses	75,356	1,906,174
Bank charges	1,286,468	989,572
Expenses for bank and insurance sureties	8,549,227	8,933,206
Concessions and other rights	32,399	32,698
Contributions and donations	9,240	11,750
Associative contributions	80,655	86,887
Other miscellaneous operating costs	3,175,055	4,667,783
Total	**15,795,071**	**18,049,250**

C. Financial income and expenses

Financial income and expenses amounted to net expenses of 14,189,794 euros (were net income for 11,676,436 euros in 2016), mainly related to foreign exchange losses for 10,746,003 euros, which will be explained below.

15. Income from equity investments: amount to 94,245 euros (2,191 euro in 2016) and refer to the proceeds from the sale of a minority interest in Sacaim.

16. Other financial income: amount to 4,087,210 euros (14,905,810 euros in 2016), a breakdown is provided below.

	Year 2017	Year 2016
Interest income from bank and securities	138,460	299,237
Default interest	35,027	9,403,788
Interest income from subsidiaries	2,308,241	4,309,718
Interest income from parent companies	-	13,110
Other interest income	1,605,482	879,957
Total	**4,087,210**	**14,905,810**

'Interest income from subsidiaries' refers to the interest charged to the company Rilke calculated at the *3-month Euribor rate + 412.5 bps* on the amount of the subordinated receivable deriving from the contract: since control of the company Rilke was taken only from the middle of the year, the pro-quota share of interest income remains in the consolidated income statement.
'Other interest income' includes 1,326,380 euros of interest income on advances provided to a sub-contractor of the VTB contract in Moscow.

17. Financial charges: amount to 7,625,246 euro (3,960,193 euro in 2016), a breakdown is provided below.

	Year 2017	Year 2016
Bank interest charges	6,163,712	3,189,787
Interest on real estate leasing	81,502	112,937
Interest charges from parent companies	20,129	10,530
Other interest charges	1,359,903	646,939
Total	**7,625,246**	**3,960,193**

The increase in bank interest charges is connected to the performance of the net financial position.
'Interest on real estate leasing' relates to the accounting of the Sacaim leasing contract according to the financial method.

'Other interest charges' are related for 1,283,573 euros to interest paid to the client of the VTB project in Moscow against an advance cashed and provided, in turn, to a sub-contractor (as reported in the comment on the item 'Other financial income').

17 bis. Foreign currency translation gains (losses): there were net exchange losses of 10,746,003 euros, compared with a net exchange gain of 728,628 euro in 2016. Most of the foreign exchange loss realized in 2017 is related to the accounting method used to translate year-end balances transactions with foreign branches and, in particular, 4.3 million euros to the trend of the Euro/Algerian Dinar exchange rate (average exchange rate in 2017 of 125.31, exchange rate as at 31.12.2017 of 137.83) and 3 million euros to the trend of the Euro/Russian Rouble exchange rate (average exchange rate in 2017 of 65.89, exchange rate as at 31.12.2017 of 69.39).

D. Valuation adjustments of financial assets and liabilities

18.a Revaluation of equity investments: the valuation of the associated companies with equity method revealed a revaluation in the year of 1,629,567 euros, of which 1,526,363 euros against Unifit SA and 101,367 euros against Futura Srl.

18.d Revaluations of derivative contracts: the *fair value* measurement of the IRS derivative contract entered into by the parent company in 2016 resulted in a positive value adjustment of 110,428 euros compared to the negative amount recorded at the end of 2016.

19.a Devaluation of equity investments: amount to a total of 833,917 euros, of which 481,000 euros refer to the devaluation of an investment in Rilke and 352,917 euros refer to the devaluation resulting from the valuation with equity method of an associated company in which Deal has an interest.

19.d Devaluation of derivative contracts: amount to 140,132 euros and refer to the recording of the negative net fair value of the two IRS derivative contracts entered into by Rilke against loans received during the year, accrued after the date of full consolidation of the company.

20. Income taxes for the year: these amount to 16,441,598 euros (18,015,250 euros in 2016), of which 18,465,190 euros for current taxes and 2,023,592 euros for net deferred tax assets. The taxes are commensurate with the taxable income of the fully or proportionally consolidated companies, calculated on the basis of the statutory profit and adjustments deriving from the application of tax regulations in force in Italy or in the country in which the consolidated company is based.

Disclosure in the matter of compensation to directors, statutory auditors and independent auditors (article 38, paragraph 1 letter o) and lett. o) septies of Legislative Decree 127/1991)

As required by art. 38 letter o) of the Legislative Decree 127/91, it should be noted that the total amount of compensation due to the Board of Directors and the Statutory Auditors of the parent company, also for offices held in other consolidated companies, is 877,953 euros and 95,360 euros respectively. Pursuant to art. 38, paragraph 1, letter o) septies, of the Legislative Decree 127/1991, it should also be noted that the total amount of compensation due to the independent auditors appointed to perform the statutory audit of the Group's consolidated annual financial statements 224,430 euros, including compensation paid during the year for additional activities and specific audit services required for some Group companies compared to those agreed at the time the assignments were initially made. The compensation includes 82,600 euros for the audit of the financial statements of the parent company Rizzani de Eccher Spa, 22,400 euros for the audit of consolidated financial statements and 119,430 euros for the audit of the statutory financial statements of the subsidiaries for which the audit was assigned to the same independent auditors as the Group's parent company.

Related party transaction (Article 38, paragraph 1 letter o) quinquies of Legislative Decree 127/1991)

The following table is a breakdown of receivables, payables, costs and revenues with related parties that are significant, specifying that the transactions entered into with them were concluded at normal market conditions.

	Receivables	Payables	Revenues	Costs
de Eccher Holding Srl*	3,739	884,910	-	338,944
Subsidiaries of de Eccher Holding Srl	330,297	2,378,502	103,700	2,523,592
Total	**334,036**	**3,263,412**	**103,700**	**2,862,536**

* Ultimate parent company of Rizzani de Eccher Spa

Information relating to off balance sheet transactions and commitments (Article 38, paragraph 1 letter o) sexies of Legislative Decree 127/1991)

The Group is not involved in any off-balance sheet transactions or commitments in addition to those shown under 'Commitments and guarantees'.

Significant events occurring after the end of the financial year

No significant events occurred after the end of the financial year that could change the data represented in the financial statements and / or in these explanatory notes.

INDEPENDENT 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 Shareholders of
Rizzani de Eccher S.p.A..

Report on the audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of de Eccher Group (the Group), which comprise the consolidated balance sheet as at December 31, 2017, the consolidated income statement and the consolidated statement of cash flows for the year then ended, and the explanatory notes.
In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2017, and of its financial performance and its cash flows for the year then ended, in accordance withthe Italian regulations governing financial statements.

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 Rizzani de Eccher S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors and those charged with governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with the Italian regulations governing financial statements,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 Rizzani de Eccher 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 obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities 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 Rizzani de Eccher S.p.A. are responsible for the preparation of the Management Report of de Eccher Group as at December 31, 2017 including its consistency with the related consolidated financial statements and its compliance with the applicable laws and regulations.

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

In our opinion, the Management Report is consistent with the consolidated financial statements of de Eccher Group as at December 31, 2017 and complies 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.

Treviso, May 21, 2018

EY S.p.A.
Signed by: Claudio Passelli, partner

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

CONSOLIDATED BALANCE SHEET

Assets		31.12.2017	31.12.2016	Change
A	**Receivable from shareholders for capital stock**			
	Shares not yet called up	0	0	0
	Shares already called up	0	0	0
Total receivable from shareholders for capital stock		**0**	**0**	**0**
B	**Non current assets**			
I)	**Intangible assets**			
1	Formation and start up expenses	7,372	118,666	(111,294)
2	Development costs	717,612	968,056	(250,444)
3	Patents and intellectual property rights	0	0	0
4	Concessions, licences, trademarks and similar rights	35,556	38,750	(3,194)
5	Goodwill	259,422	243,422	16,000
6	Intangible assets under formation and prepayments	1,963,746	949,733	1,014,013
7	Other intangible assets	8,179,190	263,285	7,915,905
	Total intangible assets	**11,162,898**	**2,581,912**	**8,580,986**
II)	**Fixed assets**			
1	Land and buildings	27,712,340	18,589,318	9,123,022
2	Plant and machinery	31,761,985	38,831,238	(7,069,253)
3	Tools, fittings, furniture, fixtures and other equipment	8,958,251	10,363,475	(1,405,224)
4	Other fixed assets	8,156,824	2,240,618	5,916,206
5	Fixed assets under formation and prepayments	3,441,607	3,145,939	295,668
	Total fixed assets	**80,031,007**	**73,170,588**	**6,860,419**
III)	**Investments**			
1	Equity investments in:			
	a) subsidiary companies	697,064	134,835	562,229
	b) associated companies	2,302,495	13,890,313	(11,587,818)
	c) parent company	0	0	0
	d) subsidiary companies of the parent company	0	0	0
	d)bis other companies	547,948	4,303,086	(3,755,138)
	Total	**3,547,507**	**18,328,234**	**(14,780,727)**
2	Loans and receivables:			
	a) subsidiary companies	4,289,630	257,629	4,032,001
	b) associated companies	3,821,704	8,911,756	(5,090,052)
	c) parent company	0	873,921	(873,921)
	d) subsidiary companies of the parent company	0	0	0
	d)bis other companies	11,517,445	10,599,757	917,688
	Total	**19,628,779**	**20,643,063**	**(1,014,284)**
3	Other investments	25,290	23,032	2,258
4	Derivative contracts	0	0	0
	Total investments	**23,201,576**	**38,994,329**	**(15,792,753)**
Total non current assets		**114,395,481**	**114,746,829**	**(351,348)**

Assets		31.12.2017	31.12.2016	Change
C	**Current assets**			
I)	**Inventory**			
1	Raw materials and consumables	23,166,918	18,599,733	4,567,185
2	Works in progress and semi-finished products	54,420,585	51,044,141	3,376,444
3	Contracted works in progress	167,217,098	186,811,807	(19,594,709)
4	Finished products and goods for resale	204,705,209	10,832,237	193,872,972
5	Advances to suppliers	76,376,794	91,259,717	(14,882,923)
	Total inventory	**525,886,604**	**358,547,635**	**167,338,969**
II)	**Accounts receivable**			
1	Trade receivables			
	a) amounts falling due within 12 months	386,664,960	264,199,062	122,465,898
	b) amounts falling due beyond 12 months	23,579,000	0	23,579,000
	Total	**410,243,960**	**264,199,062**	**146,044,898**
2	Receivables from subsidiary companies	386,321	311,782	74,539
3	Receivables from associated companies	1,905,859	127,621,043	(125,715,184)
4	Receivables from parent company	3,739	13,108	(9,369)
5	Receivables from subsidiary companies of parent company	330,297	0	330,297
5bis	Tax receivables	20,475,506	6,685,129	13,790,377
5ter	Deferred tax assets	1,252,548	0	1,252,548
5quater	Other receivables	5,745,662	8,762,958	(3,017,296)
	Total accounts receivable	**440,343,892**	**407,593,082**	**32,750,810**
III)	**Investments**			
1	Subsidiary companies	0	0	0
2	Associated companies	0	0	0
3	Parent company	0	0	0
3bis	Subsidiary companies of parent company	0	0	0
4	Other companies	0	0	0
5	Derivative contracts	0	0	0
6	Other investments	0	0	0
	Total investments	**0**	**0**	**0**
IV)	**Cash and cash equivalents**			
1	Bank and postal current accounts	63,808,954	89,266,530	(25,457,576)
2	Checks deposited	0	0	0
3	Cash on hand	182,114	138,232	43,882
	Total cash and cash equivalents	**63,991,068**	**89,404,762**	**(25,413,694)**
	Total current assets	**1,030,221,564**	**855,545,479**	**174,676,085**
D	**Accrued income and prepaid expenses**	8,906,540	12,507,922	(3,601,382)
Total assets		**1,153,523,585**	**982,800,230**	**170,723,355**

CONSOLIDATED BALANCE SHEET

Liabilities		31.12.2017	31.12.2016	Change
A	**Consolidated shareholders' equity**			
I	Share capital, authorized, issued and outstanding	20,000,000	20,000,000	0
II	Additional paid-in capital	0	0	0
III	Revaluation reserve	0	0	0
IV	Legal reserve	4,000,000	3,936,792	63,208
V	Statutory reserves	0	0	0
VI	Other reserves, of wich:	123,071,287	125,610,832	(2,539,545)
	- *Extraordinary reserve*	*120,406,861*	*118,706,070*	*1,700,791*
	- *Reserve for foreign currency translation gains (losses)*	*2,084,415*	*6,324,751*	*(4,240,336)*
	- *Consolidation reserve*	*580,011*	*580,011*	*0*
VII	Reserve for hedging contracts	(2,290,390)	(2,764,769)	474,379
VIII	Retained earnings	0	0	0
IX	Group profit (loss) for the year	21,225,116	24,215,783	(2,990,667)
X	Negative reserve for treasury stock	0	0	00
	Total Group shareholders' equity	**166,006,013**	**170,998,638**	**(4,992,625)**
	Minorities' share of equity	16,118,259	2,425,209	13,693,050
	Minorities' share of profit (loss)	(2,469,787)	485,157	(2,954,944)
	Total minorities' equity	**13,648,472**	**2,910,366**	**10,738,106**
Total consolidated shareholders' equity		**179,654,485**	**173,909,004**	**5,745,481**
B	**Provision for contingencies and other liabilities**			
1	Provisions for pensions and similar obligations	225,516	194,529	30,987
2	Provision for taxation, included deferred tax liabilities	912,071	6,616,053	(5,703,982)
3	Derivative contracts	389,668	219,833	169,835
4	Other provisions	12,657,760	10,013,666	2,644,094
Total provisions for contingencies and other liabilities		**14,185,015**	**17,044,081**	**(2,859,066)**
C	**Employees' severance indemnity**	5,270,516	5,448,371	(177,855)

Liabilities		31.12.2017	31.12.2016	Change
D	**Debts and other payables**			
1	Debenture loans	0	0	0
2	Convertible debenture loans	0	0	0
3	Amounts owed to shareholders for loans	6,699,269	5,254,177	1,445,092
4	Bank loans			
	a) falling due within 12 months	181,592,321	75,096,910	106,495,411
	b) falling due beyond 12 months	72,470,077	80,357,294	(7,887,217)
	Total	**254,062,398**	**155,454,204**	**98,608,194**
5	Amounts owed to other lenders			
	a) falling due within 12 months	23,769,593	4,426,598	19,342,995
	b) falling due beyond 12 months	3,157,639	3,749,405	(591,766)
	Total	**26,927,232**	**8,176,003**	**18,751,229**
6	Advance payments from customers	180,313,083	249,760,516	(69,447,433)
7	Trade payables (suppliers)			
	a) falling due within 12 months	408,675,053	315,292,715	93,382,338
	b) falling due beyond 12 months	0	0	0
	Total	**408,675,053**	**315,292,715**	**93,382,338**
8	Debts represented by bills of exchange	0	0	0
9	Payables to subsidiary companies	1,130,732	477,855	652,877
10	Payables to associated companies	6,855,656	1,453,500	5,402,156
11	Payables to parent company	884,910	161,214	723,696
11bis	Payables to subsidiary companies of parent company	2,378,502	0	2,378,502
12	Payables to tax authority	14,599,209	12,253,851	2,345,358
13	Payables to social security institutions	1,571,987	1,765,945	(193,958)
14	Other payables	44,458,909	33,129,472	11,329,437
Total debts and other payables		**948,556,940**	**783,179,452**	**165,377,488**
E	**Accrued expenses and prepaid income**	5,856,629	3,219,322	2,637,307
Total liabilities and consolidated shareholders' equity		**1,153,523,585**	**982,800,230**	**170,723,355**

CONSOLIDATED INCOME STATEMENT

		Year 2017	Year 2016	Change
A	**Value of production (Revenues)**			
1	Sales of goods and services	1,047,110,280	830,039,177	217,071,103
2	Changes in finished products, semi-finished products and works in progress	(3,064,066)	8,185,411	(11,249,477)
3	Changes in contracted works in progress	5,031,682	62,501,651	(57,469,969)
4	Capitalised construction costs performed for own account	640,110	2,431,382	(1,791,272)
5	Other revenue and income	23,284,650	14,657,829	8,626,821
Total value of production (Revenues)		**1,073,002,656**	**917,815,450**	**155,187,206**
B	**Costs of production**			
6	For raw materials, consumables and goods for resale	181,464,212	159,291,464	22,172,748
7	For services	698,225,033	568,564,925	129,660,108
8	For rental and lease of assets	6,486,742	8,794,976	(2,308,234)
9	For employees:			
	a) wages and salaries	91,562,840	102,214,602	(10,651,762)
	b) social security contributions	9,309,246	8,673,603	635,643
	c) employees' severance indemnity	2,671,667	2,233,802	437,865
	d) provision for pensions and similar obligations	0	0	0
	e) other costs relating to employees	10,566,953	9,878,861	688,092
	Total costs for employees	**114,110,706**	**123,000,868**	**(8,890,162)**
10	Amortization, depreciation and write-downs:			
	a) amortization of intangible assets	890,612	672,453	218,159
	b) depreciation of fixed assets	12,677,615	12,175,107	502,508
	c) write-downs of non-current assets other than investments	0	0	0
	d) write-downs of accounts receivable included in current assets	603,201	703,301	(100,100)
	Total amortization, depreciation and write-downs	**14,171,428**	**13,550,861**	**620,567**
11	Change in raw materials, consumables and goods for resale	(5,871,311)	(8,499,262)	2,627,951
12	Contingency provisions	0	1,577,059	(1,577,059)
13	Other accruals and provisions	0	0	0
14	Other operating charges	15,795,071	18,049,250	(2,254,179)
Total costs of production		**1,024,381,881**	**884,330,141**	**140,051,740**
Operating margin (EBIT) (A-B)		**48,620,775**	**33,485,309**	**15,135,466**
C	**Financial income and expenses**			
15	Income from equity investments	94,245	2,191	92,054
16	Other financial income:			
	a) from accounts receivable included in non-current assets	0	0	0
	b) from other investments included in non-current assets other than equity investments	0	0	0
	c) from other investments included in current assets	0	0	0
	d) financial income other than income listed above, of wich:	4,087,210	14,905,810	(10,818,600)
	financial income from subsidiary companies	*0*	*13,110*	*(13,110)*
	financial income from associated companies	*2,308,241*	*4,309,718*	*(2,001,477)*
	Total other financial income	**4,087,210**	**14,905,810**	**(10,818,600)**
17	Interest and other financial charges, of wich:	7,625,246	3,960,193	3,665,053
	financial charges from parent company	*20,129*	*10,530*	*9,599*
17bis	Foreign currency translation gains / (losses)	(10,746,003)	728,628	(11,474,631)
Total financial income and (expenses) (15+16-17±17bis)		**(14,189,794)**	**11,676,436**	**(25,866,230)**

		Year 2017	Year 2016	Change
D	**Valuation adjustments of financial assets and liabilities**			
18	Revaluations:			
	a) of equity investments	1,629,567	1,422,565	207,002
	b) of non-current investments other than equity investments	0	0	0
	c) of current investments	0	0	0
	d) of derivative contracts	110,428	0	110,428
	Total	**1,739,995**	**1,422,565**	**317,430**
19	Devaluation:			
	a) of equity investments	833,917	3,616,287	(2,782,370)
	b) of non-current investments other than equity investments	0	32,000	(32,000)
	c) of current investments	0	0	0
	d) of derivative contracts	140,132	219,833	(79,701)
	Total	**974,049**	**3,868,120**	**(2,894,071)**
Total valuation adjustments of financial assets and liabilities (18-19)		**765,946**	**(2,445,555)**	**3,211,501**
Profit or (loss) before income taxes (A-B±C±D)		**35,196,927**	**42,716,190**	**(7,519,263)**
20	Income taxes for the year			
	a) current taxes	18,465,190	15,908,681	2,556,509
	b) deferred tax (assets) / liabilities	(2,023,592)	2,106,569	(4,130,161)
	Total	**16,441,598**	**18,015,250**	**(1,573,652)**
21 Profit or (loss) for the year		**18,755,329**	**24,700,940**	**(5,945,611)**
Minority share of (profit) or loss for the year		2,469,787	(485,157)	2,954,944
Consolidated Group profit or (loss) for the year		**21,225,116**	**24,215,783**	**(2,990,667)**

CASH FLOW STATEMENT

		Year 2017	Year 2016
A)	**Cash flows from operating activities**		
	Consolidated Group profit or (loss) for the year	18,755,329	24,700,940
	Income Tax	16,441,598	15,908,681
	(Dividends)	(94,245)	(2,191)
	Net Interest Charges / (Income)	3,538,036	(10,945,617)
	(Gains) / Losses arising from the sale of assets	270,925	1,536,616
1.	**Earnings Before Tax, interest, dividends and extraordinary gains / losses**	**38,911,643**	**31,198,429**
	Adjustments to non-cash items not included in working capital		
	Provisions and allocations to contingency funds	30,987	3,841,849
	Depreciation of fixed assets	13,568,227	12,847,560
	Permanent value impairments	128,082	2,929,023
	Value adjustments (mark-to-market) of derivative securities / instruments held	29,704	219,833
	Other non-cash adjustments	1,868,534	0
2.	**Cash flow before changes in net working capital**	**54,537,177**	**51,036,694**
	Changes in net working capital		
	Decrease / (increase) in inventory	30,071,648	(91,146,091)
	Decrease / (increase) in trade receivables and other receivables	(131,566,263)	(25,202,386)
	Increase / (decrease) in payables to suppliers and other payables	95,430,543	88,283,668
	Decrease / (increase) accrued income and prepaid expenses	3,796,264	(1,838,939)
	Increase / (decrease) accrued expenses and prepaid income	2,320,116	1,101,710
	Other changes in net working capital	(62,256,795)	(61,561,752)
3.	**Cash Flow after changes in net working capital**	**(7,667,310)**	**(39,327,096)**
	Other adjustments		
	Interest received / (paid)	(4,248,702)	(1,767,214)
	(Income Tax Paid)	(14,601,794)	(12,828,366)
	Dividends received	94,245	2,191
	(Drawdown of contingency funds)	(3,815,193)	(1,435,713)
	Other in-payments / (out-payments)	0	0
Operating Cash Flow (A)		**(30,238,754)**	**(55,356,198)**
B)	**Cash flow from investments**		
	Tangible fixed assets		
	(Investments)	(14,218,588)	(18,137,909)
	Disposals	3,949,833	3,029,866
	Intangible assets		
	(Investments)	0	(1,044,129)
	Disposals	0	0
	Financial fixed assets		
	(Investments)	(1,008,518)	(5,208,911)
	Disposals	714,307	651,417
	Short term Financial Investments		
	(Investments)	0	0
	Disposals	0	0
	(Acquisition of controlling interests net of available cash in target companies)	(9,873,890)	0
	Sale of controlling interests net of available cash in target companies	0	0
Cash flow from investments (B)		**(20,436,856)**	**(20,709,666)**
C)	**Cash flow from financing activities**		
	Third-party funding		
	Increase (decrease) in payables to banks	53,890,833	7,902,000
	Drawdown of loans	15,130,000	63,000,000
	(Repayment of Loans)	(27,007,204)	(17,325,763)
	Increase (decrease) in payables to shareholders	965,092	1,392,522
	Net Equity		
	Capital increase	0	0
	Capital decrease	0	0
	Share Issues / (Shares Buy-Backs)	0	0
	(Dividends Paid - Final and Interim)	0	0
	Decrease (Increase) in minority shareholder's equity	0	(4,252,388)
Cash flow from financing activities (C)		**42,978,721**	**50,716,371**
Foreign Currency Translation Effects (D)		**(17,716,805)**	**4,646,333**
Increase (decrease) in cash and cash equivalents (E = A ± B ± C ± D)		**(25,413,694)**	**(20,703,160)**
	Cash and cash equivalents at the beginning of the financial year (F)	89,404,762	110,107,922
	Cash and cash equivalents at the at the end of the financial year (G=E+F)	63,991,068	89,404,762

ANNEX A

List of consolidated companies adopting the line-by-line method
Pursuant to Art. 26 of Legislative Decree 127/91
(Art. 38, sub-section 2, point a) of Leg. Decree 127/91)

Corporate Name	Based in	Currency	Share capital	Ownership % 2017	Ownership % 2016
Rizzani de Eccher Spa	Pozzuolo del Friuli (UD)	Euro	20,000,000	parent company	parent company
Banchina Emilia Scarl	Venice	Euro	10,000	51.00%	51.00%
Baia di Sistiana Resort Srl	Duino Aurisina (TS)	Euro	30,000	52.09%	-
Codest International Srl	Pozzuolo del Friuli (UD)	Euro	10,400	98.00%	98.00%
Codest Srl	Pozzuolo del Friuli (UD)	Euro	100,000	100.00%	100.00%
Codest Engineering Srl	Pozzuolo del Friuli (UD)	Euro	100,000	98.42%	98.42%
Deal Srl	Pozzuolo del Friuli (UD)	Euro	46,800	98.00%	98.00%
de Eccher società agricola a r.l.	Rivignano (UD)	Euro	27,375	70.32%	70.32%
Falesia Srl	Duino Aurisina (TS)	Euro	50,000	52.09%	-
Fondaco Scarl	Venice	Euro	13,500	100.00%	100.00%
Eride Scarl	L'Aquila	Euro	10,000	100.00%	100.00%
Gabi Srl	Pozzuolo del Friuli (UD)	Euro	42,702	100.00%	100.00%
Iride Srl	Pozzuolo del Friuli (UD)	Euro	5,000,000	100.00%	100.00%
Pili Scarl (ex Metrobus Scarl)	Venice	Euro	10,000	80.00%	100.00%
Riflessi Srl	Pozzuolo del Friuli (UD)	Euro	10,200	100.00%	100.00%
Rilke Srl	Duino Aurisina (TS)	Euro	40,000,000	52.09%	-
Rilke Holding Spa	Duino Aurisina (TS)	Euro	30,000,000	31.56%	-
Sacaim Spa	Venice	Euro	2,100,000	100.00%	80.00%
San Giorgio Srl	Pozzuolo del Friuli (UD)	Euro	10,000	100.00%	100.00%
Tensacciai Srl	Milan	Euro	100,000	98.10%	98.10%
Torre Scarl	Pozzuolo del Friuli (UD)	Euro	10,000	70.00%	70.00%
Codest Kazakhstan LLP	Almaty (KZ)	KZT	1,000,000	98.00%	98.00%
Interbridge Technologies BV	Hoofddorp (NL)	Euro	50,000	51.00%	51.00%
Rizzani de Eccher Australia Pty Ltd	Adelaide (AUS)	AUD	100	100.00%	100.00%
Rizzani de Eccher Canada Inc	Vancouver (CDN)	CAD	100	100.00%	100.00%
Rizzani de Eccher Matta Sarl	Beirut (LIB)	LBP	150,000,000	51.00%	51.00%
Rizzani de Eccher Usa Inc	Miami (USA)	USD	300	99.51%	99.51%
Rizzani de Eccher Bahrain SPC	Manama (Bahrain)	BHD	500,000	100.00%	100.00%
Rizzani de Eccher SAS	Bogotà (Colombia)	COP	125,000,000	100.00%	100.00%
Rizzani de Eccher SA	Luxembourg	Euro	50,000	100.00%	100.00%
Tensa America LLC	Miami (USA)	USD	10,000	98.10%	98.10%
Tensa Middle East FZ-LLC	Ras al Khaimah (EAU)	AED	1,000,000	100.00%	100.00%

ANNEX B

List of consolidated companies adopting the proportional method
Pursuant to Art. 37 of Legislative Decree 127/91
(Art. 38, sub-section 2, point b) of Leg. Decree 127/91)

Corporate Name	Based in	Currency	Share capital	Ownership % 2017	Ownership % 2016
City Contractor Scarl	Milan	Euro	10,000	50.00%	50.00%
Galileo Srl	Pozzuolo del Friuli (UD)	Euro	30,000	33.33%	33.33%
Tiliaventum Scarl	Pozzuolo del Friuli (UD)	Euro	10,000,000	50.00%	50.00%
Pizzarotti-Rizzani de Eccher Saudi Arabia Ltd	Riyadh (Saudi Arabia)	SAR	10,000,000	50.00%	50.00%
VFR Ltd	Cyprus	CYP	5,000	33.33%	33.33%

ANNEX C

List of subsidiary and associated companies consolidated by the equity method
(Art. 38, sub-section 2, point c) of Leg. Decree 127/91)

Corporate Name	Based in	Currency	Share capital	Direct ownership %	Group ownership %
de Eccher Interiors Srl	Pozzuolo del Friuli (UD)	Euro	100,000	20.00%	20.00%
Associated company through Deal Srl	Padua	Euro	100,000	-	30.58%
Futura Srl	Brescia	Euro	2,500,000	20.55%	20.55%
Rizzani de Eccher Doo	Rijeka (HR)	HRK	20,000	90.00%	92.00%
Portocittà Srl	Triest	Euro	10,000	25.00%	25.00%
Unifit SA	Luxembourg	Euro	31,000	-	45.00%

List of subsidiary and associated companies under the cost method
(Art. 38, sub-section 2, point d) of Leg. Decree 127/91)

Corporate Name	Based in	Currency	Share capital	Direct ownership	Group ownership	Reason of exclusion from consolidation area
Consorzio Mantegna	Vigonza (PD)	Euro	50,000	28.00%	28.00%	Art. 28 lett.a D.Lgs. 127/91
Consorzio No.Mar	Padua	Euro	5,000	26.60%	26.60%	Art. 28 lett.a D.Lgs. 127/91
Crociferi Scarl	Venice	Euro	10,000	-	75.00%	Art. 28 lett.a D.Lgs. 127/91
Ecofusina Scarl	Venice	Euro	10,000	-	35.00%	Art. 28 lett.a D.Lgs. 127/91
Eures Srl	Duino Aurisina (TS)	Euro	25,000	-	100.00%	Art. 28 lett.a D.Lgs. 127/91
Gallerie dell'Accademia Scarl under liquidation	Venice	Euro	10,000	-	30.00%	Art. 28 lett.a D.Lgs. 127/91
Immobiliare Biancade Srl	Venice	Euro	10,000	-	50.00%	Art. 28 lett.a D.Lgs. 127/91
Jona Scarl	Venice	Euro	10,000	-	50.00%	Art. 28 lett.a D.Lgs. 127/91
Mugnone Scarl under liquidation	Venice	Euro	10,000	-	100.00%	Art. 28 lett.a D.Lgs. 127/91
Palazzo del Cinema Scarl	Venice	Euro	10,000	-	74.00%	Art. 28 lett.a D.Lgs. 127/91
Peloritani Scarl under liquidation	Pozzuolo del Friuli (UD)	Euro	10,000	64.15%	64.15%	Art. 28 lett.a D.Lgs. 127/91
Prospettive Immobiliari Srl under liquidation	Triest	Euro	50,000	60.00%	60.00%	Art. 28 lett.a D.Lgs. 127/91
PPMS Srl	Duino Aurisina (TS)	Euro	50,000	-	100.00%	Art. 28 lett.a D.Lgs. 127/91
Roncoduro Scarl	Venice	Euro	10,000	-	57.14%	Art. 28 lett.a D.Lgs. 127/91
Rorimar Srl	Monfalcone (GO)	Euro	10,000	-	100.00%	Art. 28 lett.a D.Lgs. 127/91
Se.Pa.Ve Scarl under liquidation	Venice	Euro	10,000	-	43.82%	Art. 28 lett.a D.Lgs. 127/91
Store 26 Scarl under liquidation	Vicenza	Euro	10,000	50.00%	50.00%	Art. 28 lett.a D.Lgs. 127/91
Vallenari Scarl	Treviso	Euro	10,000	-	48.25%	Art. 28 lett.a D.Lgs. 127/91
Tensa India Engineering PV Ltd	Mumbai	INR	10,000,000	-	75.00%	Art. 28 lett.a D.Lgs. 127/91
OOO Koruss	Moscow	RUB	100,000	100.00%	100.00%	Art. 28 lett.a D.Lgs. 127/91
Codrus Zao	Moscow	RUB	55,000	-	98.42%	Art. 28 lett.a D.Lgs. 127/91

ANNEX D

Schedule of intangible assets

	31.12.2016	Change in consolidation area	Increase (decrease)	Effects due to currency translation and reclassification	Amortization	31.12.2017
Formation and start up expenses	118,666	7,655	219	(423)	(118,745)	7,372
Research, development and advertising costs	968,056	-	48,864	-	(299,308)	717,612
Patents and intellectual property rights	-	-	-	-	-	-
Concessions, licences, trademarks and similar rights	38,750	-	-	-	(3,194)	35,556
Goodwill	243,422	59,500	-	-	(43,500)	259,422
Intangible assets under formation and prepayments	949,733	-	1,014,013	-	-	1,963,746
Other intangible assets	263,285	7,909,964	431,805	-	(425,864)	8,179,190
Total intangible assets	**2,581,912**	**7,977,119**	**1,494,901**	**(423)**	**(890,611)**	**11,162,898**

ANNEX E

Schedule of fixed assets

	31.12.2016	Change in consolidation area	Increase	Decrease	Depreciation	Effects due to currency translation and reclassification	31.12.2017
Land and buildings	23,451,748	9,906,886	654,717	-	-	-	34,013,351
Accumulated depreciation	(4,862,430)	(214,746)	-	-	(1,223,835)	-	(6,301,011)
Land and buildings	**18,589,318**	**9,692,140**	**654,717**	**-**	**(1,223,835)**	**-**	**27,712,340**
Plant and machinery	75,613,324	50,188	6,214,253	(6,106,826)	-	(5,930,569)	69,840,370
Accumulated depreciation	(36,782,086)	(10,168)	-	3,507,804	(7,424,575)	2,630,640	(38,078,385)
Plant and machinery	**38,831,238**	**40,020**	**6,214,253**	**(2,599,022)**	**(7,424,575)**	**(3,299,929)**	**31,761,985**
Tools, fittings, furniture, fixtures and other equipment	24,703,528	1,157,801	2,498,669	(1,037,415)	(2,969,115)	(2,549,161)	21,804,307
Accumulated depreciation	(14,340,053)	(560,042)	-	612,524	-	1,441,515	(12,846,056)
Tools, fittings, furniture, fixtures and other equipment	**10,363,475**	**597,759**	**2,498,669**	**(424,891)**	**(2,969,115)**	**(1,107,646)**	**8,958,251**
Other fixed assets	5,505,313	7,043,917	1,735,560	(215,841)	-	(645,021)	13,423,928
Accumulated depreciation	(3,264,695)	(1,258,948)	-	182,909	(1,060,090)	133,720	(5,267,104)
Other fixed assets	**2,240,618**	**5,784,969**	**1,735,560**	**(32,932)**	**(1,060,090)**	**(511,301)**	**8,156,824**
Fixed assets under formation and prepayments	3,145,939	-	1,620,911	(1,163,913)	-	(161,330)	3,441,607
Fixed assets under formation and prepayments	**3,145,939**	**-**	**1,620,911**	**(1,163,913)**	**-**	**(161,330)**	**3,441,607**
Total historical cost of fixed assets	132,419,852	18,158,792	12,724,110	(8,523,995)	-	(9,286,081)	142,523,563
Total accumulated depreciation	(59,249,264)	(2,043,904)	-	4,303,237	(9,708,500)	4,205,875	(62,492,556)
Total fixed assets	**73,170,588**	**16,114,888**	**12,724,110**	**(4,220,758)**	**(12,677,615)**	**(5,080,206)**	**80,031,007**

ANNEX F

Schedule of changes in consalidated shareholdelrs' equity

	Share capital	Legal reserve	Consolidation reserve	Foreign currency translation reserve	Extraordinary reserve	Reserves for hedging derivate contracts	Group profit (loss)	Total Group sharholders' equity	Minorities' share of equity and profit (loss)	Total consolidated shareholders' equity
Situation as of 31st December 2015	**20,000,000**	**3,867,797**	**580,011**	**6,088,635**	**97,191,772**	**-**	**15,954,893**	**143,683,108**	**6,677,597**	**150,360,705**
Allocation of profit for the year 2015	-	68,995	-	-	15,885,898	-	(15,954,893)	-	-	-
Dividends distribution	-	-	-	-	-	-	-	-	(3,312,790)	(3,312,790)
Change in consolidation area	-	-	-	-	644,313	-	-	644,313	(644,313)	-
Foreign currency translation gain (loss) of branch balances	-	-	-	-	4,984,087	-	-	4,984,087	(295,284)	4,688,803
Gain (loss) on foreign currency translation	-	-	-	236,116	-	-	-	236,116	-	236,116
Reserve for hedging derivative contracts	-	-	-	-	-	(2,764,769)	-	(2,764,769)	-	(2,764,769)
Profit (loss) for the year 2016	-	-	-	-	-	-	24,215,783	24,215,783	485,157	24,700,940
Situation as of 31st December 2016	**20,000,000**	**3,936,792**	**580,011**	**6,324,751**	**118,706,070**	**(2,764,769)**	**24,215,783**	**170,998,638**	**2,910,366**	**173,909,005**
Allocation of profit for the year 2016	-	63,208	-	-	24,152,575	-	(24,215,783)	-	-	-
Dividends distribution	-	-	-	-	-	-	-	-	(360,000)	(360,000)
Change in consolidation area	-	-	-	-	(9,058,109)	-	-	(9,058,109)	13,650,686	4,592,577
Foreign currency translation gain (loss) of branch balances	-	-	-	-	(13,393,676)	-	-	(13,393,676)	(61,128)	(13,454,804)
Gain (loss) on foreign currency translation	-	-	-	(4,240,336)	-	-	-	(4,240,336)	(21,665)	(4,262,001)
Reserve for hedging derivative contracts	-	-	-	-	-	474,379	-	474,379	-	474,379
Profit (loss) for the year 2017	-	-	-	-	-	-	21,225,116	21,225,116	(2,469,787)	18,755,329
Situation as of 31st December 2017	**20,000,000**	**4,000,000**	**580,011**	**2,084,415**	**120,406,860**	**(2,290,390)**	**21,225,116**	**166,006,012**	**13,648,472**	**179,654,485**

ANNEX G

Reconciliation between stand-alone and consolidated accounts

(in thousand euros)	Shareholders' equity 2017	Profit (loss) 2017	Shareholders' equity 2016	Profit (loss) 2016
Statutory stand-alone financial statements of the parent company	75,574	5,325	83,058	1,951
Off-set of consolidated equity investments				
difference between book value of equity investments and net assets value	51,601	-	42,458	-
consolidation differences	83	-	83	-
allocation of differential between purchase price and pro rata share of net assets value	1,756	(601)	2,357	-
foreign currency translation differences	2,085	-	6,325	-
pro-rata share of profit of consolidated companies	(18,577)	(18,577)	14,979	14,979
write-down / write-up on investements in consolidated companies	51,192	51,192	19,457	19,457
Off-set of related party transactions				
capital gains/losses and intercompany profit	(1,972)	(313)	(1,545)	(764)
dividends distribution including currency translation gains or losses	-	(17,400)	-	(8,342)
Other adjustments				
valuation of investments under the net equity method	2,631	1,054	2,078	(1,771)
valuation of leasing contracts with the capital-lease method	535	71	435	(1,294)
reserves for hedging derivative contracts	(2,291)	474	(2,765)	-
change in foreign currency translation gain (loss) of branch balances	3,390	-	4,079	-
Total Group's consolidated shareholders' equity	**166,006**	**21,226**	**170,999**	**24,216**
Minorities' share of equity and profit	13,649	(2,470)	2,910	485
Total consolidated shareholders' equity	**179,655**	**18,756**	**173,909**	**24,701**

STATUTORY FINANCIAL STATEMENTS OF RIZZANI DE ECCHER S.P.A. (PARENT COMPANY)

STATUTORY BALANCE SHEET

Assets		31.12.2017	31.12.2016	Change
A	**Receivable from shareholders for capital stock**			
	Shares not yet called up	0	0	0
	Shares already called up	0	0	0
Total receivable from shareholders for capital stock		**0**	**0**	**0**
B	**Non current assets**			
I)	**Intangible assets**			
1	Formation and start up expenses	401	273	128
2	Development costs	0	0	0
3	Patents and intellectual property	0	0	0
4	Concessions, licences, trademarks and similar rights	0	0	0
5	Goodwill	0	0	0
6	Intangible assets under formation and prepayments	887,479	93,712	793,767
7	Other intangible assets	157,708	230,946	(73,238)
	Total intangibles assets	**1,045,588**	**324,931**	**720,657**
II)	**Fixed assets**			
1	Land and buildings	6,656,041	6,249,124	406,917
2	Plant and machinery	22,703,259	29,840,190	(7,136,931)
3	Tools, fittings, furniture, fixtures and other equipment	7,423,651	9,235,887	(1,812,236)
4	Other fixed assets	1,607,618	1,793,678	(186,060)
5	Fixed assets under formation and prepayments	3,418,190	3,114,122	304,068
	Total fixed assets	**41,808,759**	**50,233,001**	**(8,424,242)**
III)	**Investments**			
1	Equity investments in:			
	a) subsidiary companies	59,698,333	44,232,327	15,466,006
	b) associated companies	7,398,290	19,850,216	(12,451,926)
	c) parent company	0	0	0
	d) subsidiary companies of the parent company	0	0	0
	d)bis other companies	25,860	3,033,147	(3,007,287)
	Total	**67,122,483**	**67,115,690**	**6,793**
2	Loans and receivables:			
	a) subsidiary companies	14,026,009	39,401,871	(25,375,862)
	b) associated companies	10,175,948	14,448,171	(4,272,223)
	c) parent company	0	0	0
	d) subsidiary companies of the parent company	0	0	0
	d)bis others companies	4,601,756	3,444,433	1,157,323
	Total	**28,803,713**	**57,294,475**	**(28,490,762)**
3	Other investments	17,195	17,233	(38)
4	Derivate contracts	0	0	0
	Total investments	**95,943,391**	**124,427,398**	**(28,484,007)**
Total non current assets		**138,797,738**	**174,985,330**	**(36,187,592)**

Assets		31.12.2017	31.12.2016	Change
C	**Current assets**			
I)	**Inventory**			
1	Raw materials and consumables	13,643,271	13,257,665	385,606
2	Works in progress and semi-finished products	4,317,894	4,272,998	44,896
3	Contracted works in progress	148,004,333	146,709,532	1,294,801
4	Finished products and goods for resale	1,167,347	1,380,867	(213,520)
5	Advances to suppliers	14,810,464	20,077,961	(5,267,497)
	Total inventory	**181,943,309**	**185,699,023**	**(3,755,714)**
II)	**Accounts receivable**			
1	Trade receivables			
	a) amounts falling due within 12 months	162,190,073	135,918,333	26,271,740
	b) amounts falling due beyond 12 months	23,579,000	0	23,579,000
	Total	**185,769,073**	**135,918,333**	**49,850,740**
2	Receivables from subsidiary companies			
	a) amounts falling due within 12 months	29,152,642	22,372,789	6,779,853
	b) amounts falling due beyond 12 months	131,711,726	0	131,711,726
	Total	**160,864,368**	**22,372,789**	**138,491,579**
3	Receivables from associated companies	6,523,483	134,015,667	(127,492,184)
4	Receivables from parent company	3,739	0	3,739
5	Receivables from subsidiary companies of parent company	0	0	0
5bis	Tax receivables	7,645,504	4,389,519	3,255,985
5ter	Deferred tax assets	5,475,140	516,866	4,958,274
5quater	Other receivables	2,768,376	5,353,855	(2,585,479)
	Total accounts receivable	**369,049,683**	**302,567,029**	**66,482,654**
III)	**Investments**			
1	Subsidiary companies	0	0	0
2	Associated companies	0	0	0
3	Parent company	0	0	0
3bis	Subsidiary companies of parent company	0	0	0
4	Other companies	0	0	0
5	Derivative contracts	0	0	0
6	Other investments	0	0	0
	Total investments	**0**	**0**	**0**
IV)	**Cash and cash equivalents**			
1	Bank and postal current accounts	32,444,704	37,656,405	(5,211,701)
2	Checks deposited	0	0	0
3	Cash on hand	67,562	71,149	(3,587)
	Total cash and cash equivalents	**32,512,266**	**37,727,554**	**(5,215,288)**
Total current assets		**583,505,258**	**525,993,606**	**57,511,652**
D	**Accrued income and prepaid expenses**	6,937,545	10,129,435	(3,191,890)
Total assets		**729,240,541**	**711,108,371**	**18,132,170**

STATUTORY BALANCE SHEET

Liabilities		31.12.2017	31.12.2016	Change
A	**Shareholders' equity**			
I	Share capital, authorized, issued and outstanding	20,000,000	20,000,000	0
II	Additional paid-in capital	0	0	0
III	Revaluation reserve	0	0	0
IV	Legal reserve	4,000,000	3,936,792	63,208
V	Statutory reserves	0	0	0
VI	Other reserves	46,248,786	57,170,033	(10,921,247)
VII	Reserves for hedging derivative contracts	0	0	0
VIII	Retained earnings	0	0	0
IX	Profits (loss) for the year	5,325,422	1,951,321	3,374,101
X	Negative reserve for treasury stock	0	0	0
Total shareholders' equity		**75,574,208**	**83,058,146**	**(7,483,938)**
B	**Provision for contingencies and other liabilities**			
1	Provisions for pensions and similar obligations	0	0	0
2	Provision for taxation, included deferred tax liabilities	912,071	1,036,107	(124,036)
3	Derivative contracts	109,405	219,833	(110,428)
4	Other provisions	18,048,565	20,640,000	(2,591,435)
Total provisions for contingencies and other liabilities		**19,070,041**	**21,895,940**	**(2,825,899)**
C	**Employees' severance indemnity**	2,061,910	2,587,505	(525,595)
D	**Debts and other payables**			
1	Debenture loans	0	0	0
2	Convertible debenture loans	0	0	0
3	Amounts owed to shareholders for loans	1,745,092	0	1,745,092
4	Bank loans:			
	a) falling due within 12 months	120,800,977	68,220,236	52,580,741
	b) falling due beyond 12 months	27,646,849	65,105,233	(37,458,384)
	Total	**148,447,826**	**133,325,469**	**15,122,357**
5	Amounts owed to other lenders	12,471,960	0	12,471,960
6	Advance payments from customers	81,901,504	121,070,720	(39,169,216)
7	Trade payables (suppliers)	170,069,259	147,864,714	22,204,545
8	Debts represented by bills of exchange	0	0	0
9	Payables to subsidiary companies	170,054,277	160,754,377	9,299,900
10	Payables to associated companies	20,765,176	15,525,637	5,239,539
11	Payables to parent company	115,875	0	115,875
11bis	Payables to subsidiary companies of parent company	0	0	0
12	Payables to tax authority	10,642,329	5,315,565	5,326,764
13	Payables to social security institutions	643,551	842,428	(198,877)
14	Other payables	12,234,628	16,433,341	(4,198,713)
Total debts and other payables		**629,091,477**	**601,132,251**	**27,959,226**
E	**Accrued expenses and prepaid income**	3,442,905	2,434,529	1,008,376
Total liabilities and shareholders' equity		**729,240,541**	**711,108,371**	**18,132,170**

STATUTORY INCOME STATEMENT

		Year 2017	Year 2016	Change
A	**Value of production (Revenues)**			
1	Sales of goods and services	474,309,684	347,228,998	127,080,686
2	Changes in finished products, semi-finished products and works in progress	(168,623)	253,415	(422,038)
3	Changes in contracted works in progress	21,833,413	59,543,638	(37,710,225)
4	Capitalised construction costs performed for own account	476,207	1,696,136	(1,219,929)
5	Other revenue and income	18,764,216	10,877,693	7,886,523
Total value of production (Revenues)		**515,214,897**	**419,599,880**	**95,615,017**
B	**Costs of production**			
6	For raw materials, consumables and goods for resale	97,169,627	69,563,453	27,606,174
7	For services	285,632,833	244,248,261	41,384,572
8	For rental and lease of assets	3,817,718	5,232,564	(1,414,846)
9	For employees:			
	a) wages and salaries	52,803,704	59,997,595	(7,193,891)
	b) social security contributions	3,480,382	3,848,267	(367,885)
	c) employees' severance indemnity	1,413,295	1,173,450	239,845
	d) pensions costs and similar charges	0	0	0
	e) other costs relating to employees	7,472,907	7,077,019	395,888
	Total costs for employees	**65,170,288**	**72,096,331**	**(6,926,043)**
10	Amortization, depreciation and write-downs:			
	a) amortization of intangible assets	184,108	187,701	(3,593)
	b) depreciation of fixed assets	9,408,682	9,383,777	24,905
	c) write-downs of non-current assets other than investments	0	0	0
	d) write-downs of accounts receivable included in current assets	0	0	0
	Total amortization, depreciation and write-downs	**9,592,790**	**9,571,478**	**21,312**
11	Change in raw materials, consumables and goods for resale	(2,476,984)	(7,006,055)	4,529,071
12	Contingency provisions	0	0	0
13	Other accruals and provisions	0	240,000	(240,000)
14	Other operating charges	10,687,375	9,322,487	1,364,888
Total costs of production		**469,593,647**	**403,268,519**	**66,325,128**
Operating margin (EBIT) (A-B)		**45,621,250**	**16,331,361**	**29,289,889**
C	**Financial income and expenses**			
15	Income from equity investments	19,235,119	8,126,412	11,108,707
	financial income from subsidiary companies	*17,640,000*	*8,081,483*	*9,558,517*
	financial income from associated companies	*1,594,478*	*0*	*1,594,478*
16	Other financial income:			
	a) from accounts receivable included in non-current assets	0	0	0
	b) from other investments included in non-current assets other than equity investments	0	0	0
	c) from other investments included in current assets	0	0	0
	d) financial income other than income listed above, of wich:	5,457,600	14,183,759	(8,726,159)
	financial income from subsidiary companies	*565,030*	*399,759*	*165,271*
	financial income from associated companies	*4,807,349*	*4,309,718*	*497,631*
	Total other financial income	**5,457,600**	**14,183,759**	**(8,726,159)**
17	Interest and other financial charges, of wich	6,455,810	4,583,690	1,872,120
	financial charges from parent company	*1,894,656*	*1,762,805*	*131,851*
17bis	Foreign currency translation gains / (losses)	(5,723,461)	545,987	(6,269,448)
Total financial income and (expenses) (15+16-17±17bis)		**12,513,448**	**18,272,468**	**(5,759,020)**

STATUTORY INCOME STATEMENT

		Year 2017	Year 2016	Change
D	**Valuation adjustments of funancial assets and liabilities**			
18	Revaluations:			
	a) of equity investments	0	0	0
	b) of non-current investments other than equity investments	0	0	0
	c) of current investments	0	0	0
	d) of derivative contracts	110,428	0	110,428
	Total	**110,428**	**0**	**110,428**
19	Devaluation:			
	a) of equity investments	43,154,002	23,488,186	19,665,816
	b) of non-current investments other than equity investments	0	32,000	(32,000)
	c) of current investments	0	0	0
	d) of derivative contracts	0	219,833	(219,833)
	Total	**43,154,002**	**23,740,019**	**19,413,983**
Total valuation adjustments of financial assets and liabilities (18-19)		**(43,043,574)**	**(23,740,019)**	**(19,303,555)**
Profit or (loss) before income taxes (A-B±C±D)		**15,091,124**	**10,863,810**	**4,227,314**
20	Income taxes for the year			
	a) current taxes	11,439,827	6,738,297	4,701,530
	b) deferred tax (assets) / liabilities	(1,674,125)	2,174,192	(3,848,317)
	Total	**9,765,702**	**8,912,489**	**853,213**
21	**Profit or (loss) for the year**	**5,325,422**	**1,951,321**	**3,374,101**

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