

AB HOLDING SPA

Registered Offices in ORZINUOVI, VIA CADUTI DEL LAVORO 13

Share capital Euro 6,000,000.00 fully paid-up

Tax Code 02243290984

Registered with the BRESCIA Companies Register no. 02243290984
REA (Economic and Administrative Register) no. 433585

EXPLANATORY NOTES

pursuant to art. 38 of Decree 127/1991

Consolidated Financial Statements

for the year from 01/01/2018 to 31/12/2018

FORM AND CONTENT

The consolidated financial statements for the year ended 31/12/2018 have been prepared in compliance with the provisions of Decree 127/91 and subsequent amendments and additions, as interpreted and supplemented by Interpretation 17 issued by the Italian Accounting Board (OIC).

They comprise the consolidated statement of financial position, income statement and statement of cash flows, prepared in the format indicated in art. 32 of Decree 127/91, and these explanatory notes.

The explanatory notes describe, analyse and, in some cases, supplement the data reported in the financial statements and contain the information required by art. 38 of Decree 127/91, by the Italian Civil Code and by other laws that govern consolidated financial statements. They also contain additional information deemed necessary in order to provide a true and fair view of the economic and financial position and cash flows of the Group, even if not required by specific legislation.

The amounts reported in these financial statements are comparable with corresponding amounts reported in the financial statements for the prior year.

Unless expressly stated otherwise, the amounts indicated in these explanatory notes are stated in whole Euro, after rounding the individual account balances reported in the accounting records.

This process gave rise to certain positive or negative differences that have been allocated to the "Rounding reserve", within equity caption "A) VII" (other reserves) of the statement of financial position, and the "Rounding differences" caption of the income statement.

Due to the above roundings, the sum of the amounts included in detailed tables might not agree with the stated total or that reported in the financial statements.

GENERAL PREPARATION CRITERIA AND CONSOLIDATION PRINCIPLES

The consolidated financial statements as of 31 December 2018 have been prepared applying the consolidation principles indicated in art. 31 of Decree 127/91.

The reference date for these consolidated financial statements coincides with the reporting dates of the companies included within the scope of consolidation.

The financial statements of subsidiaries used for the consolidation were those prepared as of 31 December 2018 and approved by their boards of directors, as well as by their shareholders at the respective shareholders' meetings.

In general, the financial statements of Group companies are reclassified and adjusted for consistency with the accounting policies and measurement criteria adopted by the parent company, which are in line with those envisaged in art. 2423 et seq. of the Italian Civil Code and with the standards issued by the Italian Accounting Board (OIC).

The carrying amount of equity investments in consolidated companies is eliminated against the corresponding equity interest and their assets and liabilities are combined on a line-by-line basis, with separate indication of the equity and results for the year attributable to non-controlling interests.

The differences resulting from the elimination are allocated where possible to specific financial statement captions, while any positive residual amount is classified as "Goodwill arising on consolidation" (fixed asset caption B I 5).

Any negative residual difference is classified in the "Consolidation reserve" within shareholders' equity or in a specific "Provision arising on consolidation", in compliance with the criterion indicated in art. 33, para. 3, of Decree 127/91.

The above "Goodwill" is amortised in accordance with the criterion specified below in the section on "Measurement criteria", or charged to the income statement based on the economic performance of the companies concerned.

The equity attributable to the owners of the parent company and to non-controlling interests is classified in separate accounts within the statement of financial position. The income statement reports the results attributable to non-controlling interests in a separate line item.

The following general policies are also applied when preparing the consolidated financial statements:

- intercompany assets, liabilities, income, expenses and cash flows are eliminated, in order to report solely those balances and transactions arising between the Group and third parties;
- these eliminations are made to the extent that their effect on economic and financial position is significant, and on condition that the cost of the procedure is not disproportionate to the value of the information obtained;
- inventories deriving from sales between consolidated companies, subsequently eliminated on consolidation, are stated net of the intercompany gross profit generated;

- items are measured on a prudent basis, assuming the business continuity of the companies included within the scope of consolidation, and having regard for the economic function of each asset and liability;
- profits are only recognised if already realised by the reporting date;
- income and expenses relating to the year are recognised regardless of the related collection and payment dates;
- contingencies and losses attributable to the year are recognised, even if they only become known subsequent to the reporting date;
- no special cases have arisen that would have required recourse to the exceptions allowed by art. 29, para. 4, of Decree 127/1991;
- except in order to distinguish the equity attributable to owners of the parent from that attributable to non-controlling interests, the captions preceded by Arabic numbers have not be further subdivided, as the additional detail was not deemed necessary in order to provide a true and fair view;
- individual account captions do not include dissimilar items;
- the measurement criteria comply with the provisions of art. 2426 of the Italian Civil Code, as amended by Decree 139/2015, and are unchanged with respect to those adopted in the prior year.

Adoption of the amendments introduced by Decree 139/2015, already reflected in the consolidated financial statements as of 31/12/2017, involved:

- the elimination of research and advertising from intangible assets; these period costs are now charged to the income statement as incurred;
- a change in the accounting treatment of "treasury shares", which are now deducted directly from equity via the recognition of a specific, negative equity reserve;
- the introduction of statutory requirements for the recognition of derivative financial instruments and hedging transactions based on international practice;
- abolition of the separate reporting of deferred loan issue discounts and premiums;
- elimination of the memorandum accounts previously reported at the foot of the statement of financial position;
- elimination of the separate identification of non-recurring income and expense from the income statement;
- presentation of prior-year comparative amounts for each caption reported in the statement of financial position and the income statement;
- recognition of items in the statement of financial position and the income statement in compliance with arts. 2424-bis and 2425-bis of the Italian Civil Code;
- in general, the measurement criteria adopted are unchanged with respect to those applied in the prior year, except for those account items whose measurement criteria were modified by Decree 139/2015.

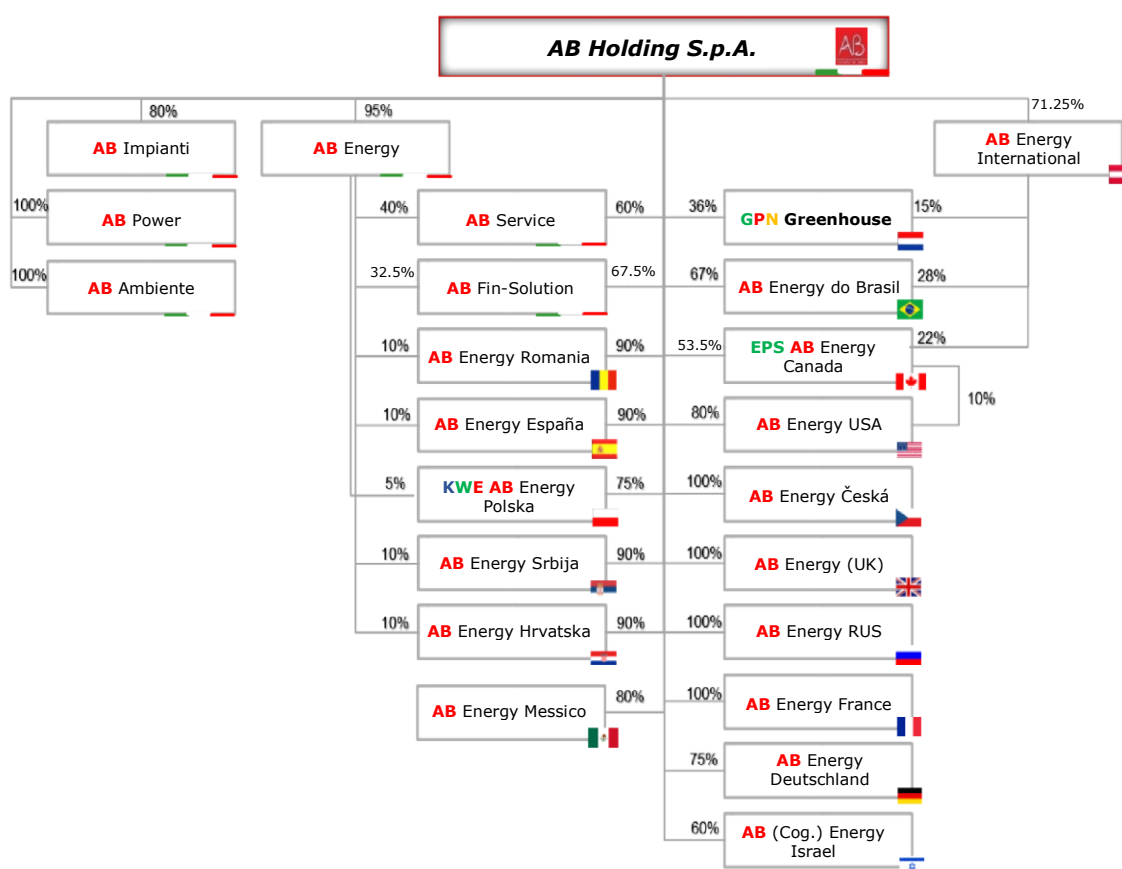
SCOPE OF CONSOLIDATION

The consolidated financial statements comprise the separate financial statements of "AB HOLDING SpA", the parent company, and those of the companies in which it:

- controls, directly or indirectly, the majority of voting rights at ordinary shareholders' meetings;
- controls sufficient votes to exercise dominant influence at shareholders' meetings;
- has a dominant influence pursuant to a contract or a clause in the articles of association;
- exercises independent control over the majority of voting rights pursuant to agreements with other shareholders.

The right of exclusion pursuant to art. 28 of Decree 127/91 has not been exercised for any of the companies included within the scope of consolidation.

The Group organisation chart and list of consolidated companies as of 31/12/2018 is presented below:



CHANGE IN SCOPE OF CONSOLIDATION

No changes during the year.

...//...

Pursuant to art. 38, para. 2, of Decree 127/91, it is confirmed that:

- no companies have been consolidated on a proportional basis;
- no companies have been measured using the equity method pursuant to paras. 1 and 3 of art. 36 of Decree 127/91;
- no subsidiaries or associates have been omitted from the above table.

MEASUREMENT CRITERIA APPLIED TO THE FINANCIAL STATEMENT CAPTIONS

The various consolidated captions have been measured on the basis that the Group and the individual Group companies will continue in business for the foreseeable future.

The accounting policies and measurement criteria have been applied consistently in relation to all consolidated companies.

The most significant measurement criteria and policies adopted for the preparation of the consolidated financial statements as of 31 December 2018 are described below; they are unchanged with respect to the prior year.

MEASUREMENT CRITERIA

Introduction

The measurement criteria adopted are those applied to prepare the separate financial statements of the consolidating company, in accordance with art. 2426 and other provisions of the Italian Civil Code, as modified by Decree 139/2015. Accordingly, no recourse has been made to alternative criteria, as would be allowed by art. 35, para. 2, of Decree 127/1991.

For the assessment of particular cases not specifically regulated by the above regulations, reference was made to national accounting standards prepared by the Italian Association of Chartered Accountants / Italian Accounting Body (OIC).

The various consolidated captions have been measured on the basis that the Group and the individual Group companies will continue in business for the foreseeable future. The accounting policies and measurement criteria have been applied consistently in relation

to all consolidated companies.

The most significant measurement criteria and policies adopted for the preparation of the consolidated financial statements as of 31 December 2018 are described below; they are unchanged with respect to the prior year.

ASSETS

B - FIXED ASSETS

Intangible assets

Intangible assets are recorded at purchase or production cost, including any related charges, with the consent of the Board of Statutory Auditors when required. They are classified in asset caption B.I of the statement of financial position and, net of accumulated amortisation, total Euro 3,319,274.

Deferred charges are only capitalised if, and to the extent that, they can be "recovered" due to the future profitability of the business.

Should this condition cease to apply in the years following initial capitalisation, the assets concerned are written down. If the reasons for write-downs cease to apply in future years, the original amounts are reinstated net of the related accumulated amortisation.

Intangible assets are amortised systematically every year, having regard for the residual economic useful life of each asset or deferred charge. In particular, these assets are amortised using a "plan" that is considered to allocate their cost properly over their specific economic useful lives. The amortisation plan is only revised if the residual economic useful life of the asset concerned is found to differ from that originally estimated. The amortisation plan applied on a "straight-line" basis is unchanged with that adopted in prior years.

There has not been any need to make the impairment adjustments allowed by art. 2426, para. 1.3, of the Italian Civil Code.

With regard to the amounts reported in the individual captions of the statement of financial position, these have been recognised following a prudent assessment of their long-term benefit to the business. In particular:

Start-up and expansion costs

This caption reflects the non-recurring charges incurred at specific and defining moments in the life of the business, such as the pre-operating phase or on the expansion of its operating capacity.

Amounts are capitalised following specific analysis of the future benefits deriving from each cost component.

No start-up or expansion costs have been recognised.

Industrial patents and intellectual property rights

This asset caption is used to record the costs incurred on intellectual creations that have some form of legal protection and are expected to generate economic benefits for the company.

The costs capitalised comprise internal production costs and external purchase costs.

The industrial patents and intellectual property rights classified as assets in the statement of financial position total Euro 195,988 and are amortised on a straight-line basis over 2 years. Asset caption B.I.3) comprises the purchase cost of applications software and licences to use applications software for an indefinite period.

Concessions, licences, trademarks and similar rights

The costs capitalised as "Concessions" relate solely to the concessions obtained in relation to public goods / services.

The costs capitalised as "Licences" relate to the authorisations obtained in order to carry out regulated activities.

The costs capitalised as "Trademarks" reflect the costs incurred for their purchase.

Concessions, licences, trademarks and similar rights classified as assets in the statement of financial position total Euro 94,890 and are amortised on a straight-line basis over 18 years.

Goodwill

There is no goodwill reported in the financial statements of Group companies.

Goodwill arising on consolidation

The consolidation difference classified in intangible asset caption "B I 5 - Goodwill" relates to the positive goodwill that arose on the purchase of equity investments, which is amortised over ten years.

Assets in progress and advances

Assets in progress and advances are recognised as assets in accordance with the provisions of the Italian Civil Code; they are not amortised.

These amounts will be reclassified to the relevant intangible asset captions when ownership of the related rights is acquired or the projects are completed.

Other intangible assets

The costs classified in this residual caption are expected to benefit the Group over a number of years and show clear evidence of recoverability.

They comprise:

- expenses incurred on assets held under finance leases;
- borrowing costs on outstanding loans;
- software implementation costs.

The other intangible assets reported in the statement of financial position total Euro 905,156, based on the costs incurred and the amortisation accumulated over the period they are expected to benefit the business.

This caption is analysed as follows:

		31/12/2018		31/12/2017
Deferred charges (on loans)	€	0	€	1,552
Leasehold improvements	€	648,156	€	518,460
Software implementation costs	€	339,993	€	325
Other, including consolidation entries	€	176,219	€	384,819
Total	€	1,164,368	€	905,156

The costs incurred on leasehold improvements are classified in this caption as they cannot be separated from the assets concerned.

Amortisation is provided over the period that the costs incurred are expected to benefit or, if shorter, over the residual duration of the lease contract, having regard for any renewal period.

Considering the residual useful lives of the above intangible assets, the following amortisation rates are used:

(table below)

Description	Amortisation rate
Goodwill	
Goodwill	20%
Industrial patents and intellectual property rights	
Trademarks	5.56%
Concessions, licences, trademarks and similar rights	
Software under concession	from 20.00% to 100%
Other intangible assets	
Loan-related expenses	from 4.48% to 50%
Leasehold improvements	from 0.04% to 50.07%

Property, plant and equipment

Property, plant and equipment are recorded at purchase or production cost plus any directly-related charges. They total Euro 69,552,625.

Composition of production cost

The cost of internally-produced fixed assets and improvements made to depreciable assets includes all directly-related expenses. The amount is determined by summing the cost of materials, direct labour and that part of production overheads directly attributable to the asset concerned.

Capitalisation of borrowing costs

If the relevant criteria are met, borrowing costs also are capitalised to the extent that the related loans financed the construction or manufacture of assets until they became available for use.

Capital grants

The amount of any capital grants obtained is deducted from the "historical cost" of the depreciable assets concerned (so-called income method), as expressly allowed by Italian Accounting Standard OIC 16. As a consequence, depreciation is calculated on the cost of the asset net of the grant, without this being explicitly reported in the income statement.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated systematically every year, having regard for the residual useful life of each asset. The production cost of property, plant and

equipment not acquired externally only comprises those costs that are directly attributable to them.

Any “improvement” expenses are only added to purchase cost if they result in a clear and “measurable” increase in productivity or useful life, or a tangible improvement in the quality of the products or services obtained or, lastly, an increase in the safety in use of the asset concerned. All other costs incurred in relation to these assets are charged in full to the income statement.

With the exception of land, built-upon areas, areas available for construction and any residential property held for investment purposes, property, plant and equipment are depreciated each year in accordance with a technical-economic plan that is considered to allocate their cost properly over the economic useful lives of the specific assets concerned.

The depreciation criteria applied when preparing the financial statements as of 31/12/2018 are unchanged with respect to those adopted in prior years. The depreciation plan is only revised if the residual economic useful life of the asset concerned is found to differ from that originally estimated. In addition to the physical duration of assets, consideration is also given to the other factors that affect their “economic” lives, such as technical obsolescence, intensity of use, maintenance policy etc.

Considering the residual useful lives of the above property, plant and equipment, the following depreciation rates are used:

(table below)



Description	Amortisation rate
Land and buildings	
Buildings	from 3% to 5%
Plant and machinery	
General installations	from 9% to 15%
Lifts	12%
Filtration plant	15%
Alarms	30%
Machinery	from 10% to 15.5%
Scaffolding	10%
CHP installations	10%
Irrigation plant	12.5%
Agricultural machinery	9%
Industrial and commercial equipment	
Misc. equipment	from 9.91% to 50%
Linens	40%
General equipment	25%
Other tangible assets	
Computers and electronic office machines	from 10% to 33.33%
Electronic office machines - telephones	from 2% to 20%
Lorries	from 14% to 30%
Motor vehicles	from 14% to 30%
Motor vehicles given as benefits	from 16.67% to 25%
Office furnishings	from 10% to 33.33%
Workshop and laboratory furnishings	12%
General furnishings	from 10% to 15%

Van equipment	from 12% to 25%
Temporary constructions	10%
Lifters	20%
Agricultural trailers	12.50%
LVA	20%

If, at the reporting date, the value of assets is found to be permanently impaired with respect to that resulting from application of the above criterion, the assets concerned are stated at the lower amount. The reasons for such impairment write-downs must always be exceptional and serious, beyond those that would require normal adjustments to the depreciation plan.

There has not been any need in the current year to make the impairment adjustments allowed by art. 2426, para. 1.3, of the Italian Civil Code.

Property, plant and equipment acquired during the year are depreciated at half the standard rates, since this is deemed appropriate in the circumstances.

Advances paid for the future purchase of property, plant and equipment are stated at their nominal value.

Financial fixed assets

Financial fixed assets amount to Euro 3,641,457.

Equity investments

Equity investments are recorded at "historical cost", as adjusted, where necessary, for the effect of write-downs to reflect the interest held in their shareholders' equity, as required by art. 2426 of the Italian Civil Code. Any positive differences between the above value and the corresponding equity interest, as reflected in the latest available financial statements of the investee company, are therefore not recognised.

If adjusted, the original value is reinstated in subsequent years should the reasons for the write-down cease to apply.

Any loans granted to these companies are recorded at their nominal value, as they are deemed with justification to be recoverable.

Other financial fixed assets

The other financial fixed assets, recorded at their historical cost including related charges pursuant to art. 2426, para. 1, of the Italian Civil Code, comprise investments in companies other than subsidiaries and associates. These are measured at purchase cost, including related charges, as it is not necessary to recognise any impairment adjustments.

Non-current securities

Non-current securities, due to be held until their natural maturity date, are recorded at purchase cost. Their recorded cost includes any directly-related charges.

These securities have not been written down, as no impairment losses have been incurred.

Inventories

Inventories, securities and financial assets not representing fixed assets are recorded at their "historical" purchase or production cost, as this does not exceed their realisable value estimated with reference to market conditions at the reporting date.

The inventories reported in asset caption C.I. of the statement of financial position total Euro 123,594,134.

The following inventories are measured at purchase or production cost, pursuant to art. 2426, para. 1.9, of the Italian Civil Code:

- Raw, ancillary and consumable materials;
- Work in process;
- Contract work in progress completed in less than one year and semi-finished products;
- Finished products and goods for resale.

Inventories measured at realisable value

Pursuant to para. 1.9 of art. 2426 of the Italian Civil Code, the following inventories are measured at their realisable value, as determined with reference to market conditions, as this is lower than their purchase or production cost:

- Finished products comprise "Corn" and "Triticale", both agricultural products.

In particular, in order to determine the value of goods, work in process, semi-finished and finished products, direct reference is made to their net realisable value, being their normal selling price net of completion costs and direct selling expenses (packaging, transportation etc.), while the value of raw and ancillary materials used in the production of finished products is determined with reference to their replacement cost, being the cost for which they are normally purchased or reproduced.

For the sake of clarity and in accordance with the concept of prudence, it is specified that the carrying amount of these products is Euro 238,327, compared with the purchase and/or production cost of Euro 268,789.

Obsolete inventories

There are no obsolete inventories.

Categories of fungible asset – Weighted average cost

The cost of fungible assets, in particular raw, ancillary and consumable materials, is determined using the weighted average cost method, whereby the quantities of each category of asset purchased or produced are pooled and deemed to be equally available. The weighting is determined with reference to each movement.

Adoption of this method is envisaged in art. 2426, point 10, of the Italian Civil Code and art. 92 of Presidential Decree 917 dated 22 December 1986.

The resulting cost is not significantly different to the current cost of the assets at the reporting date.

This category includes the internal combustion engines needed to manufacture cogeneration plant.

Categories of non-fungible asset

If not already measured at “weighted average” cost, as described above, inventories of non-fungible assets (being readily identifiable assets with a high unit value and/or that cannot be grouped into categories of similar items) are measured individually at their specific purchase or production cost.

Work in process and finished products

Products and services in process, finished products and other work in progress are measured with reference to the costs and directly-related charges incurred during the year, on a completed contract basis.

In particular:

- measurement of raw, ancillary and consumable materials: average cost weighted by each movement;
- measurement of labour: average cost of each function;
- measurement of other specific expenses: specific cost.

Contract work in progress

Contract work in progress for customers is measured with reference to the direct, indirect and ancillary production costs actually incurred, on condition that they can be specifically allocated to the contract, on a completed contract basis.

In particular:

- measurement of raw, ancillary and consumable materials: average cost weighted by each movement;
- measurement of labour: average cost of each function;
- measurement of other specific expenses: specific cost.

Work in progress for the provision of services

Work in progress for the provision of services to customers is measured with reference to the situation at the reporting date, recognising the direct and ancillary production costs actually incurred, on condition that they can be specifically allocated, on a completed contract basis.

Contract work in progress

Completed contract basis

Contract work in progress is measured at the lower of cost or estimated realisable value, making reference to the industrial costs attributable to them. These are determined by summing the direct industrial costs incurred and a reasonable allocation of the indirect industrial costs reflected in the cost accounting records. Inventories do not include any borrowing costs incurred on loans arranged to finance production, as would be allowed pursuant to art. 2426, para. 1, points 1 and 9, of the Italian Civil Code.

Advances

Advances are paid for future supplies and stated at their nominal value.

Receivables

The receivables reported in asset caption C.II. of the statement of financial position total Euro 84,079,379. These receivables are measured at their estimated realisable value.

The carrying amount of trade receivables represents the difference between their nominal value and the allowance for doubtful accounts accumulated over time, which is fully adequate to cover theoretical collection losses, as increased by a provision recorded every year.

This additional provision takes account of general collection risks that are not attributable to specific receivables, but which are justifiably foreseeable. Further details are provided later.

Deferred tax assets

Asset caption "C.II – Receivables" includes deferred tax assets totalling Euro 6,700,880.

This amount relates to "current" taxes (IRES and IRAP) on the "deductible temporary differences" that will reverse in the foreseeable future when their recoverability against "net" taxable income is reasonably likely.

Current financial assets

The current financial assets reported in asset caption "C.III" of the statement of financial position total Euro 2,000,000.

The changes in the sub-accounts comprising current financial assets held for sale are analysed in the following table:

	Changes during the year	Closing balance
Investments in subsidiaries		0
Investments in associates		0
Investments in parent companies		0
Other investments		0
Treasury shares		0
Other securities	2,000,000	2,000,000
Total current financial assets	2,000,000	2,000,000

The other securities, sold in the current year, comprised bonds issued by Banks, held for short-term investment purposes.

Liquid funds

The liquid funds reported in asset caption C.IV. of the statement of financial position total Euro 150,722,167 and correspond to the balances held on bank current accounts and the cash on hand at the reporting date, stated at their nominal value.

The foreign currency on hand was translated using the spot rates on the reporting date.

OTHER MEASUREMENT CRITERIA

Accruals and deferrals

The "Accrued income and prepaid expenses" reported in asset caption D. of the statement of financial position total Euro 873,512 and comprise costs incurred by the reporting date but relating to future accounting periods, and income earned during the year that will be formally recognised in future years.

The "Accrued expenses and deferred income" reported in liability caption E. of the statement of financial position total Euro 2,332,625 and comprise costs relating to the year that will be formally recognised in future accounting periods, and income received during the year that relates to future years.

These captions only comprise costs and revenues relating to two or more accounting periods that can be allocated on a time-apportioned basis.

Other receivables and payables

The other receivables and payables reported in the statement of financial position are stated at their nominal value.

Share capital

Share capital is stated at the nominal value of the shares subscribed by the shareholders for the capital transactions already completed.

Reserves

Reserves are stated at their nominal value.

Provisions for risks and charges

The "Provisions for risks and charges" comprise the provisions made on a prudent accruals basis in order to cover known or likely losses or payables the exact amount and timing of which cannot be determined. The assessment of risks and charges whose crystallisation depends on the outcome of future events takes account of any information that becomes

available subsequent to the reporting date, up to the date of preparation of these financial statements.

The **"Deferred and other taxes"** reported in liability caption "B-Provisions for risks and charges", Euro 2,055,963, comprise the deferred tax liabilities calculated on the temporary differences between the reported results for the year and taxable income, which are determined in the manner envisaged in Italian Accounting Standard OIC 25. Since this is a liability, the provision was calculated on a prudent basis.

Employee severance indemnities

The provision for severance indemnities represents the liability to employees, determined in accordance with the law and the current employment contract, net of the flat tax on the inflation revaluation accrued pursuant to art. 2120 of the Italian Civil Code subsequent to 1 January 2001, as envisaged in art. 11, para. 4, of Decree 47/2000, and is classified in liability caption C. of the statement of financial position. This provision amounts to Euro 4,586,451.

The liability represents the total of the individual indemnities earned by employees at the reporting date, net of any advances paid, and equals the amount that would have been paid to them had their employment relationships terminated on that date. The liability is revalued in accordance with current regulations.

If, in compliance with the rules on the reform of "Supplementary Pensions" (Decree 252 dated 5/12/2005 and subsequent amendments and additions, and art. 1, para. 755 et seq. of Law 296/06), the conditions apply for the transfer of accrued severance indemnities to the "Supplementary Pension Funds" or the "INPS Treasury Fund", the amounts concerned are not recorded in this caption since, depending on the election made by each employee, they are paid periodically to the above Funds.

Translation of foreign currency amounts

The foreign currency transactions carried out during the year were translated using the transaction-date exchange rates.

Foreign currency assets and liabilities are translated using the spot exchange rates ruling on the reporting date, with the exception of intangible assets, property, plant and equipment and financial fixed assets (comprising equity investments carried at cost), which remain translated using the transaction-date exchange rates. At the reporting date, this adjustment resulted in the recognition of "differences" (exchange gains and losses) in income statement caption "C17-bis exchange gains and losses" totalling Euro 1315613, as analysed below:

Exchange losses	€	-1,741,053
Exchange gains	€	1,265,273
Unrealised exchange losses identified at year end	€	-1,082,599
Unrealised exchange gains identified at year end	€	242,767

Finance leases

Consistent with current legislation, operating assets held under finance leases are recognised in the separate financial statements of consolidated companies on a "rental basis" (instalment payments are recognised as period costs in the income statement); as required by art. 2427 of the Italian Civil Code (following the reform of company law), the effect of applying finance lease methodology pursuant to IAS 17 is specified in point 22) of the explanatory notes.

In the consolidated financial statements, assets of significant value held under finance leases are reported using the methodology described in IAS 17 "Leases", which applies the principle of substance over form in order to provide clear information.

Consistent with this standard:

- the financial lease instalments recognised by companies included within the scope of consolidation are eliminated;
- leased assets are recognised as property, plant and equipment at the purchase cost incurred by the lessor and the matching payable recorded is steadily reduced by the amount of principal embedded in the lease instalment payments;
- the carrying amount of these assets is depreciated systematically in accordance with art. 2426 of the Italian Civil Code and the accounting standard on "Tangible fixed assets" issued by the Italian Accounting Board (OIC);
- the related borrowing costs are charged to the income statement on an accruals basis;
- no amounts are reported in the memorandum accounts.

In the case of sale-and-leaseback transactions, any difference between the selling price of the asset and its carrying amount is charged to the income statement immediately, in the event of a capital loss, or recognised over the life of the contract if a capital gain is realised.

In particular, any resulting capital gains are classified as deferred income and released to the income statement, on an accruals basis, over the life of the related finance lease contract.

With regard to properties held under finance leases, the separation of the land on which they are built and the tax treatment of the principal payments already recorded are governed by art. 36 of Decree 223 dated 4 July 2006, as enacted by Law 248 dated 4 August 2006 and subsequent amendments and additions.

The values determined pursuant to the above legislation, which are deemed fair for statutory reporting purposes, were used to establish the amount of property lease instalments that is not deductible for tax purposes.

Revenues and costs

Revenues from the sale of goods are recognised when ownership passes, which normally takes place on the shipment or delivery of the goods concerned, having regard for the clauses of the related supply contracts.

Revenues deriving from contracts for works are recognised when the conditions arise for the acceptance and testing of the works concerned, as envisaged in art. 1665 of the Italian Civil Code.

Revenues from the provision of services, on the other hand, are only recognised after they have been provided, on issue of the invoice or other specific "communication" sent to the customer.

Lastly, financial revenues are recognised on an accruals basis.

Revenues and income, costs and charges are stated net of returns, discounts, allowances and rebates, as well as the direct taxes associated with the sale of products and the provision of services.

Direct taxes

Taxes are recognised on an accruals basis; accordingly, they represent:

- the taxes determined or to be determined for the year, applying the current tax rates and regulations;
- the deferred taxes relating to the temporary differences that arose or reversed during the year.

CRITERIA AND RATES APPLIED TO TRANSLATE FOREIGN CURRENCY FINANCIAL STATEMENTS

The financial statements of foreign subsidiaries and associates not denominated in Euro are translated using the exchange rates in force on the reporting date for items reported in the statement of financial position, and using the average rates for the year for income statement items.

The resulting translation differences are recognised in the "Translation reserve" that is classified within equity caption "A VII - Other reserves".

Foreign currency financial statements have been translated using the rates reported in the following table:

(table below)

Currency	Exchange rate as of 31/12/2018	Average rate for the year
New Romanian Lei	4.6635	4,654
Polish Zloty	4.3014	4.2615
Serbian Dinar	118.3109	118.2365
Croatian Kuna	7.4125	7.4182
Czech Corona	25,724	25,647
Brazilian Real	4,444	4.3085
Canadian Dollar	1.5605	1.5294
US Dollar	1.1450	1,181
Israeli Shekel	4.2972	4.2423
Russian Rouble	79.7153	74.0416
Mexican Peso	22.4921	22.7054

CHANGES IN FIXED ASSETS

The changes in the fixed assets classified in asset caption B.I are analysed in the following schedules.

For completeness of understanding, certain amounts stated in the following tables, including the related comparative amounts, were reclassified during the year without any

effect on the reported net carrying amounts.

B.I - INTANGIBLE ASSETS

Balance as of 31/12/2018	€	3,319,274
Balance as of 31/12/2017	€	3,251,045
Changes	€	68,229

Intangible assets break down as follows:

Start-up and expansion costs		
	31/12/2018	31/12/2017
Historical cost	36,238	36,238
Prior year revaluations	-	-
Prior year writedowns	-	-
Acc. amort. and prior year changes	- 36,238	- 28,991
Opening balance	-	7,248
Additions during the year	-	-
Reclassifications	-	-
Disposals during the year	-	-
Elimination of acc. depn. on disposals	-	-
Revaluations during the year	-	-
Writedowns during the year	-	-
Depreciation charge for the year	-	- 7,248
Other	-	-
Net closing balance	-	-

Patents and intellectual property rights	-	
	31/12/2018	31/12/2017
Historical cost	470,757	355,868
Prior year revaluations	-	-
Prior year writedowns	-	-
Acc. amort. and prior year changes	- 413,314	- 340,293
Opening balance	57,445	15,575
Additions during the year	391,975	114,889
Reclassifications	-	-

Disposals during the year	-	-
Elimination of acc. depn. on disposals	-	-
Revaluations during the year	-	-
Writedowns during the year	-	-
Amortisation charge for the year	- 253,432	- 69,303
Other	-	- 3,716
Net closing balance	195,988	57,445

Concessions, licences, trademarks and similar rights	-	
	31/12/2018	31/12/2017
Historical cost	969,794	799,184
Prior year revaluations	-	-
Prior year writedowns	-	-
Acc. amort. and prior year changes	- 876,936	- 759,770
Opening balance	92,858	39,414
Additions during the year	96,903	130,497
Reclassifications	76,800	40,113
Disposals during the year	-	-
Elimination of acc. depn. on disposals	-	-
Revaluations during the year	-	-
Writedowns during the year	-	-
Amortisation charge for the year	- 171,670	- 117,177
Other	-	-
Net closing balance	94,890	92,858

Goodwill		
(arising on consolidation)	31/12/2018	31/12/2017
Historical cost	3,589,634	3,589,634
Prior year revaluations	-	-
Prior year writedowns	-	-
Acc. amort. and prior year changes	- 1,394,046	- 1,045,775
Opening balance	2,195,588	2,543,859
Additions during the year	-	-

Reclassifications	-	-
Disposals during the year	-	-
Elimination of acc. depn. on disposals	-	-
Revaluations during the year	-	-
Writedowns during the year	-	-
Amortisation charge for the year	- 348,271	- 348,271
Other	-	-
Net closing balance	1,847,317	2,195,588
Advances on intangible assets		
	31/12/2018	31/12/2017
Historical cost	-	-
Prior year revaluations	-	-
Prior year writedowns	-	-
Acc. amort. and prior year changes	-	-
Opening balance	-	-
Additions during the year	16.711	-
Reclassifications	-	-
Disposals during the year	-	-
Elimination of acc. depn. on disposals	-	-
Revaluations during the year	-	-
Writedowns during the year	-	-
Depreciation charge for the year	-	-
Other	-	-
Net closing balance	16.711	-

Other intangible assets		
	31/12/2018	31/12/2017
Historical cost	2,533,471	2,428,849
Prior year revaluations	-	-
Prior year writedowns	-	-
Acc. amort. and prior year changes	- 1,628,315	- 1,379,081
Opening balance	905,156	1,049,768
Additions during the year	532,771	10,091
Reclassifications	373,583	107,831
Disposals during the year	3,583	- 11,000
Elimination of acc. depn. on disposals	-	7,811
Revaluations during the year	-	-
Writedowns during the year	-	-
Depreciation charge for the year	- 642,401	- 257,045
Other	-	-

Other (changes in foreign currency historical cost)	- 1,159	- 2,299
Other (changes in foreign currency amortisation)	1	- 1
Net closing balance	1,164,368	905,156

Revaluations

No assets recognised in the statement of financial position have ever been revalued, whether in the current year or in prior years.

Extent and reasons for any impairment writedowns of fixed assets

None of the intangible assets reported in the financial statements have been written down, since their value is not impaired. It is reasonable for expect that the net carrying amounts reported in the statement of financial position at year end will be recovered from use of the related assets, or from the sale of the goods and services to which they relate.

B.II - PROPERTY, PLANT AND EQUIPMENT

Balance as of 31/12/2018	€	69,552,625
Balance as of 31/12/2017	€	68,135,038
Changes	€	1,417,587

Property, plant and equipment break down as follows:

Land and buildings		
	31/12/2018	31/12/2017
Historical cost	39,969,574	39,709,729
Prior year revaluations	-	-
Prior year writedowns	-	-
Acc. depn. and prior year changes	- 7,235,218	- 6,424,920
Opening balance	32,734,356	33,284,810
Additions during the year	4,259,191	183,644
Reclassifications	86,333	205,012
Disposals during the year	-	- 142,000
Elimination of acc. depn. on disposals	-	-
Revaluations during the year	-	-
Writedowns during the year	-	-

Depreciation charge for the year	- 840,670	- 810,299
Other (changes in foreign currency historical cost)	- 6,686	13,189
Other (changes in foreign currency amortisation)	-	-
Net closing balance	36,232,524	32,734,356

Considering that these financial statements have been prepared under Italian accounting standards and that, for depreciation purposes, the value of land must be separated on the basis of estimates pursuant to OIC 16, should the value of buildings also include the land on which they are built, an estimate is made of the separate value of the buildings concerned.

Plant and machinery		
	31/12/2018	31/12/2017
Historical cost	53,197,281	45,822,071
Prior year revaluations	-	-
Prior year writedowns	-	-
Acc. amort. and prior year changes	- 24,858,225	- 21,944,823
Opening balance	28,339,055	23,877,248
Additions during the year	2,218,149	8,958,832
Reclassifications	1,120,424	1,016,784
Disposals during the year	- 161,617	- 2,535,441
Elimination of acc. depn. on disposals	55,500	959,066
Revaluations during the year	-	-
Writedowns during the year	-	-
Depreciation charge for the year	- 5,398,154	- 3,872,468
Other (changes in foreign currency historical cost)	- 3,716	- 64,965
Other (changes in foreign currency amortisation)	-	-
Net closing balance	26,169,641	28,339,055

Industrial and commercial equipment		
	31/12/2018	31/12/2017
Historical cost	4,826,538	4,094,008
Prior year revaluations	-	-
Prior year writedowns	-	-
Acc. amort. and prior year changes	- 3,637,666	- 3,052,946
Opening balance	1,188,872	1,041,063

Additions during the year	941,127	736,395
Reclassifications	- 12,805	3,760
Disposals during the year	- 23,701	- 15,352
Elimination of acc. depn. on disposals	- 406	-
Revaluations during the year	-	-
Writedowns during the year	-	-
Depreciation charge for the year	- 699,300	- 584,720
Other (changes in foreign currency historical cost)	- 49,242	7,727
Other (changes in foreign currency amortisation)	-	-
Net closing balance	1,344,546	1,188,872

Other tangible assets		
	31/12/2018	31/12/2017
Historical cost	15,234,333	13,641,659
Prior year revaluations	-	-
Prior year writedowns	-	-
Acc. amort. and prior year changes	- 11,331,958	- 9,991,219
Opening balance	3,902,375	3,650,441
Additions during the year	2,057,697	1,779,655
Reclassifications	45,880	5,900
Disposals during the year	- 52,798	- 162,253
Elimination of acc. depn. on disposals	32,535	142,814
Revaluations during the year	-	-
Writedowns during the year	- 511	-
Depreciation charge for the year	- 1,593,582	- 1,508,026
Other (changes in foreign currency historical cost)	6,211	- 6,927
Other (changes in foreign currency amortisation)	-	771
Net closing balance	4,397,805	3,902,375

Assets under construction and advances		
	31/12/2018	31/12/2017
Historical cost	2,039,771	4,952,186
Prior year revaluations	-	-
Prior year writedowns	-	-
Acc. amort. and prior year changes	-	-
Opening balance	2,039,771	4,952,186
Additions during the year	1,176,586	1,750,035

Reclassifications	- 1,690,216	- 1,392,031
Disposals during the year	-	-
Elimination of acc. depn. on disposals	-	-
Revaluations during the year	-	-
Writedowns during the year	-	-
Depreciation charge for the year	-	-
Other (changes in foreign currency historical cost)	-	-
Other changes	- 118,033	- 3,270,419
Net closing balance	1,408,109	2,039,771

B III - FINANCIAL FIXED ASSETS

Balance as of 31/12/2018	€	3,641,457
Balance as of 31/12/2017	€	2,080,710
Changes	€	1,560,747

This item breaks down as follows:

Investments in subsidiaries, associates, parent and other companies				
	Subsidiaries	Associates	Parent companies	Other companies
Historical cost	0	0	0	0
Prior year revaluations	0	0	0	0
Prior year writedowns				
Opening balance	0	0	0	23,368
Acquisitions during the year	0	0	0	0
Disposals during the year	0	0	0	0
Reclassifications	0	0	0	-1,713
Current year revaluations	0	0	0	0
Current year writedowns	0	0	0	0
Total net carrying amount	0	0	0	21,655
Total revaluations	0	0	0	0

Following the consolidation, the equity investments held by Group companies mainly refer to the investments held in Banca C.R.A. of Borgo San Giacomo SCRL.

Revaluations

No fixed assets recognised in the statement of financial position have ever been revalued, whether in the current year or in prior years.

Extent and reasons for impairment adjustments made to property, plant and equipment

None of the intangible assets, property, plant and equipment or financial fixed assets reported in the financial statements have been written down, since their value is not impaired. It is reasonable to expect that the net carrying amounts reported in the statement of financial position at year end will be recovered from use of the related assets, or from the sale of the goods and services to which they relate.

CHANGES IN OTHER ASSET AND LIABILITY BALANCES

ASSETS

Caption C – Changes in current assets

Current assets comprise, grouped under the letter "C", the following asset captions reported in the statement of financial position:

- Caption I - Inventories;
- Caption II - Receivables;
- Caption III - Current financial assets;
- Caption IV - Liquid funds.

As of 31/12/2018 this caption amounts to Euro 360,395,680. Compared with the prior year, the increase amounts to Euro 58,140,496.

Caption C.I – Changes in inventories

The inventories reported in asset caption "C.I" of the statement of financial position total Euro 123,594,134.

The following changes took place during the year:

Balance as of 31/12/2018	€	123,594,134
Balance as of 31/12/2017	€	96,311,210
Changes	€	27,282,924

Closing inventories comprise:

Description	Amount as of 31/12/2018	Amount as of 31/12/2017	changes
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Raw, ancillary and consumable materials	65,436,057	55,064,359	10,371,698
Work in process and semi-finished products	8,095,788	7,835,596	260,192
Contract work in progress	46,518,293	29,125,924	17,392,369
Finished products and goods for resale	224,605	257,721	(33,116)
Advances	3,319,391	4,027,610	(708,219)

Caption C.II – Changes in receivables

The receivables reported in asset caption “C.II” of the statement of financial position total Euro 84,079,379.

The following changes took place during the year:

Balance as of 31/12/2018	€	84,079,379
Balance as of 31/12/2017	€	91,558,415
Changes	€	(7,479,036)

Description	Amount as of 31/12/2018	Amount as of 31/12/2017	Changes
Customers	67,117,627	72,634,096	(5,516,469)
amount due within one year	62,572,872	68,065,420	(5,492,548)
amount due beyond one year	4,544,755	4,568,676	(23,921)
Subsidiaries	0	0	0
amount due within one year	0	0	0
amount due beyond one year	0	0	0
Associates	0	0	0
amount due within one year	0	0	0
amount due beyond one year	0	0	0
Parent companies	0	0	0
amount due within one year	0	0	0
amount due beyond one year	0	0	0
Tax receivables	7,645,918	9,880,576	(2,234,658)
amount due within one year	7,578,509	9,793,850	(2,215,341)
amount due beyond one year	67,409	86,726	(19,317)
Deferred tax assets	6,700,880	6,578,814	122,066
amount due within one year	4,534,633	1,434,474	0
amount due beyond one year	2,166,247	5,144,340	0
Others	2,614,954	2,464,929	150,025
amount due within one year	2,614,954	2,464,929	150,025

amount due beyond one year	0	0	0
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All the changes, even if significant, relate to normal operating activities and do not require further comment.

The amounts due from customers are stated net of the allowance for doubtful accounts. For information purposes, this allowance has changed as follows over the year:

(table below)

Allowance for doubtful accounts	31/12/2018	31/12/2017
Opening balance	13,213,454	12,065,307
Utilisation / losses during the year	-505,420	-391,444
Writedowns and provisions during the year	1,607,609	1,441,988
Other	171,673	97,603
CLOSING BALANCE	14,487,316	13,213,454

Caption CIII - Changes in current financial assets

The current financial assets reported in asset caption "C.III" of the statement of financial position total Euro 2,000,000.

The following changes took place during the year:

Balance as of 31/12/2018	€	2,000,000
Balance as of 31/12/2017	€	0
Changes	€	2,000,000

Description	Amount as of 31/12/2018	Amount as of 31/12/2017	Changes
Investments in subsidiaries	0	0	0
Investments in associates	0	0	0
Investments in parent companies	0	0	0
Other equity investments	0	0	0
Treasury shares	0	0	0
Other securities	2,000,000	0	2,000,000

Caption C.IV – Changes in liquid funds

The liquid funds reported in asset caption “C.IV” of the statement of financial position amount to Euro 150,722,167.

The following changes took place during the year:

Balance as of 31/12/2018	€	150,722,167
Balance as of 31/12/2017	€	114,385,559
Changes	€	36,336,608

Description	Amount as of 31/12/2018	Amount as of 31/12/2017	changes
Bank and postal accounts	150,693,023	114,163,198	36,529,825
Cheques	3,690	0	3,690
Cash and equivalents	25,454	222,361	(196,907)

Caption D - Accrued income and prepaid expenses

The accrued income and prepaid expenses reported in asset caption “D” of the statement of financial position amount to Euro 873,512.

The following changes took place during the year:

Balance as of 31/12/2018	€	873,512
Balance as of 31/12/2017	€	836,094
Changes	€	37,418

Description	Amount as of 31/12/2018	Amount as of 31/12/2017	changes
Accrued income	39,949	42,081	(2,132)
Prepaid expenses	833,563	794,013	39,550
Discounts on loans	0	0	0

The changes derive from normal operating events.

The recoverability of accrued income and prepaid expenses within and beyond one year, and beyond five years, is analysed below:

Description	within one year	beyond one year	beyond five years
Accrued income	39,950	0	0
Prepaid expenses	548,313	285,250	147,342

LIABILITIES AND SHAREHOLDERS' EQUITY

Caption A – Changes in shareholders' equity

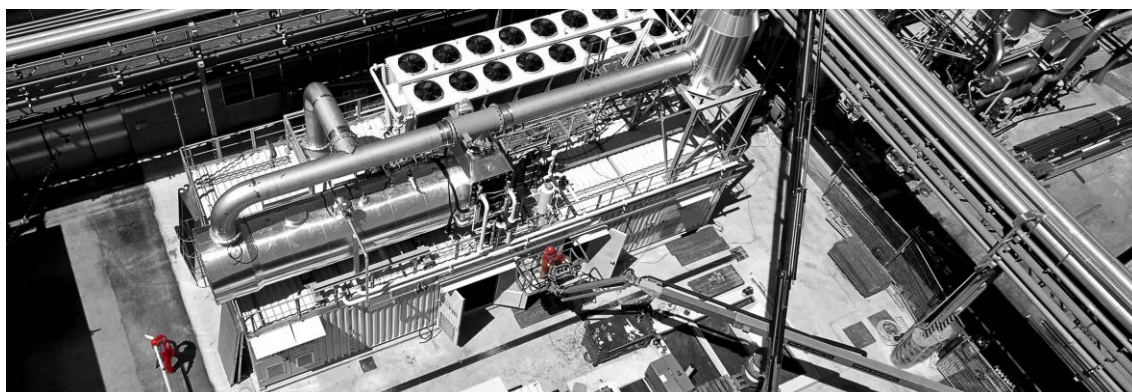
Shareholders' equity amounts to Euro 278,229,368 and has increased by Euro 30,306,593.

Shareholders' equity is analysed in the following table:

Shareholders' equity	Opening balance	Allocation of prior-year results	Other changes	Closing balance
- Share capital	6,000,000	0	0	6,000,000
- Premium account	0	0	0	0
- Revaluation reserve	0	0	0	0
- Legal reserve	1,200,000	0	0	1,200,000
- Statutory reserves	0	0	0	0
- Foreign consolidation reserve	95,762	0	-149,817	-54,055
- Ordinary reserve	36,252,171	18,383,232	0	54,635,403
- Consolidation reserve	785,929	0	0	785,929
- Retained earnings (acc. losses)	155,843,793	14,710,514	149,818	170,704,125
- Net profit attributable to owners of the parent	33,093,746	-33,093,746	30,197,111	30,197,111
- Payment of dividends	-1,000,000	0	1,000,000	0
- Capital and reserves attributable to NCIs	13,120,694	980,680	0	14,101,374
- Net profit attributable to NCIs	1,530,680	-1,530,680	659,481	659,481
Total shareholders' equity	247,922,775	-550,000	30,856,593	278,229,368

As required by OIC 17, the net results and shareholders' equity of the parent company are reconciled with the respective consolidated amounts in the following schedule.

The consolidated shareholders' equity and results attributable to the owners of the parent as of 31/12/2018 are reconciled below with the related amounts reported by the parent company:



	Shareholders' equity	Results
Shareholders' equity and results reported in the financial statements of the parent company	85,731,853	23,896,451
Adjustments to apply the accounting policies (recognition of <i>leases</i> in accordance with IAS 17)	4,408,696	86,096
Elimination of carrying amount of consolidated investments:		
a) difference between carrying amount and equity interest	176,601,865	41,531,535
b) capital gains/losses recognised on acquisition date	0	0
c) consolidation difference	1,808,541	- 340,912
Elimination of effects of intercompany transactions	-5,082,441	-26,060
Elimination of intercompany dividends	0	-34,950,000
Shareholders' equity and results attributable to owners of the parent	263,468,510	30,197,111
Shareholders' equity and results attributable to NCIs	14,760,855	659,482
Consolidated shareholders' equity and results	278,229,368	30,856,592

The statement of changes in consolidated shareholders' equity required by OIC 17 is presented in Attachment A to these explanatory notes.

Caption B – Changes in provisions for risks and charges

The changes in this caption during the year are analysed below:

Balance as of 31/12/2018	€	10,811,411
Balance as of 31/12/2017	€	12,129,033
Changes	€	(1,317,622)

Description of provision	Amount as of 31/12/2017	Provision for the year	Utilisations during the year	Other	Amount as of 31/12/2018
exchange fluctuations	0	0	0	0	0
deferred and other taxes	1,951,135	181,500	-74,851	-1,821	2,055,963
plant start-up risks	2,231,784	1,449,494	-1,028,577	-15,598	2,637,103
cyclic maintenance	6,415,291	33,072,919	-34,506,488	32,027	5,013,749
legal disputes	150,000	0	0	0	150,000
total other provisions	1,380,823	716,101	-1,191,689	49,361	954,596
Total	12,129,033	35,420,014	36,801,605	63,969	10,811,411

In compliance with OIC 31, the provision for cyclic maintenance is recorded, based on specific contractual conditions, to cover the cost of the periodic work carried out after a certain number of operating hours, accumulated over several years, in order to ensure the efficiency of the cogeneration plants.

The purposes of the provisions is to spread the cost of foreseeable (period) special maintenance over the life of the contract on an accruals basis, even though the work is performed at predetermined intervals.

Caption C – Changes in employee severance indemnities

The changes in employee severance indemnities during the year are analysed below:

Balance as of 31/12/2018	€	4,586,451
Balance as of 31/12/2017	€	3,998,251
Changes	€	588,200

Employee severance indemnities	
Opening balance	3,998,251
Provision for the year	983,781
Flat tax	-29,968
Utilisations during the year	-237,862
Advances paid during the year	-90,378
Other	-40,373
CLOSING BALANCE	4,586,451

Caption D – Changes in payables

The payables reported in liability caption “D” of the statement of financial position total Euro 141,822,693.

The following changes took place during the year:

Balance as of 31/12/2018	€	141,822,693
Balance as of 31/12/2017	€	110,206,901
Changes	€	31,615,792

The individual captions comprising payables are analysed below together with the related increases or decreases during the year:

Description	Amount as of 31/12/2018	Amount as of 31/12/2017	changes
Bonds	0	0	(0)
amount due within one year	0	0	(0)
amount due beyond one year	0	0	(0)
Convertible bonds	0	0	(0)
amount due within one year	0	0	(0)
amount due beyond one year	0	0	(0)
Loans from quotaholders	0	0	(0)
amount due within one year	0	0	(0)
amount due beyond one year	0	0	(0)
Banks	19,219,537	13,715,479	5,504,058
amount due within one year	7,895,413	8,452,029	(556,616)

amount due beyond one year	11,324,124	5,263,450	6,060,674
Other lenders	2,630,979	3,835,415	(1,204,436)
amount due within one year	400,448	1,291,692	(891,244)
amount due beyond one year	2,230,531	2,543,723	(313,192)
Advances	71,154,975	45,856,072	25,298,903
amount due within one year	71,154,975	45,856,072	25,298,903
amount due beyond one year	0	0	(0)
Suppliers	38,617,598	35,700,142	2,917,456
amount due within one year	38,617,598	35,700,142	2,917,456
amount due beyond one year	0	0	(0)
Debt securities issued	0	0	(0)
amount due within one year	0	0	(0)
amount due beyond one year	0	0	(0)
Subsidiaries	0	0	(0)
amount due within one year	0	0	(0)
amount due beyond one year	0	0	(0)
Associates	0	0	(0)
amount due within one year	0	0	(0)
amount due beyond one year	0	0	(0)
Parent companies	0	0	(0)
amount due within one year	0	0	(0)
amount due beyond one year	0	0	(0)
Tax payables	2,438,898	2,912,920	(474,022)
amount due within one year	2,438,898	2,912,920	(474,022)
amount due beyond one year	0	0	(0)
Social security institutions	2,734,321	2,303,652	430,669
amount due within one year	2,734,321	2,303,652	430,669
amount due beyond one year	0	0	(0)
Other payables	5,026,385	5,883,221	(856,836)
amount due within one year	5,026,385	5,883,221	(856,836)
amount due beyond one year	0	0	(0)

All the changes, even if significant, relate to normal operating activities and do not require further comment.

Caption E - Changes in accrued expenses and deferred income

The accrued expenses and deferred income reported in liability caption "E" of the statement of financial position total Euro 2,332,625.

Balance as of 31/12/2018	€	2,332,625
Balance as of 31/12/2017	€	2,301,111
Changes	€	31,514

Description	Amount as of 31/12/2018	Amount as of 31/12/2017	changes
Accrued expenses	124,006	64,528	59,478
Deferred income	2,208,619	2,236,583	(27,964)
Premiums on loans	0	0	(0)

The changes derive from normal operating events.

The crystallisation of accrued expenses and deferred income within and beyond one year, and beyond five years, is analysed below:

Description	within one year	beyond one year	Amount beyond five years
Accrued expenses	124,006	0	0
Deferred income	837,631	1,078,131	292,857

COMPOSITION OF START-UP AND EXPANSION COSTS AND RESEARCH, DEVELOPMENT AND ADVERTISING COSTS

- *Start-up and expansion costs*

None.

- *Research and development costs*

None.

The following schedules analyse total receivables and payables by maturity time band. These maturities were determined with reference to the related contractual conditions and, where necessary, the situation in practice.

The payables secured against Group assets are also indicated, together with the nature of the guarantees given.

Receivables with a residual duration of more than five years

There are no current or non-current receivables with a residual duration of more than five years.

Payables with a residual duration of more than five years

The consolidation did not identify any trade payables with a residual duration of more than five years.

However, the recognition of leased assets using the financial lease methodology described in *IAS 17* did identify financial payables with a residual duration of more than five years, as shown in the following table:

Payable	within 5 years	beyond 5 years	Total
Leasing under <i>IAS</i> rules	1,746,909	796,814	2,543,723
Other lenders	87,256	0	87,256
TOTAL	1,834,165	796,814	2,630,979

Lease contracts are analysed by company in the following table:

Company	Payable	within 5 years	beyond 5 years	Total
AB Service Srl	1 LEASE + addition on property at via Artigianato 24, Orzinuovi (Brescia)	600,919	796,814	1,397,733
AB Fin-Solution Spa	LEASE on machinery (CHP installations)	1,145,990	0	1,145,990
	TOTAL	1,746,909	796,814	2,543,723

Payables backed by secured guarantees

No payables backed by secured guarantees were recorded.

The loan arranged by "KWE Technica Energetyczna Z.O.O." and resulting from the consolidated financial statements of the previous year was settled in advance during the year.

Analysis of receivables and payables by geographical area

Analysis by geographical area is not meaningful.

COMPOSITION OF "ACCRUALS AND DEFERRALS", "OTHER PROVISIONS" AND "OTHER RESERVES"

Accruals and deferrals are stated at nominal value. Deferrals comprise income and expenses recorded by year end, but which relate to future accounting periods. For recognition as deferrals, the income and expenses must relate to two or more accounting periods with allocation on a time-apportioned basis.

In compliance with the matching principle specified in art. 2423-bis, point 3, of the Italian Civil Code, the deferred income and expenses are allocated to and recognised in two or more accounting periods on an accruals basis.

“Accrued income and prepaid expenses” and “Accrued expenses and deferred income” are analysed below:

(table below)

Prepaid expenses		31/12/2018	31/12/2017
Prepaid insurance and guarantee charges	€	73,191	117,519
Prepaid loan charges	€	22,271	26,830
Prepaid advertising	€	39,680	15,571
Prepaid telephone expense	€	6,549	8,980
Prepaid leasing charges	€	1,777	1,884
Prepaid rental expense	€	14,995	21,735
Prepaid technical support	€	28,899	22,820
Prepaid software updates	€	100,139	68,113
Prepaid software licence fees	€	78,402	76,634
Prepaid maintenance charges	€	188,621	82,061
Prepaid remuneration of third parties	€	104,170	227,166
Prepaid borrowing costs	€	0	0
Prepaid personnel refresher courses	€	0	0
Prepaid services and rentals	€	0	0
Other prepaid expenses	€	174,869	124,700
TOTAL	€	833,563	794,013

Accrued income		31/12/2018	31/12/2017
Accrued income on financial expenses	€	27,911	0
Accrued interest income	€	11,275	0
Accrued contract maintenance fees	€	0	36,607
Other accrued income	€	763	5,474
TOTAL	€	39,949	42,081

Deferred income		31/12/2018	31/12/2017
Deferred service and rental income	€	476,544	608,958
Deferred leasing income	€	917,949	1,190,351
Deferred interest income	€	166,297	177,344
Deferred income from guarantees given	€	0	0
Deferred remuneration	€	213,958	1,863
Deferred sales income	€	345,337	0
Deferred insurance income	€	0	126,393
Deferred income - borrowing costs	€	48,628	70,528
Other deferred income	€	39,906	61,146
TOTAL	€	2,208,619	2,236,583

Accrued expenses		31/12/2018	31/12/2017
Accrued interest expense	€	1,454	2,616
Accrued rental expense	€	15,927	15,888
Accrued expense - remuneration of third parties	€	93	0
Accrued expense - services and rentals	€	0	4,337
Accrued expense - misc. services	€	0	0
Other accrued expenses	€	106,532	41,687
TOTAL	€	124,006	64,528

Other provisions		31/12/2018	31/12/2017
Future maintenance	€	5,013,749	6,415,291
Plant start-up risks	€	2,637,103	2,231,784
Legal disputes	€	150,000	150,000
Other provisions	€	954,596	1,380,823
TOTAL	€	8,755,448	10,177,898

Other reserves		31/12/2018	31/12/2017
Ordinary reserves	€	54,635,403	36,252,171
Translation reserve	€	-54,055	95,762
Consolidation reserve	€	785,929	785,929
TOTAL	€	55,367,277	37,133,862

The consolidation reserve is unchanged with respect to the prior year.

BORROWING COSTS ALLOCATED DURING THE YEAR TO ASSETS REPORTED IN THE STATEMENT OF FINANCIAL POSITION

No borrowing costs were capitalised during the year

COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES NOT REPORTED IN THE STATEMENT OF FINANCIAL POSITION, PENSION AND SIMILAR COMMITMENTS

Commitments

Lease commitments are not discussed in these explanatory notes, as the information provided in application of the finance lease methodology described in IAS 17 is considered to be complete, as stated in the note on "Assets held under finance leases".

The commitments not reported in the statement of financial position would comprise precise obligations towards third parties that have not yet been satisfied.

There are no matters to report in this regard.

There are no pension or similar commitments.

Guarantees

Guarantees not reported in the statement of financial position comprise guarantees given by the Group in relation to its own obligations or those of others.

Commitments to third parties

In particular, the following sureties have been given by banks on behalf of the companies indicated below, to assist the guarantees given regarding the performance of installations sold to certain customers, or other contractual clauses:

Parent Company AB HOLDING SPA

Surety no.	Bank	Amount (euro)	Maturity
P_777	CRA	79,000.00	10/10/2022
No. 01/21207/6077156	INTESA	177,000.00	31/01/2019
No. 01/21207/6077753	INTESA	154,224.00	31/01/2019
No. S212071860003	INTESA	315,000.00	31/08/2019

Subsidiary AB Energy Spa

Surety no.	Bank	Amount (euro)	Maturity
No. 32833/50 (*)	UBI BANCA	233,500.00	31/12/2018
No. 32833/51 (*)	UBI BANCA	724,000.00	30/11/2018
No. 32833/52 (*)	UBI BANCA	220,000.00	15/12/2018
No. 32833/54	UBI BANCA	843,000.00	15/10/2019
No. P_772	C.R.A. DI BORGO SAN GIACOMO	27,000.00	31/01/2019
N. P_801	C.R.A. DI BORGO SAN GIACOMO	29,000.00	09/07/2019
N. P_916	C.R.A. DI BORGO SAN GIACOMO	380,000.00	30/09/2019
460011647620	UNICREDIT	11,000.00	30/07/2020
460011662371	UNICREDIT	452,000.00	31/05/2019
460011683539	UNICREDIT	234,000.00	31/07/2019

Subsidiary AB Impianti Srl

Surety no.	Bank	Amount (euro)	Maturity
No. 5226FDC3008902L0	UBI BANCA	174,600.00	15/01/2019
No. 5226FDC3009191L0	UBI BANCA	229,337.20	15/01/2019
No. 32826/17	UBI BANCA	221,560.00	30/06/2019
No. 5226FDC3009623L0	UBI BANCA	471,000.00	31/03/2019
N. P_864	C.R.A. DI BORGO SAN GIACOMO	128,000.00	31/12/2019
2430	C.R.A. DI BORGO SAN GIACOMO	57,692.17	OPEN
28532020071643	UNICREDIT	530,000.00	Open
460011621670	UNICREDIT	237,000.00	07/02/2032
460011656453	UNICREDIT	95,400.00	15/01/2019
460011656584	UNICREDIT	81,000.00	15/01/2019
No. S212071860001	BANCA INTESA	472,500.00	23/04/2019
0947000000031176	BANCA NAZIONALE DEL LAVORO	724,327.00	30/01/2019

Parent company commitments in favour of Group companies

In addition, the parent company has given the following guarantees to banks on behalf of other Group companies:

- letter of patronage (*comfort letter*) to Banca Intesa San Paolo guaranteeing the credit line granted to "AB Energy Deutschland GMBH", usable for the issue of commercial guarantees up to a maximum of Euro 4,000,000;
- letter of patronage (*comfort letter*) to Banca Intesa San Paolo guaranteeing the credit line granted to "AB Energy USA LLC", usable for the issue of commercial guarantees up to a maximum of Euro 2,000,000;
- letter of patronage (*comfort letter*) to Banca Commerciale Intesa San Paolo Romania S.A. guaranteeing the credit line granted to the subsidiary AB Energy Romania Srl for a maximum of Euro 2,000,000;
- a letter of patronage (*comfort letter*) to Lufthansa AirPlus Servicekarten Gmbh guaranteeing the issue of "virtual credit" cards to AB Energy Deutschland Gmbh for a maximum amount of Euro 5,000;
- a letter of patronage (*comfort letter*) to Lufthansa AirPlus Servicekarten Gmbh guaranteeing the issue of "virtual credit" cards to AB Energy France Sarl for a maximum amount of Euro 10,000;

The above commitments will only be called up should the principal debtors fail to make payments to the finance companies and banks that arranged the above loans. No such events have taken place up to the time of preparing these financial statements.

In this regard, the risks and benefits deriving from the above agreements are not deemed to be significant and, accordingly, have no effect on the economic and financial position or cash flows of the Group.

Contingent liabilities

Contingent liabilities reflect situations already existing at the reporting date whose financial effects will depend on the outcome of future events, which can only be determined in an imprecise and arbitrary manner. There are no matters to report in this regard.

BREAKDOWN OF REVENUES FROM SALES AND SERVICES

Revenues, net of returns, discounts, allowances and invoices unrelated to the sale of products and goods, amounted to Euro 205,632,553.



Line of business

	TURNOVER				
	CHP installations	Service work	Rentals	Sale of energy	Other
AB HOLDING SPA	-	-	-	-	23,046
AB IMPIANTI SRL	18,114,473	1,636,172	-	-	1,581,924
AB ENERGY SPA	32,577,325	305,677	238,800	-	44,464
AB SERVICE SRL	-	78,033,622	-	-	4,629,962
AB POWER SRL	-	-	-	-	14,593
AB FIN-SOLUTION SPA	-	6,025,648	8,126,266	-	1,510
AB AMBIENTE SOC. AGR. SRL		4,185	-	1,564,613	28,241
AB ENERGY ROMANIA	-	1,351,332	-	-	-
AB ENERGY ESPANA	-	723,904	-	-	-
AB ENERGY SRBIJA	-	96,034	-	-	819
AB ENERGY HRVATSKA	-	29,786	-	-	-
KWE AB ENERGY POLSKA	-	4,273,851	-	-	-
AB ENERGY CESCA		127,535			1,224
AB ENERGY INTERNATIONAL	-	-	-	-	-

AB GPN	-	-	-	-	-
EPS AB ENERGY CANADA	14,103,418	1,329,404	-	-	72,848
AB ENERGY DO BRASIL	-	5,840,758	-	-	-
AB ENERGY UK	5,100,000	848,814	-	-	-
AB ENERGY DEUTSCHLAND	12,259,500	335,116	-	-	14,796
AB ENERGY USA	4,678,930	470,702	-	-	-
AB ENERGY ISRAEL	-	-	-	-	-
AB ENERGY RUS	-	297,318	-	-	-
AB ENERGY FRANCE	-	558,070	-	-	-
AB ENERGY MEXICO	-	167,873	-	-	-
TOTAL	86,833,646	102,455,801	8,365,066	1,564,613	6,413,428

Revenues are analysed below by geographical area of destination:

Geographical area

	Consolidated turnover	Italy	EU	Non-EU
AB HOLDING SPA	23,046	23,046	-	-
AB IMPIANTI SRL	21,332,569	2,849,787	13,554,523	4,928,258
AB ENERGY SPA	33,166,265	33,166,265	-	-
AB SERVICE SRL	82,663,584	81,219,335	777,197	667,052
AB POWER SRL	14,593	14,593	-	-
AB FIN-SOLUTION SPA	14,153,424	14,153,424	-	-
AB AMBIENTE SOC. AGR. SRL	1,597,039	1,597,039	-	-
AB ENERGY ROMANIA	1,351,332	-	1,351,332	-
AB ENERGY ESPANA	723,904	-	723,904	-
AB ENERGY SRBIJA	96,853	-	-	96,853
AB ENERGY HRVATSKA	29,786	-	29,786	-
KWE AB ENERGY POLSKA	4,273,851	-	4,273,851	-
AB ENERGY CESCO	128,759	-	128,759	-
AB ENERGY INTERNATIONAL	-	-	-	-

AB GPN	-	-	-	-
EPS AB ENERGY CANADA	15,505,670	183,339	-	15,322,331
AB ENERGY DO BRASIL	5,840,758	-	-	5,840,758
AB ENERGY UK	5,948,814		5,948,814	-
AB ENERGY DEUTSCHLAND	12,609,413	-	12,609,413	-
AB ENERGY USA	5,149,632	13,330	-	5,136,302
AB ENERGY ISRAEL	-	-	-	-
AB ENERGY RUS	297,318	-	-	297,318
AB ENERGY FRANCE	558,070	-	558,070	-
AB ENERGY MEXICO	167,873	-	-	167,873
TOTAL	205,632,553	133,220,159	39,955,651	32,456,744

BREAKDOWN OF INTEREST AND OTHER FINANCIAL CHARGES

The interest and other financial charges recorded in income statement caption "C17", pursuant to art. 2425 of the Italian Civil Code, are analysed by source of the related loans below:

Description		31/12/2018
Interest expense - bank current accounts	€	9,139
Interest expense - medium/long term loans	€	72,660
Interest expense - suppliers	€	187
Interest expense - deferments and cash discounts	€	12,024
Interest embedded in lease instalments	€	88,548
Other borrowing costs	€	34,599
Total interest and other financial charges	€	217,157

AMOUNT OR NATURE OF ANY INDIVIDUALLY SIGNIFICANT REVENUES AND COSTS

No revenues or costs were recorded in relation to 2017 as a consequence of events that, in terms of their size or impact on the results for the year, would have been deemed exceptional and, therefore, not arising in the ordinary course of business and not repeatable in future years.

AVERAGE NUMBER OF EMPLOYEES, ANALYSED BY CATEGORY

The average number of persons employed by the Group is analysed below:

GROUP Italy and abroad

Type	2018	2017	2016	2015	2014	2013
Executives	1	1	1	1	1	1
Managers	28	22	22	18	15	13
Clerical staff	316	277	258	233	208	197
Foremen		0	0	0	0	0
Manual workers	432	384	339	299	272	241
Apprentices	39	33	32	28	24	26
Freelance	2	2	2	2	3	0
TOTAL	818	719	654	581	523	478

For the sake of clarity, it is confirmed that the above table includes employment by the **foreign companies** included within the 2018 scope of consolidation, as detailed separately below:

Type	2018	2017	2016	2015
Executives	0	0	0	0
Managers	6	6	6	5
Clerical staff	50	43	45	39
Foremen	0	0	0	0
Manual workers	89	76	62	48
Apprentices	0	0	0	0
Freelance	0	0	0	0
TOTAL	145	125	113	92

The average is obtained by determining for each month the number of persons employed for more than 15 days and rounding the final result to the nearest whole number.

TOTAL EMOLUMENTS EARNED BY DIRECTORS AND STATUTORY AUDITORS

The current year emoluments paid and due to the directors and statutory auditors of the parent company for the performance of their functions throughout the Group totalled Euro 307,975, as analysed below:

Directors and statutory auditors of the parent company for work performed at that company

Directors	0
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Statutory Auditors	25,722
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Directors and statutory auditors for work performed at other Group companies, pursuant to art. 38, letter "o", of Decree 127/1991:

Directors	194,000
Statutory Auditors	88,253

It is confirmed that no loans were granted to, or guarantees given on behalf of, members of the Board of Directors, Board of Statutory Auditors or the Legal Auditors during the year and that there are no such amounts outstanding at the reporting date.

OTHER DISCLOSURES PURSUANT TO ART. 38 OF DECREE 127/1991

Para. 1, letter "o-ter"

Pursuant to the above decree, no financial derivatives were recorded.

Para. 1, letter "o-quater"

There are no financial fixed assets of the type referred to in art. 38, letter "o-quater", of Decree 127/1991.

Para. 1, letter "o-quinquies"

In order to ensure compliance with the legislation regarding the corporate disclosure of related-party transactions, the Group has defined criteria for the identification of these transactions.

The Group recognises the following types of related party:

- subsidiaries and parent companies;
- associates;
- directors and senior executives of the parent company: "*key management personnel*";
- close family members of "*key management personnel*" and companies controlled by (or associated with) "*key management personnel*" or their close family members;
- employee pension funds.

Given the above, it is confirmed that no atypical and/or unusual transactions were carried out during the year ended 31/12/2018 with related or any other parties that, due to their significance and/or importance, might raise doubts about the proper safeguarding of equity or the majority or minority shareholders.

No information is provided about the remuneration of “*key management personnel*”, with the clarification that close family members of a person are deemed to be those who are likely to influence or be influenced by the person concerned in their relations with the Group. These may include:

- a) the life partner and children of the person;
- b) the children of the life partner;
- c) persons reliant on the person concerned or the life partner.

Para. 1, letter “o-sexies”

There are no agreements not reflected in the statement of financial position referred to in art. 38, letter “o-sexies”, of Decree. 127/1991.

Para. 1, letter “o-septies”

The following table shows the fees of the legal auditor or the auditing firm for the legal audit of the consolidated financial statements and other services:

Legal audit	9,573
Other services	0

Para. 1, letters “o-octies and novies”

Nothing to report.

Para. 1, letter “o-decies”

No significant events have occurred subsequent to the reporting date and, therefore, there is no impact to disclose on the consolidated economic and financial position and cash flows.

OTHER INFORMATION NOT COVERED BY ART. 38 OF DECREE 127/1991

- **Deferred taxation - temporary differences and recognition of deferred tax assets and liabilities**

Given that the financial statements must be prepared on an accruals basis, in order to match costs and revenues regardless of when the related cash flows take place, the Group has adopted full deferred tax accounting. This is because IRES and IRAP are tax charges incurred by the business in the production of its economic results and, accordingly, are similar to other costs and must be recognised, on a prudent accruals basis, in the year in which the costs and revenues to which the deferred taxes relate are recognised.

For direct tax purposes, the legislation requires taxable income to be determined by adjusting the reported results for the year by various allowances and disallowances that reflect the application of different tax criteria for the determination of total profit with respect to the measurement criteria adopted by the Group. The differences in the measurement criteria adopted for statutory and tax reporting may in fact result in temporary or permanent differences in the amount of profit determined for each purpose. Accordingly, the amount of taxation determined in the annual tax return may not coincide with the tax charge for the year calculated on an accruals basis.

Application of the IRAP tax code also requires the taxable amount to be determined by increasing or decreasing the positive and negative elements of income on a temporary basis, thereby resulting in a need to recognise the related deferred tax assets and liabilities.

The preparation of these financial statements took account of the temporary differences in the measurement criteria adopted in the current year for statutory reporting and tax purposes that will reverse in future years.

Accordingly, the financial statements include taxes that, although relating to future years, are recoverable in relation to the current year (deferred tax assets) and those that, although relating to the current year, will only be payable in future years (deferred tax liabilities).

Deferred taxation is recognised in accordance with Italian accounting standards and, therefore, on a prudent basis.

The deferred tax assets reported in the statement of financial position have been recognised as it is reasonably certain that, in the years when the related deductible temporary differences reverse, taxable income will not be less than the amounts reversing.

The deferred tax liabilities have been recognised as certain taxable temporary differences are deemed likely to reverse, resulting in payment of the related taxation.

Deferred taxation is calculated using the tax rates expected to be in force in the tax year in which the temporary differences reverse. These rates are those specified in the tax regulations in force on the reporting date.

With regard to foreign companies, the tax rates currently in force in each country have been used.

Accordingly:

- deferred tax assets are classified in asset category "C.II - Receivables", caption "4-ter - deferred tax assets";
- deferred tax liabilities that are likely to become payable are classified in liability category "B - Provisions for risks and charges", caption "2 - deferred and other taxes";
- the changes in taxation during the year are classified in income statement caption "22 - Current income taxes and change in deferred taxes", as indicated below:

(table below)

Current taxes	€	12,036,364
Change in deferred taxation	€	
<i>inc.:</i>		
<i>a) domestic tax group</i>	€	132,748
<i>b) foreign tax group</i>	€	(291,903)
<i>c) elimination of intercompany profits / losses</i>	€	230,793
<i>d) application of IAS finance lease methodology</i>	€	30,263

Deferred tax assets and deferred tax liabilities are analysed on a comparative basis in the following table:

Description		Current year	Prior year
- Deferred tax liabilities: IRES	€	2,055,963	1,951,134
- Deferred tax liabilities: IRAP	€	0	0
- Deferred tax Change in DTA: IRES	€	6,700,880	6,578,814
- Deferred tax Change in DTA: IRAP	€	0	0

- Information about equity allocated for a specific business

No equity or loans have been allocated for a specific business in accordance with the criteria envisaged in art. 2427, points 20 and 21, of the Italian Civil Code.

.... //

In conclusion, it is confirmed that these consolidated financial statements, comprising the statement of financial position, the income statement, the explanatory notes and the statement of cash flows, accompanied by the Report on operations, present a true and fair view of the financial position of the Group and the results of its operations during the year, and agree with the accounting records of the parent company and the information provided by the companies included within the scope of consolidation.

For the Board of Directors

The Chairman **GRAZIELLA CALZAVACCA**

	- Attachment 1 - Amounts attributable to the owners of the parent company										Non- controlling interests	Total
	Share capital	Legal reserve	Ordinary reserve	Consolidati on reserve	Translation reserve	Retained earnings (accumulated losses)	Results for the year	Roundings	Total			
At the end of the prior year	6,000,000	1,200,000	36,252,171	785,929	95,762	155,843,793	33,093,746	-	233,271,402	14,651,373		247,922,775
Change in scope of consolidation									-			-
Allocation of prior- year results			18,383,232			14,710,514	-33,093,746		-	- 550,000		- 550,000
Translation differences									-			-
Other changes					-149,818	149,818			-			-
Increase in share capital									-			-
Roundings									-			-
Results for the current year							30,197,111		30,197,111	659,482		30,856,593
End of current year	6,000,000	1,200,000	54,635,403	785,929	-54,056	170,704,125	30,197,111	-	263,468,513	14,760,855		278,229,368